TELECOM

2010
ANNUAL REPORT



TPG Telecom Limited ABN 46 093 058 069

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

Annual Report
31 July 2010

TPG Telecom Limited and its controlled entities

Annual Report

For the year ended 31 July 2010

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TPG Telecom Limited and its controlled entities
Chairman's report
For the year ended 31 July 2010

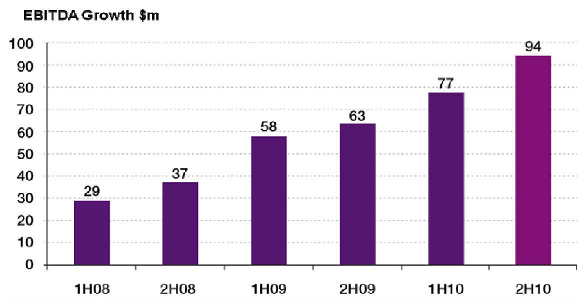
Our Group has had another very good year of strong growth in profitability and customer acquisition resulting in a customer base at September comprising 500,000 broadband subscribers, 245,000 mobile and fixed phone subscribers and an important base of corporate government and wholesale customers.

Group FY10 earnings before interest, tax, depreciation and amortisation (EBITDA) were $171.1m and net profit after tax (NPAT) was $55.7m, representing increases of 42% and 216% respectively compared to the prior year.

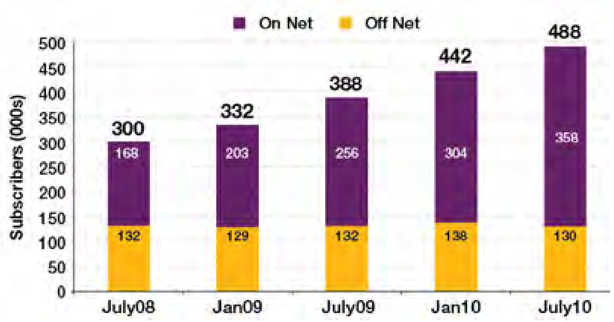
$m	FY10	FY09	Growth
Revenue	508.2	481.2	6%
EBITDA	171.1	120.8	42%
NPAT	55.7	17.7	216%
EPS	7.6c	2.6c	192%
DPS	4.0c	2.0c	100%

These results, which incorporate 4.5 months' post acquisition contribution from the operations of PIPE Networks (PIPE), include one-off charges for acquisition costs relating to PIPE and other due diligence fees incurred during the year totalling $5.7m.

Earnings per share (EPS) for the year of 7.6 cents represent a 192% increase on the 2.6 cents per share last year.



After adding back amortisation of intangibles of $44.6m and adjusting for its associated tax effect of $13.4m, adjusted NPAT is $86.9m. The Group generated free cash of $92.5m (cash from operations less interest, tax and capital expenditure), resulting in a cash EPS of 12.6 cents per share.



TPG has continued to lead the broadband consumer marketplace in providing high speed services of excellent value with the result today that Australian internet users are increasingly expecting unlimited broadband access. The Group added more than 100,000 net new broadband subscribers in the year, with the 2nd half representing a record 6 months of on-net growth of over 54,000 subscribers. This was supported strongly by TPG's broadband and home phone bundle offering with 22,000 active home phone subscribers being added since launch in April 2010 through to September 2010.

Pipe Networks

In March 2010 we also made a strategic acquisition in Pipe Networks which provides the Group with additional infrastructure both in Australia and internationally. Pipe currently owns over 1,500km of domestic fibre optic cable covering key strategic IT infrastructure locations and the current utilisation of this network at 32% allows for significant growth. The PPC-1 submarine fibre optic cable system has a current maximum capacity of 2.56Tbps and travels ~6,900km in length to connect Sydney into Guam and provides onward reach to the USA, Japan and Asia. This significant asset is already in use by a number of our customers and importantly is providing TPG with its own capacity to meet the ever-growing demand for world-wide connectivity of internet, voice and data.

TPG Telecom Limited and its controlled entities
Chairman's report (continued)
For the year ended 31 July 2010

PIPE's domestic backhaul and metropolitan fibre when combined with TPG's data and voice services is presenting excellent corporate revenue and margin growth opportunities for the Group. In the period since its acquisition by the Group PIPE's domestic business has also continued to grow very strongly in its own right.

Cash Flow

The Group's excellent cash generation has continued with net cash inflow from operations before interest, tax and capex during the year of $189.1m, $18.0m in excess of its EBITDA result.

The capital expenditure incurred by the Group for the year of $68.2m includes the final instalment payments for the construction of the PPC-1 submarine cable to Guam.

The Group established a new $360m syndicated debt facility during the year. $354m was initially drawn down, the funds being used to finance, together with cash raised through a share placement, the acquisition of PIPE, and to pay back TPG's and PIPE's existing debt facilities totalling $98m. By 31 July $22m of the new facility had also been repaid such that the total debt balance at year end was $332m. $28m of the debt facility remains available for drawdown, and the Group will commence making permanent repayments against the facility of $20m per quarter from October 2010.

Final Dividend

The directors have declared a fully franked final dividend of 2.0 cents per share, payable on 17 November 2010 to shareholders on the register at 20 October 2010, bringing total FY10 dividends to 4.0 cents. For the final dividend, the directors again invite shareholders to reinvest in the Company through its DRP (Dividend Reinvestment Plan) for which the discount will be 2.5%.

David Teoh
Executive Chairman
14 October 2010

TPG Telecom Limited and its controlled entities
Directors' report
For the year ended 31 July 2010

The directors present their report together with the financial report of TPG Telecom Limited ('the Company') and of the Group, being the Company and its controlled entities, for the financial year ended 31 July 2010 and the auditor's report thereon.

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TPG Telecom Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2010

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*
Current Directors		
David Teoh Chairman Executive Director Chief Executive Officer	55	David was the founder and Managing Director of the TPG group of companies, one of the largest privately owned internet businesses in Australia. TPG Telecom Ltd (2008-current).
Robert D Millner Non-Executive Director F.A.I.C.D.	59	TPG Telecom Ltd (2000-current), Washington H Soul Pattinson and Company Ltd (1984-current), New Hope Corporation Ltd (1995-current), Souls Private Equity Ltd (2004-current), Brickworks Ltd (1997-current), Brickworks Investment Company Ltd (2003-current), Australian Pharmaceutical Industries Ltd (2000-current), Milton Corporation Ltd (1998-current), Choiseul Investments Ltd (1995-current). Former Chairman, resigned position in 2008. Member of Audit & Risk Committee.
Denis Ledbury Independent Non-Executive Director B.Bus. A.I.C.D.	60	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	56	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), Chariot Ltd (2007-2008). Member of Remuneration Committee.
Joseph Pang Independent Non-Executive Director FCA	57	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.

2. Company secretary

Mr Stephen Banfield was appointed Company Secretary on 24 October 2007. Mr Banfield 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 directors' meetings held during the financial year (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company were as follows:

Director	Board Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
D Teoh	19	19	-	-	-	-
RD Millner	18	19	2	2	-	-
D Ledbury	19	19	2	2	2	2
AJ Latimer	19	19	-	-	2	2
J Pang	18	19	2	2	2	2

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

4. Company and subsidiary name change

During the financial year, following approval from shareholders at the November 2009 AGM, the Company changed its name from SP Telemedia Limited to TPG Telecom Limited.
Also during the year, following its acquisition by the Company, the subsidiary company formerly known as PIPE Networks Limited, changed its name to PIPE Networks Pty Ltd.

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.

5. Corporate governance statement (continued)

Principle 1 Lay solid foundations for management and oversight (continued)

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 on the Company's website at http://www.tpg.com.au under Investor Relations.

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 five, with three being non-executive directors including two independent.

Details of the experience and background of all directors are also set out in full on page 6 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 five directors, two of whom are independent.

The executive directors are David Teoh and Alan Latimer. The Board is of the view that the benefit of the depth of experience and understanding that both directors have of the industry in which the Company operates, outweighs the requirement for 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 benefit of which in the opinion of the Board, outweighs the requirement for independence at this time.

The Board is of the view that another non-executive director, Denis Ledbury, is independent, even though he was Managing Director of the Company until his retirement on 1 August 2005, due to the changes in the operations and senior management of the Company that have occurred since his retirement. These changes mean that Denis is free from interests and influences that could present a potential conflict of interest.

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.

5. Corporate governance statement (continued)

Principle 2 Structure the Board to add value (continued)

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 and, as Chief Executive Officer, he consults the Board on matters that are sensitive, extraordinary or of a strategic nature.

Nominations Committee
The Board acts as a 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 any comment or raise issues they have in relation to the Board's operations (ASX Recommendation 2.5).

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 obligation as a director of the Company. This includes access to internal senior executives or external advisors as and when appropriate. A director must consult the Chairman first before accessing external independent advice and 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 and 3.3). 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 under Investor Relations (ASX Recommendation 3.3).

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 (ASX Recommendation 3.2).

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.

5. Corporate governance statement (continued)

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

The acquisition of shares or options acquired pursuant to an employee share or option plan and the acquisition of securities through exercising rights to securities or through conversion of convertible securities is specifically excluded from this policy. This exclusion applies only to the acquisition, exercise or conversion of securities. Subsequent dealing in the underlying securities 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.

A copy of the Securities Trading Policy can be found on the Company's website at http://www.tpg.com.au under Investor Relations (ASX Recommendation 3.3).

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 the 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 6 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 under Investor Relations.

The Audit & Risk Committee's responsibilities include ensuring the integrity of the financial reporting process, the risk management system, 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, the Chief Executive Officer and the Chief Financial Officer are invited to Audit & Risk Committee meetings at the discretion of the Committee. The Committee meets at least twice a year. It met twice during the year and Committee members' attendance record is disclosed in the table of directors' meetings on page 7 of this Annual Report (ASX Recommendation 4.4).

Auditor selection and appointment

The Audit & Risk Committee will annually review 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.

5. Corporate governance statement (continued)

Principle 5 Make timely and balanced disclosure

Continuous disclosure
The Company believes that shareholders and the wider business community should be informed of all material information concerning the Company in a timely and accurate manner.

Accordingly, the Company has established a Continuous 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. This policy is designed to ensure compliance with the ASX Listing Rules Chapter 3 (ASX Recommendation 5.1 and 5.2).

A copy of the Continuous Disclosure Policy can be found on the Company's website at http://www.tpg.com.au under Investor Relations.

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 section (http://www.tpg.com.au) and provides a link via the website to the ASX website so that all ASX releases 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 in place strategies and controls in relation to management of financial risk which include identifying and measuring financial risk, developing strategies to minimise the identified risks and monitoring implementation.

The Chief Executive Officer and the Chief Financial Officer are required to provide assurance to the Board as to the contents of the annual financial statements including compliance with accounting standards, that they are founded on a sound system of financial risk management, and that the accounts represent a true and fair view of the Company's financial position (ASX Recommendation 7.3).

The Company has established a business risk framework based on AS/NZS 4360:2004 to ensure management, control and oversight of the major business risks of the Company. The framework takes into account various risks including operational, financial, compliance, technical, and strategic risks and provides a means of evaluation and reporting on the management of risk. As part of this process a risk management committee has been established to ensure oversight of the Company's business risk and to report to the Audit & Risk Committee on the effectiveness of the risk management controls (ASX Recommendation 7.1, 7.2 & 7.4).

5. Corporate governance statement (continued)

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 directors, two of whom are independent non-executive directors. The Committee meets at least twice a year and as required. It met twice during the year and Committee members' attendance record is disclosed in the table of directors' meetings on page 7 of this Annual Report.

Non-executive directors' fees may not exceed $500,000 per annum, as voted upon by shareholders at the 2004 AGM. In addition, non-executive directors will not be entitled to a retirement benefit, nor are any directors entitled to participate in share or option plans except with the approval of shareholders.

For further information, refer to the Remuneration Report below (ASX Recommendation 8.2 & 8.3).

5.1 Remuneration report – audited

5.1.1 Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including those of directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Group including the five most highly remunerated Company and Group executives.

Compensation 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 appropriateness of compensation packages given trends in comparative companies and the objectives of the Group's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to affect the Group's performance
- the Group's performance
- the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives.

In addition to their salaries, the Group may also provide non-cash benefits to its key management personnel.

5.1 Remuneration report – audited (continued)

5.1.1 Principles of compensation (continued)

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual performance and overall performance of the Group.

Performance-linked compensation

a) Former incentive plans

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. At 31 July 2010 certain key management personnel still had unvested shares under this former incentive plan, as set out below in 5.1.3.1.

b) Current incentive plans

(i) Long-term

On 27 February 2009, the Company announced a pool of 13.5 million share options with an exercise price of $0.18 per share, based on the 60 day Volume Weighted Average Share Price ("VWAP") at that date of $0.16 per share.

On 7 July 2009, the Board approved the terms of a new Employee Share Option Plan under which these options would be granted to employees.

On 8 July 2009, 10.875 million of these share options were granted to employees (including certain key management personnel). The allocation of the options was approved by the Remuneration Committee.

All options granted on that date were immediately exercisable with a latest exercise date of 30 June 2010.

Following approval from shareholders at the November 2009 AGM, 1 million share options were granted to each of the two executive directors under the same terms as the options granted to other employees in July 2009 described above.

In July 2010, 30,000 shares in the Company were granted to a new member of the key management personnel.

(ii) Short-term

Certain short-term cash bonuses were also paid during the year, including to certain key management personnel, to award individual performance. The awards to the executive directors were determined by the Remuneration Committee, and the awards to executive officers and other staff were made at the discretion of the Executive Chairman.

TPG Telecom Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2010

5.1 Remuneration report – audited (continued)
5.1.1 Principles of compensation (continued)

Link of Remuneration to Group Financial Performance

In determining the short-term incentive component of executives' remuneration, consideration is given to the Group's performance, including against its financial targets. The Remuneration Committee believes that the current remuneration structures are effective as evidenced by the Group's strong profit growth since 2008. The table below shows the Group's Earnings per Share (EPS) for the last 5 years (excluding discontinued operations).

	2006	2007	2008	2009	2010
EPS (cents)	0.1	1.7	(3.9)	2.6	7.6

Other benefits

Key management personnel can also receive non-cash benefits as part of the terms and conditions of their appointment. Non-cash benefits typically include motor vehicles, and the Group pays fringe benefits tax on these benefits.

Service contracts

On 30 August 2010 the Group entered into a new employment contract with Mr D Teoh. The contract is not for a fixed term, but provides that the contract may be terminated by either party giving three months notice.

On 17 March 2010 the Group entered into a service contract with Mr B Slattery. The contract was for an initial term expiring on 31 March 2011. Mr Slattery resigned by mutual agreement with an effective date of 30 September 2010 and no termination benefits were payable under the contract.

Other than as noted above:
- no key management personnel employment contract has a fixed term; and
- no key management personnel employment contract has a notice period of greater than 1 month.

No key management personnel employment contract contains any provision for termination benefits other than as required by law.

Non-executive directors

Total compensation for all non-executive directors, last voted upon by shareholders at the 2004 AGM, is not to exceed $500,000 per annum. Non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities and membership of committees.

5.1.2 Directors' and executive officers' remuneration

The key management personnel as at 31 July 2010 were:

Mr D Teoh	Executive Chairman & Chief Executive Officer
Mr A Latimer	Executive Director, Finance & Corporate
Mr W Piestrzynski	Chief Operating Officer
Ms M De Ville	Chief Information Officer
Mr S Banfield	Chief Financial Officer
Mr C Levy	General Manager, Marketing & Consumer Sales
Mr J Paine	National Technical & Strategy Manager
Mr J Sinclair	Chief Operating Officer, PIPE Networks
Mr B Slattery	Chief Executive Officer, PIPE Networks (resigned with effect from 30 Sept 2010)

For the year ended 31 July 2010

5.1 Remuneration report – audited (continued)

5.1.2 Directors' and executive officers' remuneration (continued)

Details of the nature and amount of each major element of remuneration of each director of the Group, each of the five named Group executives and relevant Group executives who receive the highest remuneration and other key management personnel are set out in the table below:

Directors		Short-term				Post-employment			Share-based payments				
		Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $	Total $	Superannuation benefits $	Other long term $	Termination benefits $	Options $(B)	Shares $(B)	Total $	S300A (1)(e)(i) Proportion of remuneration performance related %	S300A (1)(e)(vi) Value of options as proportion of remuneration %
Executive Directors													
Mr D Teoh, Chairman	2010	303,940	350,000	76,604	730,544	133,423	21,678	-	1,427,131	-	2,312,776	77%	62%
	2009	250,000	-	26,157	276,157	100,311	4,900	-	-	-	381,368	-	-
Mr AJ Latimer	2010	179,391	180,000	2,950	362,341	32,345	5,796	-	1,427,131	-	1,827,613	88%	78%
	2009	191,891	50,000	6,262	248,153	21,770	7,592	-	-	-	277,515	18%	-
Non-executive Directors													
Mr D Ledbury	2010	60,000	-	-	60,000	5,400	-	-	-	-	65,400	-	-
	2009	52,500	-	-	52,500	4,725	-	-	-	-	57,225	-	-
Mr RD Millner	2010	57,500	-	-	57,500	5,175	-	-	-	-	62,675	-	-
	2009	50,000	-	-	50,000	4,500	-	-	-	-	54,500	-	-
Mr J Pang	2010	57,500	-	-	57,500	5,175	-	-	-	-	62,675	-	-
	2009	50,000	-	-	50,000	4,500	-	-	-	-	54,500	-	-

TPG Telecom Limited and its controlled entities
Directors' report (continued)

For the year ended 31 July 2010

5.1 Remuneration report – audited (continued)

5.1.2 Directors' and executive officers' remuneration (continued)

		Short-term				Post-employment			Share-based payments				
Executives		Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $	Total $	Superannuation benefits $	Other long term $	Termination benefits $	Options $(B)	Shares $(C)	Total $	S300A (1)(e)(i) Proportion of remuneration performance related %	S300A (1)(e)(vi) Value of options as proportion of remuneration %
Mr W Piestrzynski	2010	228,581	130,000	2,405	360,986	32,272	4,298	-	-	-	397,556	33%	-
	2009	241,081	20,000	6,614	267,695	23,498	4,298	-	204,840	-	500,331	45%	41%
Ms M De Ville	2010	211,009	-	1,623	212,632	18,991	3,515	-	-	2,707	237,845	1%	-
	2009	211,009	-	2,434	213,443	18,991	3,515	-	20,484	2,707	259,140	9%	8%
Mr S Banfield	2010	165,000	85,000	3,023	253,023	22,500	2,748	-	-	8,472	286,743	33%	-
	2009	165,000	-	3,791	168,791	14,850	2,748	-	102,420	8,472	297,281	37%	34%
Mr C Levy	2010	165,000	85,000	-	250,000	22,500	2,748	-	-	7,666	282,914	33%	-
	2009	165,000	30,000	4,125	199,125	17,550	2,748	-	102,420	7,666	329,509	43%	31%
Mr J Paine	2010	154,577	120,000	503	275,081	24,703	2,846	-	-	-	302,630	40%	-
	2009	154,577	30,000	1,225	185,802	16,603	2,645	-	143,388	-	348,438	50%	41%
Mr J Sinclair (employer subsidiary	2010	67,257	50,000	2,936	120,193	10,553	-	-	-	53,022	183,768	56%	-
acquired 17 March 2010)	2009	-	-	-	-	-	-	-	-	-	-	-	-
Mr B Slattery (employer subsidiary	2010	123,379	91,743	38,687	253,809	19,361	5,625	-	-	-	278,795	33%	-
acquired 17 March 2010)	2009	-	-	-	-	-	-	-	-	-	-	-	-
Mr S McCullough (ceased	2010	143,014	49,695	(10,748)	181,961	16,934	(2,328)	20,192	-	-	216,759	23%	-
employment 11 June 2010)	2009	140,770	77,932	10,748	229,450	19,682	2,328	-	30,726	-	282,186	39%	11%

TPG Telecom Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2010

5.1 Remuneration report – audited (continued)
5.1.2 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 2010 and 31 July 2009 were for performance during those years and were awarded at the discretion of the Remuneration Committee for the executive directors, and at the discretion of the Executive Chairman for other executive officers. In the case of Mr S McCullough his short-term incentive bonuses represent sales commission.

B. Certain executives received share options during the year ended 31 July 2009 as part of their remuneration under the Employee Share Option Plan approved by the Board on 7 July 2009. The two executive directors received share options under the same plan following approval by shareholders at the November 2009 AGM. The fair value of the options was calculated using a Black Scholes model. All options were exerciseable immediately upon grant and as a result the expense of the options allocated in July 2009 was recognised fully in the financial results for the year ended 31 July 2009, and for the two executive directors granted options in November 2009, the related expense was recognised fully in the financial results for the year ended 31 July 2010.

C. Certain executives received shares as part of their remuneration under the former incentive plans that ceased to operate in 2008. The fair value of the shares was the market value of the shares purchased under the scheme for the executive. The fair value is allocated to each reporting period evenly over the period from grant date to vesting date subject to certain events which trigger vesting.

Mr J Sinclair was granted shares in the Company in July 2010 which vested immediately.

5.1.3 Equity instruments

5.1.3.1 Shares, options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2010	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2010
Mr D Teoh	1,000,000	25 Nov 2009	$1.4271	$0.18	30 June 2010	1,000,000
Mr AJ Latimer	1,000,000	25 Nov 2009	$1.4271	$0.18	30 June 2010	1,000,000

The above options were provided at no cost to the recipients. No options have been granted since 31 July 2010.

TPG Telecom Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2010

5.1 Remuneration report – audited (continued)
5.1.3 Equity instruments (continued)
5.1.3.1 Shares, options and rights over equity instruments granted as compensation (continued)

Details on ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on the shares that vested during the reporting period are as follows:

(i) On 30 July 2010 30,000 ordinary shares in the Company were granted to Mr J Sinclair. The shares had a fair value at date of grant of $1.7674 each and all vested immediately, with the related expense being fully recognised in the financial results for the year ended 31 July 2010. Aside from this there were no other shares granted to key management personnel during the years ending 31 July 2010 or 31 July 2009.

(ii) The shares in the table below were granted on 13 December 2007 under former incentive plans that ceased to operate in 2008. The unvested shares will continue to vest in accordance with the rules described in 5.1.1(a).

	Number of unvested shares as at 31 July 2009	Number of shares vested during 2010	Number of unvested shares as at 31 July 2010	Fair value per share at grant date ($)
Mr S Banfield	75,603	19,991	55,612	$0.42373
Mr C Levy	68,758	18,113	50,645	$0.42322
Ms M De Ville	22,445	6,280	16,165	$0.43096

5.1.3.2 Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

5.1.3.3 Exercise of options granted as compensation

During the reporting period, the following shares were issued on the exercise of options previously granted as compensation:

	Number of shares issued
Executives	
Mr V Piestrzynski	1,000,000
Mr J Paine	700,000
Mr C Levy	500,000
Mr S Banfield	500,000
Mr S McCullough	150,000
Executive Directors	
Mr D Teoh	1,000,000
Mr AJ Latimer	1,000,000

All outstanding options were exercised during the year ended 31 July 2010 such that there were none outstanding as at 31 July 2010.

TPG Telecom Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2010

6. Principal activities

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

7. Operating and financial review

Commentary on the Group's operating and financial performance is provided in the Chairman's Report on pages 3 to 4.

8. Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Declared and paid during the year 2009				
Final 2009 ordinary	1.0	7,118	Franked	18 Nov 2009
Interim 2010 ordinary	2.0	15,220	Franked	27 May 2010
Total amount		22,338		

Franked dividends declared as paid during the year were fully franked at the rate of 30 per cent.

Declared after end of year

After the balance sheet date the directors have declared a fully franked final FY10 dividend of 2.0 cents per ordinary share, payable on 17 November 2010 to shareholders on the register at 20 October 2010.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 July 2010 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

Other than the matters discussed, there are no material likely developments for the Group at the date of this report.

TPG Telecom Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2010

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 follows:

	Shares in TPG Telecom Limited
Mr D Teoh	279,109,400
Mr RD Millner	6,866,269
Mr D Ledbury	150,000
Mr AJ Latimer	1,174,108
Mr J Pang	85,000

12. Share options

Options granted to directors and executives of the Group

During the financial year, following approval from shareholders at the November 2009 AGM, the Group granted options over unissued ordinary shares in the Company to the following:

	Number of options granted
Mr D Teoh	1,000,000
Mr AJ Latimer	1,000,000

No 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

During or since the end of the financial year, the Company issued 8,105,000 ordinary shares as a result of the exercise of options (2009: 4,670,000). The amount paid for each of these shares was $0.18. There are no amounts unpaid on the shares issued.

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 directors 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.

TPG Telecom Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2010

13. Indemnification and insurance of officers and auditors (continued)

The Company has also agreed to indemnify all directors and officers of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, 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 $42,755 in respect of directors' and officers' liability insurance contracts, 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. In addition, amounts paid to other auditors have been disclosed:

	2010 $	2009 $
Audit services:		
Auditors of the Company:		
Audit and review of financial reports (KPMG Australia)	387,000	405,000
	387,000	405,000
Services other than statutory audit:		
Other regulatory audit services:		
Telecommunications USO return	11,000	5,000
Bank covenant compliance certificate	7,500	7,500
Other services:		
Taxation advisory services	55,000	-
	73,500	12,500

TPG Telecom Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2010

15. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 91 and forms part of the directors' report for financial year ended 31 July 2010.

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 financial report 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 14th day of October, 2010.

Consolidated Income Statement
For the year ended 31 July 2010

In thousands of AUD	Note	2010	2009
Revenue		**508,224**	**481,169**
Telecommunications expense		(258,391)	(272,629)
Employee benefits expense		(43,257)	(44,057)
Other expenses	8	(35,522)	(43,683)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**171,054**	**120,800**
Depreciation of plant and equipment	20	(35,443)	(27,193)
Amortisation of intangibles	21	(44,557)	(58,342)
Results from operating activities		**91,054**	**35,265**
Finance income		1,861	1,342
Finance expenses		(15,076)	(10,284)
Net financing costs	10	**(13,215)**	**(8,942)**
Profit before income tax		77,839	26,323
Income tax expense	11	(22,113)	(8,662)
Profit for the year		**55,726**	**17,661**
Attributable to:			
Owners of the company		55,726	17,661
Profit for the year		**55,726**	**17,661**
Earnings per share:			
Basic earnings per share (cents)	12	7.6	2.6
Diluted earnings per share (cents)	12	7.6	2.5

The notes on pages 28 to 87 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2010

In thousands of AUD	**2010**	**2009**
Profit for the period	**55,726**	**17,661**
Foreign exchange translation differences	73	207
Revaluation of investments, net of tax	110	-
Other comprehensive income, net of tax	**183**	**207**
Total comprehensive income	**55,909**	**17,868**
Total comprehensive income attributable to:		
Owners of the company	55,909	17,868
Total comprehensive income	**55,909**	**17,868**

The notes on pages 28 to 87 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 July 2010

In thousands of AUD	*Note*	2010	*Restated ** 2009
Assets			
Cash and cash equivalents	13	17,112	17,179
Trade and other receivables	14	23,302	30,282
Inventories	15	446	705
Intangible assets	21	382	7,315
Investments	17	9,890	-
Current tax assets	18	116	55
Prepayments and other assets	16	5,997	6,983
Total Current Assets		**57,245**	**62,519**
Property, plant and equipment	20	312,671	135,408
Intangible assets	21	588,103	330,985
Prepayments and other assets	16	1,096	993
Total Non-Current Assets		**901,870**	**467,386**
Total Assets		**959,115**	**529,905**
Liabilities			
Trade and other payables	22	84,903	75,997
Loans and borrowings	23	76,595	8,535
Current tax liabilities	18	29,961	9,486
Employee benefits	24	3,629	3,066
Provisions	25	2,000	936
Deferred income and other liabilities	26	33,494	25,371
Total Current Liabilities		**230,582**	**123,391**
Loans and borrowings	23	245,884	58,429
Deferred tax liabilities	19	8,978	12,688
Employee benefits	24	621	537
Provisions	25	6,117	2,193
Deferred income and other liabilities	26	21,496	7,869
Total Non-Current Liabilities		**283,096**	**81,716**
Total Liabilities		**513,678**	**205,107**
Net Assets		**445,437**	**324,798**
Equity			
Share Capital	27	473,735	389,747
Reserves		(51,255)	(54,079)
Retained earnings/(Accumulated losses)		22,957	(10,870)
Total Equity		**445,437**	**324,798**

* Refer Note 37

The notes on pages 28 to 87 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 July 2010

In thousands of AUD	*Note*	Attributable to owners of the Company									
		Share capital	**Foreign currency translation reserve**	**Share option reserve**	**Treasury share reserve**	**Fair value reserve**	**Revaluation reserve**	**Minority interest acquisition reserve**	**Total reserves**	**Retained earnings**	**Total equity**
Balance as at 1 August 2008		**384,693**	**(130)**	**-**	**(204)**	**-**	**915**	**(56,459)**	**(55,878)**	**(22,165)**	**306,650**
Profit for the year		-	-	-	-	-	-	-	-	17,661	17,661
Foreign currency translation differences		-	207	-	-	-	-	-	207	-	207
Total comprehensive income for the period		**-**	**207**	**-**	**-**	**-**	**-**	**-**	**207**	**17,661**	**17,868**
Movement in share option reserve		-	-	2,227	-	-	-	-	2,227	-	2,227
Movement in treasury share reserve		-	-	-	(181)	-	-	-	(181)	-	(181)
Transfers between reserves		-	-	-	-	-	(476)	-	(476)	476	-
Acquisition of minority interest		-	-	-	-	-	-	22	22	-	22
Transaction costs	*27*	(17)	-	-	-	-	-	-	-	-	(17)
Dividends paid to shareholders	*27*	5,071	-	-	-	-	-	-	-	(6,842)	(1,771)
Total contributions by and distributions to owners		**5,054**	**-**	**2,227**	**(181)**	**-**	**(476)**	**22**	**1,592**	**(6,366)**	**280**
Balance as at 31 July 2009		**389,747**	**77**	**2,227**	**(385)**	**-**	**439**	**(56,437)**	**(54,079)**	**(10,870)**	**324,798**
Balance as at 1 August 2009		**389,747**	**77**	**2,227**	**(385)**	**-**	**439**	**(56,437)**	**(54,079)**	**(10,870)**	**324,798**
Profit for the year		-	-	-	-	-	-	-	-	55,726	55,726
Foreign currency translation differences		-	73	-	-	-	-	-	73	-	73
Net change in fair value of available-for-sale financial assets, net of tax	*10*	-	-	-	-	110	-	-	110	-	110
Total comprehensive income for the period		**-**	**73**	**-**	**-**	**110**	**-**	**-**	**183**	**55,726**	**55,909**
Movement in share option reserve		-	-	2,852	-	-	-	-	2,852	-	2,852
Movement in treasury share reserve		-	-	-	228	-	-	-	228	-	228
Transfers between reserves		-	-	-	-	-	(439)	-	(439)	439	-
Issue of ordinary shares	*27*	68,485	-	-	-	-	-	-	-	-	68,485
Transaction costs, net of tax	*27*	(1,486)	-	-	-	-	-	-	-	-	(1,486)
Dividends paid to shareholders	*27*	16,989	-	-	-	-	-	-	-	(22,338)	(5,349)
Total contributions by and distributions to owners		**83,988**	**-**	**2,852**	**228**	**-**	**(439)**	**-**	**2,641**	**(21,899)**	**64,730**
Balance as at 31 July 2010		**473,735**	**150**	**5,079**	**(157)**	**110**	**-**	**(56,437)**	**(51,255)**	**22,957**	**445,437**

The notes on pages 28 to 87 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 July 2010

In thousands of AUD	***Note***	**2010**	**2009**
Cash flows from operating activities			
Cash receipts from customers		573,481	549,549
Cash paid to suppliers and employees		(384,403)	(396,723)
Cash generated from operations		189,078	152,826
Income taxes paid		(16,768)	(19,104)
Net cash from operating activities		**172,310**	**133,722**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		32	34
Acquisition of property, plant and equipment		(68,203)	(23,040)
Acquisition of subsidiaries, net of cash acquired	*7*	(371,034)	-
Costs incurred on acquisition of subsidiaries		(2,961)	-
Proceeds from sale of investments		5,781	-
Dividends received		207	-
Security deposits paid		-	(348)
Net cash used in investing activities		**(436,178)**	**(23,354)**
Cash flows from financing activities			
Issue of shares		66,185	-
Proceeds from exercise of share options		2,068	229
Transaction costs related to issue of shares		(2,145)	(17)
Transaction costs related to loans & borrowings		(11,467)	-
Payment of network capacity and finance lease liabilities		(8,268)	(13,510)
Proceeds from borrowings	*23*	354,489	-
Repayment of borrowings	*23*	(119,989)	(83,375)
Interest received		1,674	773
Interest paid		(13,249)	(9,920)
Restricted cash released		-	80
Dividends paid, net of Dividend Reinvestment Plan		(5,349)	(1,771)
Net cash from/(used in) financing activities		**263,949**	**(107,511)**
Net increase in cash and cash equivalents		81	2,857
Cash and cash equivalents at beginning of period	*13*	17,179	14,053
Effect of exchange rate fluctuations		(148)	269
Cash and cash equivalents at 31 July	*13*	**17,112**	**17,179**

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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, North Ryde, NSW 2113. The consolidated financial report as at, and for the year ended 31 July 2010 comprises the Company and its subsidiaries (together referred to as the 'Group').

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 14 October 2010.

(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 being 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 2010 consolidated balance sheet 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 23).

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements 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 amount recognised in the financial statements are described in the following notes:

- note 7 – business combinations
- note 19 – utilisation of tax losses
- note 21 – measurement of the recoverable amounts of cash-generating units containing goodwill
- note 28 – valuation of financial instruments.

2. Basis of preparation (continued)

(e) Changes in accounting policies

Starting as of 1 August 2009, the Group has changed its accounting policies in the following areas:

- Accounting for business combinations
- Accounting for acquisitions of non-controlling interests
- Accounting for borrowing costs
- Determination and presentation of operating segments
- Presentation of financial statements.

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 by the Group.

Certain comparative amounts have been reclassified to conform with the current year presentation.

(a) Basis of consolidation

(i) Business combinations

Change in accounting policy

The Group has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 August 2009. All business combinations occurring on or after 1 August 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

The Group has applied the acquisition method for the business combination disclosed in note 7. For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. 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. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below).

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Business combinations (continued)

Share-based payment awards

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred

(ii) Accounting for acquisitions of non-controlling interests

The Group has adopted AASB 3 *Business Combinations* (2008) and AASB 127 *Consolidated and Separate Financial Statements* (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 August 2009. Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, an equity reserve was recognised arising on the acquisition of a non-controlling interest in a subsidiary; and that represented the difference between the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

(iii) 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.

(iv) 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.

3. Significant accounting policies (continued)

(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) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses (see accounting policy (h)). 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, and an appropriate proportion of production overheads.

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.

(ii) Leased assets

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

(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 in the current and comparative periods are as follows:

• Plant and equipment	2.5 - 20 years
• Leasehold improvements	8 years
• Leased assets	5 - 10 years
• Buildings	40 years
• Domestic fibre optic cable	20 years
• International fibre optic cable	25 years

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

3. Significant accounting policies (continued)

(d) Intangible assets

(i) Goodwill

Change in accounting policy

As from 1 August 2009, the Group has adopted the revised AASB 3 *Business Combinations* (2008) and the amended AASB 127 *Consolidated and Separate Financial Statements* (2008). Revised AASB 3 and amended AASB 127 have been applied prospectively to business combinations with an acquisition date on or after 1 August 2009.

The change in accounting policy had no material impact on earnings per share. For details on the initial recognition and measurement of goodwill related to business combinations that occurred during the financial year ended 31 July 2010, see note 7.

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and tested annually for impairment (see accounting policy (h)).

(ii) Capitalised subscriber costs

Capitalised subscriber costs comprising dealer connection commissions, fulfilment costs and sim-cards 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, being the contract period.

(iii) Acquired customer base

On acquisition of a subsidiary, customers of the acquired subsidiary are valued and brought to account as intangible assets. The value given to the customers is the expected future economic benefit expected to be derived from these customers.

(iv) 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, being the contract period.

(v) 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.

(vi) 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 depreciated replacement cost.

(vii) Indefeasible right of use of capacity

Indefeasible rights of use of acquired capacity are brought to account as intangible assets at cost, being the present value of the future cashflows payable for the right.

3. Significant accounting policies (continued)

(d) Intangible assets (continued)

(viii) Other intangible assets

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

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(ix) 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.

(x) Amortisation

Amortisation is charged to the income statement on a straight-line basis, unless stated otherwise, 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 in the current and comparative periods are as follows:

• Goodwill	indefinite life
• Trademark	indefinite life
• Indefeasible right of use (IRU) of capacity	over the life of the IRU
• Acquired customer bases	amortised on a reducing balance basis in line with the expected economic benefits to be derived from the acquired customer base
• Internally-generated software	5 years
• Capitalised subscriber costs	2 years
• Development costs	2 - 20 years

3. Significant accounting policies (continued)

(e) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (h)).

(f) 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 the estimated costs of completion and selling expenses.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. 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 cash flows.

(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 cash flows 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.

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.

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 unit (group of units) on a pro rata basis.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(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 cash flows 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 is not 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.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(iii) Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

(i) Share capital

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

3. Significant accounting policies (continued)

(k) 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 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 to 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, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

(iii) Employee share option plan

The fair value of share options granted to employees, classed as equity settled share based payments, is recognised as an employee expense, together with a corresponding increase in equity, over the vesting period of the options. Their fair value is calculated using the Black Scholes methodology.

(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 treasury share 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 treasury share reserve.

(v) Superannuation

The Company and other controlled entities contribute to several defined contribution superannuation plans. Contributions are recognised as an expense in the income statement on an accruals basis.

(l) 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.

3. Significant accounting policies (continued)

(m) Provisions

A provision is recognised in the balance sheet 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 cash flows 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.

(n) 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.

(o) Revenue

(i) Goods sold and services rendered

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

(ii) Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

Revenue from the sale of equipment and handsets is recognised in the income statement (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 and handset 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) Rendering of services

Revenue from rendering services is recognised in proportion to the stage of completion of the contract and is only brought to account when it is considered probable that the revenue will be received.

Revenue from the provision of telecommunication services includes access to the mobile network, telephone calls, connection and retention commission and other services. Connection and retention commissions are recognised on a straight-line basis over the specified contract period. These are received at the time of connection or retention of a customer. These are deferred and amortised over the contract term. Airtime and access fee revenues are recognised when the fee in respect of the services is earned.

(iv) Unearned revenue

Unearned revenue represents customer access fees invoiced that are not earned at the reporting date. Access fees are normally invoiced to customers one month in advance. This is taken to revenue in the month to which the access fees relate.

(v) Sale of Indefeasible right of use of capacity (IRU sales)

The appropriate revenue recognition treatment for an IRU sale is determined on a contract by contract basis. Where an IRU contract is deemed to satisfy all the criteria of containing a finance lease, then the sale will be treated as a disposal of a specific asset resulting in revenue and profit recognition at the time the asset is derecognised and a finance lease receivable recognised. Alternatively, where an IRU contract is deemed not to contain a finance lease the contract is treated as a provision of a service and the revenue is recognised over the period of the contract.

3. Significant accounting policies (continued)

(p) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge 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.

(iii) 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 are expensed as 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.

(q) 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.

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 levies 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.

3. Significant accounting policies (continued)

(q) Income tax (continued)

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.

TPG Holdings Pty Ltd and its wholly owned Australian resident entities joined the Company's tax consolidated group from 7 April 2008 (the date of acquisition of TPG) and Chariot Pty Ltd joined from 14 August 2008.
Following its acquisition by the Group, the Pipe Networks tax-consolidated group has joined the TPG Telecom tax-consolidated group from 31 March 2010.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

3. Significant accounting policies (continued)

(r) Segment reporting

As of 1 August 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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 CEO 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 CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest on the Group's core debt, amortisation of intangibles arising from business combinations and other corporate expenses.

(s) 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 balance sheet.

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

(t) 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 profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options.

3. Significant accounting policies (continued)

(u) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 July 2010, but have not been applied in preparing this financial report:

- AASB 9 ***Financial Instruments*** includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 ***Financial Instruments: Recognition and Measurement***. AASB 9 will become mandatory for the Group's 31 July 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 31 July 2012 or earlier. The Group has not yet determined the potential effect of the standard.

- AASB 124 ***Related Party Disclosures*** (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 31 July 2012 financial statements, are not expected to have any impact on the financial statements.

- AASB 2009-5 ***Further amendments to Australian Accounting Standards arising from the Annual Improvements Process*** affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 July 2011 financial statements, are not expected to have a significant impact on the financial statements.

- AASB 2009-8 ***Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions*** resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 - ***Group and Treasury Share Transactions*** will be withdrawn from the application date. The amendments, which become mandatory for the Group's 31 July 2011 financial statements, are not expected to have a significant impact on the financial statements.

- AASB 2009-10 ***Amendments to Australian Accounting Standards - Classification of Rights Issue*** [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 31 July 2011 financial statements, are not expected to have any impact on the financial statements.

- IFRIC 19 ***Extinguishing Financial Liabilities with Equity Instruments*** addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 31 July 2011 financial statements, with retrospective application required. The amendments are not expected to have a significant impact on the financial statements.

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 after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. 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 cash flows 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 its 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 cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial assets - Investments

Investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, 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.

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 28).

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 the Group's activities. The Group, through its training and management standards and procedures, 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. The Group's Audit & Risk Committee is assisted in its oversight role by the Risk Management Committee. The Risk Management Committee undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group's Audit & Risk Committee.

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.

Trade and other receivables

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

- Approximately 28% (2009: 41%) of the Group's trade receivables are attributable to retail customers. The Group minimises concentrations 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.

5. Financial risk management (continued)

Credit risk (continued)

Trade and other receivables (continued)

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

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, retail or end-user customer, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties.

The Group has established an allowance for impairment that represents their 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 monitors cash flow requirements from its businesses 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, the Group maintains a bank overdraft facility of $11.5 million (2009: $7.9 million) which was fully unutilised at 31 July 2010 (2009: fully unutilised).

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 the return.

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) and Philippine peso (PP).

The Group has to-date 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 adopted a policy of hedging its exposure to changes in interest rates on its core borrowings. An interest rate cap agreement was entered into on 30 April 2010 to hedge 75 percent of the maximum value of loans available under the Syndicated Debt Facility Agreement entered into on 12 March 2010. At 31 July 2010, the maximum value of loans available under the facility was $360 million and the amount drawn down was $332 million.

5. Financial risk management (continued)

Other market price risk

Equity price risk arises from available-for-sale equity securities. Material investments are managed on an individual basis with a 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 of directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of directors also monitors the level of dividends to ordinary 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 the market; the timing of these purchases depends on market prices. 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.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. Segment reporting

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

Following the acquisition of PIPE Networks Limited ('PIPE') on 17 March 2010 (refer note 7), the Group now operates in four primary operating segments; the Consumer and Corporate segments of its previous ongoing business plus PIPE's domestic and international operations.

The Consumer segment provides retail telecommunications services to consumer customers in Australia.

The Corporate segment provides telecommunications services to corporate, government and wholesale customers in Australia.

The PIPE domestic services segment provides telecommunications infrastructure and services in Australia.

The PIPE international services segment provides international telecommunications and internet transmission capacity between Australia, Guam, USA and Asia.

There are varying levels of integration between all of the operating segments. This integration relates to transfer of services and shared distribution services. The accounting policies of the reportable segments are the same as described in Notes 2 and 3.

In the following table, costs in the 'Unallocated' column comprise interest on the Group's core debt, amortisation of intangibles arising from acquisition accounting, listing fees, the fees associated with the acquisition of PIPE and professional advisor fees related to a due diligence exercise that the Group undertook on an acquisition opportunity that arose during the year which did not proceed.

6. Segment Reporting (continued)

Information about reportable segments

	Consumer		Corporate		Pipe Domestic		Pipe International		Total results	
In thousands of AUD	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Revenue	**367,412**	**362,174**	**111,466**	**118,995**	**24,031**	**-**	**5,315**	**-**	**508,224**	**481,169**
Telecommunications expense	(189,150)	(202,894)	(61,989)	(69,735)	(5,709)	-	(1,544)	-	(258,391)	(272,629)
Employee benefits expense	(21,973)	(23,782)	(17,341)	(20,275)	(3,474)	-	(469)	-	(43,257)	(44,057)
Other expenses	(21,880)	(34,254)	(5,313)	(9,114)	(1,753)	-	(818)	-	(29,764)	(43,368)
EBITDA	**134,409**	**101,244**	**26,823**	**19,871**	**13,095**	**-**	**2,485**	**-**	**176,812**	**121,115**
Depreciation of plant and equipment	(13,490)	(10,108)	(17,843)	(17,085)	(2,189)	-	(1,921)	-	(35,443)	(27,193)
Results from Segment activities	**120,919**	**91,136**	**8,980**	**2,786**	**10,907**	**-**	**563**	**-**	**141,369**	**93,922**

6. Segment Reporting (continued)

Reconciliation to profit for the period

In thousands of AUD	Total results for reportable segments 2010	2009	Unallocated 2010	2009	Consolidated results for the year 2010	2009
Revenue	508,224	481,169	-	-	508,224	481,169
Telecommunications expense	(258,391)	(272,629)	-	-	(258,391)	(272,629)
Employee benefits expense	(43,257)	(44,057)	-	-	(43,257)	(44,057)
Other expenses	(29,764)	(43,368)	(5,758)	(315)	(35,522)	(43,683)
EBITDA	**176,812**	**121,115**	**(5,758)**	**(315)**	**171,054**	**120,800**
Depreciation of plant and equipment	(35,443)	(27,193)	-	-	(35,443)	(27,193)
Results from Segment activities	**141,369**	**93,922**	**(5,758)**	**(315)**	**135,611**	**93,607**
Amortisation of intangibles					(44,557)	(58,342)
Results from operating activities					**91,054**	**35,265**
Net financing costs					(13,215)	(8,942)
Profit before income tax					**77,839**	**26,323**
Income tax expense					(22,113)	(8,662)
Profit for the period					**55,726**	**17,661**

7. Acquisition of subsidiary

On 4 November 2009 the Group paid $17.6 million to acquire 2.8 million shares in PIPE Networks Limited (PIPE) under a Share Subscription Agreement at $6.30 per share. On 9 November 2009 a Scheme of Arrangement was announced under which the Group was to purchase, for $6.30 per share, 100% of the shares in PIPE that it did not already own. The Scheme of Arrangement was approved by the Supreme Court of Queensland on 17 March 2010.

The total consideration for the acquisition, including the initial $17.6 million, was $373.1 million. The consideration was paid fully in cash, which was financed through an institutional share placement (refer note 27), a Share Purchase Plan (refer note 27) and a new syndicated debt facility (refer note 23).

From 4 November 2009 until 17 March 2010 the investment in the 2.8 million PIPE shares was held as an available for sale financial asset in the consolidated balance sheet, and no portion of PIPE's operating results for that period was included in the consolidated income statement. From 17 March 2010, 100% of the operating results of PIPE and its controlled entities have been included in the consolidated income statement.

The primary reason for the acquisition was to enhance the Group's capabilities as a data communications provider through PIPE's international bandwidth and extensive metropolitan dark fibre network.

In the period from 17 March 2010 to 31 July 2010 PIPE contributed to the Group revenue of $29.3 million and profit after tax of $7.3 million. Due to the complexity of calculating the impact of differences in accounting policies on pre-acquisition transactions which occurred within PIPE, management has deemed it not possible to reliably estimate what the impact on the Group's results would have been if PIPE had have been acquired at 1 August 2009.

The provisional fair values of the identifiable assets and liabilities of PIPE as at the date of acquisition are shown in the table on the following page.

The goodwill arising on the acquisition is primarily attributable to the synergies expected to be achieved from integrating PIPE into the Group's operations.

The Group incurred acquisition related costs of $3.1 million relating to external legal fees and due diligence costs. These legal fees and due diligence costs have been included in Other expenses in the Consolidated Income Statement.

7. Acquisition of subsidiary (continued)

The provisional fair values of the identifiable assets and liabilities of PIPE as at the date of acquisition are as follows:

In thousands of AUD	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	190,032	(15,737)	174,295
Intangible assets	34,786	118,535	153,321
Deferred tax assets	6,409	2,848	9,257
Trade and other receivables	5,219	-	5,219
Cash and cash equivalents	2,059	-	2,059
Prepayments	1,874	-	1,874
Investments	13,313	3,986	17,299
Other assets	2,031	-	2,031
Interest-bearing loans and borrowings	(39,576)	-	(39,576)
Current tax liabilities	(8,533)	-	(8,533)
Provisions	(2,910)	-	(2,910)
Employee benefits	(122)	-	(122)
Deferred tax liabilities	(4,262)	(8,394)	(12,656)
Deferred revenue	(21,648)	2,052	(19,596)
Trade and other payables	(49,308)	-	(49,308)
Net identifiable assets and liabilities	129,364	103,290	232,654
Goodwill on acquisition			**140,439**
Total Consideration paid in cash			**373,093**
Less: Cash acquired			(2,059)
Consideration paid, net of cash acquired			**371,034**

8. Other expenses

In thousands of AUD	**2010**	**2009**
Other expenses include the following specific items:		
Expenses incurred in the acquisition of PIPE Networks Limited	3,135	-
Due diligence expenses incurred in relation to an acquisition opportunity that did not proceed	2,549	-
Net foreign exchange losses	482	5,171

9. Auditors' remuneration

In AUD

	2010	**2009**
Audit services		
Auditors of the Company – KPMG Australia		
Audit and review of financial reports	387,000	405,000
Other regulatory audit services	18,500	12,500
	405,500	417,500
Other services		
Auditors of the Company – KPMG Australia		
Taxation	55,000	-
	460,500	417,500

10. Finance income and expense

Recognised in profit or loss

In thousands of AUD	**2010**	**2009**
Interest income	1,861	1,342
Interest expense	(13,766)	(9,791)
Borrowing costs	(1,310)	(493)
Net finance expense	(13,215)	(8,942)

Recognised in equity

In thousands of AUD	**2010**	**2009**
Foreign currency translation differences on retranslation of foreign operations	73	207
Net change in fair value of available-for-sale financial assets	110	-
Finance income(expense) recognised directly in equity, net of tax	183	207
Attributable to:		
Owners of the Company	183	207
Minority interest	-	-
Finance income(expense) recognised directly in equity, net of tax	183	207

11. Income tax expense

Recognised in the income statement

In thousands of AUD	2010	Restated * 2009
Current tax expense		
Current year	28,466	18,635
Adjustments for prior years	-	(100)
	28,466	18,535
Deferred tax expense		
Origination and reversal of temporary differences	(6,353)	(9,873)
Total income tax expense	22,113	8,662

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2010	2009
Profit before tax	77,839	26,323
Income tax expense using the Company's domestic tax rate of 30% (2009: 30%)	23,351	7,896
Increase/(decrease) in income tax expense due to:		
Non-deductible expenses	1,844	866
Adjustments in respect of tax deductions for prior year customer bases acquired	(3,082)	-
	22,113	8,762
Over provided in prior years	-	(100)
Income tax expense/(benefit)	**22,113**	**8,662**

* Refer Note 37 – Revision to accounting for the acquisition of TPG Holdings Pty Ltd

12. Earnings per share

	2010 Cents	2009 Cents
Basic earnings per share	7.6	2.6
Diluted earnings per share	7.6	2.5

	2010 Number	2009 Number
Weighted average number of shares used in calculating basic earnings per share		
Ordinary shares on issue at 1 August	703,600,974	684,200,230
Effect of ordinary shares issued under the Dividend Reinvestment Plan	4,072,719	3,454,927
Effect of Institutional share placement	19,212,653	-
Effect of share options exercised	8,324,275	-
Effect of issue under Share Purchase Plan	311,231	-
Weighted average number of ordinary shares at 31 July	735,521,852	687,655,157
Weighted average number of shares used in calculating diluted earnings per share		
Ordinary shares on issue at 1 August	703,600,974	684,200,230
Effect of ordinary shares issued under the Dividend Reinvestment Plan	4,072,719	3,454,927
Effect of Institutional share placement	19,212,653	-
Effect of share options exercised	8,324,275	-
Effect of issue under Share Purchase Plan	311,231	-
Effect of share options on issue	-	6,559,630
Weighted average number of ordinary shares at 31 July	735,521,852	694,214,787

In thousands of AUD	2010	2009
Profit attributable to ordinary shareholders		
Profit for the year	55,726	17,661
Profit attributable to ordinary shareholders used in calculating **basic and diluted** earnings per share	55,726	17,661

13. Cash and cash equivalents

In thousands of AUD	2010	2009
Current		
Bank balances	17,105	17,172
Cash	7	7
Cash and cash equivalents	17,112	17,179

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

14. Trade and other receivables

In thousands of AUD	2010	2009
Current		
Trade receivables	21,069	20,489
Accrued income and other receivables	8,811	17,612
Less: Provision for impairment losses	(6,578)	(7,819)
	23,302	30,282

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 28.

15. Inventories

In thousands of AUD	2010	2009
Customer Equipment inventory	446	705

16. Prepayments and other assets

In thousands of AUD	2010	2009
Current		
Prepayments	5,997	6,983
	5,997	6,983
Non-current		
Security deposits	1,096	993
	1,096	993

17. Investments

In thousands of AUD	*Note*	2010	2009
Current investments			
Available-for-sale financial assets		9,890	-

Available-for-sale financial assets represent investments in ASX listed equity securities.

Sensitivity analysis – equity price risk
A two percent increase in share price as at the reporting date would have increased equity by $138 thousand after tax. An equal change in the opposite direction would have decreased equity by $138 thousand after tax.

The investment in an associated undertaking of PIPE was fair valued at $4.2 million on acquisition. This investment was subsequently sold at fair value with no impact on the Income Statement. The Group's share of profits of the associated undertaking subsequent to acquisition was not material.

18. Current tax assets and liabilities

The current tax asset for the Group of $116,324 (2009: $55,000) represents the amount of income taxes recoverable in respect of current and prior financial periods that arise from the payment of tax in excess of the amounts due to the relevant tax authority.

The current tax liability for the Group of $29.961 million (2009: $9.486 million) represents the amount of income taxes payable in respect of current and prior financial periods. The amount includes $7.1 million relating to the income tax payable by one of its subsidiaries, PIPE Networks Ltd, prior to entering the tax consolidated group on 31 March 2010.

The current tax liability at 31 July 2010 represents the income tax payable by all members of the tax consolidated group.

19. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	**2010**	**2009**	**2010**	**2009***	**2010**	**2009**
Property, plant and equipment	(2,003)	(1)	6,568	4,795	4,565	4,794
Intangible assets	-	-	21,334	18,874	21,334	18,874
Receivables	(2,643)	(2,266)	-	1,058	(2,643)	(1,208)
Inventories	(117)	(236)	-	-	(117)	(236)
Interest-bearing loans and borrowings	-	-	-	538	-	538
Employee benefits	(1,388)	(1,047)	-	-	(1,388)	(1,047)
Payables	(1,490)	(1,625)	28	12	(1,462)	(1,613)
Provisions	(3,761)	(2,094)	-	-	(3,761)	(2,094)
Other items	(5,414)	(423)	1,886	-	(3,528)	(423)
Unearned revenue	(1,786)	(1,009)	241	-	(1,545)	(1,009)
Equity raising costs	(575)	-	-	-	(575)	-
Investments	-	-	47	-	47	-
Tax value of loss carry-forwards recognised	(1,949)	(3,888)	-	-	(1,949)	(3,888)
Tax (assets)/liabilities	(21,126)	(12,589)	30,104	25,277	8,978	12,688
Set off of tax	21,126	12,589	(21,126)	(12,589)	-	-
Net tax liabilities	-	-	8,978	12,688	8,978	12,688

*Refer Note 37 – Revision to accounting for the acquisition of TPG Holdings Pty Ltd

19. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

In thousands of AUD	Balance 1 August 2008	Recognised in profit or loss	Recognised in equity	Balance 31 July 2009	Recognised in profit or loss	Recognised in equity	Acquired in business combinations	Balance 31 July 2010
Receivables	(4,282)	3,074	-	(1,208)	(1,168)	-	(267)	(2,643)
Property, plant and equipment	4,222	572	-	4,794	901	-	(1,130)	4,565
Intangible assets	34,904	(15,826)	(204)	18,874	(6,856)	(187)	9,503	21,334
Inventories	(306)	70	-	(236)	119	-	-	(117)
Interest-bearing loans and borrowings	871	(333)	-	538	(538)	-	-	-
Payables	(824)	(789)	-	(1,613)	152	-	(1)	(1,462)
Equity raising costs	-	-	-	-	41	(616)	-	(575)
Investments	-	-	-	-	-	47	-	47
Unearned revenue	(3,898)	2,889	-	(1,009)	(536)	-	-	(1,545)
Provisions	(601)	(1,493)	-	(2,094)	(771)	-	(896)	(3,761)
Employee benefits	(1,175)	128	-	(1,047)	(176)	-	(165)	(1,388)
Other items	(966)	543	-	(423)	540	-	(3,645)	(3,528)
Tax loss carry-forwards	(5,180)	1,292	-	(3,888)	1,939	-	-	(1,949)
	22,765	(9,873)	(204)	12,688	(6,353)	(756)	3,399	8,978

20. Property, plant and equipment

In thousands of AUD	***Note***	**Land**	**Plant and equipment**	**Leasehold improvements**	**Leased assets**	**Buildings**	**Total**
Cost							
Balance at 1 August 2008		60	192,130	119	2,470	990	**195,769**
Additions		-	25,078	-	114	-	**25,192**
Disposals		-	(460)	-	-	-	**(460)**
Effect of movements in exchange rates		-	(20)	-	-	45	**25**
Balance at 31 July 2009		60	216,728	119	2,584	1,035	**220,526**
Balance at 1 August 2009		60	216,728	119	2,584	1,035	**220,526**
Acquisitions through business combinations	7	-	169,739	2,404	-	2,152	**174,295**
Additions		-	38,650	297	-	-	**38,947**
Disposals		-	(523)	-	-	-	**(523)**
Write-downs and write-offs		-	(118)	-	-	-	**(118)**
Effect of movements in exchange rates		-	(62)	-	-	(38)	**(100)**
Balance at 31 July 2010		**60**	**424,414**	**2,820**	**2,584**	**3,149**	**433,027**

20. Property, plant and equipment (continued)

In thousands of AUD	Land	Plant and equipment	Leasehold improvements	Leased assets	Buildings	Total
Depreciation and impairment losses						
Balance at 1 August 2008	-	57,417	73	685	-	**58,175**
Depreciation charge for the year	-	26,918	5	221	49	**27,193**
Disposals	-	(184)	-	-	-	**(184)**
Effect of movements in exchange rates	-	(58)	-	-	(8)	**(66)**
Balance at 31 July 2009	-	84,093	78	906	41	**85,118**
Balance at 1 August 2009	-	84,093	78	906	41	**85,118**
Depreciation charge for the year	-	35,043	206	134	60	**35,443**
Disposals	-	(44)	-	-	-	**(44)**
Write-downs and write-offs	-	(118)	-	-	-	**(118)**
Effect of movements in exchange rates	-	(68)	-	-	25	**(43)**
Balance at 31 July 2010	-	118,906	284	1,040	126	**120,356**
Carrying amounts						
At 1 August 2008	60	134,713	46	1,785	990	**137,594**
At 31 July 2009	60	132,635	41	1,678	994	**135,408**
At 1 August 2009	60	132,635	41	1,678	994	**135,408**
At 31 July 2010	60	305,508	2,536	1,544	3,023	**312,671**

20. Property, plant and equipment (continued)

Leased plant and equipment

The Group leases plant and equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the plant and equipment at a beneficial price. At 31 July 2010 the net carrying amount of leased plant and equipment was $1.544 million (2009: $1.678 million). The leased plant and equipment secures lease obligations (see note 23).

21. Intangible assets

In thousands of AUD	2010	2009
Current		
Net capitalised deferred subscriber acquisition costs		
Balance 1 August	25,456	45,824
Additions	-	6,199
Written-off	(20,771)	(26,567)
Balance 31 July	4,685	25,456
Amortisation		
Balance 1 August	18,141	21,104
Amortisation	6,882	22,267
Written-off	(20,720)	(25,230)
Balance 31 July	4,303	18,141
Carrying amounts		
At 1 August	7,315	24,720
At 31 July	382	7,315

21. Intangible assets (continued)

In thousands of AUD **Non-current**	Note	Goodwill	Acquired customer bases	Reacquired rights	Trademark	Internally generated software	Indefeasible right of use of capacity	Development costs	Total
Cost									
Balance 1 August 2008		242,028	112,465	-	20,068	7,837	26,069	1,459	409,926
Acquisitions through business combinations		(110)	-	-	-	-	-	-	(110)
Balance 31 July 2009		241,918	112,465	-	20,068	7,837	26,069	1,459	409,816
Balance 1 August 2009		241,918	112,465	-	20,068	7,837	26,069	1,459	409,816
Acquisitions through business combinations	7	140,439	114,419	3,916	-	200	34,786	-	293,760
Additions		-	-	-	-	-	1,033	-	1,033
Balance 31 July 2010		382,357	226,884	3,916	20,068	8,037	61,888	1,459	704,609
Amortisation and Impairment									
Balance 1 August 2008		-	40,865	-	-	522	624	745	42,756
Amortisation for the year		-	32,307	-	-	1,567	2,107	94	36,075
Balance 31 July 2009		-	73,172	-	-	2,089	2,731	839	78,831
Balance 1 August 2009		-	73,172	-	-	2,089	2,731	839	78,831
Amortisation for the year		-	32,181	820	-	1,587	2,993	94	37,675
Balance 31 July 2010		-	105,353	820	-	3,676	5,724	933	116,506
Carrying amounts									
At 1 August 2008		242,028	71,600	-	20,068	7,315	25,445	714	367,170
At 31 July 2009		241,918	39,293	-	20,068	5,748	23,338	620	330,985
At 1 August 2009		241,918	39,293	-	20,068	5,748	23,338	620	330,985
At 31 July 2010		382,357	121,531	3,096	20,068	4,361	56,164	526	588,103

21. 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. Following the acquisition of PIPE Networks Limited and its subsidiaries during the 2010 financial year, it was determined that there were now four separate CGUs, being the Consumer, Corporate, PIPE domestic and PIPE international CGUs. Total goodwill at 31 July 2010 is $382,357,000 (2009: $241,918,000), and is allocated fully to the consumer CGU as the Group is primarily focused on leveraging all of the Group's assets for the benefit of the consumer business.

The recoverable amount of the goodwill in each CGU has been determined based on a value in use calculation.

Value in use was determined by discounting the projected future cashflows generated from the continuing use of the assets in each CGU. The cashflow projections utilised were the forecast cashflows for the 3 years to 31 July 2013, extrapolated based on revenue and margin growth assumptions to cover a 5 year period and incorporating a terminal value. The net projected growth rate in cashflows is 2% per annum in years 4 to 5 based on the long-term industry growth rate (2009: 2%). In the terminal phase beyond year 5 the growth rate used was also 2% (2009: 0%). A pre-tax discount rate of 17% (2009: 18%) has been used in discounting the projected cashflows, which is based on the Group's WACC adjusted to reflect an estimate of specific risks assumed in the cashflow projections. Sensitivity analysis on these assumptions has been performed which indicated that a reasonably possible movement in the assumptions would not create an impairment.

22. Trade and other payables

In thousands of AUD	**2010**	**2009**
Trade creditors	46,270	36,334
Other creditors and accruals	38,633	39,663
	84,903	75,997

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

23. 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 28.

In thousands of AUD	*Note*	2010	2009
Current liabilities			
Secured bank loans	*(i)*	76,181	-
Finance lease liabilities		414	442
Liability under network capacity agreement	*(ii)*	-	8,093
		76,595	8,535
Non-current liabilities			
Secured bank loans	*(i)*	245,662	58,000
Finance lease liabilities		222	429
		245,884	58,429

(i) On 12 March 2010 the Group entered into a new $360 million Syndicated Debt Facility Agreement which expires on 12 March 2013. $354.5 million was initially drawn down, the funds being used to finance, together with cash raised through a share placement, the acquisition of PIPE, and to pay back TPG's and PIPE's existing debt facilities totalling $98 million. By 31 July 2010, $22 million of the new facility had also been repaid such that the total debt balance at year end was $332 million.

The outstanding loan balance as at the year end is shown in the balance sheet net of unamortised borrowing costs of $10.2 million.

As at 31 July 2010, $28 million of the debt facility is available for drawdown, and the Group will commence making permanent repayments against the facility of $20 million per quarter from October 2010.
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
Kooee Pty Ltd
Digiplus Contracts Pty Ltd
Digiplus Limited (NZ)
Codex Limited (NZ)
Blue Call Pty Ltd
Orchid Cybertech Services Inc (Philippines)
Orchid Human Resources Pty Ltd
TPG (NZ) Pty Ltd

(ii) Unsecured liability in respect of an agreement for the supply of network capacity (indefeasible right of use of capacity).

23. Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In thousands of AUD	Currency	Nominal interest rate	Year of maturity	2010 Face value	2010 Carrying amount	2009 Face value	2009 Carrying amount
Secured bank loan	AUD	BBSY + margin (1)	2013 (2)	321,843	321,843	58,000	58,000
Finance lease liabilities	AUD	6.9%	2010-2013	659	636	940	871
Liability under network capacity agreement	USD	8.7%	2010	-	-	8,261	8,093
				322,502	322,479	67,201	66,964

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

(2) The Group has a repayment schedule of $20 million every quarter starting from October 2010 until January 2013, with the balance of the facility being repayable on 12 March 2013.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

In thousands of AUD	Minimum lease payments 2010	Interest 2010	Principal 2010	Minimum lease payments 2009	Interest 2009	Principal 2009
Less than one year	459	(21)	438	485	(43)	442
Between one and five years	200	(2)	198	455	(26)	429
	659	(23)	636	940	(69)	871

24. Employee benefits

In thousands of AUD	2010	2009
Current		
Liability for annual leave	2,695	2,289
Liability for long service leave	934	777
	3,629	3,066
Non Current		
Liability for long service leave	621	537

24. Employee benefits (continued)

Share based payments

(i) Employee Share Option Plan

On 27 February 2009, the Company announced a pool of 13.5 million share options with an exercise price of $0.18 per share, based on the 60 day Volume Weighted Average Share Price ("VWAP") at that date of $0.16.
On 7 July 2009, the Board approved the terms of a new Employee Share Option Plan under which these options would be granted to employees.
On 8 July 2009, 10.875 million of these share options were granted to employees.
On 25 November 2009, a further 2.0 million of these share options were granted to the two executive directors.
All options granted were immediately exercisable with a latest exercise date of 30 June 2010. All options were to be settled by physical delivery of shares.
All outstanding options were exercised by the last exercise date of 30 June 2010 with the exception of 100,000 which lapsed. There were no outstanding options on issue as at 31 July 2010.

The fair value of services received in return for share options granted is based on the fair value of share options granted. The fair value of the options was measured using a Black Scholes model with the following inputs:

	Options issued on 25 Nov 2009	Options issued on 8 July 2009
Share price at grant date	$1.60	$0.38
Exercise price	$0.18	$0.18
Expected volatility	55.2%	66.3%
Option life	0.50 years	0.27 years
Expected dividends	-	-
Risk-free interest rate	5.75%	5.5%
Fair value at grant date	$1.4271	$0.20484

(ii) 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 treasury share 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 treasury share reserve.

Under the share scheme the employee receives the voting rights and dividend entitlement to shares purchased under the scheme, however they are unable to access the shares until they satisfy the continuity of service criteria. Shares purchased or allocated during 2009 and 2010 vested immediately, whereas shares purchased under this scheme in previous years vest to the employee at 20% per annum at the end of each of the five years following the purchase, provided they continue to be employed in the Group. If the employee terminates their employment, they forfeit their entitlement to the unvested shares, except in limited circumstances such as medical reasons, bona fide retirement or termination other than for gross misconduct.

During the year $nil (2009: $400,388) was paid into the employee share scheme for the purchase of shares. No shares were purchased for the benefit of any employees during the year (2009: 43 employees), although 65,000 previously unallocated shares were allocated to 5 employees in 2010. During the year ended 31 July 2010, $228,000 (2009: $219,507) was recognised as an employee benefit expense in respect of this scheme.

25. Provisions

In thousands of AUD

	Make good costs	Lease increment	Other	Total
Balance 1 August 2009	3,009	120	-	3,129
Acquired in business combinations	910	-	2,000	2,910
Provisions made during the year	2,410	288	-	2,698
Provisions used during the year	(562)	(58)	-	(620)
Balance 31 July 2010	5,767	350	2,000	8,117
Current	-	-	2,000	2,000
Non-current	5,767	350	-	6,117
	5,767	350	2,000	8,117

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.

Other

Other includes a provision for an estimated cost of repair of certain network assets.

26. Deferred income and other liabilities

In thousands of AUD	2010	2009
Current liabilities		
Deferred income	33,494	25,046
Accrued interest	-	96
Other	-	229
	33,494	25,371
Non-current liabilities		
Deferred income	21,496	7,869

27. Capital and reserves

Share capital

	Company Ordinary shares		Company In thousands of AUD	
	2010	**2009**	**2010**	**2009**
On issue at 1 August	703,600,974	684,200,230	389,747	384,693
Ordinary shares issued during the year				
Institutional share placement (i)	41,009,464	-	65,000	-
Share Purchase Plan (ii)	747,365	-	1,185	-
Exercise of options	12,775,000	-	2,300	-
Transaction costs, net of tax			(1,486)	(17)
Ordinary shares issued under the Dividend Reinvestment Plan	9,716,301	19,400,744	16,989	5,071
On issue at 31 July	**767,849,104**	**703,600,974**	**473,735**	**389,747**

(i) On 4 February 2010 the Company completed an institutional placement to raise $65.0 million through the issue of 41.0 million new ordinary shares at $1.585.

(ii) The Company also offered to its shareholders the opportunity to acquire shares at $1.585 under a Share Purchase Plan. This offer closed on 19 February 2010 and raised $1.2 million through the issue of 747.4 thousand new ordinary 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 option reserve

The share option reserve is used to recognise the fair value of options issued but not exercised.

Treasury share reserve

The treasury share reserve represents the value of shares held by an equity compensation plan that the Company is required to include in the consolidated financial statements. This reserve will be reversed against share capital when the underlying shares vest in the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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.

27. Capital and reserves (continued)

Revaluation reserve

The revaluation reserve relates to the value of contracted customers that was recognised on the consolidation of SPT Telecommunications Pty Ltd. This entity was previously equity accounted and the amount recognised in the reserve reflects 50% of the increment in value of contracted customers.

Minority interest acquisition reserve

The minority interest acquisition reserve represents the surplus of the acquisition price over the minority interest acquired. Refer Note 3(a)(ii).

Dividends

Dividends recognised in the current year by the Company are:

In thousands of AUD	Cents per share	Total amount	Franked / unfranked	Date of payment
2010				
Interim 2010 ordinary	2.0	15,220	Franked	27 May 2010
Final 2009 ordinary	1.0	7,118	Franked	18 Nov 2009
		22,338		
2009				
Interim 2009 ordinary	1.0	6,842	Franked	27 May 2009
Total amount		6,842		

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 FY10 dividend of 2 cents per share. The dividend has a record date of 20 October 2010 and will be paid on 17 November 2010.

For each of the dividends in the table above, as well as the declared final FY10 dividend, a Dividend Reinvestment Plan was made available with a discount of 2.5%.

Dividend franking account *In thousands of AUD*	2010	2009
30 per cent franking credits available to shareholders of TPG Telecom Limited for subsequent financial years	73,112	34,774

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

(a) franking credits that will arise from the payment of the current tax liabilities;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
(d) 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 $6,581,564 (2009: $3,050,468)

28. 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 addressed at note 5.

Credit risk

Exposure to credit risk

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

		Carrying amount	
In thousands of AUD	***Note***	**2010**	**2009**
Trade and other receivables	*14*	23,302	30,282
Cash and cash equivalents	*13*	17,112	17,179
Available-for-sale financial assets	*17*	9,890	-
Forward exchange contracts		(173)	-
		50,131	47,461

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

		Carrying amount	
In thousands of AUD	***Note***	**2010**	**2009**
Type of customer			
Government		8,320	4,788
Corporate		4,561	3,947
Wholesale		2,327	3,352
Retail		5,861	8,402
	14	21,069	20,489

Approximately 28% of the Group's trade receivables are attributable to retail customers (2009: 41%). The Group minimises concentrations 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.

28. Financial instruments (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

In thousands of AUD	*Note*	Carrying amount 2010	Carrying amount 2009
Geographical region			
Australia		20,236	20,042
New Zealand		25	174
United States		94	10
Other		714	263
	14	21,069	20,489

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

Provision for Impairment losses

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

In thousands of AUD	*Note*	Carrying amount 2010	Carrying amount 2009
Ageing of customer			
Not past due		9,733	8,861
Past due 0-30 days		5,924	3,428
Past due 31-60 days		1,229	1,420
Past due 61-90 days		812	1,630
Past due 91-120 days		435	430
Past due 121 days		2,936	4,720
Gross trade receivables	*14*	21,069	20,489
Less: Provision for impairment losses	*14*	(6,578)	(7,819)
Net receivables		14,491	12,670

The provision for impairment losses of the Group at 31 July 2010 of $6.6 million (2009: $7.8 million) represents the risk of non-collection of outstanding debts that are past due and believed to be at risk. The allowance 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.

28. Financial instruments (continued)

Liquidity risk

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

31 July 2010 *In thousands of AUD*	***Note***	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities								
Secured bank loans	*23*	(321,843)	(383,425)	(53,309)	(51,897)	(99,149)	(179,070)	-
Finance lease liabilities	*23*	(636)	(659)	(231)	(227)	(184)	(17)	-
Trade and other payables*	*22*	(84,730)	(84,730)	(84,730)	-	-	-	-
Derivative financial liabilities								
Forward exchange contracts								
Outflow		(173)	(11,271)	(11,271)	-	-	-	-
Inflow		-	11,098	11,098	-	-	-	-
		(407,382)	**(468,987)**	**(138,443)**	**(52,124)**	**(99,333)**	**(179,087)**	**-**

* Excludes derivatives (shown separately)

31 July 2009 *In thousands of AUD*	***Note***	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 Months**	**1-2 years**	**2-5 years**	**More than 5 years**
Secured bank loans	*23*	(58,000)	(62,914)	(1,575)	(1,575)	(59,764)	-	-
Finance lease liabilities	*23*	(871)	(940)	(341)	(144)	(289)	(166)	-
Liability under network capacity agreement	*23*	(8,093)	(8,261)	(6,196)	(2,065)	-	-	-
Trade and other payables	*22*	(75,997)	(75,997)	(75,997)	-	-	-	-
		(142,961)	(148,112)	(84,109)	(3,784)	(60,053)	(166)	-

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

28. Financial instruments (continued)

Market risk

Currency 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:

	AUD equivalent	NZD	USD	PP	AUD equivalent	NZD	USD	PP
In thousands	31 July 2010				31 July 2009			
Trade receivables	462	-	416	-	455	204	240	-
Other financial assets	1,778	-	1,297	13,943	13,292	117	10,567	12,287
Trade payables	(6,902)	(7)	(6,194)	(905)	(1,838)	(77)	(1,457)	-
Other financial liabilities	(903)	-	(814)	-	(8,093)	-	(6,636)	-
Gross Statement of Financial Position exposure	(5,565)	(7)	(5,295)	13,038	3,816	244	2,714	12,287
Forward exchange contracts	(11,098)	-	(10,000)	-	-	-	-	-
Net exposure	(16,663)	(7)	(15,295)	13,038	3,816	244	2,714	12,287

In addition to the above, the Group has operating lease commitments denominated in USD (refer note 29).

The following significant exchange rates applied during the year:

In AUD	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
NZD	1.26	1.23	1.25	1.26
USD	0.86	0.73	0.90	0.82
PP	40.26	35.05	41.13	39.38

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 31 July would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

In thousands of AUD	Equity	Profit or loss
31 July 2010		
NZD	1	-
USD	1,543	1,543
PP	(29)	-
31 July 2009		
NZD	(18)	-
USD	(301)	(301)
PP	(28)	-

A 10 percent weakening of the Australian dollar against the above currencies at 31 July would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

28. Financial instruments (continued)

Market risk (continued)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

		Carrying amount	
In thousands of AUD	***Note***	**2010**	**2009**
Fixed rate instruments			
Financial assets		-	-
Financial liabilities	*23*	(636)	(8,964)
		(636)	(8,964)
Variable rate instruments			
Financial assets	*13*	17,112	17,179
Financial liabilities	*23*	(321,843)	(58,000)
		(304,731)	(40,821)

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.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) the Group's equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Group	
	Profit or loss	
In thousands of AUD	**100bp increase**	**100bp decrease**
31 July 2010		
Variable rate instruments	(3,047)	3,047
Cash flow sensitivity	(3,047)	3,047
31 July 2009		
Variable rate instruments	(409)	409
Cash flow sensitivity	(409)	409

28. Financial instruments (continued)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

In thousands of AUD	***Note***	**31 July 2010**		**31 July 2009**	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Trade debtors and other receivables	*14*	23,302	23,302	30,282	30,282
Cash and cash equivalents	*13*	17,112	17,112	17,179	17,179
Available-for-sale financial assets	*17*	9,890	9,890	-	-
Secured bank loans	*23*	(321,843)	(321,843)	(58,000)	(58,000)
Finance lease liabilities	*23*	(636)	(636)	(871)	(871)
Trade and other payables*	*22*	(84,730)	(84,730)	(75,997)	(75,997)
Forward exchange contracts		(173)	(173)	-	-
		(357,078)	(357,078)	(87,407)	(87,407)

* Excludes derivatives (shown separately)

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

Interest rates used for determining fair value

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

	2010	**2009**
Loans and borrowings	BBSY + margin	BBSY + margin
Leases	5% to 10%	5% to 10%
Forward exchange contracts	4% to 7%	-

Financial instruments carried at fair value are analysed by valuation method.
The different levels have been defined as follows:

- Level 1: quotes 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 (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The available-for-sale financial assets are categorised Level 1 as they are valued on quoted market prices.

29. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2010	2009
Less than one year	26,969	22,121
Between one and five years	71,458	79,331
More than five years	17,198	533
	115,625	101,985

These operating lease commitments include $62.9 million denominated in USD (2009: $94.8 million).

30. Capital and other commitments

In thousands of AUD	2010	2009
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for and payable:		
Within one year	6,900	3,648
One year or later and no later than five years	-	-
	6,900	3,648

31. Contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as 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.

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 considered remote.

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

32. Consolidated entities

The following is a list of all entities that form part of the Group at 31 July 2010:

	Country of Incorporation	Ownership interest (%)	
		2010	2009
Parent entity			
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 Limited	New Zealand	100	100
Codex Limited	New Zealand	100	100
Digiplus Contracts Pty Ltd	Australia	100	100
Blue Call Pty Ltd	Australia	100	100
PIPE Networks Pty Ltd	Australia	100	-
PIPE Transmission Pty Ltd	Australia	100	-
PIPE International (Australia) Pty Ltd	Australia	100	-
PPC 1 Limited	Bermuda	100	-
PPC 1 (US) Incorporated	USA	100	-
ACN 139 798 404 Pty Ltd	Australia	100	-
PSSC Pty Ltd	Australia	100	-

33. Reconciliation of cash flows from operating activities

In thousands of AUD	*Note*	2010	2009
Cash flows from operating activities			
Profit/(loss) for the year after income tax		55,726	17,661
Adjustments for:			
Depreciation of plant and equipment	*20*	35,443	27,193
Amortisation and impairment of intangibles	*21*	44,557	58,342
Bad and doubtful debts		1,992	3,438
Amortisation of prepaid advertising		1,833	2,000
Borrowing costs written-off	*10*	1,310	493
Employee share plan expense		40	219
Employee share option plan expense		2,890	2,228
Unrealised foreign exchange loss/(gain)		133	929
Interest income	*10*	(1,861)	(1,342)
Interest expense	*10*	13,766	9,791
Costs relating to mergers and acquisitions	*8*	5,684	-
Net loss/(gain) on sale on non-current assets		(20)	219
Income tax expense/(benefit)	*11*	22,113	8,662
Operating profit before changes in working capital and provisions		183,606	129,833
Changes in operating assets and liabilities adjusted for effects from purchase of controlled entities during the financial year:			
(Increase)/decrease in trade and other receivables		10,207	34,597
(Increase)/decrease in inventories		259	428
(Increase)/decrease in other assets		2,955	5,308
(Increase)/decrease in intangible assets		51	(4,863)
(Decrease)/increase in trade and other payables		(13,082)	(4,872)
(Decrease)/increase in other liabilities		2,479	(7,482)
(Decrease)/increase in employee benefits		525	(244)
(Decrease)/Increase in provisions		2,078	121
		189,078	152,826
Income taxes paid		(16,768)	(19,104)
Net cash from operating activities		172,310	133,722

34. Parent entity disclosures

In thousands of AUD	*Note*	Company 2010	Company 2009
Result of the parent entity			
Loss for the period	*(i)*	(15,955)	(474)
Other comprehensive income		-	-
Total comprehensive income for the period		**(15,955)**	**(474)**
Financial position of parent entity at year end			
Current assets		1,316	1,999
Total assets		854,469	549,371
Current liabilities		117,936	82,433
Total liabilities		396,751	140,433
Total equity of the parent entity comprising of:			
Share Capital		473,735	389,747
Reserves		4,925	1,842
Retained (Accumulated losses)/Earnings		(20,942)	17,349
Total Equity		**457,718**	**408,938**

(i) Loss for the period includes:

Finance expenses	(14,660)
Costs relating to mergers and acquisitions	(5,684)
Income tax benefit	5,872
Others	(1,483)
Total	**(15,955)**

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 its subsidiaries.

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

35. Related parties

The following were key management personnel of the Group at any time 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

Non-executive directors

Mr Robert Millner

Mr Denis Ledbury

Mr Joseph Pang

Executives

Mr Witold Piestrzynski
Chief Operating Officer

Mr Stephen Banfield
Chief Financial Officer and Company Secretary

Ms Mandie De Ville
Chief Information Officer

Mr Craig Levy
General Manager, Marketing & Consumer Sales

Mr John Paine
National Technical and Strategy Manager

Mr Stuart McCullough *National General Manager, Sales*	Appointed 26 August 2008 Ceased employment 11 June 2010
Mr Jason Sinclair *Chief Operating Officer, PIPE Networks*	Subsidiary employer acquired 17 March 2010
Mr Bevan Slattery *Chief Executive Officer, PIPE Networks*	Subsidiary employer acquired 17 March 2010 Resigned with effect from 30 September 2010

35. Related parties (continued)

Key management personnel compensation

The key management personnel compensation included in employee benefits (see note 24) is as follows:

In AUD	2010	2009
Short-term employee benefits	3,175,569	1,742,293
Post-employment benefits	349,332	445,803
Other long term benefits	46,926	30,775
Termination benefits	20,192	-
Equity compensation benefits	2,926,129	623,123
	6,518,148	2,841,994

Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation is provided in the Remuneration Report section of the Directors' report on pages 12 to 18.

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 2010 was $111,264 (2009: $100,920).

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.

35. Related parties (continued)

Options and rights over equity instruments

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

	Held at 1 August 2009	Granted as compensation	Exercised	Expired	Held at 31 July 2010	Vested during the year	Vested and exercisable at 31 July 2010
Directors							
Mr D Teoh	-	1,000,000	1,000,000	-	-	1,000,000	-
Mr A Latimer	-	1,000,000	1,000,000	-	-	1,000,000	-
Executives							
Mr J Paine	700,000	-	700,000	-	-	-	-
Mr C Levy	500,000	-	500,000	-	-	-	-
Mr S Banfield	500,000	-	500,000	-	-	-	-
Mr S McCullough	150,000	-	150,000	-	-	-	-
Ms M De Ville	100,000	-	100,000	-	-	-	-

	Held at 1 August 2008	Granted as compensation	Exercised	Expired	Held at 31 July 2009	Vested during the year	Vested and exercisable at 31 July 2009
Executives							
Mr V Piestrzynski	-	1,000,000	1,000,000	-	-	1,000,000	-
Mr J Paine	-	700,000	-	-	700,000	700,000	700,000
Mr C Levy	-	500,000	-	-	500,000	500,000	500,000
Mr S Banfield	-	500,000	-	-	500,000	500,000	500,000
Mr S McCullough	-	150,000	-	-	150,000	150,000	150,000
Ms M De Ville	-	100,000	-	-	100,000	100,000	100,000

35. Related parties (continued)

Movements in shares

	Held at 1 August 2009	Purchases	Granted as remuneration or on exercise of options	Received under DRP (1)	Disposals	Held at 31 July 2010
Directors						
Mr D Teoh	273,383,415	-	1,000,000	4,725,985	-	279,109,400
Mr R Millner (2)	6,223,244	133,352	-	109,673	-	6,466,269
Mr D Ledbury	311,709	-	-	2,494	(164,203)	150,000
Mr AJ Latimer	1,322,844	-	1,000,000	21,264	(1,170,000)	1,174,108
Mr J Pang	-	85,000	-	-	-	85,000
Executives						
Mr W Piestrzynski	2,303,352	-	1,000,000	-	(500,000)	2,803,352
Mr S Banfield	24,368	-	519,991	-	(44,359)	500,000
Ms M De Ville	8,956	-	106,280	-	-	115.236
Mr C Levy	116,706	99,000	518,113	-	(88,000)	645,819
Mr J Paine	3,114,767	-	700,000	63,982	(200,000)	3,678,749
Mr S McCullough (3)	93,060	2,000	150,000	1,044	(85,000)	n/a
Mr J Sinclair	-	-	30,000	-	-	30,000

	Held at 1 August 2008	Purchases	Granted as remuneration	Received under DRP (1)	Held at 31 July 2009
Directors					
Mr D Teoh	261,172,492	2,219,626	-	9,991,297	273,383,415
Mr R Millner (2)	3,695,784	2,300,000	-	227,460	6,223,244
Mr D Ledbury	178,223	122,000	-	11,486	311,709
Mr AJ Latimer	1,174,102	100,000	-	48,742	1,322,844
Mr J Pang	-	-	-	-	-
Executives					
Mr W Piestrzynski	2,303,352	-	-	-	2,303,352
Mr S Banfield	4,374	-	19,994	-	24,368
Ms M De Ville	2,676	-	6,280	-	8,956
Mr C Levy	10,593	88,000	18,113	-	116,706
Mr J Paine	2,600,000	400,000	-	114,767	3,114,767
Mr S McCullough	-	90,000	-	3,060	93,060

(1) DRP = Dividend Reinvestment Plan
(2) Prior year comparatives and opening balance at 1 August 2009 have been corrected for interests omitted in prior year's report
(3) Ceased to be key management personnel on 11 June 2010

35. Related parties (continued)

Identity of related parties

The Group has a related party relationship with its key management personnel.

36. 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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

37. Revision to accounting for the acquisition of TPG Holdings Pty Ltd

In the current period an error has been discovered in the calculation of the allocable cost amount in the tax consolidation process that was performed when the TPG Holdings Pty Ltd consolidated tax group joined the Company's consolidated tax group in April 2008. The impact of this error was an understatement of goodwill and deferred tax liabilities at the date of acquisition and an understatement of goodwill, deferred tax liabilities and current tax liabilities in the 31 July 2008 and 31 July 2009 balance sheets of the Group.

The amount of goodwill arising from the TPG acquisition is revised to $180.4 million and was understated in both balance sheets by $6.1 million. The amounts by which deferred tax liabilities and current tax liabilities were understated in the 31 July 2008 balance sheet were $5.7 million (reported $37.3 million; restated $43.0 million) and $366 thousand (reported $8.4 million; restated $8.8 million) respectively. The amounts by which deferred tax liabilities and current tax liabilities were understated in the 31 July 2009 balance sheet were $4.6 million (reported $20.7 million; restated $25.3 million) and $1.5 million (reported $8.0 million; restated $9.5 million) respectively.

The Group's 31 July 2009 balance sheet comparatives have been re-stated in this report to show the corrected goodwill, deferred tax liabilities and current tax liabilities.

The amendments described above have had no impact on the profit attributable to members, total comprehensive income or retained earnings, or basic and diluted earnings per share of the Group in the current or comparative periods. Given this, the directors have concluded that the error does not warrant the presentation of a third balance sheet showing the amended 1 August 2008 balances.

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' report.

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.

38. Deed of cross guarantee (continued)

The Deed of Cross Guarantee was entered into on 25 June 2008. The Australian incorporated companies within the PIPE group (as included in the list below) were joined as parties to the Deed of Cross Guarantee through an Assumption Deed dated 6 May 2010.

The subsidiaries subject to the Deed are:

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
Digiplus Limited (NZ)
Codex Limited (NZ)
Chariot Pty Ltd
Pipe Networks Pty Ltd
Pipe International (Australia) Pty Ltd
Pipe Transmission Pty Ltd
ACN 139 798 404 Pty Ltd

TPG Telecom Limited and its controlled entities
Directors' declaration
For the year ended 31 July 2010

1. In the opinion of the directors of TPG Telecom Limited ('the Company'):

   (a) the financial statements and notes set out on pages 23 to 87 and the Remuneration report in section 5.1 of the Directors' report, set out on pages 12 to 18, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company and the Group as at 31 July 2010 and of their 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 37 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 2010 required by Section 295A of the *Corporations Act 2001*.

Dated at Sydney this 14th day of October, 2010.

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 the entities it controlled at the year's end or from time to time during the financial year, which comprises the balance sheet as at 31 July 2010, and income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 38 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations), a 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.

KPMG

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 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 the directors' report for the year ended 31 July 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Leighton
Partner

Sydney

14 October 2010

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 2010 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.

KPMG

KPMG

Kevin Leighton
Partner
Sydney

14 October 2010

TPG Telecom Limited and its controlled entities
ASX additional information
For the year ended 31 July 2010

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 7 October 2010)

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

Shareholder	**Number of ordinary shares held**	**% of capital held**
David Teoh and Vicky Teoh	279,109,400	36.35
Washington H Soul Pattinson and Company Limited	204,241,796	26.60

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.

Distribution of equity security holders

Category	**Number of Equity Security Holders** **Ordinary shares**
1 - 1,000	1,233
1,001 - 5,000	1,817
5,001 - 10,000	904
10,000 - 100,000	1,386
100,000 and over	192
	5,532

The number of shareholders holding less than a marketable parcel of ordinary shares is 470.

Stock exchange
The Company is listed on the Australian Stock Exchange. The home exchange is Sydney and ASX code is TPM.

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

TPG Telecom Limited and its controlled entities
ASX additional information (continued)
For the year ended 31 July 2010

Twenty largest shareholders

Name of shareholder	Number of ordinary shares held	Percentage of capital held
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	204,241,796	26.60
DAVID TEOH	138,976,256	18.10
VICKY TEOH	137,875,222	17.96
J P MORGAN NOMINEES AUSTRALIA LIMITED	40,434,281	5.27
NATIONAL NOMINEES LIMITED	33,054,043	4.30
WIN CORPORATION PTY LTD	21,530,923	2.80
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIPOOOLED A/C>	16,265,132	2.12
FARJOY PTY LTD	10,114,511	1.32
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,727,476	1.27
COGENT NOMINEES PTY LIMITED	8,051,233	1.05
J S MILLNER HOLDINGS PTY LIMITED	5,695,789	0.74
CITICORP NOMINEES PTY LIMITED	5,522,434	0.72
BKI INVESTMENT COMPANY LIMITED	4,090,000	0.53
MR JOHN ERIC PAINE	3,678,749	0.48
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	3,587,898	0.47
COGENT NOMINEES PTY LIMITED <SMP ACCOUNTS>	3,248,761	0.42
MR WITOLD MACIEJ PIESTRZYNSKI	2,803,352	0.37
ANZ NOMINEES LIMITED <CASH INCOME A/C>	2,712,204	0.35
MS SENG BEE TEOH + MR SIN MONG WONG	2,446,755	0.32
TOTAL PERIPHERALS PTY LTD <SUPER FUND A/C>	2,257,922	0.29
	656,314,737	**85.47**

Principal Registered Office

65 Waterloo Road
North Ryde NSW 2113

Telephone: 02 9850 0800

Location of Share Registry

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone: 02 8234 5000

TELECOM