2014 ANNUAL REPORT

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

Annual Report
Year ended 31 July 2014

TPG Telecom Limited and its controlled entities

Annual report

For the year ended 31 July 2014

Contents **Page**

TPG Telecom Limited and its controlled entities

Chairman's letter

For the year ended 31 July 2014

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present to you the TPG Telecom Limited Annual Report for the financial year ended 31 July 2014 ("FY14").

Financial Performance

FY14 was another excellent year for the Group. Continued strong organic growth has resulted in further increases in revenue, profits, and returns for shareholders. FY14 represents the sixth consecutive year that this has been the case.

A detailed review of the Group's operating and financial performance for the year is provided in the Operating and Financial Review section of the Directors' Report, starting on page 7 of this Annual Report, and set out below are some of the key financial highlights from the year.

	FY14	FY13	Movement
Revenue ($m)	970.9	724.5	+34%
EBITDA ($m)	363.7	293.1	+24%
NPAT ($m)	171.7	149.2	+15%
EPS (cents/share)	21.6	18.8	+15%
Dividends (cents/share)	9.25	7.50	+23%
Free cashflow ($m)	223.5	174.5	+28%

AAPT Acquisition

An important achievement this year was the acquisition of AAPT. AAPT is one of Australia's leading telecommunications infrastructure companies with a large and profitable wholesale and corporate business. It offers voice, internet, data and cloud services to its customers via its extensive national network.

AAPT's network infrastructure is highly complementary to the TPG Group's existing network and includes 11,000km of fibre across six states and territories, importantly including fibre between the large capital cities, fibre access to 1,500 premises, 15 data centres across all major capital cities and widespread mid-band ethernet capability.

The incorporation of AAPT's infrastructure into TPG's extensive CBD, metropolitan and international network assets will further enhance TPG's position as an increasingly major force in the telecommunications market.

TPG Telecom Limited and its controlled entities

Chairman’s letter

For the year ended 31 July 2014

Conclusion

Key to our achievements again this year has been the continued hard work and commitment of all of the Group’s employees. I would like to extend thanks to them on behalf of the Board and I look forward to their ongoing contribution to the Group’s success in FY15 and beyond.

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

Yours faithfully

David Teoh
Chairman

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2014

The directors present their report together with the financial report of the Group, being TPG Telecom Limited ('the Company') and its controlled entities, for the financial year ended 31 July 2014, and the auditor's report thereon.

Contents of directors' report

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2014

1. Board of Directors

Name, qualifications and independence status	Experience, special responsibilities and other directorships
CURRENT	
David Teoh Executive Chairman Chief Executive Officer	David is the founder and Managing Director of the TPG group of companies. TPG Telecom Ltd (2008-current).
Denis Ledbury Non-Executive Director B.Bus, A.I.C.D. Independent	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.
Robert Millner Non-Executive Director F.A.I.C.D.	TPG Telecom Ltd (2000-current), BKI Investment Company Ltd (2003-current), Apex Healthcare Berhad (2000-current), Australian Pharmaceutical Industries Ltd (2000-current), Milton Corporation Ltd (1998-current), Brickworks Ltd (1997-current), New Hope Corporation Ltd (1995-current), Washington H Soul Pattinson and Company Ltd (1984-current), Exco Resources Ltd (2012-2013) and Souls Private Equity Ltd (2004-2012). Former Chairman of TPG Telecom Ltd, resigned position in 2008. Member of Audit & Risk and Remuneration Committees.
Joseph Pang Non-Executive Director FCA Independent	Joseph has worked in financial roles in the UK, Canada and Hong Kong prior to starting his own Management and Financial Consulting Service in Australia. TPG Telecom Ltd (2008-current). Member of Audit & Risk and Remuneration Committees.
Shane Teoh Non-Executive Director B.Com, LLB	Shane holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales. He is managing director of Total Forms Pty Ltd, a leading developer of accounting and taxation software in Australia. TPG Telecom Ltd (2012-current).
RETIRING	
Alan Latimer Executive Director B.Com, CA, G.A.I.C.D	Prior to becoming an Executive Director of TPG Telecom in 2008, 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. Alan will retire from the Board and the Company effective 31 October 2014.

2. Company secretary

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

3. Directors' meetings

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

Director	**Board Meetings**		**Audit & Risk Committee Meetings**		**Remuneration Committee Meetings**	
	A	**B**	**A**	**B**	**A**	**B**
D Teoh	16	16	-	-	-	-
A Latimer	16	16	-	-	-	-
D Ledbury	15	16	2	2	2	2
R Millner	16	16	2	2	2	2
J Pang	16	16	2	2	2	2
S Teoh	16	16	-	-	-	-

A: Number of meetings attended.

B: Number of meetings held while a member.

4. Operating and financial review

4.1 Operating result overview

The Group again achieved record financial results for the year ended 31 July 2014 ("FY14"), highlights of which are as follows:

- EBITDA for the year increased by 24% to $363.7m.
- Net Profit After Tax ("NPAT") increased by 15% to $171.7m.
- NPAT excluding intangible amortisation increased by 18% to $196.3m.
- Earnings per share ("EPS") increased by 15% to 21.6 cents per share.
- EPS excluding intangible amortisation increased by 18% to 24.7 cents per share.
- Pre-tax operating cashflow increased by 25% to $396.6m and exceeded EBITDA by $32.9m.
- Free cashflow after tax, interest and capex increased by 28% to $223.5m.
- Dividends per share paid or declared in respect of FY14 increased by 23% to 9.25 cents.

TPG Telecom Limited and its controlled entities

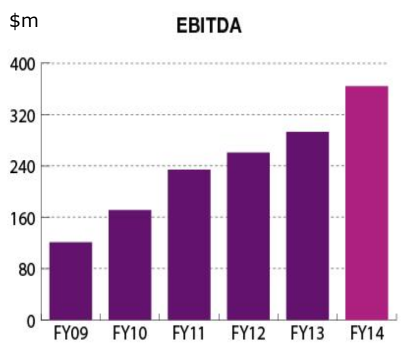
Directors' report

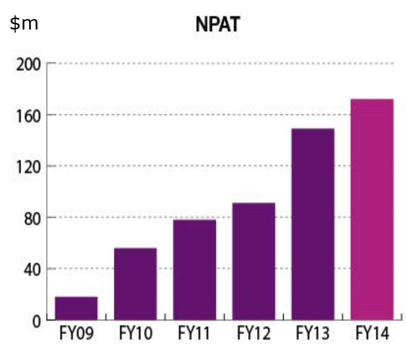
For the year ended 31 July 2014

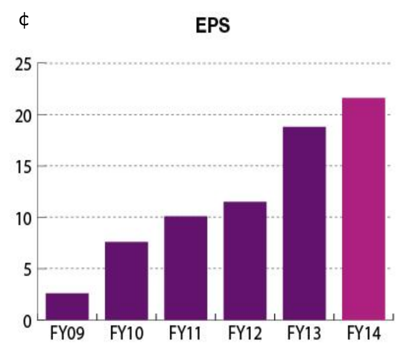
4. Operating and financial review (continued)

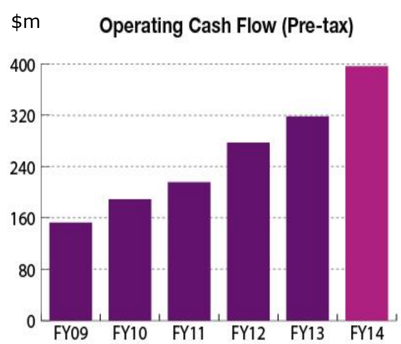
4.1 Operating result overview (continued)

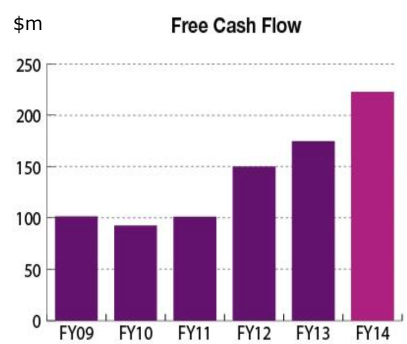
These FY14 financial results and returns for shareholders are a continuation of the strong growth trend achieved by the Group over the last six years as shown in the charts below.

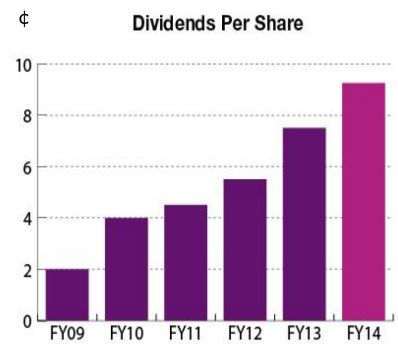












The FY14 result has been driven by continued strong organic growth across the Group's consumer and corporate divisions (underlying EBITDA up by 19% and 20% respectively) accompanied by a maiden EBITDA contribution from AAPT of $38.2m underlying for the five month post acquisition period.

Consumer business

The Consumer division's EBITDA for the year was $205.6m which includes $3.3m of non-recurring benefits arising from credits and commercial settlements related to prior years. As reported last year, the division's EBITDA for FY13 of $180.6m benefitted from $10.0m of back-dated rebates arising from favourable regulatory determinations. The Consumer division's underlying EBITDA growth for FY14 relative to FY13 was therefore $31.7m or 19%. This has been driven by ongoing organic broadband subscriber growth as well as an increase in contribution per subscriber arising from continued tight cost control and an uplift in ARPU (average revenue per user) from subscribers to the Group's home phone bundle plans.

4. Operating and financial review (continued)

4.1 Operating result overview (continued)

*Corporate business (*excluding AAPT)

The Group's Corporate division (excluding AAPT) achieved an EBITDA of $126.0m for the year. This result includes $6.3m of non-recurring benefits (comprising $4.0m of back-dated supplier credits and a $2.3m IRU gain). As reported last year, the division's FY13 EBITDA of $110.3m included a $10.5m IRU gain. The Corporate division's underlying EBITDA growth for FY14 relative to FY13 was therefore $19.9m or 20%. This increase has been achieved through revenue growth as well as an improvement in underlying margin from 43% to 50%.

AAPT

The acquisition of AAPT on 28 February 2014 contributed $29.9m to the Group's FY14 EBITDA. Excluding $5.1m of one-off integration costs and $3.2m of acquisition related costs incurred in the period, AAPT's underlying EBITDA for the five months to 31 July 2014 was $38.2m.

Integration activities have focused on the consolidation of teams, systems, networks and processes, resulting in an uplift in AAPT's EBITDA margin from ~18% pre-acquisition to 23% underlying for the five months.

In addition to these cost benefits the integration is now also enabling the merged sales groups to leverage the Group's combined product and network strengths. The corporate sales teams now operate as TPG Network for the direct channels of enterprise, government and corporate businesses with AAPT Wholesale continuing as provider to carrier and wholesale customers.

Cashflow and Gearing

The Group's excellent cashflow performance continued in FY14 with $396.6m cash being generated from operations (pre-tax). After tax, interest and capital expenditure, the Group had free cashflow of $223.5m.

The Group made total debt repayments of $117.0m in FY14, meaning that even after a total outlay of $465.9m for the acquisition of AAPT during the year the Group had already reduced its outstanding debt to $350.0m by 31 July 2014. This level of debt represents a comfortable gearing ratio of less than 0.9x the Group's annualised EBITDA run-rate.

Dividends

In light of the Group's strong cashflow and earnings growth, the Board of Directors increased dividends to shareholders declared or paid in respect of FY14 to a total of 9.25 cents per share for the year (fully franked), an increase of 23% over FY13.

TPG Telecom Limited and its controlled entities

Directors' report

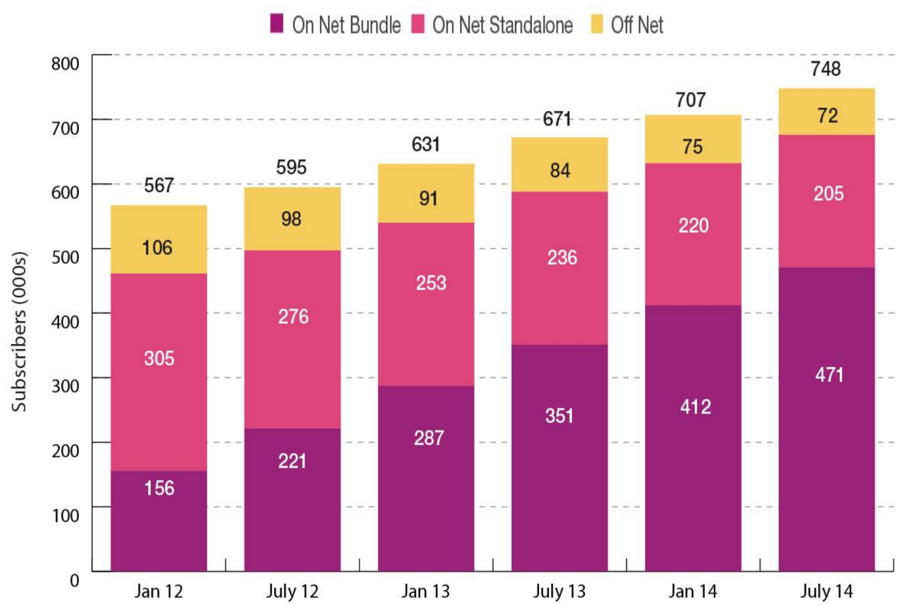
For the year ended 31 July 2014

4. Operating and financial review (continued)

4.2 Customer growth

Consumer division

During FY14 the Consumer division achieved further organic growth of its broadband subscriber base, with a net increase of 77,000 subscribers. This growth comprised a net increase of 120,000 subscribers to the Group's bundled internet and home phone plans, partially offset by a reduction in standalone on-net and off-net subscribers.



During the final quarter of FY14 the Group also soft launched its first NBN plans. Since the year-end the rate of customer sign-up to these plans has reached 500-600 per week. In September 2014 the Group has also released for sale its first 'fibre to the building' (FTTB) plans.

TPG's mobile phone subscriber base showed much more modest growth in FY14 increasing by just 2,000 subscribers over the year. Unlike its broadband services, the Group's mobile services are not delivered on owned infrastructure and the Group is therefore dependent on available wholesale offerings in order to have competitive plans to grow its mobile business. Mobile services represent less than 5% of the Group's overall EBITDA.

As at 31 July 2014 the Consumer division had 748,000 broadband subscribers and 362,000 mobile phone subscribers.

TPG Telecom Limited and its controlled entities

Directors' report

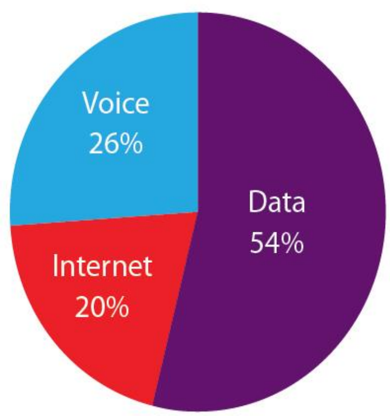
For the year ended 31 July 2014

4. Operating and financial review (continued)

4.2 Customer growth (continued)

Corporate division

The Group's Corporate division customer base has also grown significantly this year with the addition of the AAPT customer base increasing the Group's Corporate division revenues to over $600m annualised. The split of Corporate division annualised revenues at the end of the year by customer and product category is set out below.



4.3 Network infrastructure update

At the core of the Group's business is its extensive telecommunications network infrastructure. With the addition of AAPT during the year, the Group now operates a national, state-of-the-art network that consists of:

- Over 17,000km of metro and inter-capital fibre network;
- Australia's largest dedicated dark fibre network (over 5,000km);
- More than 400 national network points of presence (POPs);
- Over 400 DSLAM enabled exchanges, offering Mid-Band Ethernet and ADSL services;
- One of Australia's largest and most sophisticated voice networks, moving over 184 million calls per month;
- PPC-1, our 7,000km submarine cable connecting Sydney to Guam, and onward to the US and Asia;
- International services delivered in New Zealand, Singapore, Hong Kong, Japan and the US;
- Significant cloud computing and storage footprint distributed across six locations nationally; and
- One of Australia's largest Internet exchanges.

This infrastructure investment provides an important foundation for the continued growth of the Group's customer base and profits into the future.

4. Operating and financial review (continued)

4.4 Financial results review

There follows below a review of the key elements of the FY14 result, including five months AAPT:

	FY14 $m	*% of revenue*	FY13 $m	*% of revenue*
Revenue				
Consumer	563.2	*58%*	480.3	*66%*
Corporate (excl AAPT)	242.9	*25%*	244.2	*34%*
AAPT	164.8	*17%*	-	-
Total revenue	**970.9**		**724.5**	
Telco costs				
Consumer	(293.2)	*52%*	(237.4)	*49%*
Corporate (excl AAPT)	(74.7)	*31%*	(90.7)	*37%*
AAPT	(86.2)	*52%*	-	-
Total telco costs	**(454.1)**	***47%***	**(328.1)**	***45%***
Employment costs				
Consumer	(33.2)	*6%*	(28.0)	*6%*
Corporate (excl AAPT)	(32.1)	*13%*	(32.1)	*13%*
AAPT	(38.3)	*23%*	-	-
Total employment costs	**(103.6)**	***11%***	**(60.1)**	***8%***
Other expenses				
Consumer	(31.2)	*6%*	(34.3)	*7%*
Corporate (excl AAPT)	(10.0)	*4%*	(11.1)	*5%*
AAPT	(7.2)	*4%*	-	-
Unallocated	(3.7)	-	(1.1)	-
Total other expenses	**(52.1)**	***5%***	**(46.5)**	***6%***
Other income	2.6	-	3.3	-
EBITDA	**363.7**	***37%***	**293.1**	***40%***
Depreciation	(72.6)	*7%*	(49.9)	*7%*
Amortisation	(35.2)	*4%*	(23.9)	*3%*
Operating profit	**255.9**	***26%***	**219.3**	***30%***
Net financing costs	(9.1)	*1%*	(7.0)	*1%*
Profit before tax	**246.8**	***25%***	**212.3**	***29%***
Income tax	(75.1)	-	(63.1)	-
Profit after tax	**171.7**	***18%***	**149.2**	***21%***
Earnings per share (cents)	21.6		18.8	

4. Operating and financial review (continued)

4.4 Financial results review (continued)

Revenue

a) Consumer

Consumer division revenue increased by $82.9m (17%) to $563.2m in FY14.

This increase was driven by a combination of increased broadband subscriber numbers and increased ARPU (average revenue per user).

Subscribers on the Group's broadband and home phone plans increased over the year by 77,000 (11%) to 748,000 (including 471,000 subscribers with a home phone service).

Monthly ARPU for broadband customers increased in the year from $49.3 to $50.1 due to the ongoing increase in the proportion of the customer base that has a plan that bundles broadband and home phone line rental.

In addition, home phone customers generated an average of $7 per month in voice usage revenue, up from $6 last year.

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

b) Corporate (excluding AAPT)

Corporate revenue (excluding AAPT) decreased by $1.3m (0.5%) to $242.9m in FY14.

However, included in the FY14 corporate division revenue is $2.3m arising from an IRU (Indefeasible Right of Use) contract which was recognised in revenue as a finance lease. This is $8.2m lower than the $10.5m of IRU revenue that was accounted for in the same manner in FY13. The relevance of separately identifying these IRU amounts is because they are non-recurring in nature whereas the rest of corporate revenue generally comprises recurring charges to customers. This means that the corporate division's recurring revenue actually grew in FY14 by $6.9m (3%). This growth, as was the case in FY13, was achieved in an environment of falling prices and telco industry consolidation which drives some significant reductions in wholesale revenue.

c) AAPT

AAPT revenue of $164.8m was for the five month period post acquisition (1 March 2014 to 31 July 2014).

Telco costs

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

a) Consumer

Consumer division telco costs increased as a proportion of consumer division revenue in FY14 from 49% to 52%.

Within the costs for FY13, however, was a $10.0m one-off benefit arising from credits that the Group received as a result of regulatory decisions made by the ACCC during that year.

Excluding this $10.0m one-off benefit, and a minor $1.0m one-off benefit affecting FY14, telco costs in the consumer division increased only slightly as a proportion of revenue from 51.5% to 52.2%.

b) Corporate (excluding AAPT)

Corporate division telco costs in FY14 represent 31% of revenue, compared to 37% in FY13.

4. Operating and financial review (continued)

4.4 Financial results review (continued)

Excluding the non-recurring IRU revenue the decrease was from 39% to 31% of revenue.

Two percentage points of this decrease was due to a $4m one-off credit received from a supplier during FY14. The balance of the decrease represents an improvement in recurring operating margins arising from the increasing proportion of customers' traffic that is carried on the Group's owned infrastructure rather than on circuits leased from other carriers.

This margin improvement, as was the case in FY13, was achieved in an environment of sharply reduced pricing in corporate business and reflects the benefits to the Group of its past and ongoing investment in network infrastructure.

c) AAPT

AAPT telco costs for the five months post acquisition period were 52% of revenue. The main reason for these costs being higher as proportion of revenue than in the TPG corporate business is that AAPT's product mix includes a significantly higher proportion of wholesale and low margin re-bill business.

Other income

Other income, which decreased from $3.3m to $2.6m in FY14, comprises dividend income from the Group's ASX listed investments. The reason for the small decrease in FY14 is due to that fact that FY13 also included a gain from a small disposal of shares. Dividends from the Group's investments actually increased by 18% to $2.6m in FY14.

Employment costs

Consumer division employment costs grew in absolute terms in the year by $5.2m but increased only from 5.8% to 5.9% of revenue.

Corporate division employment costs were in line with FY13 both in absolute terms and as a % of revenue.

AAPT employment costs of $38.3m for the five month period post acquisition included $5.1m of one-off restructuring costs.

The Group's total headcount at 31 July 2014 was 2,828, an 841 increase in the year. The major driver of the significant increase in the year was the acquisition of AAPT.

Other expenses

Other expenses include all of the overheads incurred by the Group in running the business, as well as marketing costs.

The consumer division's other expenses declined by $3.1m in FY14, although this included a $2.3m one-off benefit arising from a release of provisions created in prior years relating to matters that were resolved during FY14 in a manner that no longer required retention of the provisions.

The corporate division's other expenses were also down by $1.1m in FY14.

AAPT incurred other expenses of $7.2m for the five month period post acquisition.

There were also $3.7m of unallocated other expenses in FY14 up by $2.6m from last year. This includes $3.2m in FY14 attributable to the acquisition of AAPT and predominantly represents stamp duty and professional fees incurred.

4. Operating and financial review (continued)

4.4 Financial results review (continued)

EBITDA

Overall, Group EBITDA grew by $70.6m (24%) to $363.7m in FY14. The acquisition of AAPT contributed $29.9m ($33.1m less the $3.2m of acquisition related expenses).

The $40.7m balance of the increase includes one-off favourable items of $9.6m (as described in the paragraphs above), $10.9m less than the favourable items reported as having impacted last year's result. This means that underlying EBITDA growth of the business in FY14 excluding AAPT was $51.6m or 19%. This has been achieved through strong continued broadband subscriber growth in the consumer division in addition to revenue growth and margin expansion in the corporate division.

Depreciation

The Group's depreciation expense increased by $22.7m in FY14, $21.5m of which was attributable to AAPT. AAPT's depreciation expense far exceeds its current capital expenditure run-rate (it incurred $11.2m of capex during the five month period post acquisition) and reflects its historic investment in its extensive inter capital city fibre network.

Amortisation

The Group's FY14 amortisation expense increased by $11.3m to $35.2m. This included $15.8m of amortisation of the intangible assets recognised on acquisition of AAPT. Amortisation expense is largely a "non-cash" expense. Excluding the acquisition of AAPT, the Group incurred only $0.7m of cash expenditure on intangible assets during FY14.

Net financing costs

Net financing costs increased by $2.1m as a result of the increased debt arising from the Group's acquisition of AAPT.

The Group started the year with $42.0m of debt which it repaid during 1H14. To fund the acquisition of AAPT a revised debt facility agreement was negotiated under which a drawdown of $425.0m was made on 28 February 2014, subsequent to which further repayments of $75.0m were made prior to the year-end.

Income tax

The Group's effective income tax rate was 30.5% in FY14, up from 29.7% in FY13. The increase is due to an increase in non tax deductible expenditure in FY14, principally being expenses related to the acquisition of AAPT.

Earnings per share (EPS)

Reported EPS increased by 15% to 21.6 cents per share in FY14. Excluding the impact of intangible amortisation EPS would have increased by 18% to 24.7 cents per share. The relevance of considering EPS excluding intangible amortisation is that, as noted above, intangible amortisation is almost entirely a non-cash expense predominantly arising from acquisition accounting.

Free cashflow

	FY14 $m	FY13 $m
Operating cashflow	396.6	318.0
Tax	(96.1)	(79.2)
Interest	(7.5)	(6.0)
Capital expenditure	(69.5)	(58.3)
Free cashflow	**223.5**	**174.5**

The Group's strong earnings result is reflected in the strong operating cashflow generated in the year. Operating cashflow of $396.6m in FY14 exceeded EBITDA by $32.9m, which is

4. Operating and financial review (continued)

4.4 Financial results review (continued)

explained by a) the in-advance payments received from the Group's growing customer base, b) receipt of deferred instalments under an IRU agreement for which the revenue was earned and recognised in prior years, and c) improvement in AAPT's working capital position during the post acquisition period.

After tax, interest and capital expenditure, the Group generated free cashflow of $223.5m, $49.0m (28%) more than in FY13.

Capital expenditure

Capital expenditure for FY14 of $69.5m includes $11.0m incurred by AAPT during the five month period post acquisition, excluding which the Group's capex was $58.5m, in line with FY13. The expenditure incurred reflects the Group's continued investment in its network infrastructure, predominantly adding more capacity to its DSLAM network and expanding its fibre network footprint in order to meet growing customer demand.

Utilisation of cash

	FY14 $m	FY13 $m
Free cashflow	223.5	174.5
Utilisation:		
AAPT acquisition	465.9	-
Debt drawdown	(425.0)	-
Debt repayments	117.0	107.0
Dividends paid	67.5	49.6
Other	0.4	5.5
(Decrease) / increase in cash held	(2.3)	12.4
	223.5	**174.5**

AAPT acquisition

The Group outlaid $465.9m to acquire AAPT during the year comprising the $450.0m purchase price, a $13.5m working capital adjustment also paid to the vendor plus other costs totalling $3.2m being stamp duty and other acquisition related expenses, less $0.7m of cash acquired.

Debt drawdown and repayments

In order to fund the AAPT acquisition the Group drew down on $425.0m of its bank debt facility. However, the Group also made debt repayments of $117.0m in the year. Note the reason for the numbers in the table above being different to the full cashflow statement in this annual report is that the latter shows debt drawdowns and repayments grossed up by $47.0m of other short-term drawdowns and repayments made throughout the year to efficiently manage month-to-month cashflows.

Dividends paid

Dividends paid in the year comprise the final FY13 dividend of 4.0 cents per share ("cps") and the interim FY14 dividend of 4.50cps.

Subsequent to the year-end, the Board of directors has declared a 4.75cps final dividend for FY14 taking the total dividends paid or declared in respect of FY14 to 9.25cps, a 23% increase over FY13.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2014

4. Operating and financial review (continued)

4.4 Financial results review (continued)

Balance sheet

Below is a condensed version of the Group's balance sheet as at the end of FY14, summarised in a manner to highlight a few key points. Please refer to the full financial statements contained in this annual report for a comprehensive balance sheet.

	FY14 $m	FY13 $m
Cash (1)	23.8	26.1
Investments (2)	99.2	81.2
Other current assets	98.4	47.2
Total current assets (3)	**221.4**	**154.5**
Property, plant & equipment (4)	553.8	319.2
Intangible assets (5)	712.3	502.2
Other non-current assets	21.7	22.9
Total non-current assets	**1,287.8**	**844.3**
Deferred income (3)	79.2	58.8
Other current liabilities	178.6	136.0
Total current liabilities (3)	**257.8**	**194.8**
Loans and borrowings (1)	346.8	39.1
Other non-current liabilities	72.2	48.9
Total non-current liabilities	**419.0**	**88.0**
Net assets	**832.4**	**716.0**

Balance sheet notes

1. Net debt

Loans and borrowings of $346.8m are shown in the balance sheet net of prepaid borrowing costs. Gross bank borrowings at 31 July 2014 were $350.0m. Taking into account the $23.8m cash balance the Group had net debt at the end of FY14 of $326.2m.

2. Current investments

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

3. Net current liabilities

Total current liabilities of $257.8m exceeded total current assets of $221.5m as at 31 July 2014 by $36.3m. This net current liability position is not uncommon in the telecommunications industry for two principal reasons. First, cash generated from trading is commonly used to repay non-current debt and to invest in non-current asset network infrastructure. Second, a significant item within current liabilities is deferred income which is a non-cash item. Deferred income represents cash paid in advance by customers which is not recognised in income until the service has been delivered. Excluding this item, the Group had net current assets of $42.8m as at 31 July 2014.

4. Property, plant & equipment ("PPE")

The Group's PPE balance is $234.6m higher at 31 July 14 than 31 July 13. The acquisition of AAPT during the year added $240.9m to this balance. AAPT's PPE principally comprises its extensive inter-capital fibre network.

5. Intangible assets

The increase in the Group's intangible assets balance in the year is also due to the acquisition of AAPT. $157.6m of goodwill was recognised on acquisition of AAPT along with $87.0m of other intangible assets, comprising the acquired customer base as well as AAPT's IRU assets and software.

4. Operating and financial review (continued)

4.5 Business outlook

Prospects for FY15

In FY15 the Group will continue to focus its efforts on growing its consumer and corporate customer bases profitably by delivering market leading telecommunications services. In order to enhance its prospects for future growth the Group will also continue to invest in expanding its network infrastructure. There will also be continued focus on the integration of the AAPT business into the Group's operations.

The directors have forecast continued strong growth in the Group's financial results in FY15 with EBITDA expected to be around $455m-$460m. Capital expenditure is expected to be in the range of $100m - $120m (includes $13.5m spectrum purchase but excludes Hawaiki expenditure (refer 19/8/13 ASX release) and the recent purchase of a Sydney property (currently leased by the group) and any other major new initiatives.

Principal business risks

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

1. Competitive environment

Increased competition or consolidation in the industry could impact the Group's financial performance by affecting its ability to grow its customer base and/or its ability to make money from its service offerings.

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

2. Business interruption

A significant disruption of the Group's business through network or systems failure could cause financial loss for the Group and increased customer churn. The Group maintains business interruption insurance and continually invests in its network and systems to improve their resilience and performance.

3. Regulatory environment

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

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

5. Operating and financial review (continued)

4.5 Business outlook (continued)

4. Data security

Failures or breaches of data protection and systems security can cause reputational damage, regulatory impositions and financial loss. Australian Privacy Principles (APPs) now govern privacy and data protection throughout Australia and significantly enhance privacy and data protection regulation.

The Group has policies regarding information security and risk protection measures in place to ensure adherence to APPs and to provide safeguards to company and customer information. These measures include restricted access to company premises and areas housing equipment, restricted access to systems and network devices, strict change control measures, anti-virus software and firewall protection at various network points.

Environmental and other sustainability risks

The environmental and sustainability risks that attach to the Group's business are relatively benign. The Group operates in the telecommunications industry which, whilst a consumer of electrical power, is generally considered to provide net reductions to adverse environmental impacts. This is achieved by the increasing technological capabilities that can be relied on by consumers and businesses so as to achieve significantly reduced travel and paper consumption. The Group aims to reduce its impact on the environment by employing power saving measures, such as switching off electrical equipment when it is not being used, and by minimising the amount of travel undertaken by employees.

The Company recognises the importance of having a skilled and experienced workforce. Most of the Group's employees work in office and high technology environments where industrial risks are minimal. Management employs appropriate measures to minimise employee and social risks by providing a safe and comfortable working environment, providing suitable training, complying with gender equality requirements and by ensuring appropriate remuneration structures are in place.

The Company's Code of Conduct provides that the Company will treat all employees and potential employees according to their skills, qualifications, competencies and potential, and will not discriminate on the basis of race, religion, gender, sexual preference, age, marital status or disability.

During the year, the Group has made donations to provide charitable relief to human suffering, including in relation to typhoon events in Asia.

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, establishing and monitoring the achievement of management's goals, ensuring the integrity of risk management, internal control and legal compliance. The Board delegates to senior management responsibility for the implementation of the strategic direction of the Company.

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

The performance of 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. At the date of this report, the Board comprises six directors, two of whom are independent. Following the retirement of Alan Latimer at 31 October 2014, the Board considers that the appropriate number of directors in the current circumstances is five, with four being non-executive directors of whom two are independent. Details of the experience and background of all directors are set out on page 6 of this Annual Report.

Independence of directors

Denis Ledbury and Joseph Pang are independent directors.

The remaining executive director is David Teoh. The Board is of the view that the depth of experience and understanding that David has of the Company and of the industry in which the Company operates provides benefits that exceed those that may flow from having an independent non-executive director.

5. Corporate governance statement (continued)

Principle 2 Structure the Board to add value (continued)

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

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

The Board believes that each director brings an independent mind and judgement to bear on all Board decisions, notwithstanding that the Chairman and a majority of the Board are not independent (which is not in line with ASX Recommendation 2.1 - 2.2). All directors are able to and do review and challenge the assumptions and performance of management to ensure decisions taken are in the best interest of the Company.

Chairman of the Board

The Chairman is an executive director and Chief Executive Officer of the Company (not in line with ASX Recommendation 2.3). Nevertheless, the Board believes that David Teoh, in this dual role, does bring the quality and independent judgement to all relevant issues that are required of the Chairman. As Chief Executive Officer, Mr Teoh consults the Board on matters that are sensitive, extraordinary or of a strategic nature.

Nominations Committee

The Board acts as the Nominations Committee and as such has responsibility for the selection and appointment of directors, undertaking evaluation of the Board's performance and developing and implementing a plan for identifying, assessing and enhancing directors' competencies (ASX Recommendation 2.4). The process for evaluating the performance of the Board, its committees and individual directors involves the Chairman conducting individual interviews with each of the directors at which time they are able to make comment or raise issues they have in relation to the Board's operations (ASX Recommendation 2.5).

Access to Company information and independent professional advice

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

5. Corporate governance statement (continued)

Principle 3 Promote ethical and responsible decision-making

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

Policy regarding trading in securities

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

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

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

Directors must notify the Company Secretary in writing of all transactions in accordance with the requirements of Sections 205F and 205G of the *Corporations Act 2001*. 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/about/investorrelations.

Diversity policy

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

5. Corporate governance statement (continued)

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

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

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

Female representation

As at 31 July 2014 the proportion of females employed in the Group was as follows (ASX Recommendation 3.4):

	31 July 2014		**31 July 2013**	
	Number	**%**	**Number**	**%**
Board	0	0%	0	0%
Key Management Personnel	1	14.3%	1	16.7%
Other Management	18	18.6%	12	25.5%
Workforce	1,112	40.9%	833	43.2%

Workplace Gender Equality Report 2014

In accordance with the requirements of the Workplace Gender Equality 2012 (Act), the Company lodged its Workplace Gender Equality Report 2014 with the Workplace Gender Equality Agency on 30 May 2014. A copy of this report is available on the Company's website at http://www.tpg.com.au/about/investorrelations.

Principle 4 Safeguarding integrity in financial reporting

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

5. Corporate governance statement (continued)

Principle 4 Safeguarding integrity in financial reporting (continued)

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/about/investorrelations.

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

The external auditors, other directors, and the Chief Financial Officer are invited to Audit & Risk Committee meetings at the discretion of the Chairman of the Committee. The Committee meets at least twice a year. It met twice during the year and the Committee members' attendance record is disclosed in the table of directors' meetings on page 7 of this Annual Report (ASX Recommendation 4.4).

Auditor selection and appointment

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

Principle 5 Make timely and balanced disclosure

Continuous disclosure

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

5. Corporate governance statement (continued)

Principle 6 Respect the rights of shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company. The Company posts its annual report and major announcements on its website under the Investor Relations section (http://www.tpg.com.au/about/investorrelations) and provides a link via the website to the ASX website so that all ASX releases, including notices of meetings, presentations, and analyst and media briefings, can be accessed (ASX Recommendation 6.1). Historical information is also available to shareholders on the Company's website, including prior years' Annual Reports.

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

Principle 7 Recognise and manage risk

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

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

In relation to the Group's financial statements for the financial year ended 31 July 2014, the Group's Chief Executive Officer and Chief Financial Officer, as required by the *Corporations Act 2001* and ASX recommendations, have provided to the Board the following:

- the declaration required by section 295A of the *Corporations Act 2001*; and
- assurance that the section 295A declaration was founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 Remunerate fairly and responsibly

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

The Remuneration Committee comprises three non-executive directors, two of whom are independent, and is chaired by Mr Denis Ledbury. The Committee meets as required and, at a minimum, twice a year. It met twice during the year ended 31 July 2014 and the Committee members' attendance record is disclosed in the table of directors' meetings on page 7 of this Annual Report. Other directors may attend these meetings at the invitation of the Committee Chairman.

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

6. Remuneration report - audited

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

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

6.1 Remuneration principles

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

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

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

6.2 Remuneration structure

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

(i) Fixed remuneration

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

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

6. Remuneration report – audited (continued)

6.2 Remuneration structure (continued)

(ii) Performance-linked remuneration

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

a) Long-term incentives

The Group's current long-term incentive structure is in the form of a performance rights plan. Under the rules of the performance rights plan, participants may be granted rights to fully paid ordinary shares in the Company for no consideration, subject to certain performance conditions. The plan was introduced in FY12 with the first grant of rights taking place on 9 March 2012. During FY13 a second grant of rights occurred (grant date 24 December 2012) and a third grant of rights was made in FY14 (certain participants were granted rights on 22 November 2013 and others on 18 December 2013). All rights issued to-date have the same key terms which are as follows:

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

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

Details of the performance rights that have been granted to key management personnel during the year ended 31 July 2014 and the year ended 31 July 2013 are set out in table 6.4(i) below.

b) Short-term incentives

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

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

6. Remuneration report – audited (continued)

6.2 Remuneration structure (continued)

(ii) Performance-linked remuneration (continued)

Link to Group financial performance

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

The Group had another year of strong growth in FY14 with EBITDA and NPAT up by 24% and 15% respectively, generating a 15% increase in EPS, whilst declared dividends for the FY14 year are up by 23%.

These FY14 results represent the sixth consecutive year of strong growth. The Group's five year record is set out in the following table.

	2010	**2011**	**2012**	**2013**	**2014**
Revenue ($m)	508	575	663	725	971
EBITDA ($m)	171	234	261	293	364
NPAT ($m)	56	78	91	149	172
EPS (cents)	7.6	10.1	11.5	18.8	21.6
DPS (cents)	4.0	4.5	5.5	7.5	9.25

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

(iii) Service contracts

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

No key management personnel employment contract has a notice period of greater than five weeks, except for the Group's employment contracts with Mr D Teoh and Mr M Rafferty, both of which provide that the contract may be terminated by either party giving three months' notice.

(iv) Non-executive director fees

The aggregate remuneration of non-executive directors was last voted upon by shareholders at the 2004 AGM, when an aggregate limit of $500,000 per annum was approved. Actual non-executive director remuneration for the year ended 31 July 2014 was $390,705 (2013: $289,145). Non-executive directors do not receive performance-linked remuneration nor are they entitled to any retirement benefit other than statutory superannuation payments. Directors' fees cover all main board activities and membership of committees.

6. Remuneration report – audited (continued)

6.3 Directors' and executive officers' remuneration

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

Mr D Teoh	Executive Chairman & Chief Executive Officer
Mr A Latimer	Executive Director, Finance & Corporate Services
Mr D Ledbury	Non-Executive Director
Mr R Millner	Non-Executive Director
Mr J Pang	Non-Executive Director
Mr S Teoh	Non-Executive Director

Mr S Banfield	Chief Financial Officer & Company Secretary
Mr J Paine	National Technical & Strategy Manager
Mr C Levy	General Manager, Consumer
Mr W Springer	General Manager, Corporate Products & Pricing
Ms M De Ville	Chief Information Officer
Mr T Moffatt	General Counsel
Mr M Rafferty	General Manager Sales, Enterprise & Wholesale

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2014

6. Remuneration report – audited (continued)

6.3 Directors' and executive officers' remuneration (continued)

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

		Short-term				Post-employment					
Directors		Salary & fees $	(note A) STI cash bonus $	(note B) Non-monetary benefits $	Total $	Superannuation benefits $	(note C) Other long term $	Share-based payments $	Total $	Proportion of remuneration performance related %	Share-based payments as proportion of remuneration %
Executive Directors											
Mr D Teoh, Chairman	2014	951,923	900,000	133,867	1,985,790	25,899	49,973	-	2,061,662	44%	-
	2013	814,423	900,000	229,661	1,944,084	23,534	86,739	-	2,054,357	44%	-
Mr A Latimer	2014	321,780	659,755	22,031	1,003,566	28,942	21,682	-	1,054,190	63%	-
	2013	260,960	400,000	(11,579)	649,381	23,431	4,190	-	677,002	59%	-
Non-Executive Directors											
Mr D Ledbury	2014	98,333	-	-	98,333	9,158	-	-	107,491	-	-
	2013	78,958	-	-	78,958	7,156	-	-	86,114	-	-
Mr R Millner	2014	88,333	-	-	88,333	8,227	-	-	96,560	-	-
	2013	69,583	-	-	69,583	6,306	-	-	75,889	-	-
Mr J Pang	2014	88,333	-	-	88,333	8,227	-	-	95,560	-	-
	2013	69,583	-	-	69,583	6,306	-	-	75,889	-	-
Mr S Teoh	2014	83,333	-	-	83,333	7,761	-	-	91,094	-	-
	2013	46,984	-	-	46,984	4,269	-	-	51,253	-	-

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2014

6. Remuneration report – audited (continued)

6.3 Directors' and executive officers' remuneration (continued)

Executives		Short-term				Post-employment		Share-based payments				
		Salary & fees $	(note A) STI cash bonus $	(note B) Non-monetary benefits $	Total $	Superannuation benefits $	(note C) Other long term $	(note D) Performance rights $	(note E) Shares $	Total $	Proportion of remuneration performance related %	Share-based payments as proportion of remuneration %
Mr S Banfield	2014	248,737	175,000	14,600	438,337	20,862	17,032	135,762	-	611,993	51%	22%
	2013	198,186	104,920	158	303,264	25,871	6,255	105,696	6,500	447,586	49%	25%
Mr J Paine	2014	206,217	80,000	(794)	285,423	18,325	7,594	125,342	-	436,684	47%	29%
	2013	195,833	67,460	10,469	273,762	23,034	7,216	105,696	-	409,708	42%	26%
Mr C Levy	2014	289,225	200,000	3,620	492,845	26,740	13,531	187,155	-	720,271	54%	26%
	2013	243,100	166,533	19,956	429,589	37,090	14,176	141,891	6,000	628,746	50%	24%
Mr W Springer	2014	237,326	90,000	11,035	338,361	20,714	19,318	130,552	-	508,945	43%	26%
	2013	194,362	94,920	10,872	300,154	27,085	7,511	105,696	-	440,446	46%	24%
Ms M De Ville	2014	211,609	35,000	(4,869)	241,740	19,559	3,515	32,337	-	297,151	23%	11%
	2013	211,609	10,000	7,304	228,913	19,956	3,515	17,337	1,500	271,221	11%	7%
Mr T Moffatt	2014	231,588	100,000	2,727	334,315	20,574	9,981	130,552	-	495,422	47%	26%
	2013	187,267	94,920	3,793	285,980	25,826	5,196	105,696	4,500	427,198	48%	26%
Mr M Rafferty*	2014	138,844	148,567	(7,905)	279,506	7,490	2,201	-	-	289,197	51%	-
	2013	-	-	-	-	-	-	-	-	-	-	-

*Mr M Rafferty has been recognised within key management personnel from 28 February 2014, the date on which his employer (AAPT) was acquired by the Group.

6. Remuneration report - audited (continued)

6.3 Directors' and executive officers' remuneration (continued)

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

A. The short-term incentive bonuses paid during the years ended 31 July 2014 and 31 July 2013 were for performance during those years.
B. The amounts disclosed under 'Non-monetary benefits' reflect exclusively the movement in the annual leave balance of each individual in the period, with the exception of Mr D Teoh whose amount also includes the provision of other fringe benefits (principally a motor vehicle).
C. The amounts disclosed under 'Other long-term' reflect the movement in the long-service leave balance of each individual in the period.
D. The share-based payments disclosed under 'Performance Rights' reflect the fair value of each right multiplied by the number of rights granted to each individual, amortised pro-rata over the vesting period of each right. The fair value of each right is calculated at date of grant by subtracting the expected dividend payments per share during the vesting period from the share price at date of grant. The number of rights granted to each key management person is disclosed in 6.4(i) below. The rules of the performance rights plan are explained in 6.2(ii)(a) above.
E. The share-based payments disclosed under 'Shares' relate to a previous long-term incentive plan that has been discontinued.

6.4 Share-based payments

(i) Performance rights granted as remuneration

Details of performance rights that were granted to key management personnel during the financial year ended 31 July 2014 are set out below. All rights had a grant date of 22 November 2013, were provided at no cost to the recipients and have an exercise price of $nil.

FY14 Performance rights grant	Number of rights granted during FY14	Number of rights forfeited during FY14	Number of rights vested during FY14	Number of rights held as at 31 July 2014	Fair value per right at grant date ($)
Mr S Banfield	36,000	-	-	36,000	3.9567
Mr J Paine	30,000	-	-	30,000	3.9567
Mr C Levy	51,000	-	-	51,000	3.9567
Mr W Springer	33,000	-	-	33,000	3.9567
Ms M De Ville	9,000	-	-	9,000	3.9567
Mr T Moffatt	33,000	-	-	33,000	3.9567

6. Remuneration report - audited (continued)

6.4 Share-based payments (continued)

(i) Performance rights granted as remuneration (continued)

Details of performance rights that were granted to key management personnel during previous financial years and that remained outstanding at the start of FY14 are set out below. All rights in the table below were provided at no cost to the recipients and have an exercise price of $nil. The FY13 and FY12 grants occurred on 24 December 2012 and 9 March 2012 respectively.

FY13 Performance rights grant	Number of rights held as at 31 July 2013	Number of rights forfeited during FY14	Number of rights vested during FY14	Number of rights held as at 31 July 2014	Fair value per right at grant date ($)
Mr S Banfield	60,000	-	20,000	40,000	2.3267
Mr J Paine	60,000	-	20,000	40,000	2.3267
Mr C Levy	81,000	-	27,000	54,000	2.3267
Mr W Springer	60,000	-	20,000	40,000	2.3267
Ms M De Ville	18,000	-	6,000	12,000	2.3267
Mr T Moffatt	60,000	-	20,000	40,000	2.3267

FY12 Performance rights grant	Number of rights held as at 31 July 2013	Number of rights forfeited during FY14	Number of rights vested during FY14	Number of rights held as at 31 July 2014	Fair value per right at grant date ($)
Mr S Banfield	50,000	-	25,000	25,000	1.4733
Mr J Paine	50,000	-	25,000	25,000	1.4733
Mr C Levy	66,667	-	33,333	33,334	1.4733
Mr W Springer	50,000	-	25,000	25,000	1.4733
Mr T Moffatt	50,000	-	25,000	25,000	1.4733

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

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

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

7. Principal activities

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

8. Dividends

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

	Cents per share	Total amount $'000	Date of payment
Final 2013 ordinary	4.00	31,753	19 Nov 2013
Interim 2014 ordinary	4.50	35,720	20 May 2014
Total amount		**67,473**	

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

After the balance sheet date the directors have declared a fully franked final FY14 dividend of 4.75 cents per ordinary share, payable on 18 November 2014 to shareholders on the register at 14 October 2014.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 July 2014 and will be recognised in subsequent financial reports.

9. Events subsequent to reporting date

On 30 September 2014 a Group entity entered into a contract to purchase a property close to the Sydney CBD for consideration of $30.1m. The site, which is currently leased by the Group for annual rent of some $3.1m, houses a key Group network hub and data centre and also provides office accommodation. Of the purchase price, $3.0m will be paid in FY15 with the balance payable in 1H FY16 when the existing lease expires and ownership transfers.

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

10. Likely developments

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

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	291,625,604
Mr A Latimer	200,000
Mr D Ledbury	100,000
Mr R Millner	7,374,175
Mr J Pang	88,812
Mr S Teoh	90,251

12. Share options and rights

Rights granted to directors and executives of the Group

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

	Number of rights granted
Mr S Banfield	36,000
Mr J Paine	30,000
Mr C Levy	51,000
Mr W Springer	33,000
Mr T Moffatt	33,000

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

Unissued shares under options

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

Shares issued on exercise of options

The Company issued no ordinary shares as a result of the exercise of options (nor were any options available to be exercised) either during or subsequent to the year ended 31 July 2014 (2013: Nil).

13. Indemnification and insurance of officers and auditors

Indemnification

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

Insurance premiums

Since the end of the previous financial year the Group has paid insurance premiums of $51,077 (2013: $50,541) in respect of directors' and officers' liability insurance for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

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

14. Non-audit services

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

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

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

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

14. Non-audit services (continued)

	2014 $	2013 $
Audit services:		
Audit and review of financial reports	**799,000**	**394,800**
Services other than statutory audit:		
Other regulatory audit services:		
- Review of AAPT working capital statement	15,750	-
- Telecommunications USO return	8,500	8,000
- Bank covenant compliance certificate	8,000	7,500
Other services:		
- Taxation advisory services	27,500	51,905
	59,750	**67,405**

15. Rounding off

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

This report is made with a resolution of the directors.

David Teoh
Chairman

Dated at Sydney this 17th day of October, 2014

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 2014 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

Anthony Travers
Partner
Sydney

17 October 2014

TPG Telecom Limited and its controlled entities

Consolidated income statement

For the year ended 31 July 2014

	Note	2014 $'000	2013 $'000
Revenue	*4*	970,920	724,533
Other income	*5*	2,633	3,349
Telecommunications expense		(454,199)	(328,139)
Employee benefits expense		(103,634)	(60,067)
Other expenses		(52,069)	(46,590)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**363,651**	**293,086**
Depreciation of plant and equipment	*14*	(72,559)	(49,892)
Amortisation of intangibles	*15*	(35,214)	(23,942)
Results from operating activities		**255,878**	**219,252**
Finance income		1,762	2,447
Finance expenses		(10,837)	(9,400)
Net financing costs	*6*	**(9,075)**	**(6,953)**
Profit before income tax		**246,803**	**212,299**
Income tax expense	*7*	(75,124)	(63,134)
Profit for the year attributable to owners of the company		**171,679**	**149,165**
Earnings per share:			
Basic and diluted earnings per share (cents)	*8*	21.6	18.8

The notes on pages 44 to 103 are an integral part of these consolidated financial statements.

TPG Telecom Limited and its controlled entities

Consolidated statement of comprehensive income

For the year ended 31 July 2014

	Note	2014 $'000	2013 $'000
Profit for the year		**171,679**	**149,165**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		(10)	23
Net change in fair value of available-for-sale financial assets, net of tax	***12***	12,583	24,435
Other comprehensive income, net of tax		**12,573**	**24,458**
Total comprehensive income attributable to owners of the company		**184,252**	**173,623**

The notes on pages 44 to 103 are an integral part of these consolidated financial statements.

TPG Telecom Limited and its controlled entities

Consolidated statement of financial position

As at 31 July 2014

	Note	31 July 2014 $'000	31 July 2013 $'000
Assets			
Cash and cash equivalents	9	23,756	26,128
Trade and other receivables	10	85,534	40,676
Inventories	11	2,749	179
Investments	12	99,159	81,181
Prepayments and other assets	13	10,261	6,352
Total Current Assets		**221,459**	**154,516**
Trade and other receivables	10	7,720	15,268
Investments	12	7,333	7,333
Property, plant and equipment	14	553,833	319,159
Intangible assets	15	712,311	502,201
Prepayments and other assets	13	6,638	339
Total Non-Current Assets		**1,287,835**	**844,300**
Total Assets		**1,509,294**	**998,816**
Liabilities			
Trade and other payables	16	136,556	94,122
Loans and borrowings	17	183	169
Current tax liabilities	7	17,085	33,628
Employee benefits	18	13,112	5,241
Provisions	19	11,534	2,616
Accrued interest		214	276
Deferred income and other liabilities	20	79,156	58,784
Total Current Liabilities		**257,840**	**194,836**
Loans and borrowings	17	346,847	39,134
Deferred tax liabilities	7	18,105	15,410
Employee benefits	18	2,170	349
Provisions	19	23,069	7,111
Deferred income and other liabilities	20	28,841	26,010
Total Non-Current Liabilities		**419,032**	**88,014**
Total Liabilities		**676,872**	**282,850**
Net Assets		**832,422**	**715,966**
Equity			
Share capital	21	516,907	516,907
Reserves		48,384	36,134
Retained earnings		267,131	162,925
Total Equity		**832,422**	**715,966**

The notes on pages 44 to 103 are an integral part of these consolidated financial statements.

TPG Telecom Limited and its controlled entities

Consolidated statement of changes in equity

For the year ended 31 July 2014

	Note	Share capital $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Fair value reserve $'000	Total reserves $'000	Retained earnings $'000	Total equity $'000
		Attributable to owners of the Company						
Balance as at 1 August 2012		516,907	106	(445)	10,836	10,497	63,373	590,777
Profit for the year		-	-	-	-	-	149,165	149,165
Foreign currency translation differences		-	23	-	-	23	-	23
Net change in fair value of available-for-sale financial assets, net of tax	*12*	-	-	-	24,435	24,435	-	24,435
Total comprehensive income for the period		**-**	**23**	**-**	**24,435**	**24,458**	**149,165**	**173,623**
Share-based payment transactions		-	-	1,179	-	1,179	-	1,179
Dividends paid to shareholders	*22*	-	-	-	-	-	(49,613)	(49,613)
Total contributions by and distributions to owners		**-**	**-**	**1,179**	**-**	**1,179**	**(49,613)**	**(48,434)**
Balance as at 31 July 2013		**516,907**	**129**	**734**	**35,271**	**36,134**	**162,925**	**715,966**
Balance as at 1 August 2013		516,907	129	734	35,271	36,134	162,925	715,966
Profit for the year		-	-	-	-	-	171,679	171,679
Foreign currency translation differences		-	(10)	-	-	(10)	-	(10)
Net change in fair value of available-for-sale financial assets, net of tax	*12*	-	-	-	12,583	12,583	-	12,583
Total comprehensive income for the period		**-**	**(10)**	**-**	**12,583**	**12,573**	**171,679**	**184,252**
Share-based payment transactions		-	-	(323)	-	(323)	-	(323)
Dividends paid to shareholders	*22*	-	-	-	-	-	(67,473)	(67,473)
Total contributions by and distributions to owners		**-**	**-**	**(323)**	**-**	**(323)**	**(67,473)**	**(67,796)**
Balance as at 31 July 2014		**516,907**	**119**	**411**	**47,854**	**48,384**	**267,131**	**832,422**

The notes on pages 44 to 103 are an integral part of these consolidated financial statements.

TPG Telecom Limited and its controlled entities

Consolidated statement of cash flows

For the year ended 31 July 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Cash receipts from customers		1,089,953	800,467
Cash paid to suppliers and employees		(693,326)	(482,450)
Cash generated from operations		396,627	318,017
Income taxes paid		(96,103)	(79,218)
Net cash from operating activities	***28***	**300,524**	**238,799**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	***27***	(462,752)	-
Costs incurred on acquisition of subsidiaries		(3,119)	-
Acquisition of property, plant and equipment		(68,870)	(58,320)
Acquisition of intangibles	***15***	(676)	(2,918)
Acquisition of investments	***12***	-	(7,333)
Proceeds from sale of investments		-	2,475
Dividends received	***5***	2,633	2,219
Net cash used in investing activities		**(532,784)**	**(63,877)**
Cash flows from financing activities			
Proceeds from borrowings	***17***	472,000	27,000
Repayment of borrowings	***17***	(164,000)	(134,000)
Transaction costs related to loans & borrowings		(2,409)	-
Payment of finance lease liabilities		(185)	(372)
Interest paid		(8,537)	(7,363)
Interest received		1,030	1,411
Dividends paid	***22***	(67,473)	(49,613)
Net cash from/(used in) financing activities		**230,426**	**(162,937)**
Net increase in cash and cash equivalents		(1,834)	11,985
Cash and cash equivalents at beginning of the year		26,128	13,767
Effect of exchange rate fluctuations		(538)	376
Cash and cash equivalents at end of the year	***9***	**23,756**	**26,128**

The notes on pages 44 to 103 are an integral part of these consolidated financial statements.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

Index to notes to the consolidated financial statements

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

1. Reporting entity

TPG Telecom Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 65 Waterloo Road, Macquarie Park, NSW 2113. The consolidated financial statements as at, and for the year ended 31 July 2014, comprise the accounts of the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is primarily involved in the provision of consumer, wholesale, government and corporate telecommunications services.

2. Basis of preparation

a. Statement of compliance

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

The consolidated financial statements were approved by the Board of Directors on 17 October 2014.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis with the exception of assets and liabilities acquired through business combinations and financial instruments which are measured at fair value. The methods used to measure fair values are discussed further at note 34(v).

Notwithstanding the fact that the classifications within the 31 July 2014 consolidated statement of financial position show a net current liability position, the accounts have been prepared on a going concern basis as there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable based on its Board approved cashflow projections, and also the undrawn debt facility available to it (refer note 17).

c. Functional and presentation currency

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

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

2. Basis of preparation (continued)

d. Use of estimates and judgements

Preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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

- Note 15 – measurement of the recoverable amounts of cash-generating units containing goodwill;
- Note 23 – valuation of financial instruments;
- Note 27 – acquisition of subsidiary;
- Note 34(o)(iii) and note 4 – revenue recognition for network capacity sales.

3. Segment reporting

See accounting policy in Note 34(r).

Operating segments

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

Following the acquisition of AAPT on 28 February 2014 (refer note 27), the Group has recognised three primary segments, Consumer, Corporate and AAPT, in its financial statements for the current year. The Group's Consumer segment provides retail telecommunications services to residential and small business customers. The Group's Corporate and AAPT segments provide telecommunications services to corporate, government, and wholesale customers.

Results for the year for each operating segment are set out in the table on the next page.

Geographic Information

All of the Group's revenues are derived from Australian based entities, except for $10.5 million (2013: $10.3 million) derived from overseas customers.

All of the Group's non-current assets are located in Australia, except for assets amounting to $116.5 million (2013: $122.9 million) that are located either overseas or in international waters.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

3. Segment reporting (continued)

	Consumer		Corporate		AAPT		Unallocated		Consolidated results	
	2014	**2013**	**2014**	**2013**	**2014***	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	563,215	480,295	242,914	244,238	164,791	-		-	970,920	724,533
Other income	-	-	-	-	-	-	2,633	3,349	2,633	3,349
Telecommunications expense	(293,249)	(237,408)	(74,749)	(90,731)	(86,201)	-	-	-	(454,199)	(328,139)
Employee benefits expense	(33,181)	(27,956)	(32,139)	(32,111)	(38,314)	-	-	-	(103,634)	(60,067)
Other expenses	(31,223)	(34,345)	(10,021)	(11,092)	(7,158)	-	(3,667)	(1,153)	(52,069)	(46,590)
Results from segment activities	**205,562**	**180,586**	**126,005**	**110,304**	**33,118**	**-**	**(1,034)**	**2,196**	**363,651**	**293,086**
Depreciation of plant and equipment									(72,559)	(49,892)
Amortisation of intangibles									(35,214)	(23,942)
Results from operating activities									**255,878**	**219,252**
Net financing costs									(9,075)	(6,953)
Profit before income tax									**246,803**	**212,299**
Income tax expense									(75,124)	(63,134)
Profit for the year									**171,679**	**149,165**

* AAPT results are for the post acquisition period from 1 March 2014 to 31 July 2014.

Expenses in the 'Unallocated' column comprise costs incurred in relation to business combinations, plus other corporate expenses.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

4. Revenue

See accounting policy in Note 34(o).

	2014 $'000	2013 $'000
Revenue comprises the following:		
Rendering of services	902,134	657,036
Sale of goods	10,701	9,530
Network capacity sales, recognised as:		
- operating leases	55,800	47,469
- finance leases	2,285	10,498
	970,920	**724,533**

5. Other income

	2014 $'000	2013 $'000
Dividend income	2,633	2,219
Profit on sale of investments	-	1,130
	2,633	**3,349**

6. Finance income and expenses

See accounting policy in Note 34(p)(ii).

	2014 $'000	2013 $'000
Interest income	1,762	2,447
Interest expense	(8,291)	(7,253)
Unwinding of discount on provisions	(184)	(110)
Borrowing costs	(2,362)	(2,037)
Net finance expense	**(9,075)**	**(6,953)**

7. Taxes

See accounting policy in Note 34(q).

Income tax expense

	2014 $'000	2013 $'000
Current tax expense		
Current year	79,152	73,416
Adjustments for prior years	(202)	(60)
	78,950	**73,356**
Deferred tax expense		
Origination and reversal of temporary differences	(3,582)	(9,446)
Adjustments for prior years	(244)	(776)
	(3,826)	**(10,222)**
Income tax expense	**75,124**	**63,134**

Numerical reconciliation between tax expense and pre-tax accounting profit

	2014 $'000	2013 $'000
Profit before tax	246,803	212,299
Income tax expense at the rate of 30%	74,041	63,690
Expenses not deductible for tax	1,177	220
Over provided in prior year	(94)	(776)
Income tax expense	**75,124**	**63,134**

Current tax liabilities

The current tax liability for the Group of $17.1m (2013: $33.6m) represents the remaining amount of income tax payable in respect of the year ended 31 July 2014.

7. Taxes (continued)

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Receivables	(839)	(1,884)	398	1,900	(441)	16
Inventories	(309)	(231)	-	-	(309)	(231)
Investments	-	-	20,508	15,116	20,508	15,116
Property, plant and equipment	(1,835)	(1,990)	11,712	11,436	9,877	9,446
Intangible assets	-	-	18,337	12,128	18,337	12,128
Payables	-	-	-	20	-	20
Provisions	(14,453)	(7,036)	70	3	(14,383)	(7,033)
Employee benefits	(4,585)	(1,677)	-	-	(4,585)	(1,677)
Unearned revenue	(11,589)	(10,504)	802	-	(10,787)	(10,504)
Equity raising costs	(259)	(384)	-	-	(259)	(384)
Tax losses carried forward	(241)	(969)	-	-	(241)	(969)
Other items	311	(518)	77	-	388	(518)
Tax (assets)/liabilities	(33,799)	(25,193)	51,904	40,603	18,105	15,410
Set off of tax	33,799	25,193	(33,799)	(25,193)		
Net tax liabilities	**-**	**-**	**18,105**	**15,410**	**18,105**	**15,410**

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

7. Taxes (continued)

Movement in temporary differences during the year

	Balance 31 July 2012 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 31 July 2013 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Acquired in business combination $'000	Balance 31 July 2014 $'000
Receivables	(1,927)	1,943	-	16	(457)	-	-	(441)
Inventories	(140)	(91)	-	(231)	186	-	(264)	(309)
Investments	4,644	-	10,472	15,116	-	5,392	-	20,508
Property, plant and equipment	9,577	(131)	-	9,446	431	-	-	9,877
Intangible assets	17,475	(5,347)	-	12,128	(6,764)	-	12,973	18,337
Payables	(78)	98	-	20	(20)	-	-	-
Provisions	(4,420)	(2,613)	-	(7,033)	2,045	-	(9,395)	(14,383)
Employee benefits	(1,747)	70	-	(1,677)	371	-	(3,279)	(4,585)
Unearned revenue	(5,942)	(4,562)	-	(10,504)	(283)	-	-	(10,787)
Equity raising costs	(546)	162	-	(384)	125	-	-	(259)
Other items	(797)	279	-	(518)	(803)	-	1,709	388
Tax loss carry-forwards	(959)	(10)	-	(969)	728	-	-	(241)
	15,140	**(10,202)**	**10,472**	**15,410**	**(4,441)**	**5,392**	**1,744**	**18,105**

8. Earnings per share

See accounting policy in Note 34(t).

	2014 Cents	2013 Cents
Basic and diluted earnings per share	21.6	18.8

	2014 $'000	2013 $'000
Profit attributable to ordinary shareholders used in calculating basic and diluted earnings per share	171,679	149,165
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	793,808,141	793,808,141

9. Cash and cash equivalents

See accounting policy in Note 34(e).

	2014 $'000	2013 $'000
Bank balances	23,739	26,121
Cash	17	7
Cash and cash equivalents	**23,756**	**26,128**

10. Trade and other receivables

	2014 $'000	2013 $'000
Current		
Trade receivables	86,069	30,060
Accrued income and other receivables	15,291	16,895
Less: Provision for impairment losses	(15,826)	(6,279)
	85,534	**40,676**
Non-Current		
Accrued income and other receivables	7,720	15,268

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 23.

11. Inventories

See accounting policy in Note 34(i).

	2014 $'000	2013 $'000
Customer equipment inventory	2,749	179

12. Investments

See accounting policy in Note 34(d)(ii).

Available-for-sale financial assets	**2014 $'000**	**2013 $'000**
Current		
Carrying amount at 1 August	81,181	47,619
Disposals at cost	-	(1,345)
Change in fair value	17,978	34,907
Carrying amount at 31 July	**99,159**	**81,181**
Non-Current		
Carrying amount at 1 August	7,333	-
Acquisitions	-	7,333
Carrying amount at 31 July	**7,333**	**7,333**

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

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

The Group's only financial instruments that are measured at fair value are available-for-sale financial assets. The current available-for-sale financial assets, being ASX listed securities, are categorised as Level 1 financial assets as they are valued at quoted market prices.

The non-current available-for-sale financial assets balance represents the Group's investment in Cocoon Data Holdings Limited. This investment is categorised as a Level 2 financial asset as it is valued based on observable inputs other than quoted market prices.

Sensitivity analysis – equity price risk

A two percent increase in the share price of ASX listed equity investments as at the reporting date would have increased equity by $1.4m after tax. An equal change in the opposite direction would have decreased equity by $1.4m after tax.

13. Prepayments and other assets

	2014 $'000	2013 $'000
Current		
Prepayments	10,261	6,352
Non-Current		
Security deposits	6,638	339

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

14. Property, plant and equipment

See accounting policy in Note 34(f).

Cost	*Note*	Network infrastructure $'000	Land & Buildings $'000	Leasehold improvements $'000	Total $'000
Balance at 1 August 2012		531,506	3,148	3,013	537,667
Additions		51,641	-	-	51,641
Disposals		(6,668)	-	-	(6,668)
Effect of movements in exchange rates		271	102	-	373
Balance at 31 July 2013		**576,750**	**3,250**	**3,013**	**583,013**
Balance at 1 August 2013		576,750	3,250	3,013	583,013
Acquisitions through business combinations	*27*	238,776	-	2,138	240,914
Additions		64,756	1,602	112	66,470
Disposals		(100)	-	-	(100)
Effect of movements in exchange rates		(112)	(30)	-	(142)
Balance at 31 July 2014		**880,070**	**4,822**	**5,263**	**890,155**

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

14. Property, plant and equipment (continued)

Depreciation and impairment losses	Network infrastructure $'000	Land & Buildings $'000	Leasehold improvements $'000	Total $'000
Balance at 1 August 2012	212,079	303	1,370	213,752
Depreciation charge for the year	48,853	138	901	49,892
Disposals	(58)	-	-	(58)
Effect of movements in exchange rates	248	20	-	268
Balance at 31 July 2013	**261,122**	**461**	**2,271**	**263,854**
Balance at 1 August 2013	261,122	461	2,271	263,854
Depreciation charge for the year	71,800	118	641	72,559
Disposals	-	-	-	-
Effect of movements in exchange rates	(83)	(8)	-	(91)
Balance at 31 July 2014	**332,839**	**571**	**2,912**	**336,322**
Carrying amounts				
At 31 July 2013	315,628	2,789	742	319,159
At 31 July 2014	**547,231**	**4,251**	**2,351**	**553,833**

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

15. Intangible assets

See accounting policy in Note 34(h).

	Note	Non-Amortising		Amortising				Total
		Goodwill	Trademarks	Acquired customer bases	Indefeasible rights of use of capacity	Software	Licences	
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
Balance 1 August 2012		391,521	20,068	236,924	62,334	9,496	-	720,343
Additions		-	-	-	251	-	2,667	2,918
Balance 31 July 2013		**391,521**	**20,068**	**236,924**	**62,585**	**9,496**	**2,667**	**723,261**
Balance 1 August 2013		391,521	20,068	236,924	62,585	9,496	2,667	723,261
Additions		-	-	-	567	109	-	676
Acquisitions through business combinations	*27*	157,579	-	43,245	37,284	6,540	-	244,648
Balance 31 July 2014		**549,100**	**20,068**	**280,169**	**100,436**	**16,145**	**2,667**	**968,585**
Amortisation and Impairment								
Balance 1 August 2012		-	-	174,213	14,874	8,031	-	197,118
Amortisation for the year		-	-	18,114	4,594	1,190	44	23,942
Balance 31 July 2013		**-**	**-**	**192,327**	**19,468**	**9,221**	**44**	**221,060**
Balance 1 August 2013		-	-	192,327	19,468	9,221	44	221,060
Amortisation for the year		-	-	27,525	6,057	1,365	267	35,214
Balance 31 July 2014		**-**	**-**	**219,852**	**25,525**	**10,586**	**311**	**256,274**
Carrying amounts								
At 31 July 2013		391,521	20,068	44,597	43,117	275	2,623	502,201
At 31 July 2014		**549,100**	**20,068**	**60,317**	**74,911**	**5,559**	**2,356**	**712,311**

Amortising intangibles are removed from cost in the analysis in the year after they become fully amortised.

15. Intangible assets (continued)

Impairment tests for cash generating units containing goodwill

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

Indefinite life intangible assets comprise goodwill and trademarks and are allocated to the CGUs as set out in the table below. Goodwill is allocated to the CGU that is expected to benefit from the synergies of the acquisition.

	2014			2013		
	Goodwill	**Trademarks**	**Total**	**Goodwill**	**Trademarks**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Consumer	387	20	407	387	20	407
Corporate	5	-	5	5	-	5
AAPT	157	-	157	-	-	-
Total	**549**	**20**	**569**	**392**	**20**	**412**

Determining whether goodwill is impaired involves estimating the value-in-use of the CGUs to which the goodwill has been allocated.

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

The cashflow projections utilised for this purpose comprise projections for a five year period plus a terminal value. The projections are prepared by senior management using conservative assumptions which include a long-term growth rate of 2% per annum based on the long-term industry growth rate (2013: 2%), including for the terminal phase beyond year 5.

A pre-tax discount rate of 13.5% (2013: 13.5%) has been used in discounting the projected cashflows of each CGU, which is based on the Group's WACC adjusted to reflect an estimate of specific risks assumed in the cashflow projections.

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

16. Trade and other payables

See accounting policy in Note 34(n).

	2014 $'000	2013 $'000
Trade creditors	62,631	43,468
Other creditors and accruals	73,925	50,654
	136,556	**94,122**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

17. Loans and borrowings

See accounting policy in Note 34(d).

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 23.

	2014 $'000	2013 $'000
Current		
Finance lease liabilities	183	169
Non-Current		
Gross secured bank loans	350,000	42,000
Less: Unamortised borrowing costs	(3,259)	(3,171)
	346,741	38,829
Finance lease liabilities	106	305
	346,847	**39,134**

17. Loans and borrowings (continued)

At the beginning of FY14 the Group had outstanding debt of $42.0m which it fully repaid during 1H14.

Subsequently, on 27 February 2014, in order to finance the acquisition of AAPT (refer note 27) the Group entered into an Amendment and Restatement Deed relating to its existing Syndicated Debt Facility Agreement. Under the terms of the Deed the facility limit was increased to $490.0m and the termination date of the facility was extended to 27 February 2017.

The initial drawdown under the amended facility was $425.0m. Repayments of $75.0m have been made since that date taking total debt repayments for the year to $117.0m (net of draw-downs of $47.0m) and leaving a closing debt balance of $350.0m as at 31 July 2014.

The outstanding loan balance as at year end is shown in the statement of financial position net of unamortised borrowing costs of $3.3m (2013: $3.2m).

Under the terms of the facility there are no compulsory repayments until the 27 February 2017 termination date.

In addition to the $140.0m undrawn debt facility at 31 July 2014, the Group also has a $25.0m working capital facility.

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
Blue Call Pty Ltd
Orchid Cybertech Services Inc (Philippines)
Orchid Human Resources Pty Ltd
TPG (NZ) Pty Ltd
IntraPower Pty Ltd
IP Service Xchange Pty Ltd
Trusted Cloud Pty Ltd
Trusted Cloud Solutions Pty Ltd
Alchemyit Pty Ltd
IP Group Pty Ltd
Mercury Connect Pty Ltd
VtalkVoip Pty Ltd
Intrapower Terrestrial Pty Ltd
Hosteddesktop.com Pty Ltd
Virtual Desktop Pty Ltd
Destra Communications Pty Ltd
Telecom New Zealand Australia Pty Ltd
AAPT Limited
Connect Internet Solutions Pty Limited
PowerTel Limited
Request Broadband Pty Ltd
Telecom Enterprises Australia Pty Limited

17. Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	2014 Face value $'000	2014 Carrying amount $'000	2013 Face value $'000	2013 Carrying amount $'000
Secured bank loans	AUD	BBSY + margin *(1)*	2017	350,000	350,000	42,000	42,000
Finance lease liabilities	AUD	6% - 9%	2014-2016	308	289	526	474
				350,308	**350,289**	**42,526**	**42,474**

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

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	2014 Minimum lease payments $'000	2014 Interest $'000	2014 Principal $'000	2013 Minimum lease payments $'000	2013 Interest $'000	2013 Principal $'000
Less than one year	199	16	183	200	31	169
Between one and five years	109	3	106	326	21	305
	308	**19**	**289**	**526**	**52**	**474**

18. Employee benefits

See accounting policy in Note 34(k).

	2014 $'000	2013 $'000
Current		
Liability for annual leave	7,432	3,578
Liability for long service leave	5,680	1,663
	13,112	**5,241**
Non-Current		
Liability for long service leave	2,170	349

Share based payments - Performance rights plan

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

The plan was introduced in FY12 with the first grant of rights taking place on 9 March 2012. During FY13 a second grant of rights occurred (grant date 24 December 2012) and a third grant of rights was made in FY14 (certain participants were granted rights on 22 November 2013 and others on 18 December 2013). All rights issued to-date have the same key terms which are as follows:

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

The number of rights granted or outstanding during the year ended 31 July 2014 are set out below:

	Number of Rights
Balance as at 1 August 2013	1,174,167
Granted during the year	401,400
Forfeited during the year	-
Vested during the year	(482,833)
Balance as at 31 July 2014	**1,092,734**

18. Employee benefits (continued)

The fair value of the rights at date of grant was calculated by subtracting the expected dividend payments per share during the vesting period from the share price at date of grant. The weighted average fair value and share price as at each date of grant are as follows:

Date of grant	Weighted average fair value	Share price
9 March 2012	$1.4733	$1.56
24 December 2012	$2.3267	$2.48
22 November 2013	$3.9567	$4.15
18 December 2013	$4.5767	$4.77

At the year-end an estimate of how many rights are likely to vest based on the continuous employment and financial performance conditions has been updated. The fair value of the number of rights expected to vest has been expensed in proportion to how far through the vesting period the rights are at that date. The amount consequently expensed in the year was $1.5m (2013: $1.1m).

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

Superannuation contributions

The Group contributed $5.7m to defined contribution superannuation plans during the current year (2013: $3.0m).

19. Provisions

See accounting policy in Note 34(m).

	Make good costs $'000	Lease increment $'000	Onerous leases $'000	Other $'000	Total $'000
Balance as at 1 August 2013	6,087	1,640	-	2,000	9,727
Acquired through business combinations	12,111	-	14,769	-	26,880
Provisions made during the year	-	-	-	1,000	1,000
Provisions used during the year	(80)	(229)	(2,879)	-	(3,188)
Unwind of discount	184	-	-	-	184
Balance as at 31 July 2014	**18,302**	**1,411**	**11,890**	**3,000**	**34,603**
Current	630	205	7,699	3,000	11,534
Non-current	17,672	1,206	4,191	-	23,069
	18,302	**1,411**	**11,890**	**3,000**	**34,603**

19. Provisions (continued)

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.

Onerous leases

Where the Group has contractual obligations with costs exceeding the expected economic benefits flowing from the arrangement, a provision is immediately recognised for the excess cost component.

20. Deferred income and other liabilities

See accounting policy in Note 34(o).

	2014 $’000	2013 $’000
Current		
Deferred income	79,156	58,784
Non-Current		
Deferred income	28,841	26,010

21. Capital and reserves

See accounting policy in Note 34(d)(iv).

Share capital

	Ordinary shares		$'000	
	2014	**2013**	**2014**	**2013**
Balance as at 1 August	793,808,141	793,808,141	516,907	516,907
Ordinary shares issued during the year	-	-	-	-
Balance as at 31 July	**793,808,141**	**793,808,141**	**516,907**	**516,907**

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

Foreign currency translation reserve

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

Share-based payments reserve

The share-based payments reserve represents the value of shares held by a share-based remuneration plan that the Company is required to include in the consolidated financial statements. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. At 31 July 2014 the number of Company shares held by the Group was 16 (2013: 21,085).

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.

22. Dividends

Dividends recognised in the current year were as follows:

	Cents per share	Total Amount $'000	Date of payment
2014			
Interim 2014 ordinary	4.50	35,720	20 May 2014
Final 2013 ordinary	4.00	31,753	19 Nov 2013
Total amount		**67,473**	
2013			
Interim 2013 ordinary	3.50	27,783	21 May 2013
Final 2012 ordinary	2.75	21,830	20 Nov 2012
Total amount		**49,613**	

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

The directors have declared a fully franked final FY14 dividend of 4.75 cents per share. As the final dividend was not declared or resolved to be paid by the Board of directors as at 31 July 2014, the dividend has not been provided for in the consolidated statement of financial position. The dividend has a record date of 14 October 2014 and will be paid on 18 November 2014.

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

Dividend franking account

	2014 $'000	2013 $'000
30 per cent franking credits available to shareholders of the Company for subsequent financial years	232,971	181,772

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; and

(c) franking credit transferred in on business combinations.

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 yet recognised as a liability is to reduce it by $16.2m (2013: $13.6m).

23. Financial instruments and risk management

See accounting policy in Note 34(d).

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.

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

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

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

Credit risk

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

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

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

23. Financial instruments and risk management (continued)

Credit risk (continued)

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

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

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

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

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

	Note	2014 $'000	2013 $'000
Trade and other receivables	*10*	93,254	55,944
Cash and cash equivalents	*9*	23,756	26,128
Available-for-sale financial assets	*12*	106,492	88,514
		223,502	**170,586**

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

	Note	2014 $'000	2013 $'000
Type of customer			
Corporate		25,126	10,244
Retail		9,832	8,000
Wholesale		45,511	7,125
Government		5,600	4,691
	10	**86,069**	**30,060**

23. Financial instruments and risk management (continued)

Credit risk (continued)

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

	Note	2014 $'000	2013 $'000
Geographical region			
Australia		85,111	29,432
New Zealand		92	86
United States		463	371
Other		403	171
	10	**86,069**	**30,060**

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

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

	Note	2014 $'000	2013 $'000
Ageing of customer			
Not past due		51,184	18,392
Past due 0-30 days		21,653	5,003
Past due 31-60 days		5,011	970
Past due 61-90 days		1,844	847
Past due 91-120 days		1,613	1,348
Past due 121 days		4,764	3,500
Gross trade receivables		86,069	30,060
Less: Provision for impairment losses		(15,826)	(6,279)
Net receivables	***10***	**70,243**	**23,781**

The provision for impairment losses of the Group at 31 July 2014 of $15.8m (2013: $6.3m) represents the risk of non-collection of outstanding debts that are past due and believed to be at risk of non-collection. The provision is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At this point the amount is considered irrecoverable and is written off against the financial asset directly.

23. Financial instruments and risk management (continued)

Credit risk (continued)

The movement in the provision for impairment losses during the year ended 31 July 2014 is as follows:

	Note	2014 $'000	2013 $'000
Balance at 1 August		6,279	7,084
Acquired through business combination		9,786	-
Amounts written off		(239)	(805)
Balance at 31 July	***10***	**15,826**	**6,279**

Liquidity risk

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

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

In addition to its cash reserves, the Group has a debt facility of $490.0m available to it during the year (of which $350.0m was utilised as at 31 July 2014) (refer note 17).

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

31 July 2014	*Note*	Carrying amount $'000	Contractual cashflows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Secured bank loans	***17***	(350,000)	(387,532)	(7,264)	(7,264)	(14,529)	(358,475)	-
Finance lease liabilities		(289)	(308)	(106)	(93)	(109)	-	-
Trade and other payables	***16***	(136,556)	(136,556)	(136,556)	-	-	-	-
		(486,845)	**(524,396)**	**(143,926)**	**(7,357)**	**(14,638)**	**(358,475)**	**-**

23. Financial instruments and risk management (continued)

Liquidity risk (continued)

31 July 2013	*Note*	Carrying amount $'000	Contractual cashflows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Secured bank loans	***17***	(42,000)	(45,037)	(935)	(935)	(43,167)	-	-
Finance lease liabilities		(474)	(526)	(91)	(109)	(217)	(109)	-
Trade and other payables	***16***	(94,122)	(94,122)	(94,122)	-	-	-	-
		136,596	**(139,685)**	**(95,148)**	**(1,044)**	**(43,384)**	**(109)**	**-**

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

Market risk

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

(i) Currency risk

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

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

23. Financial instruments and risk management (continued)

Market risk (continued)

The Group's exposure to foreign currency risk at balance date was as follows:

	31 July 2014					31 July 2013				
	AUD equivalent $'000	NZD $'000	USD $'000	PHP $'000	HKD $'000	AUD equivalent $'000	NZD $'000	USD $'000	PHP $'000	HKD $'000
Trade receivables	1,106	5	1,031	-	-	2,784	21	2,516	-	-
Other financial assets	2,531	-	2,352	695	-	4,507	-	4,091	429	-
Trade payables	(4,556)	(34)	(4,224)	(91)	(64)	(4,933)	(74)	(4,428)	(43)	(50)
	(919)	**(29)**	**(841)**	**604**	**(64)**	**2,358**	**(53)**	**2,179**	**386**	**(50)**

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

	Average rate		Reporting date spot rate	
	2014	**2013**	**2014**	**2013**
NZD	1.12	1.22	1.10	1.14
USD	0.92	0.98	0.94	0.91
PHP	40.00	41.61	40.58	39.42
HKD	7.16	7.89	7.25	7.06

Sensitivity analysis

A 10 percent strengthening/weakening of the Australian dollar against the above currencies at 31 July 2014 would have decreased/increased equity and profit or loss by $85k (2013: $214k). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

(ii) Interest rate risk

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

	Note	2014 $'000	2013 $'000
Fixed rate instruments			
Financial liabilities	*17*	(289)	(474)
Variable rate instruments			
Financial assets	*9*	23,756	26,128
Financial liabilities	*17*	(350,000)	(42,000)
		(326,244)	**(15,872)**

23. Financial instruments and risk management (continued)

Market risk (continued)

The Group does from time-to-time hedge its exposure to the impact of changes in interest rates on its core borrowings. As at 31 July 2014 the amount of borrowings that were hedged was $nil (2013: $nil).

Fair value sensitivity analysis for fixed rate instruments

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

Cashflow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would cause a movement in the Group's annualised interest expense, based on the balance of its variable rate instruments as at 31 July 2014, of $3.3m (2013: $159k) (assumes that all other variables, in particular foreign currency rates, remain constant).

Fair values versus carrying amounts

As at 31 July 2014, the fair values of the Group's financial assets and liabilities approximate their carrying amounts shown in the statement of financial position.

The basis for determining the fair values of financial assets and liabilities is disclosed in note 34(v).

Interest rates used for determining fair value

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

	2014	**2013**
Loans and borrowings	BBSY + margin	BBSY + margin
Leases	6% to 9%	6% to 9%

23. Financial instruments and risk management (continued)

(iii) Equity price risk

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

Capital management

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

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

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

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

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

	2014 $'000	**2013 $'000**
Total loans and borrowings	350,000	42,000
Less: cash and cash equivalents	(23,756)	(26,128)
Net debt	**326,244**	**15,872**
Total equity	**832,422**	**715,966**
Net debt to equity ratio at 31 July	**0.39**	**0.02**

24. Operating leases

See accounting policy in Note 34(p)(i).

Non-cancellable operating lease rentals are payable as follows:

	2014 $'000	2013 $'000
Less than one year	35,635	27,634
Between one and five years	88,801	46,030
More than five years	35,182	28,796
	159,618	**102,460**

25. Capital and other commitments

	2014 $'000	2013 $'000
Capital expenditure commitments		
Contracted but not provided for in the financial statements	34,453	23,743

The capital commitments at 31 July 2014 in the table above include $13.5m in respect of spectrum licences won by the Company at the Digital Dividend auction in May 2013 payable in September 2014.

.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

26. Consolidated entities

The following is a list of all entities that formed part of the Group as at 31 July 2014:

Name of Entity	Country of incorporation	Ownership interest as at 31 July 2014 %	2013 %
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 Contracts Pty Ltd	Australia	100	100
Blue Call Pty Ltd	Australia	100	100
PIPE Networks Pty Ltd	Australia	100	100
PIPE Transmission Pty Ltd	Australia	100	100
PIPE International (Australia) Pty Ltd	Australia	100	100
PPC 1 Limited	Bermuda	100	100
PPC 1 (US) Incorporated	USA	100	100
ACN 139 798 404 Pty Ltd	Australia	100	100
IntraPower Pty Ltd	Australia	100	100
IP Service Xchange Pty Ltd	Australia	100	100
Trusted Cloud Pty Ltd	Australia	100	100

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

26. Consolidated entities (continued)

Name of Entity	Country of incorporation	Ownership interest as at 31 July 2014 %	2013 %
Subsidiaries (continued)			
Trusted Cloud Solutions Pty Ltd	Australia	100	100
Alchemyit Pty Ltd	Australia	100	100
IP Group Pty Ltd	Australia	100	100
Mercury Connect Pty Ltd	Australia	100	100
VtalkVoip Pty Ltd	Australia	100	100
Intrapower Terrestrial Pty Ltd	Australia	100	100
Hosteddesktop.com Pty Ltd	Australia	100	100
Virtual Desktop Pty Ltd	Australia	100	100
Destra Communications Pty Ltd	Australia	100	100
Numillar IPS Pty Ltd	Australia	88.57	88.57
Telecom New Zealand Australia Pty Ltd	Australia	100	-
AAPT Limited	Australia	100	-
Connect Internet Solutions Pty Limited	Australia	100	-
PowerTel Limited	Australia	100	-
Request Broadband Pty Ltd	Australia	100	-
Telecom Enterprises Australia Pty Limited	Australia	100	-

27. Acquisition of subsidiary

On 28 February 2014 TPG Telecom Limited acquired 100% of Telecom New Zealand Australia Pty Ltd and its subsidiaries which include AAPT ("AAPT").

The agreed purchase price of A$450.0m was paid in cash on 28 February 2014 and a further working capital adjustment amount of A$13.5m was subsequently paid on 6 May 2014.

The acquisition was funded through a combination of debt and cash reserves.

The rationale for the acquisition was to further enhance the Group's infrastructure through the addition of AAPT's inter-capital fibre network as well as adding a large and profitable wholesale and corporate business.

The Group incurred acquisition related costs of $3.2m relating to stamp duty, external legal fees and due diligence costs. These costs have been included in other expenses in the consolidated income statement.

The provisional fair values of the identifiable assets and liabilities of AAPT as at the date of acquisition are set out below.

Identifiable assets acquired and liabilities assumed	**$'000**
Trade and other receivables	63,909
Provision for doubtful debts	(9,786)
Inventories	3,281
Prepayments and other assets	17,447
Property, plant and equipment	240,914
Customer base	43,245
IRU assets	37,284
Intangible assets	6,540
Trade and other payables	(38,310)
Employee benefits and provisions	(12,496)
Provisions	(26,880)
Deferred income	(18,231)
Deferred tax liabilities (net)	(1,744)
Net identifiable assets acquired	**305,173**

Consideration transferred	
Cash paid	463,540
Less: Cash acquired	(788)
Total consideration, net of cash acquired	**462,752**

27. Acquisition of subsidiary (continued)

Goodwill on acquisition	**$'000**
Consideration transferred, net of cash acquired	462,752
Less: Net identifiable assets acquired, net of cash acquired	(305,173)
Goodwill on acquisition	**157,579**

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

In the five month period from the date of acquisition (28 February 2014) to 31 July 2014, AAPT contributed revenue of $164.8m and profit after tax of $6.2m to the Group's results (excluding acquisition costs and amortisation of acquisition intangibles). Due to complexity caused by inconsistent accounting policies and the change in valuation of assets and liabilities upon acquisition, management has deemed it not possible to reliably estimate what AAPT would have contributed to the Group if it had been owned for the entire financial year.

28. Reconciliation of cashflows from operating activities

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Profit for the year after income tax		171,679	149,165
Adjustments for:			
Dividend income	*5*	(2,633)	(2,219)
Depreciation of plant and equipment	*14*	72,559	49,892
Amortisation and impairment of intangibles	*15*	35,214	23,942
Bad and doubtful debts		1,783	1,301
Amortisation of borrowing costs	*6*	2,362	2,037
Employee share plan expense		-	31
Performance rights plan expense		1,497	1,148
Unrealised foreign exchange loss		299	48
Interest income	*6*	(1,762)	(2,447)
Interest expense	*6*	8,475	7,363
Profit on sale of investments	*5*	-	(1,130)
Costs relating to mergers and acquisitions	*27*	3,119	-
Income tax expense	*7*	75,124	63,134
Operating profit before changes in working capital and provisions		**367,716**	**292,265**
Changes in:			
- Trade and other receivables		16,811	(10,581)
- Inventories		711	184
- Other assets		7,150	1,179
- Trade and other payables		4,076	19,931
- Other liabilities		4,971	14,089
- Employee benefits		(2,804)	241
- Provisions		(2,004)	709
		396,627	318,017
Income taxes paid		(96,103)	(79,218)
Net cash from operating activities		**300,524**	**238,799**

29. Parent entity disclosures

	Company	
	2014	**2013**
	$'000	**$'000**
Result of the parent entity		
Loss for the period	(11,461)	(7,891)
Comprising:		
Finance expenses	(10,620)	(9,300)
Costs relating to mergers and acquisitions	(3,234)	-
Income tax benefit	2,736	2,557
Other	(343)	(1,148)
Total loss for the period	**(11,461)**	**(7,891)**
Financial position of parent entity at year end		
Current assets	1,328	714
Total assets	1,246,377	1,151,379
Current liabilities	17,768	42,551
Total liabilities	792,749	618,494
Total equity of the parent entity comprising:		
Share capital	516,907	516,907
Reserves	411	734
Retained earnings	(63,690)	15,244
Total Equity	**453,628**	**532,885**

Parent entity guarantees

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

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in note 33.

30. Related parties

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

Executive directors

Mr David Teoh
Executive Chairman & Chief Executive Officer

Mr Alan Latimer
Executive Director, Finance & Corporate Services

Non-executive directors

Mr Denis Ledbury

Mr Robert Millner

Mr Joseph Pang

Mr Shane Teoh

Executives

Mr Stephen Banfield
Chief Financial Officer and Company Secretary

Mr John Paine
National Technical and Strategy Manager

Mr Craig Levy
General Manager, Consumer

Mr Wayne Springer
General Manager, Corporate Products & Pricing

Ms Mandie De Ville
Chief Information Officer

Mr Tony Moffatt
General Counsel

Mr Mark Rafferty
General Manager Sales, Enterprise & Wholesale

Recognised within key management personnel from 28 February 2014, the date on which his employer (AAPT) was acquired by the Group.

Key management personnel remuneration

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

	2014 $	2013 $
Short-term employee benefits	5,758,214	4,680,235
Post-employment benefits	222,479	229,864
Other long term benefits	144,827	134,798
Share-based benefits	741,700	600,512
	6,867,220	**5,645,409**

30. Related parties (continued)

Individual directors’ and executives’ remuneration disclosures

Information regarding individual directors’ and executives’ remuneration is provided in the Remuneration Report section of the Directors’ report on pages 26 to 33.

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 2014 was $166,186 (2013: $122,669).

The Group also licences the use of some office space to a company related to Mr S Teoh who was appointed a director of the Company on 11 October 2012. The total licence fee received by the Group for the financial year was $24,556 (2013: $23,611).

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 or services 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.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

30. Related parties (continued)

Movement in shares

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

	Held at 1 August 2013	Granted as remuneration	Disposals	Held at 31 July 2014
Directors				
Mr D Teoh	291,625,603	-	-	291,625,603
Mr A Latimer	500,000	-	(300,000)	200,000
Mr D Ledbury	100,000	-	-	100,000
Mr R Millner	7,374,175	-	-	7,374,175
Mr J Pang	88,812	-	-	88,812
Mr S Teoh	90,251	-	-	90,251
Executives				
Mr S Banfield	200,000	45,000	(45,000)	200,000
Mr J Paine	3,868,717	45,000	-	3,913,717
Mr C Levy	599,783	60,333	(166,450)	493,666
Mr W Springer	129,902	45,000	-	174,902
Ms M De Ville	131,402	6,000	-	137,402
Mr T Moffatt	552,571	45,000	(22,000)	575,571

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

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

30. Related parties (continued)

Identity of related parties

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

31. Subsequent events

On 30 September 2014 a Group entity entered into a contract to purchase a property close to the Sydney CBD for consideration of $30.07m. The site, which is currently leased by the Group for annual rent of some $3.1m, houses a key Group network hub and data centre and also provides office accommodation. Of the purchase price, $3m will be paid in FY15 with the balance payable in 1H FY16 when the existing lease expires and ownership transfers.

Other than above, 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.

32. Auditors' remuneration

	2014 $	2013 $
Audit and review services		
Auditors of the Company – KPMG Australia		
- Audit and review of financial statements	799,000	394,800
- Other regulatory audit services	32,250	15,500
	831,250	**410,300**
Other services		
Auditors of the Company – KPMG Australia		
- Taxation	27,500	51,905
	858,750	**462,205**

33. Deed of cross guarantee

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

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

33. Deed of cross guarantee (continued)

The Deed of Cross Guarantee was entered into on 25 June 2008. The Australian incorporated companies within the AAPT group (as included in the list below) were joined as parties to the Deed of Cross Guarantee through an Assumption Deed dated 8 May 2014. The subsidiaries subject to the Deed are as follows:

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

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2014

33. Deed of cross guarantee (continued)

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 July 2014 is set out as follows:

Statement of comprehensive income and retained profits

	2014 $'000	2013 $'000
Revenue	945,371	704,829
Other income	2,633	3,349
Telecommunications expense	(448,973)	(322,986)
Employee benefits expense	(87,062)	(46,675)
Other expenses	(49,102)	(44,372)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**362,867**	**294,145**
Depreciation of plant and equipment	(67,491)	(43,152)
Amortisation of intangibles	(32,700)	(23,318)
Results from operating activities	**262,676**	**227,675**
Finance income	1,762	2,447
Finance expenses	(10,837)	(9,400)
Net financing costs	**(9,075)**	**(6,953)**
Profit before income tax	**253,601**	**220,722**
Income tax expense	(74,965)	(63,583)
Profit for the year attributable to owners of the company	**178,636**	**157,139**
Other comprehensive income, net of tax	12,583	24,435
Total comprehensive income for the year	**191,219**	**181,574**
Retained earnings at beginning of year	167,556	60,030
Profit for the year	178,636	157,139
Dividends recognised during the year	(67,473)	(49,613)
Retained earnings at end of year	**278,719**	**167,556**

33. Deed of cross guarantee (continued)

Statement of financial position

	31 July 2014 $'000	31 July 2013 $'000
Assets		
Cash and cash equivalents	22,169	25,014
Trade and other receivables	85,232	40,371
Inventories	2,749	179
Investments	99,159	81,181
Prepayments and other assets	8,393	5,070
Total Current Assets	**217,702**	**151,815**
Trade and other receivables	7,720	15,268
Investments in subsidiaries	7,333	7,339
Loans to subsidiaries	107,766	109,886
Property, plant and equipment	461,362	222,530
Intangible assets	686,396	474,335
Prepayments and other assets	6,130	-
Total Non-Current Assets	**1,276,707**	**829,358**
Total Assets	**1,494,409**	**981,173**
Liabilities		
Trade and other payables	133,356	91,266
Loans and borrowings	183	169
Current tax liabilities	17,030	33,576
Employee benefits	13,112	5,241
Provisions	8,534	616
Accrued interest	214	276
Deferred income and other liabilities	76,896	57,136
Total Current Liabilities	**249,325**	**188,280**
Loans and borrowings	346,847	39,134
Deferred tax liabilities	18,105	15,410
Employee benefits	2,170	349
Provisions	23,069	7,111
Deferred income and other liabilities	10,879	10,291
Total Non-Current Liabilities	**401,070**	**72,295**
Total Liabilities	**650,395**	**260,575**
Net Assets	**844,014**	**720,598**
Equity		
Share capital	516,907	516,907
Reserves	48,388	36,135
Retained earnings	278,719	167,556
Total Equity	**844,014**	**720,598**

34. Significant accounting policies

Except as described below, the accounting policies set out from 34(a) to 34(v) have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently across the Group. In the current financial year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current reporting period and that are relevant to the Group. The adoption of these amendments, discussed below, has not resulted in any change to the Group's accounting policies and has had no material impact on the Group's consolidated financial statements.

Changes in accounting standards adopted

- AASB 10 Consolidated Financial Statements: AASB 10 establishes a single consolidation model based on control that applies to all entities, irrespective of the nature of the investee. The new control model broadens the situations where an entity is considered to be controlled by another entity.
- AASB 13 Fair Value Measurement: AASB 13 does not change the requirements regarding which items should be measured or disclosed at fair value but expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. To comply with the new standard, additional disclosures have been included in note 12.
- AASB 119 Employee Benefits (revised): The revised standard changes the distinction between short-term and long-term employee benefits which is now based on whether the benefits are "expected to be settled" wholly within 12 months after the reporting date rather than "due to be settled" within 12 months.
- Amendments to AASB 136: Amendments relating to recoverable amount disclosures for non-financial assets are applicable for annual reporting periods beginning on or after 1 January 2014 but have been early adopted in the current year.

a. Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (refer (a)(ii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Valuation techniques adopted for measuring assets acquired are explained at (v) below. Goodwill is measured as the excess of consideration transferred as compared to the value of identifiable net assets acquired. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

34. Significant accounting policies (continued)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

(iii) Transactions eliminated on consolidation

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

b. Foreign currency transactions

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

c. Foreign **operations**

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

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

34. Significant accounting policies (continued)

d. Financial instruments

The Group classifies non-derivative financial assets into the following categories: loans and receivables, and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

(ii) Non-derivative financial assets - measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The loans and receivables category comprises trade and other receivables.

Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and accumulated in the fair value

34. Significant accounting policies (continued)

d. Financial instruments (continued)

reserve. When these assets are derecognised, the gain or loss in equity is transferred to profit or loss. The available-for-sale financial assets category comprises equity securities.

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The non-derivative financial liabilities category comprises loans and borrowings, and trade and other payables.

(iv) Share capital

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

e. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less and includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

f. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (see note 34(j)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.
Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

(i) Subsequent costs

Subsequent costs are added to existing assets if it is probable that future economic benefits will flow to the Group.

34. Significant accounting policies (continued)

f. Property, plant and equipment (continued)

(ii) Depreciation

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

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

- Network infrastructure 3 - 25 years
- Buildings 40 years
- Leasehold improvements 8 years

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

g. Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, including sales of capacity described in note 34(o)(iii) below, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

(ii) Leased assets

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

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

h. Intangible assets

(i) Goodwill

Goodwill arising on acquisition of subsidiaries is measured at cost less accumulated impairment losses. For the measurement of goodwill at initial recognition, see note 34(a)(i).

34. Significant accounting policies (continued)

h. Intangible assets (continued)

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are stated at cost less accumulated amortisation and any accumulated impairment losses.

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

- ***Trademarks***

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

- ***Acquired customer bases***

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

- ***Indefeasible rights of use of capacity***

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

- ***Software***

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

- ***Licences***

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

(iii) Subsequent expenditure

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

34. Significant accounting policies (continued)

h. Intangible assets (continued)

(iv) Amortisation

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

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

• Goodwill	-	Indefinite life
• Trademarks	-	Indefinite life
• Acquired customer bases & reacquired rights	-	Amortised on a reducing balance basis in line with the expected economic benefits to be derived
• Indefeasible rights of use (IRU) of capacity	-	Amortised over the life of the IRU
• Software	-	2-20 years
• Licences	-	Amortised over the term of the licence

i. Inventories

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

j. Impairment

Any financial asset that is not classified as an ‘at fair value through profit or loss’ asset, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cashflows of that asset.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, other than inventories and deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use are tested annually for impairment.

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

34. Significant accounting policies (continued)

j. Impairment (continued)

carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the units on a pro rata basis.

(i) Calculation of recoverable amount

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

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

(ii) Reversals of impairment

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

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

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

k. Employee benefits

(i) Short-term employee benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided up to the reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs such as workers compensation insurance and payroll tax.

34. Significant accounting policies (continued)

k. Employee benefits (continued)

(ii) Long-term employee benefits

The Group's 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.

(iii) Performance rights plan

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

(iv) Superannuation

The Group contributes 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.

m. Provisions

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

34. Significant accounting policies (continued)

m. Provisions (continued)

where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance expense.

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

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

(i) Rendering of services

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

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

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

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

(ii) Sale of goods

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

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

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

34. Significant accounting policies (continued)

o. Revenue (continued)

(iii) Network capacity sales

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

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

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

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

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

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

(iv) Revenue arrangements with multiple deliverables

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

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

p. Expenses

(i) Lease payments

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

34. Significant accounting policies (continued)

p. Expenses (continued)

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

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

(ii) Finance income and expenses

Net financing costs comprise interest payable on borrowings and finance leases, amortisation of borrowing costs relating to loans and borrowings, unwinding of discount on provisions and interest receivable on funds invested.

Interest income or expense is recognised 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 a business combination, or items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

34. 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.

r. Segment reporting

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

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

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

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 statement of financial position.

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

34. Significant accounting policies (continued)

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 weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, being share options.

u. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 August 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

v. 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.

34. Significant accounting policies (continued)

v. Determination of fair values (continued)

Material assets acquired through business combinations

Asset acquired	Valuation technique
Property, plant and equipment	Fair values are based on quoted market prices for similar items when available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	The fair value of trademarks is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned. The fair value of other intangible assets is based on the discounted cashflows expected to be derived from the use of the assets.
Inventories	Fair value is determined based on estimated selling price in the ordinary course of business less the estimated costs of sale.

Trade and other receivables

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

Equity and debt securities

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

Non-derivative financial liabilities

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

TPG Telecom Limited and its controlled entities

Directors' declaration

For the year ended 31 July 2014

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

(a) the consolidated financial statements and notes that are set out on pages 39 to 103 and the Remuneration report in section 6 of the Directors' report, set out on pages 26 to 33, are 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 2014 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) 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 group entities identified in note 33 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 group entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 31 July 2014.

4. The directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Sydney this 17th day of October, 2014.

Signed in accordance with a resolution of the directors.

David Teoh
Chairman

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

Report on the financial report

We have audited the accompanying financial report of the Group comprising TPG Telecom Limited (the Company) and its controlled entities, which comprises the consolidated statement of financial position as at 31 July 2014, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 July 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 26 to 33 of the directors' report for the year ended 31 July 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Anthony Travers

Partner

Sydney

17 October 2014

TPG Telecom Limited and its controlled entities

ASX additional information

For the year ended 31 July 2014

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The shareholding information is current as at 9 October 2014.

Substantial shareholders

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

Name of shareholder	Number of ordinary shares held	% of capital held
David Teoh and Vicky Teoh	291,625,604	36.74
Washington H Soul Pattinson and Company Limited	213,400,684	26.88

Distribution of equity security holders

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

Number of shares held	Number of holders
1 - 1,000	3,465
1,001 - 5,000	3,239
5,001 - 10,000	1,026
10,001 - 100,000	1,144
100,001 and over	122
	8,996

The number of shareholders holding less than a marketable parcel of ordinary shares is 438.

Voting rights (ordinary shares)

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

Stock exchange

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

Other information

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

ASX additional information

For the year ended 31 July 2014

Twenty largest shareholders (as at 9 October 2014)

Name of shareholder	Number of ordinary shares held	% of capital held
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	213,400,684	26.88
TSH HOLDINGS PTY LTD	101,645,893	12.80
VICTORIA HOLDINGS PTY LTD	100,840,608	12.70
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	52,132,138	6.57
DAVID TEOH	43,562,525	5.49
VICKY TEOH	43,217,403	5.44
NATIONAL NOMINEES LIMITED	40,987,852	5.16
J P MORGAN NOMINEES AUSTRALIA LIMITED	39,785,437	5.01
WIN CORPORATION PTY LTD	16,000,000	2.02
CITICORP NOMINEES PTY LIMITED	14,626,422	1.84
J S MILLNER HOLDINGS PTY LIMITED	6,151,207	0.77
FARJOY PTY LTD	6,010,000	0.76
BNP PARIBAS NOMS PTY LTD (DRP)	5,566,882	0.70
BKI INVESTMENT COMPANY LIMITED	4,420,000	0.56
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	4,046,692	0.51
MR JOHN ERIC PAINE	3,843,717	0.48
MILTON CORPORATION LIMITED	3,731,553	0.47
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED (NT-COMNWLTH SUPER CORP A/C)	3,179,047	0.40
CITICORP NOMINEES PTY LIMITED (COLONIAL FIRST STATE INV A/C)	2,859,899	0.36
AMP LIFE LIMITED	2,445,615	0.31
	708,453,574	**89.23**

Principal Registered Office

63-65 Waterloo Road
Macquarie Park NSW 2113
Telephone: 02 9850 0800

Share Registry

Computershare Investor Services Pty Ltd
Level 4, 60 Carrington Street
Sydney NSW 2000
Telephone:
(within Australia) 1300 850 505
(international) +61 3 9415 4000
www.investorcentre.com/au

TPG Telecom Limited ABN 46 093 058 069