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

Annual Report
Year ended 31 July 2015

TPG Telecom Limited and its controlled entities

Annual report

For the year ended 31 July 2015

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Chairman's letter

For the year ended 31 July 2015

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 2015 ("FY15").

Financial Performance

FY15 was another busy and successful year for the Group. We continued to achieve strong organic growth across the business while completing the integration of AAPT, further expanding our network infrastructure, and successfully negotiating the acquisition of the iiNet Group.

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.

	FY15	FY14	Movement
Revenue ($m)	1270.6	970.9	+31%
EBITDA ($m)	484.5	363.7	+33%
NPAT ($m)	224.1	171.7	+31%
EPS (cents/share)	28.2	21.6	+31%
Dividends (cents/share)	11.5	9.25	+24%

These increases in revenue, profits, and returns for shareholders represent the seventh consecutive year of strong growth by the Group.

iiNet Acquisition

Shortly after the FY15 year-end, we were delighted to complete the acquisition of the iiNet Group.

The TPG and iiNet businesses are highly complementary in terms of geographic presence and market segments. iiNet has built a very strong, recognisable brand with an excellent reputation for premium levels of customer service which we will be focussed on preserving. The combined businesses now provide broadband services to over 1.8 million subscribers.

I would like to welcome as TPG shareholders those iiNet shareholders who elected to receive TPG shares as consideration for their iiNet shares. I believe that the acquisition will be highly beneficial for TPG shareholders into the future.

Agreements with Vodafone Hutchison Australia

Also following the year-end, the Group entered into two significant agreements with Vodafone Hutchison Australia (VHA), a major dark fibre transmission network expansion and the migration of TPG's mobile customer base to the Vodafone network. Further explanation of these agreements is included in note 8 to the Directors’ Report within this Annual Report.

The dark fibre agreement represents an exciting opportunity to apply our proven capability in delivering dark fibre services to Vodafone utilising our own fibre infrastructure across the country.

The mobile agreement will mean that TPG mobile customers will be able to experience Vodafone’s world class network which the Group is working with Vodafone to further enhance through the dark fibre agreement.

Conclusion

The Group’s achievements are made possible by the dedication of our hard-working employees. I would like to thank them all again for their efforts this year and look forward to their ongoing contribution to the Group’s success in FY16 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 2015

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 2015, and the auditor's report thereon.

Contents of directors' report

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Directors' report

For the year ended 31 July 2015

1. Board of Directors

Details of directors of the Company who held office at any time during or since the end of the previous year are set out below:

CURRENT

David Teoh Executive Chairman Chief Executive Officer	David is the founder and Chief Executive Officer of the TPG group of companies. He has served as Executive Chairman of the Company since 2008. Special Responsibilities: Chairman of the Board
Denis Ledbury Non-Executive Director B.Bus, A.I.C.D. Independent	Denis has served as a Director of the Company since 2000 and was the Managing Director of the Company between 2000 and 2005. Denis was also associated with the NBN television group of companies for over 24 years, the last 14 of which as Chief Executive Officer. Special Responsibilities: Chairman of the Remuneration and Audit & Risk Committee
Robert Millner Non-Executive Director F.A.I.C.D.	Robert has served as a Non-Executive Director of the Company since 2000 and was the Chairman until 2008. Robert has over 30 years experience as a Company Director and is currently a Director of the following ASX listed companies: Washington H. Soul Pattinson and Company Limited; Milton Corporation Limited; New Hope Corporation Limited; Brickworks Limited; Australian Pharmaceutical Industries Limited. During the past three years Robert has also served as a Director of the following ASX listed companies: Souls Private Equity Limited; Exco Resources Limited Special Responsibilities: Member of the Remuneration and Audit & Risk Committee
Joseph Pang Non-Executive Director FCA Independent	Joseph has served as a Non-Executive Director of the Company since 2008. Joseph worked in financial roles in the UK, Canada and Hong Kong prior to starting his own management and financial consulting service in Australia. Special Responsibilities: Member of the Remuneration and Audit & Risk Committee
Shane Teoh Non-Executive Director B.Com, LLB	Shane has served as a Non-Executive Director of the Company since 2012. Shane holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales. He is managing director of Total Forms Pty Ltd, a leading developer of accounting and taxation software in Australia.

RETIRED

Alan Latimer Executive Director B.Com, CA, G.A.I.C.D	Retired 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	18	18	-	-	-	-
D Ledbury	18	18	2	2	2	2
R Millner	17	18	2	2	2	2
J Pang	17	18	2	2	2	2
S Teoh	18	18	-	-	-	-
A Latimer	4	4	-	-	-	-

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 2015 ("FY15"), highlights of which are as follows:

- Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year increased by 33% to $484.5m.
- Net Profit After Tax ("NPAT") for the year was $224.1m, an increase over FY14 of 31%.
- Earnings per share ("EPS") increased by 31% to 28.2 cents per share.
- Pre-tax operating cashflow increased by 24% to $492.8m.
- Dividends per share paid or declared in respect of FY15 increased by 24% to 11.5 cents (fully franked).

TPG Telecom Limited and its controlled entities

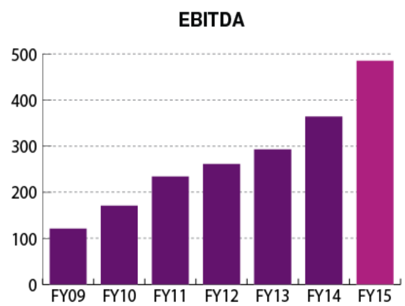
Directors' report

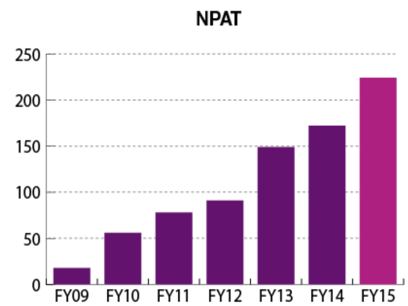
For the year ended 31 July 2015

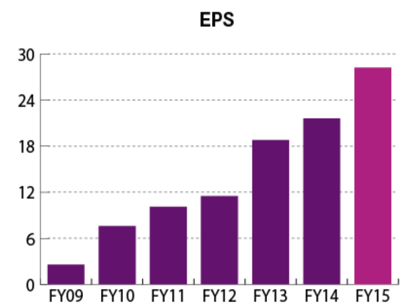
4. Operating and financial review (continued)

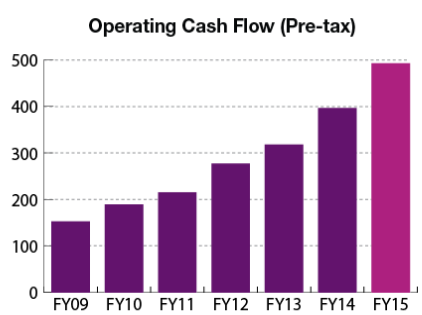
4.1 Operating result overview (continued)

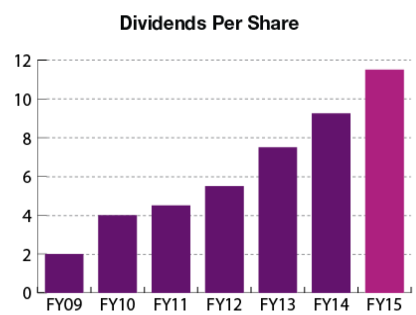
These results represent the seventh consecutive year of strong growth for the Group.











Consumer business

The Consumer Division's EBITDA for FY15 was $239.7m compared to $205.7m for FY14. The FY15 result contains no material irregular items (the FY14 result was last year reported as including $3.3m of non-recurring benefits) therefore the Consumer Division's underlying EBITDA growth for FY15 relative to FY14 is $37.3m or 18.5%. This was driven by ongoing organic broadband subscriber growth as well as an increase in EBITDA contribution per broadband subscriber.

The Group's consumer broadband subscriber base grew by 73k in the year compared to 77k growth achieved in the prior year. However, this growth excludes FTTB subscribers who now acquire FTTB services through wholesale customers of the Group. The composition of the FY15 Consumer Division net subscriber growth was 31k ADSL and 42k NBN.

As at 31 July 2015 the Group had 821k broadband subscribers and 320k mobile subscribers.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2015

4. Operating and financial review (continued)

4.1 Operating result overview (continued)

Corporate business

The Group's Corporate Division achieved EBITDA of $242.3m for the year compared to $159.1m for FY14 representing growth of $83.3m or 52.4%.

A large component of this EBITDA growth was derived directly from the acquisition of AAPT which contributed a full 12 months to the Group's FY15 results compared to only 5 months in FY14. If AAPT had have been owned by the Group for the whole of FY14, the extra 7 months would have contributed an additional $40.8m EBITDA (based on AAPT's pre-acquisition annualised EBITDA run-rate of ~$70m[1]). This implies that $42.5m of the $83.2m EBITDA growth achieved by the Corporate Division in FY15 is attributable to organic revenue growth and EBITDA margin expansion post acquisition of AAPT.

Cashflow

The Group delivered another strong cashflow result in FY15, with $492.8m cash generated from operations (pre-tax) and free cashflow after tax, capex and interest for the year of $213.8m.

This free cash was deployed to pay for equity investments of $115.6m (investments in Covata and Amcom as disclosed during the period), to make debt repayments of $21m, as well as to pay increased dividends to shareholders of $81.4m.

Acquisition of iiNet

On 7 September 2015 the Group completed its acquisition of the iiNet Group. The acquisition was implemented through a scheme of arrangement under which the Group acquired all of the share capital in iiNet Limited that it did not already own. The consideration transferred to iiNet shareholders comprised cash consideration of $1,156.8m and share consideration comprising 23,212,554 TPG Telecom Limited shares with an acquisition date fair value of $211.2m (determined by reference to TPG's volume weighted average share price on the date of change of control).

In addition, immediately prior to completion, iiNet shareholders were paid a discretionary special dividend amounting to $106.7m (net of $7.0m which was paid to the Group) which was funded through a loan to iiNet by the Group.

In order to fund the acquisition the Group entered into revised debt facility agreements with a syndicate of banks in August 2015. The facilities, which total $1,960m, were used to fund the cash consideration, the discretionary special dividend and to refinance the Group's and iiNet's existing bank debt.

As the change in control occurred subsequent to 31 July 2015, there has been no contribution from iiNet to the Group's FY15 results.

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[1] Unaudited – refer to page 4 of the 9/12/13 TPG investor briefing lodged with ASX

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2015

4. Operating and financial review (continued)

4.1 Operating result overview (continued)

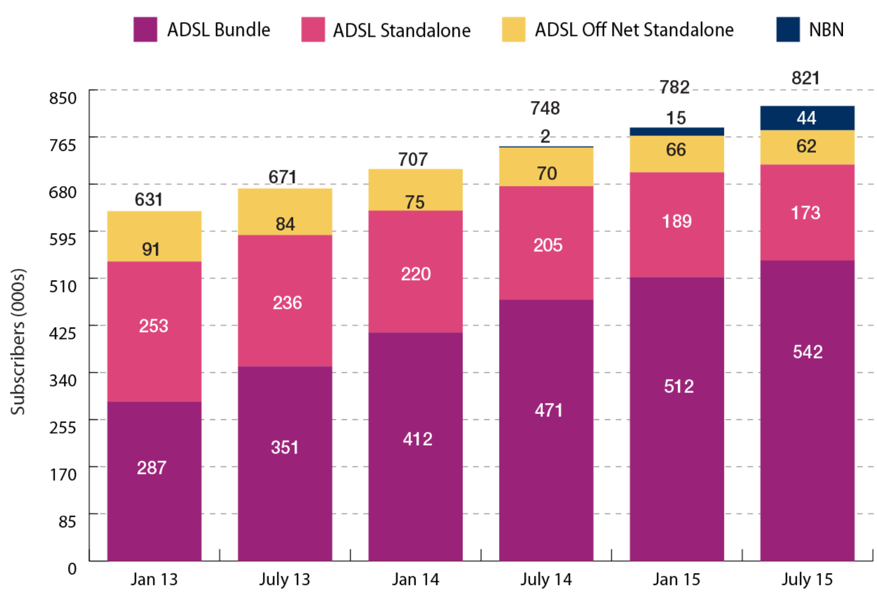
Dividends

In light of the Group's strong FY15 cashflow and earnings growth, the Board of Directors has declared an increased final FY15 dividend of 6.0 cents per share (fully franked) payable on 17 November 2015 to shareholders on the register at 13 October 2015, bringing total FY15 dividends to 11.5 cents per share (fully franked), an increase of 24% over FY14.

4.2 Customer growth

Consumer Division

During FY15 the Consumer Division achieved further organic growth of its broadband subscriber base with a net increase of 73k subscribers. The composition of this growth changed quite significantly in FY15 with NBN services accounting for 42k of the growth having only been launched in the final quarter of FY14.



During FY15 the Group also launched its 'fibre to the building' (FTTB) plans. The customers subscribing to FTTB plans are not, however, reflected in the above chart because, as a result of a change in government legislation during the year which restricted the Group's ability to retail FTTB services to its Consumer Division customer base, all FTTB subscribers now acquire their FTTB services through wholesale customers of the Group. The revenue for FTTB services will therefore be reflected in the Corporate Division's results going forward.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2015

4. Operating and financial review (continued)

4.2 Customer growth (Continued)

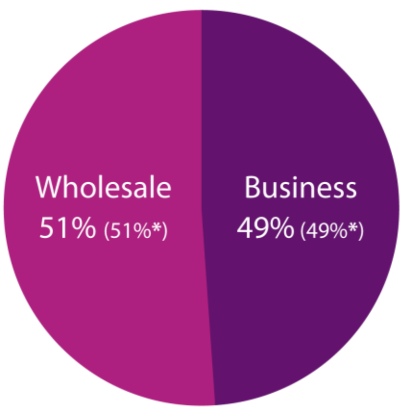
Although mobile services represent less than 4% of the Group's overall EBITDA, the Group was disappointed to experience a decline in its mobile subscriber base of 42k (12%) during the year. This was largely attributable to an increase in the wholesale cost to the Group which necessitated an increase in the retail price charged to consumers. 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.

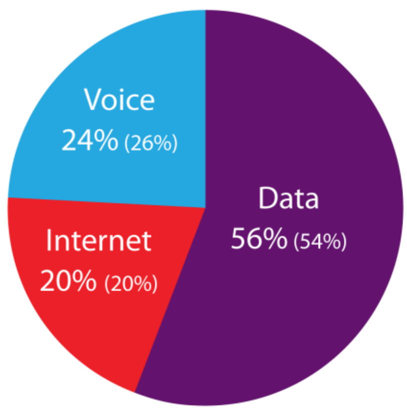
Subsequent to the year-end the Group has entered into an agreement to migrate its TPG mobile customer base to the Vodafone network (refer note 8 to the Directors' Report).

As at 31 July 2015 the Consumer Division had 821k broadband subscribers and 320k mobile subscribers.

Corporate Division

The Group's Corporate Division achieved revenues of $643m in FY15, up by $235m from the prior year largely due to the acquisition of AAPT. The split of annualised revenues at the end of the year by customer and product category is set out below (prior year figures in brackets).





* in the chart above the prior year comparative for the wholesale / business split has been slightly re-stated following the reclassification of certain AAPT customers.

4. Operating and financial review (continued)

4.3 Network infrastructure update

During the year the Group continued to invest substantially in the expansion of its infrastructure particularly in the extension of its fibre network footprint and connection of further on-net buildings.

The Group's network now includes:

- Over 17,000km of metro and inter-capital fibre network;
- Australia's largest dedicated dark fibre network;
- Thousands of on-net fibre buildings, many with diverse fibre entry;
- More than 400 national network points of presence;
- Over 400 DSLAM enabled exchanges, offering Mid-Band Ethernet and ADSL services;
- One of Australia's largest and most sophisticated voice networks;
- 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.

Further dark fibre network expansion

Subsequent to the year-end, under an Agreement signed with Vodafone Hutchison Australia on 29 September 2015 (refer note 8 to the Directors' Report) the Group will extend its current fibre infrastructure by constructing about 4,000km of new fibre to Vodafone cell sites across the country.

Construction of the dark fibre network will start immediately with deployment to the majority of the existing Vodafone network to be completed during 2018.

It is estimated that the Group will incur incremental capital expenditure of $300-400m over the rollout period, the majority of which will be incurred over the next 3 years.

TPG will provide the dark fibre services for 15 years from the date each site is delivered, with contracted revenue over the term exceeding $900m.

International network expansion

The Group also made the following two announcements during the year regarding further investment in its international network capacity:

Southern Cross capacity agreement

A Group entity entered a new IRU capacity use agreement with Southern Cross to increase, by approximately 5 times, the amount of capacity it currently has on the Southern Cross cable. The capital

4. Operating and financial review (continued)

4.3 Network infrastructure update (continued)

commitment payable for this new capacity will be US$53m with payments spread over 6 years starting when the additional capacity becomes available in December 2015.

SEA-US capacity agreement

In March 2015 a Group entity entered agreements with RAM Telecom International, Inc ("RTI") to acquire the right to use wavelengths on the SEA-US submarine cable between Guam and California. The SEA-US Cable is being constructed by NEC Corporation for a consortium of telecommunications companies, including RTI. The construction of the cables is expected to be completed in 2017.

The terms of the agreement are confidential but the Group anticipates that its capital commitment for the project will be between US$19m and US$25m spread over the next two financial years.

TPG's PPC-1 cable system between Sydney and Guam has been an extremely valuable asset for the Group. With SEA-US, the reach of the Group's directly controlled network will be extended into the main hub of Internet content in the US.

All of the infrastructure investment described above will provide an important foundation for the continued growth of the Group's customer base and profits into the future.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2015

4. Operating and financial review (continued)

4.4 Financial results review

There follows below a review of the key elements of the FY15 results:

	FY15 $m	*% of revenue*	FY14 $m	*% of revenue*
Revenue				
Consumer	628.1	*49%*	563.2	*58%*
Corporate	642.5	*51%*	407.7	*42%*
Total revenue	**1,270.6**		**970.9**	
Telco costs				
Consumer	(308.4)	*49%*	(293.2)	*52%*
Corporate	(272.1)	*42%*	(161.0)	*39%*
Total telco costs	**(580.5)**		**(454.2)**	
Employment costs				
Consumer	(39.9)	*6%*	(33.1)	*6%*
Corporate	(99.2)	*15%*	(70.5)	*17%*
Total employment costs	**(139.1)**		**(103.6)**	
Other expenses				
Consumer	(40.1)	*6%*	(31.2)	*6%*
Corporate	(28.9)	*4%*	(17.1)	*4%*
Unallocated	(1.3)	-	(3.7)	-
Total other expenses	**(70.3)**		**(52.0)**	
Other income	3.8	-	2.6	-
EBITDA	**484.5**	***38%***	**363.7**	***37%***
Depreciation	(102.4)	*8%*	(72.6)	*7%*
Amortisation	(43.3)	*3%*	(35.3)	*4%*
Operating profit	**338.8**	***31%***	**255.8**	***26%***
Net financing costs	(19.8)	*2%*	(9.0)	*1%*
Profit before tax	**319.0**	***25%***	**246.8**	***25%***
Income tax	(94.9)	-	(75.1)	-
Profit after tax	**224.1**	***18%***	**171.7**	***18%***
Earnings per share (cents)	28.2		21.6	

4. Operating and financial review (continued)

4.4 Financial results review (continued)

Revenue

a) Consumer

Consumer Division revenue increased by $64.9m (12%) to $628.1m in FY15.

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 73k (10%) to 821k (including 591k subscribers with a home phone service).

Monthly ARPU for broadband customers increased in the year from $50.1 to $51.1 due to an increase in the proportion of the customer base that a) has a plan that bundles broadband and home phone line rental, and b) has an NBN service (NBN services have a higher ARPU than DSL services).

Broadband customers who also bundle home phone service generated an average of $7 per month in voice revenue, which was in line with 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

Corporate revenue increased by $234.8m (58%) to $642.5m in FY15.

$230.7m of this growth is due to the additional 7 months contribution from AAPT in FY15 based on an extrapolation of AAPT's revenue for the 5 month post acquisition period in FY14.

Although the organic revenue growth balance of $4.1m appears relatively low, this is due to the fact that expensive, lower margin off-net customer revenues are being replaced by on-net services that are less expensive for our customers but more profitable for the Group. This helps drive profit growth in the Corporate Division.

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 decreased as a proportion of Consumer Division revenue in FY15 from 52% to 49% due primarily to network backhaul cost savings achieved in the year.

b) Corporate

Corporate Division telco costs increased as a proportion of Corporate Division revenue in FY15 from 39% to 42%.

This increase is entirely attributable to the acquisition of AAPT whose equivalent costs represented 52% of its revenue prior to acquisition compared to 31% for the TPG standalone corporate business. The main reason for AAPT's costs being higher as a proportion of revenue than in the TPG standalone corporate business is that AAPT's product mix includes a significantly higher proportion of wholesale and low margin resale business.

Employment costs

Consumer Division employment costs grew in absolute terms in the year by $6.8m and increased from 5.9% to 6.4% of revenue. The increase was driven by increased headcount as well as the decline in the value of the Australian

4. Operating and financial review (continued)

4.4 Financial results review (continued)

dollar relative to the Philippine peso which caused an increase in the Australian dollar equivalent cost of the Group's Manila based staff.

Corporate Division employment costs increased in FY15 due to the acquisition of AAPT. Based on an extrapolation of AAPT's employment costs for the 5 month post acquisition period in FY14, the additional 7 months contribution to the FY15 results should have increased the Corporate Division's employment costs by $46.5m. The fact that they actually only increased by $28.7m reflects synergies achieved from the integration of the AAPT business.

The Group's total headcount at 31 July 2015 was 3,110, a 282 increase in the year.

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 increased by $8.9m in FY15 driven mainly by marketing expenditure and Manila operating costs.

The Corporate Division's other expenses increased by $11.8m in FY15 driven mainly by the acquisition of AAPT.

Other income

Other income, which increased from $2.6m to $3.8m in FY15, comprises dividend income from the Group's ASX listed investments.

EBITDA

Overall, Group EBITDA grew by $120.8m (33%) to $484.5m in FY15. Based on AAPT's pre-acquisition EBITDA run-rate of $70m, the additional 7 months contribution from AAPT in FY15 would have generated $40.8m of EBITDA. This means that the Group's organic EBITDA growth for the year is $80m. This has been achieved through strong continued broadband subscriber growth and margin expansion in the Consumer Division in addition to revenue growth, margin expansion and the realisation of synergies from the AAPT acquisition in the Corporate Division.

Depreciation

The Group's depreciation expense increased by $29.8m in FY15. Based on an extrapolation of AAPT's depreciation expense for the 5 month post acquisition period in FY14, the extra 7 months ownership of AAPT in FY15 should have increased depreciation by $30.1m.

The fact that the overall increase in depreciation for the Group is slightly lower reflects the impact of assets becoming fully depreciated offsetting the depreciation increase arising from new capital expenditure in FY15.

Amortisation

The Group's FY15 amortisation expense increased by $8.1m to $43.3m. This included $31.5m of amortisation of acquired customer bases which arises from the Group's previous acquisitions and is a "non-cash" expense. The increase in the year is due to the additional 7 months ownership of AAPT.

Net financing costs

Net financing costs increased by $10.6m as a result of the Group's increased bank debt that arose mainly from the Group's debt financed acquisition of AAPT last year.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2015

4. Operating and financial review (continued)

4.4 Financial results review (continued)

Income tax

The Group's effective income tax rate was 29.7% in FY15, down from 30.5% in FY14. The decrease is due mainly to the non tax deductible expenditure related to the acquisition of AAPT incurred in FY14.

Earnings per share (EPS)

No new shares in the Company were issued in the year so the Group's EPS for FY15 increased by 31%, the same percentage increase as the increase in net profit, to 28.2 cents per share.

Free cashflow

	FY15 $m	FY14 $m
Operating cashflow	492.8	396.7
Tax	(110.9)	(96.1)
Interest	(14.3)	(7.4)
Capital expenditure*	(153.8)	(69.7)
Free cashflow	**213.8**	**223.5**

* includes payments for property, plant and equipment plus intangible assets.

The Group's strong earnings result is reflected in the strong operating cashflow generated in the year. Operating cashflow of $492.8m in FY15 exceeded EBITDA by $8.3m. After tax, interest and capital expenditure, the Group generated free cashflow of $213.8m.

Capital expenditure

Capital expenditure for FY15 of $153.8m is $84.1m higher than in the prior year. This increase is driven by an additional 7 months of AAPT capex, a $13.5m one-off purchase of spectrum, and expansion of the Group's fibre network predominantly to connect corporate customers and for the Group's 'fibre to the building' (FTTB) project.

Utilisation of cash

	FY15 $m	FY14 $m
Free cashflow	213.8	223.5
Utilisation:		
Investments	115.6	-
AAPT acquisition	-	465.8
Debt repayment/(drawdown)	21.0	(308.0)
Dividends paid	81.4	67.5
Other	(4.1)	0.5
Decrease in cash	(0.1)	(2.3)
	213.8	**223.5**

Investments

The Group paid $115.6m in the year to increase its strategic investments in both Covata Limited (in which the Group held an interest of approximately 15% at 31 July 2015) and in Amcom Limited. In July 2015 the Group's Amcom shares were replaced with shares in Vocus Limited as a result of Vocus's acquisition of Amcom. As at 31 July 2015, the Group's interest in Vocus was approximately 10.7%.

Debt repayment/drawdown

The Group made net repayments of $21m against its bank debt during FY15, leaving an outstanding bank debt balance of $329m as at 31 July 2015.

Dividends paid

Dividends paid in the year comprise the final FY14 dividend of 4.75 cents per share ("cps") and the interim FY15 dividend of 5.50 cps.

Subsequent to the year-end, the Board of directors has declared a 6.0 cps final dividend for FY15 taking the total dividends paid or declared in respect of FY15 to 11.5 cps, a 24% increase over FY14.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2015

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 FY15, 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.

	FY15 $m	FY14 $m
Cash (1)	23.7	23.8
Investments (2)	151.6	99.2
Other current assets	78.6	78.9
Total current assets (3)	**253.9**	**201.9**
Property, plant & equipment (4)	592.8	553.8
Intangible assets (5)	685.6	712.4
Investments (2)	115.6	7.3
Other non-current assets	5.9	14.2
Total non-current assets	**1,399.9**	**1,287.7**
Deferred income (3)	62.7	61.3
Other current liabilities	195.4	176.9
Total current liabilities (3)	**258.1**	**238.2**
Loans and borrowings (1)	327.7	346.8
Other non-current liabilities	64.8	72.2
Total non-current liabilities	**392.5**	**419.0**
Net assets	**1,003.2**	**832.4**

Balance sheet notes

1. Net debt
Loans and borrowings of $327.7m are shown in the balance sheet net of prepaid borrowing costs. Gross bank borrowings at 31 July 2015 were $329.0m. Taking into account the $23.7m cash balance the Group had net debt at the end of FY15 of $305.3m.

2. Investments
Current investments represent the Group's investment in Vocus Limited shares. Non-current investments represent the Group's ownership of shares in iiNet Limited and Covata Limited.

During the year the Group reclassified its investment in iiNet shares from current to non-current assets, invested $113.0m in Amcom (now Vocus) shares and invested an additional $2.6m in Covata shares.

In addition, these equity investments appreciated in value during the year by $45.1m in aggregate, 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 $258.1m exceeded total current assets of $253.9m as at 31 July 2015 by $4.2m. 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 $58.5m as at 31 July 2015.

4. Property, plant & equipment ("PPE")
The Group's PPE balance is $39.0m higher at 31 July 15 than at 31 July 14 as a result of capital expenditure exceeding the $102.4m depreciation expense for the year.

5. Intangible assets
The $26.8m decrease in the Group's intangible assets balance in the year is due to the intangible amortisation expense of $43.3m partially offset by the investment made in the year for acquiring spectrum and international submarine cable capacity.

4. Operating and financial review (continued)

4.5 Business outlook

Prospects for FY16

In FY16 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.

Following the acquisition of iiNet, there will also be significant focus on maintaining iiNet's reputation for premium customer service whilst maximising the benefits of the acquisition through simplifying product offerings and systems and integrating the business into the Group's operations.

The directors anticipate continued organic growth for the Group in FY16. However, as only a few weeks have elapsed since the completion of the acquisition of iiNet it is not yet possible to forecast with sufficient certainty the likely financial results for the combined group for the year ahead and, therefore, no specific guidance has been provided for FY16 as at the date of this report.

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.

4. 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 the earthquakes in Nepal.

5. 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.

5.1 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.

5.2 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.

5. Remuneration report – audited (continued)

5.2 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 and there have been four lots of rights granted to-date, one lot being granted in each of FY12, FY13, FY14 and FY15.

All rights granted 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 2015 and in prior years are set out in table 5.4(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 5.3 below.

5. Remuneration report – audited (continued)

5.2 Remuneration structure (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 FY15 with EBITDA and NPAT up by 33% and 31% respectively, generating a 31% increase in EPS, whilst declared dividends for the FY15 year are up by 24%

These FY15 results represent the seventh consecutive year of strong growth. The Group's five year record is set out in the following table.

	2011	2012	2013	2014	2015
Revenue ($m)	575	663	725	971	1,271
EBITDA ($m)	234	261	293	364	485
NPAT ($m)	78	91	149	172	224
EPS (cents)	10.1	11.5	18.8	21.6	28.2
DPS (cents)	4.5	5.5	7.5	9.25	11.5

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

(iii) Service contracts

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

No key management personnel employment contract has a notice period of greater than 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 2015 was $399,675 (2014: $390,705). 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.

5. Remuneration report – audited (continued)

5.3 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 (retired 31 October 2014)
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	Chief Operating Officer
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 2015

5. Remuneration report – audited (continued)

5.3 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 $'000	(note A) STI cash bonus $'000	(note B) Non-monetary benefits $'000	Total $'000	Superannuation benefits $'000	(note C) Other long term $'000	Share-based payments $'000	Total $'000	Proportion of remuneration performance related %	Share-based payments as proportion of remuneration %
Executive Directors											
Mr D Teoh, Chairman	2015	1,480	979	570	3,029	40	248	-	3,317	30%	-
	2014	952	900	134	1,986	26	50	-	2,062	44%	-
Mr A Latimer *	2015	246	500	(80)	666	9	(62)	-	613	82%	-
	2014	322	660	22	1,004	29	22	-	1,055	63%	-
Non-Executive Directors											
Mr D Ledbury	2015	100	-	-	100	10	-	-	110	-	-
	2014	98	-	-	98	9	-	-	107	-	-
Mr R Millner	2015	90	-	-	90	9	-	-	99	-	-
	2014	88	-	-	88	8	-	-	96	-	-
Mr J Pang	2015	90	-	-	90	9	-	-	99	-	-
	2014	88	-	-	88	8	-	-	96	-	-
Mr S Teoh	2015	85	-	-	85	8	-	-	93	-	-
	2014	83	-	-	83	8	-	-	91	-	-

*Mr A Latimer retired from the Company on 31 October 2014.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2015

5. Remuneration report – audited (continued)

5.3 Directors' and executive officers' remuneration (continued)

		Short-term				Post-employment		Share-based payments			
Executives		Salary & fees $'000	(note A) STI cash bonus $'000	(note B) Non-monetary benefits $'000	Total $'000	Superannuation benefits $'000	(note C) Other long term $'000	(note D) Performance rights $'000	Total $'000	Proportion of remuneration performance related %	Share-based payments as proportion of remuneration %
Mr S Banfield	2015	275	240	10	525	19	9	172	725	57%	24%
	2014	249	175	14	438	21	17	136	612	51%	22%
Mr J Paine [1]	2015	208	-	(7)	201	19	3	69	292	24%	24%
	2014	206	80	(1)	285	18	9	125	437	47%	29%
Mr C Levy	2015	315	260	16	591	19	3	235	848	58%	28%
	2014	289	200	4	493	27	13	187	720	54%	26%
Mr W Springer	2015	248	110	3	361	23	2	121	507	46%	24%
	2014	237	90	11	338	21	19	131	509	43%	26%
Ms M De Ville	2015	237	85	16	338	20	10	83	451	37%	18%
	2014	212	35	(5)	242	20	4	32	298	23%	11%
Mr T Moffatt	2015	248	210	2	460	19	6	167	652	58%	26%
	2014	232	100	2	334	21	10	131	496	47%	26%
Mr M Rafferty [2]	2015	317	300	20	637	19	5	94	755	52%	12%
	2014	139	149	(8)	280	8	2	-	290	51%	-

[1] Mr J Paine has been on personal leave for an extended period during FY15.
[2] 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.

5. Remuneration report – audited (continued)

5.3 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 2015 and 31 July 2014 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 5.4(i) below. The rules of the performance rights plan are explained in 5.2(ii)(a) above.

5.4 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 2015 are set out below. All rights had a grant date of 16 December 2014, were provided at no cost to the recipients and have an exercise price of $nil.

FY15 Performance rights grant	Number of rights granted during FY15	Number of rights forfeited during FY15	Number of rights vested during FY15	Number of rights held as at 31 July 2015	Fair value per right at grant date ($)
Mr S Banfield	36,000	-	-	36,000	5.9433
Mr C Levy	48,000	-	-	48,000	5.9433
Mr W Springer	18,000	-	-	18,000	5.9433
Ms M De Ville	24,000	-	-	24,000	5.9433
Mr T Moffatt	36,000	-	-	36,000	5.9433
Mr M Rafferty	36,000	-	-	36,000	5.9433

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

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2015

5. Remuneration report – audited (continued)

5.4 Share-based payments (continued)

Details of performance rights that were granted to key management personnel during previous financial years and that remained outstanding at the start of FY15 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 rights were granted on 22 November 2013 (FY14 grant), 24 December 2012 (FY13 grant) and 9 March 2012 (FY12 grant).

FY14 Performance rights grant	Number of rights held as at 31 July 2014	Number of rights forfeited during FY15	Number of rights vested during FY15	Number of rights held as at 31 July 2015	Fair value per right at grant date ($)
Mr S Banfield	36,000	-	12,000	24,000	3.9567
Mr J Paine	30,000	-	10,000	20,000	3.9567
Mr C Levy	51,000	-	17,000	34,000	3.9567
Mr W Springer	33,000	-	11,000	22,000	3.9567
Ms M De Ville	9,000	-	3,000	6,000	3.9567
Mr T Moffatt	33,000	-	11,000	22,000	3.9567

FY13 Performance rights grant	Number of rights held as at 31 July 2014	Number of rights forfeited during FY15	Number of rights vested during FY15	Number of rights held as at 31 July 2015	Fair value per right at grant date ($)
Mr S Banfield	40,000	-	20,000	20,000	2.3267
Mr J Paine	40,000	-	20,000	20,000	2.3267
Mr C Levy	54,000	-	27,000	27,000	2.3267
Mr W Springer	40,000	-	20,000	20,000	2.3267
Ms M De Ville	12,000	-	6,000	6,000	2.3267
Mr T Moffatt	40,000	-	20,000	20,000	2.3267

FY12 Performance rights grant	Number of rights held as at 31 July 2014	Number of rights forfeited during FY15	Number of rights vested during FY15	Number of rights held as at 31 July 2015	Fair value per right at grant date ($)
Mr S Banfield	25,000	-	25,000	-	1.4733
Mr J Paine	25,000	-	25,000	-	1.4733
Mr C Levy	33,334	-	33,334	-	1.4733
Mr W Springer	25,000	-	25,000	-	1.4733
Mr T Moffatt	25,000	-	25,000	-	1.4733

(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.

6. Principal activities

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

7. Dividends

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

	Cents per share	Total amount $m	Date of payment
Final 2014 ordinary	4.75	37.7	18 Nov 2014
Interim 2015 ordinary	5.50	43.7	19 May 2015
Total amount		**81.4**	

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 FY15 dividend of 6.0 cents per ordinary share, payable on 17 November 2015 to shareholders on the register at 13 October 2015.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 July 2015 and will be recognised in subsequent financial reports.

8. Events subsequent to reporting date

Acquisition of iiNet

Subsequent to the end of the financial year the Group completed its acquisition of iiNet Limited.

The acquisition combines two businesses that are highly complementary for a number of reasons, including their respective market positioning and geographic presence, and should deliver scale benefits for the combined group.

The acquisition was implemented through a scheme of arrangement under which the Group acquired the 93.75% of share capital in iiNet Limited that it did not already own.

The scheme was approved by the Federal court on 21 August 2015, became effective on the date of change of control, which was 24 August 2015, and was completed when the consideration was transferred to iiNet shareholders on 7 September 2015.

8. Events subsequent to reporting date (continued)

The consideration transferred to iiNet shareholders comprised:

- Cash consideration: $1,156.8m; and
- Share consideration: 23,212,554 TPG Telecom Limited shares with an acquisition date fair value of $211.2m. This valuation was determined by reference to TPG's volume weighted average share price on 24 August 2015.

In addition, immediately prior to completion, iiNet shareholders were paid a discretionary special dividend amounting to $106.7m (net of $7.0m which was paid to the Group) which was funded through a loan to iiNet by the Group.

In order to fund the acquisition the Group entered into revised debt facility agreements with a syndicate of banks in August 2015. The facilities, which total $1,960m, were used to fund the cash consideration, the discretionary special dividend and to refinance the Group's and iiNet's existing bank debt.

The Group is not in a position to present information related to the acquisition date fair values of assets acquired and liabilities assumed along with any goodwill that may arise from the acquisition of iiNet Limited due to the proximity of the acquisition date of 24 August 2015 to the date of release of these financial statements.

Agreements with Vodafone Hutchison Australia

On 29 September 2015 the Group entered into two new major agreements with Vodafone Hutchison Australia Pty Limited (VHA): a major dark fibre transmission network expansion and an MVNO (Mobile Virtual Network Operator) Agreement.

Dark Fibre Agreement

Under the Dark Fibre Agreement, TPG will provide dark fibre and network services to more than 3,000 Vodafone Australia sites over a 15 year term.

In order to provide the services, TPG will extend its current fibre infrastructure by constructing about 4,000km of new fibre to Vodafone cell sites across the country.

This agreement extends the existing relationship between the two companies, TPG having already delivered 900km of fibre for VHA sites between FY11 and FY13.

Construction of the dark fibre network will start immediately with deployment to the majority of the existing Vodafone network to be completed during 2018.

It is estimated that the Group will incur incremental capital expenditure of $300-400m over the rollout period, the majority of which will be incurred over the next 3 years.

TPG will provide the dark fibre services for 15 years from the date each site is delivered, with contracted revenue over the term exceeding $900m.

8. Events subsequent to reporting date (continued)

MVNO (Mobile Virtual Network Operator) Agreement

Under the MVNO Agreement the Group will migrate its TPG mobile customer base to the Vodafone network.

The agreement will mean TPG mobile customers will be able to experience Vodafone's world-class network which the Group is working to further enhance through the Dark Fibre Agreement.

Other

Other than the 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.

9. Likely developments

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

10. 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	291,625,603
Mr D Ledbury	75,000
Mr R Millner	7,434,175
Mr J Pang	88,812
Mr S Teoh	116,723

11. 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 C Levy	48,000
Mr W Springer	18,000
Mr T Moffatt	36,000
Mr M Rafferty	36,000

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

Options

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

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 2015 (2014: Nil).

12. Indemnification and insurance of officers and directors

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 $131,125 (2014: $51,077) 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.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2015

13. 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 KPMG and its related practices for audit and non-audit services provided during the year are set out in note 30 to the financial statements.

14. 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 hundred thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors.

David Teoh
Chairman

Dated at Sydney this 16th day of October, 2015

KPMG

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 2015 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

16 October 2015

TPG Telecom Limited and its controlled entities

Consolidated income statement

For the year ended 31 July 2015

	Note	2015 $m	2014 $m
Revenue	*4*	1,270.6	970.9
Other income	*5*	3.8	2.6
Telecommunications expense		(580.5)	(454.2)
Employee benefits expense		(139.1)	(103.6)
Other expenses		(70.3)	(52.0)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**484.5**	**363.7**
Depreciation of plant and equipment	*11*	(102.4)	(72.6)
Amortisation of intangibles	*12*	(43.3)	(35.3)
Results from operating activities		**338.8**	**255.8**
Finance income		1.1	1.8
Finance expenses		(20.9)	(10.8)
Net financing costs	*6*	**(19.8)**	**(9.0)**
Profit before income tax		**319.0**	**246.8**
Income tax expense	*7*	(94.9)	(75.1)
Profit for the year attributable to owners of the company		**224.1**	**171.7**
Earnings per share:			
Basic and diluted earnings per share (cents)	*8*	28.2	21.6

The notes on pages 40 to 86 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 2015

	Note	2015 $m	2014 $m
Profit for the year		**224.1**	**171.7**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		0.3	-
Net change in fair value of available-for-sale financial assets, net of tax	*10*	31.6	12.6
Other comprehensive income, net of tax		**31.9**	**12.6**
Total comprehensive income attributable to owners of the company		**256.0**	**184.3**

The notes on pages 40 to 86 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 2015

	Note	31 July 2015 $m	31 July 2014 $m
Assets			
Cash and cash equivalents		23.7	23.8
Trade and other receivables	*9*	63.8	65.9
Inventories		5.8	2.7
Investments	*10*	151.6	99.2
Prepayments and other assets		9.0	10.3
Total Current Assets		**253.9**	**201.9**
Trade and other receivables	*9*	-	7.7
Investments	*10*	115.6	7.3
Property, plant and equipment	*11*	592.8	553.8
Intangible assets	*12*	685.6	712.4
Prepayments and other assets		5.9	6.5
Total Non-Current Assets		**1,399.9**	**1,287.7**
Total Assets		**1,653.8**	**1,489.6**
Liabilities			
Trade and other payables	*13*	153.8	134.8
Loans and borrowings	*14*	0.1	0.2
Current tax liabilities	*7*	12.3	17.1
Employee benefits	*15*	14.4	13.1
Provisions	*16*	10.5	11.5
Accrued interest	*17*	4.3	0.2
Deferred income and other liabilities		62.7	61.3
Total Current Liabilities		**258.1**	**238.2**
Loans and borrowings	*14*	327.7	346.8
Deferred tax liabilities		17.1	18.1
Employee benefits	*15*	2.0	2.2
Provisions	*16*	21.4	23.1
Deferred income and other liabilities		24.3	28.8
Total Non-Current Liabilities		**392.5**	**419.0**
Total Liabilities		**650.6**	**657.2**
Net Assets		**1,003.2**	**832.4**
Equity			
Share capital	*18*	516.9	516.9
Reserves		76.5	48.4
Retained earnings		409.8	267.1
Total Equity		**1,003.2**	**832.4**

The notes on pages 40 to 86 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 2015

		Attributable to owners of the Company						
	Note	Share capital $m	Foreign currency translation reserve $m	Share-based payments reserve $m	Fair value reserve $m	Total reserves $m	Retained earnings $m	Total equity $m
Balance as at 1 August 2013		516.9	0.1	0.7	35.3	36.1	162.9	715.9
Profit for the year		-	-	-	-	-	171.7	171.7
Net change in fair value of available-for-sale financial assets, net of tax	***10***	-	-	-	12.6	12.6	-	12.6
Total comprehensive income for the period		**-**	**-**	**-**	**12.6**	**12.6**	**171.7**	**184.3**
Share-based payment transactions		-	-	(0.3)	-	(0.3)	-	(0.3)
Dividends paid to shareholders	***19***	-	-	-	-	-	(67.5)	(67.5)
Total contributions by and distributions to owners		**-**	**-**	**(0.3)**	**-**	**(0.3)**	**(67.5)**	**(67.8)**
Balance as at 31 July 2014		**516.9**	**0.1**	**0.4**	**47.9**	**48.4**	**267.1**	**832.4**
Balance as at 1 August 2014		516.9	0.1	0.4	47.9	48.4	267.1	832.4
Profit for the year		-	-	-	-	-	224.1	224.1
Foreign currency translation differences		-	0.3	-	-	0.3	-	0.3
Net change in fair value of available-for-sale financial assets, net of tax	***10***	-	-	-	31.6	31.6	-	31.6
Total comprehensive income for the period		**-**	**0.3**	**-**	**31.6**	**31.9**	**224.1**	**256.0**
Share-based payment transactions		-	-	(3.8)	-	(3.8)	-	(3.8)
Dividends paid to shareholders	***19***	-	-	-	-	-	(81.4)	(81.4)
Total contributions by and distributions to owners		**-**	**-**	**(3.8)**	**-**	**(3.8)**	**(81.4)**	**(85.2)**
Balance as at 31 July 2015		**516.9**	**0.4**	**(3.4)**	**79.5**	**76.5**	**409.8**	**1,003.2**

The notes on pages 40 to 86 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 2015

	Note	2015 $m	2014 $m
Cash flows from operating activities			
Cash receipts from customers		1,403.3	1,090.0
Cash paid to suppliers and employees		(910.5)	(693.3)
Cash generated from operations		492.8	396.7
Income taxes paid		(110.9)	(96.1)
Net cash from operating activities	***27***	**381.9**	**300.6**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	***25***	-	(462.7)
Costs incurred on acquisition of subsidiaries		-	(3.1)
Acquisition of property, plant and equipment		(135.4)	(68.9)
Acquisition of intangibles		(18.4)	(0.8)
Acquisition of investments	***10***	(115.6)	-
Dividends received	***5***	3.8	2.6
Net cash used in investing activities		**(265.6)**	**(532.9)**
Cash flows from financing activities			
Proceeds from borrowings	***14***	175.0	472.0
Repayment of borrowings	***14***	(196.0)	(164.0)
Transaction costs related to loans & borrowings		-	(2.4)
Payment of finance lease liabilities		(0.2)	(0.2)
Interest paid		(14.9)	(8.4)
Interest received		0.6	1.0
Dividends paid	***19***	(81.4)	(67.5)
Net cash (used in)/from financing activities		**(116.9)**	**230.5**
Net decrease in cash and cash equivalents		(0.6)	(1.8)
Cash and cash equivalents at beginning of the year		23.8	26.1
Effect of exchange rate fluctuations		0.5	(0.5)
Cash and cash equivalents at end of the year		**23.7**	**23.8**

The notes on pages 40 to 86 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 2015

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TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2015

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 2015, 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 16 October 2015.

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 31(k).

Notwithstanding the fact that the classifications within the 31 July 2015 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.

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 hundred thousand dollars 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 4 – revenue recognition for network capacity sales;
- Note 12(v) – impairment testing for cash-generating units containing goodwill;
- Note 20 – valuation of financial instruments;
- Note 25 – acquisition of subsidiary.

3. 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.

The Group recognises two operating segments, being its Consumer and Corporate segments.

Following the acquisition of AAPT on 28 February 2014, the Group reported AAPT as a separate operating segment in its FY14 Annual report. However, following the integration of AAPT's operations during the current reporting period, AAPT's results are now recognised within the Corporate segment in this note.

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

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

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2015

3. Segment reporting (continued)

	Consumer		Corporate		Unallocated		Consolidated results	
	2015 $m	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**
Revenue	628.1	563.2	642.5	407.7	-	-	1,270.6	970.9
Other income	-	-	-	-	3.8	2.6	3.8	2.6
Telecommunications expense	(308.4)	(293.2)	(272.1)	(161.0)	-	-	(580.5)	(454.2)
Employee benefits expense	(39.9)	(33.1)	(99.2)	(70.5)	-	-	(139.1)	(103.6)
Other expenses	(40.1)	(31.2)	(28.9)	(17.1)	(1.3)	(3.7)	(70.3)	(52.0)
Results from segment activities	**239.7**	**205.7**	**242.3**	**159.1**	**2.5**	**(1.1)**	**484.5**	**363.7**
Depreciation of plant and equipment							(102.4)	(72.6)
Amortisation of intangibles							(43.3)	(35.3)
Results from operating activities							**338.8**	**255.8**
Net financing costs							(19.8)	(9.0)
Profit before income tax							**319.0**	**246.8**
Income tax expense							(94.9)	(75.1)
Profit for the year							**224.1**	**171.7**

Geographic Information

All of the Group's revenues are derived from Australian based entities, except for $10.8million (2014: $10.5 million) derived from overseas customers.
All of the Group's non-current assets are located in Australia, except for assets amounting to $115.9 million (2014: $118.4 million) that are located either overseas or in international waters.

4. Revenue

	2015 $m	**Restated[1] 2014 $m**
Revenue comprises the following:		
Rendering of services	1,159.7	868.6
Sale of goods	9.1	10.7
Network capacity sales, recognised as:		
- operating leases	101.2	89.3
- finance leases	0.6	2.3
	1,270.6	**970.9**

4. Revenue (continued)

[1] $33.5m of revenue previously classified under “Rendering of services” in the prior year figures has been reclassified as Operating lease revenue in the re-stated prior year comparatives above. This reclassification does not change the overall revenue figure and has been done simply to more accurately reflect the split of products that have the characteristics of an operating lease.

(i) Rendering of services

Revenue from the rendering of telecommunications services includes the provision of data, internet, voice, telehousing and other services to consumers and corporate customers. It is recognised on a straight-line basis over the period the service is provided. Usage 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. It is recognised (net of rebates, returns, discounts and other allowances) when the significant risks and rewards of ownership have been transferred to the customer, which is ordinarily when the equipment is delivered to the customer.

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

(iii) Network capacity sales

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

Where a sale which has been identified as a lease also contains 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.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2015

4. Revenue (continued)

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 (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.

5. Other income

	2015 $m	2014 $m
Dividend income	3.8	2.6
	3.8	**2.6**

6. Finance income and expenses

	2015 $m	2014 $m
Interest income	1.1	1.8
Interest expense	(14.0)	(8.2)
Unwinding of discount on provisions	(0.6)	(0.2)
Borrowing costs	(6.3)	(2.4)
Net financing costs	**(19.8)**	**(9.0)**

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

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2015

7. Taxes

Income tax expense

	2015 $m	2014 $m
Current tax expense		
Current year	107.7	79.1
Adjustments for prior years	-	(0.2)
	107.7	78.9
Deferred tax expense		
Origination and reversal of temporary differences	(12.6)	(3.6)
Adjustments for prior years	(0.2)	(0.2)
	(12.8)	(3.8)
Income tax expense	**94.9**	**75.1**

Numerical reconciliation between tax expense and pre-tax accounting profit

	2015 $m	2014 $m
Profit before tax	319.0	246.8
Income tax expense at the rate of 30%	95.7	74.0
Non deductible and non assessable items	(0.7)	1.2
Over provided in prior year	(0.1)	(0.1)
Income tax expense	**94.9**	**75.1**

Current tax liabilities

The current tax liability for the Group of $12.3m (2014: $17.1m) represents the remaining amount of income tax payable in respect of the year ended 31 July 2015.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2015

7. Taxes (continued)

Deferred tax assets and liabilities

Movement in temporary differences during the year

	Balance 31 July 2013 $m	Recognised in profit or loss $m	Recognised in equity $m	Acquired in business combination $m	Balance 31 July 2014 $m	Recognised in profit or loss $m	Recognised in equity $m	Acquired in business combination $m	Balance 31 July 2015 $m
Deferred tax liabilities									
Investments	15.1	-	5.4	-	20.5	-	13.4	-	33.9
Property, plant and equipment	9.4	0.5	-	-	9.9	(0.3)	-	-	9.6
Intangible assets	12.1	(6.8)	-	13.0	18.3	(9.5)	-	-	8.8
Other items	(0.5)	(0.8)	-	1.7	0.4	(1.0)	-	-	(0.6)
	36.1	**(7.1)**	**5.4**	**14.7**	**49.1**	**(10.8)**	**13.4**	**-**	**51.7**
Deferred tax assets									
Receivables	-	(0.4)	-	-	(0.4)	(1.5)	-	(1.5)	(3.4)
Inventories	(0.2)	0.2	-	(0.3)	(0.3)	(0.1)	-	-	(0.4)
Provisions	(7.0)	2.0	-	(9.4)	(14.4)	(0.6)	-	-	(15.0)
Employee benefits	(1.7)	0.4	-	(3.3)	(4.6)	(0.3)	-	-	(4.9)
Unearned revenue	(10.5)	(0.3)	-	-	(10.8)	0.1	-	-	(10.7)
Equity raising costs	(0.4)	0.1	-	-	(0.3)	0.1	-	-	(0.2)
Tax loss carry-forwards	(0.9)	0.7	-	-	(0.2)	0.2	-	-	-
	(20.7)	**2.7**	**-**	**(13.0)**	**(31.0)**	**(2.1)**	**-**	**(1.5)**	**(34.6)**
Net deferred tax liabilities	**15.4**	**(4.4)**	**5.4**	**1.7**	**18.1**	**(12.9)**	**13.4**	**(1.5)**	**17.1**

The company has not recognised deferred tax assets on unutilised capital losses of $18.4m

7. Taxes (continued)

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.

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.

Tax consolidation

The Company and its wholly-owned Australian resident entities 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.

8. Earnings per share

	2015 Cents	**2014 Cents**
Basic and diluted earnings per share	28.2	21.6

	2015 $m	**2014 $m**
Profit attributable to ordinary shareholders used in calculating basic and diluted earnings per share	224.1	171.7
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	793,808,141	793,808,141

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.

9. Trade and other receivables

	2015 $m	Restated[1] 2014 $m
Current		
Trade receivables	62.0	66.4[1]
Accrued income and other receivables	18.9	15.3
Less: Provision for impairment losses	(17.1)	(15.8)
	63.8	**65.9**
Non-Current		
Accrued income and other receivables	-	7.7

[1] The prior year comparative figure for trade receivables has been restated down by $19.7m with offsetting adjustments made to current deferred income ($17.9m) and trade and other payables ($1.8m) to remove an inappropriate grossing up of those numbers in the prior year consolidated statement of financial position. There was no impact to the prior year consolidated income statement nor to the opening prior year statement of financial position balances.

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 20.

10. Investments

Available-for-sale financial assets	2015 $m	2014 $m
Current		
Carrying amount at 1 August	99.2	81.2
Less: reclassified as non-current[1]	(77.7)	-
Acquisitions	113.0	-
Change in fair value	17.1	18.0
Carrying amount at 31 July	**151.6**	**99.2**
Non-Current		
Carrying amount at 1 August	7.3	7.3
Add: reclassified from current[1]	77.7	-
Acquisitions	2.6	-
Change in fair value	28.0	-
Carrying amount at 31 July	**115.6**	**7.3**

The Group's only financial instruments which are measured at fair value are available-for-sale financial assets. The current and non-current available-for-sale financial assets, being ASX listed securities, are valued at quoted market prices and categorised as Level 1 under the fair value hierarchy of AASB 7. Refer note 20(ii) for accounting policy on recognition and measurement.

[1]As at 31 July 2015 the Group has reclassified its investment in iiNet from current to non-current.

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For the year ended 31 July 2015

10. Investments (continued)

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 $3.7m after tax. An equal change in the opposite direction would have decreased equity by $3.7m after tax.

11. Property, plant and equipment

	Note	Network infrastructure $m	Land & Buildings $m	Leasehold improvements $m	Total $m
Cost					
Balance at 1 August 2013		576.8	3.3	3.0	583.0
Acquisitions through business combinations	*25*	238.8	-	2.1	240.9
Additions		64.8	1.6	0.1	66.5
Disposals		(0.1)	-	-	(0.1)
Effect of movements in exchange rates		(0.1)	-	-	(0.1)
Balance at 31 July 2014		**880.2**	**4.9**	**5.2**	**890.3**
Balance at 1 August 2014		880.2	4.9	5.2	890.3
Acquisitions through business combinations		-	-	-	-
Additions		135.4	4.6	0.8	140.8
Disposals		-	-	-	-
Effect of movements in exchange rates		0.7	0.2	0.5	1.4
Balance at 31 July 2015		**1,016.3**	**9.7**	**6.5**	**1,032.5**
Depreciation and impairment losses					
Balance at 1 August 2013		261.1	0.5	2.3	263.9
Depreciation charge for the year		71.9	0.1	0.6	72.6
Disposals		-	-	-	-
Effect of movements in exchange rates		(0.2)	-	-	(0.2)
Balance at 31 July 2014		**332.8**	**0.6**	**2.9**	**336.3**
Balance at 1 August 2014		332.8	0.6	2.9	336.3
Depreciation charge for the year		101.2	0.1	1.1	102.4
Disposals		-	-	-	-
Effect of movements in exchange rates		0.6	0.1	0.3	1.0
Balance at 31 July 2015		**434.6**	**0.8**	**4.3**	**439.7**
Carrying amounts					
At 31 July 2014		547.2	4.3	2.4	553.8
At 31 July 2015		**581.7**	**8.9**	**2.2**	**592.8**

11. Property, plant and equipment (continued)

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (see note 31(g)). 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.

(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.

TPG Telecom Limited and its controlled entities

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12. Intangible assets

	Note	Non-Amortising		Amortising				Total
		Goodwill	Trademarks	Acquired customer bases	Indefeasible rights of use of capacity	Software	Licences	
		$m	$m	$m	$m	$m	$m	$m
Cost								
Balance 1 August 2013		391.5	20.1	204.7	62.6	1.0	2.7	682.6
Additions		-	-	-	0.6	0.2	-	0.8
Acquisitions through business combinations	*25*	157.6	-	43.2	37.3	6.5	-	244.6
Balance 31 July 2014		**549.1**	**20.1**	**247.9**	**100.5**	**7.7**	**2.7**	**928.0**
Balance 1 August 2014		549.1	20.1	247.9	100.5	7.7	2.7	928.0
Additions		-	-	-	5.9	0.1	13.5	19.5
Acquisitions through business combinations	*25*	(3.0)	-	-	-	-	-	(3.0)
Balance 31 July 2015		**546.1**	**20.1**	**247.9**	**106.4**	**7.8**	**16.2**	**944.5**
Amortisation and Impairment								
Balance 1 August 2013		-	-	160.1	19.5	0.7	-	180.3
Amortisation for the year		-	-	27.5	6.1	1.4	0.3	35.3
Balance 31 July 2014		**-**	**-**	**187.6**	**25.6**	**2.1**	**0.3**	**215.6**
Balance 1 August 2014		-	-	187.6	25.6	2.1	0.3	215.6
Amortisation for the year		-	-	31.5	8.3	2.4	1.1	43.3
Balance 31 July 2015		-	-	**219.1**	**33.9**	**4.5**	**1.4**	**258.9**
Carrying amounts								
At 31 July 2014		549.1	20.1	60.3	74.9	5.6	2.4	712.4
At 31 July 2015		**546.1**	**20.1**	**28.8**	**72.5**	**3.3**	**14.8**	**685.6**

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

12. Intangible assets (continued)

(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 31(a)(i).

(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.

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For the year ended 31 July 2015

12. 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 - 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

(v) 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. As at 31 July 2014, the Group had three separate CGUs, being the Consumer, Corporate and AAPT CGUs. Following the integration of AAPT operations within the Corporate segment during FY15, it is no longer possible to separately identify AAPT cashflows from other Corporate cashflows. Hence, as at 31 July 2015, the Group has only two separate CGUs, being the Consumer and Corporate 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.

	2015			2014		
	Goodwill	**Trademarks**	**Total**	**Goodwill**	**Trademarks**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Consumer	387	20	407	387	20	407
Corporate	159	-	159	162	-	162
Total	**546**	**20**	**566**	**549**	**20**	**569**

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.

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12. Intangible assets (continued)

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 (2014: 2%), including for the terminal phase beyond year 5.

A pre-tax discount rate of 12.5% (2014: 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 either of the CGUs.

13. Trade and other payables

	2015 $m	Restated[1] 2014 $m
Trade creditors	76.3	62.6
Other creditors and accruals	77.5	72.1
	153.8	**134.8**

Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 20(iii).

[1]Refer note 9 for explanation

14. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 20.

	2015 $m	2014 $m
Current		
Finance lease liabilities	0.1	0.2
Non-Current		
Gross secured bank loans	329.0	350.0
Less: Unamortised borrowing costs	(1.3)	(3.3)
	327.7	346.7
Finance lease liabilities	-	0.1
	327.7	**346.8**

14. Loans and borrowings (continued)

As at 31 July 2015 the Group had a debt facility of $490m. Subsequent to the year end the Group entered into a revised debt facility agreement with a syndicate of banks for the purpose of financing the acquisition of iiNet (Refer note 29).

During the year ended 31 July 2015, the Group made net repayments against the facility of $21m, comprising draw-downs of $175m and repayments of $196m leaving a closing debt balance of $329m as at 31 July 2015.

The outstanding loan balance as at year end is shown in the statement of financial position net of unamortised borrowing costs of $1.3m (2014: $3.3m).

The interest rate payable under the debt facility is based on BBSY rates plus a margin determined quarterly according to gearing ratio.

As at 31 July 2015, the debt facility was 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

15. Employee benefits

	2015 $m	2014 $m
Current		
Liability for annual leave	8.2	7.4
Liability for long service leave	6.2	5.7
	14.4	**13.1**
Non-Current		
Liability for long service leave	2.0	2.2

(i) Current employee benefits

Liabilities for employee benefits 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.

(ii) Non-Current 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 corporate 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.

The plan was introduced in FY12 and there have been four lots of rights granted to-date, one lot being granted in each of FY12, FY13, FY14 and FY15.

All rights issued to-date have the same key terms which are as follows:

15. Employee benefits (continued)

- 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 2015 are set out below:

	Number of Rights
Balance as at 1 August 2014	1,092,734
Granted during the year	481,500
Forfeited during the year	(12,600)
Vested during the year	(616,634)
Balance as at 31 July 2015	**945,000**

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
16 December 2014	$5.9433	$6.20

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 $2.1m (2014: $1.5m).

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

15. Employee benefits (continued)

(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.
The Group contributed $8.2m to defined contribution superannuation plans during the current year (2014: $5.7m).

16. Provisions

	Make good costs $m	Lease increment $m	Onerous leases $m	Other $m	Total $m
Balance as at 1 August 2014	18.3	1.4	11.9	3.0	34.6
Provisions made during the year	0.6	-	1.8	0.5	2.9
Provisions used during the year	(0.2)	(0.3)	(5.7)	-	(6.2)
Unwind of discount	0.6	-	-	-	0.6
Balance as at 31 July 2015	**19.3**	**1.1**	**8.0**	**3.5**	**31.9**
Current	2.6	-	4.5	3.5	10.5
Non-current	16.7	1.1	3.5	-	21.4

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

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 owing from the arrangement, a provision is immediately recognised for the excess cost component.

17. Accrued interest

	2015 $m	2014 $m
Current		
Interest on existing facility	0.6	0.2
Accrued expense relating to new committed facilities[1]	3.7	-
	4.3	**0.2**

[1] Payable on completion of iiNet acquisition (Refer note 29).

18. Capital and reserves

Share capital

	Ordinary shares		$m	
	2015	**2014**	**2015**	**2014**
Balance as at 1 August	793,808,141	793,808,141	516.9	516.9
Ordinary shares issued during the year	-	-	-	-
Balance as at 31 July	**793,808,141**	**793,808,141**	**516.9**	**516.9**

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.
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.

Subsequent to the year-end, the Company issued 23,212,554 ordinary shares pursuant to the acquisition of iiNet Limited (Refer note 29).

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 2015 the number of Company shares held by the Group was 403,008 (2014: 16).

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.

19. Dividends

Dividends recognised in the current year were as follows:

	Cents per share	Total Amount $m	Date of payment
2015			
Interim 2015 ordinary	5.50	43.7	19 May 2015
Final 2014 ordinary	4.75	37.7	18 Nov 2014
Total amount		**81.4**	
2014			
Interim 2014 ordinary	4.50	35.7	20 May 2014
Final 2013 ordinary	4.00	31.8	19 Nov 2013
Total amount		**67.5**	

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 FY15 dividend of 6 cents per share. As the final dividend was not declared or resolved to be paid by the Board of directors as at 31 July 2015, the dividend has not been provided for in the consolidated statement of financial position. The dividend has a record date of 13 October 2015 and will be paid on 17 November 2015.

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

Dividend franking account

	2015 $m	2014 $m
30 per cent franking credits available to shareholders of the Company for subsequent financial years	322.9	233.0

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 credits 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 $20.4m (2014: $16.2m).

20. Financial instruments and risk management

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 and it does not retain control over the transferred asset.

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 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.

20. Financial instruments and risk management (continued)

(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.

Risk management

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

20. Financial instruments and risk management (continued)

operate in a wide range of industries.

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	2015 $m	2014 $m
Trade and other receivables	*9*	62.0	66.4
Cash and cash equivalents		23.7	23.8
		85.7	**90.2**

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

	Note	2015 $m	2014 $m
Type of customer			
Wholesale		35.0	33.6
Corporate		17.2	23.0
Retail		9.8	9.8
	9	**62.0**	**66.4**

20. Financial instruments and risk management (continued)

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

	Note	2015 $m	2014 $m
Geographical region			
Australia		61.1	65.4
Other		0.9	1.0
	9	**62.0**	**66.4**

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	2015 $m	2014 $m
Ageing of customer			
Not past due		30.3	31.5
Past due 0-30 days		22.2	21.7
Past due 31-60 days		4.0	5.0
Past due 61-90 days		1.0	1.8
Past due 91-120 days		0.8	1.6
Past due 121 days		3.7	4.8
Gross trade receivables	*9*	62.0	66.4
Less: Provision for impairment losses	*9*	(17.1)	(15.8)
Net receivables		**44.9**	**50.6**

The provision for impairment losses of the Group at 31 July 2015 of $17.1m (2014: $15.8m) 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. The movement in the provision for impairment losses during the year ended 31 July 2015 is as follows:

	Note	2015 $m	2014 $m
Balance at 1 August		15.8	6.3
Acquired through business combination	*25*	-	9.8
Impairment loss recognised/(written back)		1.3	(0.3)
Balance at 31 July	*9*	**17.1**	**15.8**

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20. Financial instruments and risk management (continued)

Liquidity risk

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

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

In addition to its cash reserves, the Group had a debt facility of $490.0m available to it during the year (of which $329.0m was utilised as at 31 July 2015) (refer note 14).

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

31 July 2015	*Note*	**Carrying amount $m**	**Contractual cashflows $m**	**6 months or less $m**	**6-12 months $m**	**1-2 years $m**	**2-5 years $m**	**More than 5 years $m**
Secured bank loans	***14***	(329.0)	(347.6)	(5.9)	(5.9)	(335.8)	-	-
Finance lease liabilities		(0.1)	(0.1)	(0.1)	-	-	-	-
Trade and other payables	***13***	(153.8)	(153.8)	(153.8)	-	-	-	-
		(482.9)	(501.5)	(159.8)	(5.9)	(335.8)	-	-

31 July 2014	*Note*	**Carrying amount $m**	**Contractual cashflows $m**	**6 months or less $m**	**6-12 months $m**	**1-2 years $m**	**2-5 years $m**	**More than 5 years $m**
Secured bank loans	***14***	(350.0)	(387.5)	(7.3)	(7.3)	(14.5)	(358.5)	-
Finance lease liabilities		(0.3)	(0.3)	(0.1)	(0.1)	(0.1)	-	-
Trade and other payables	***13***	(134.8)	(134.8)	(134.8)	-	-	-	-
		(485.1)	(522.6)	(142.2)	(7.4)	(14.6)	(358.5)	-

20. Financial instruments and risk management (continued)

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.

a) 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.

b) Interest rate risk

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

	Note	2015 $m	2014 $m
Fixed rate instruments			
Financial liabilities	*14*	(0.1)	(0.3)
Variable rate instruments			
Financial assets		23.7	23.8
Financial liabilities	*14*	(329.0)	(350.0)
		(305.3)	**(326.2)**

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 2015 the amount of borrowings that were hedged was $nil (2014: $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.

20. Financial instruments and risk management (continued)

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 2015, of $3.1m (2014: $3.3m) (assumes that all other variables, in particular foreign currency rates, remain constant).

Fair values versus carrying amounts

As at 31 July 2015, the fair values of the Group's financial assets and liabilities approximate their carrying amounts shown in the statement of financial position.

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. In the case of Loans and borrowings, interest rate is based on BBSY rates plus a margin determined quarterly according to gearing ratio.

c) 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.

20. Financial instruments and risk management (continued)

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

	2015 $m	2014 $m
Total loans and borrowings	329.0	350.0
Less: cash and cash equivalents	(23.7)	(23.8)
Net debt	305.3	326.2
Total equity	**1,003.2**	**832.4**
Net debt to equity ratio at 31 July	**0.3**	**0.4**

21. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 $m	2014 $m
Less than one year	31.4	35.6
Between one and five years	83.5	88.8
More than five years	28.5	35.2
	143.4	**159.6**

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.

22. Capital and other commitments

	2015 $m	2014 $m
Capital expenditure commitments contracted but not provided for in the financial statements	162.1	34.5

Capital commitments at 31 July 2015 include the following:

- $27m in respect of the balance of the purchase price payable for a property acquired during the current reporting period, payable in October 2015.
- US$73m* in respect of IRU agreements for international capacity entered into during the current reporting period.

*translated into AUD at the prevailing spot rate at 31 July 2015 of $0.72.

TPG Telecom Limited and its controlled entities

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For the year ended 31 July 2015

23. Consolidated entities

The following is a list of all entities that formed part of the Group as at 31 July 2015:

Name of Entity	Country of incorporation	Ownership interest as at 31 July 2015 %	2014 %
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

23. Consolidated entities (continued)

Name of Entity	Country of incorporation	Ownership interest as at 31 July 2015 %	2014 %
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	100
AAPT Limited	Australia	100	100
Connect Internet Solutions Pty Limited	Australia	100	100
PowerTel Limited	Australia	100	100
Request Broadband Pty Ltd	Australia	100	100
Telecom Enterprises Australia Pty Limited	Australia	100	100

24. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries as mentioned 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.

The Deed of Cross Guarantee was entered into on 25 June 2008. All the subsidiaries listed in Note 23 above are subject to the Deed except for the following:

Orchid Cybertech Services Incorporated
PPC 1 Limited
PPC 1 (US) Incorporated
Trusted Cloud Solutions Pty Ltd
Alchemyit Pty Ltd
Mercury Connect Pty Ltd
VtalkVoip Pty Ltd
Hosteddesktop.com Pty Ltd
Destra Communications Pty Ltd
Numillar IPS Pty Ltd

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2015

24. 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 2015 is set out as follows:

Statement of comprehensive income and retained profits

	2015 $m	**2014 $m**
Revenue	1,266.4	945.4
Other income	3.8	2.6
Telecommunications expense	(599.8)	(449.0)
Employee benefits expense	(117.2)	(87.1)
Other expenses	(65.5)	(49.1)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**487.7**	**362.8**
Depreciation of plant and equipment	(97.1)	(67.5)
Amortisation of intangibles	(40.8)	(32.7)
Results from operating activities	**349.8**	**262.6**
Finance income	1.2	1.8
Finance expenses	(20.9)	(10.8)
Net financing costs	**(19.7)**	**(9.0)**
Profit before income tax	**330.1**	**253.6**
Income tax expense	(94.7)	(75.0)
Profit for the year attributable to owners of the company	**235.4**	**178.6**
Other comprehensive income, net of tax	31.9	12.6
Total comprehensive income for the year	**267.3**	**191.2**
Retained earnings at beginning of year	278.7	167.6
Profit for the year	235.4	178.6
Dividends recognised during the year	(81.4)	(67.5)
Retained earnings at end of year	**432.7**	**278.7**

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2015

24. Deed of cross guarantee (continued)

Statement of financial position

	31 July 2015 $m	31 July 2014 $m
Assets		
Cash and cash equivalents	21.4	22.2
Trade and other receivables	63.7	65.5
Inventories	5.8	2.7
Investments	151.6	99.2
Prepayments and other assets	7.7	8.4
Total Current Assets	**250.2**	**198.0**
Trade and other receivables	-	7.7
Investments	115.6	7.3
Loans to subsidiaries	135.4	107.8
Property, plant and equipment	500.3	461.4
Intangible assets	662.2	686.4
Prepayments and other assets	5.3	6.1
Total Non-Current Assets	**1418.8**	**1,276.7**
Total Assets	**1669.0**	**1,474.7**
Liabilities		
Trade and other payables	149.5	131.6
Loans and borrowings	0.1	0.2
Current tax liabilities	12.3	17.0
Employee benefits	14.4	13.1
Provisions	7.5	8.5
Accrued interest	4.3	0.2
Deferred income and other liabilities	62.7	59.0
Total Current Liabilities	**250.8**	**229.6**
Loans and borrowings	327.7	346.8
Deferred tax liabilities	17.1	18.1
Employee benefits	2.0	2.2
Provisions	21.4	23.1
Deferred income and other liabilities	24.3	10.9
Total Non-Current Liabilities	**392.5**	**401.1**
Total Liabilities	**643.3**	**630.7**
Net Assets	**1,025.7**	**844.0**
Equity		
Share capital	516.9	516.9
Reserves	76.1	48.4
Retained earnings	432.7	278.7
Total Equity	**1,025.7**	**844.0**

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2015

25. Acquisition of subsidiary

On 28 February 2014 the Group acquired 100% of Telecom New Zealand Australia Pty Ltd and its subsidiaries which include AAPT ("AAPT") for $463.5m. The FY14 Annual Report contains further details of this acquisition.

The provisional fair values of identifiable assets and liabilities of AAPT reported as at 31 July 2014 have been finalised in the current reporting period and are set out in the table below.

Identifiable assets acquired and liabilities assumed	Provisional 31 July 2014 $m	Adjustments $m	Final $m
Trade and other receivables	44.4	-	44.4
Provision for doubtful debts	(9.8)	-	(9.8)
Inventories	3.3	-	3.3
Prepayments and other assets	17.4	-	17.4
Property, plant and equipment	240.9	-	240.9
Customer base	43.2	-	43.2
IRU assets	37.3	-	37.3
Intangible assets	6.5	-	6.5
Trade and other payables	(36.5)	-	(36.5)
Employee benefits and provisions	(12.5)	-	(12.5)
Provisions	(26.9)	1.5	(25.4)
Deferred income	(0.5)	-	(0.5)
Deferred tax liabilities (net)	(1.7)	1.5	(0.2)
Net identifiable assets acquired	**305.1**	**3.0**	**308.1**
Consideration transferred			
Cash paid	463.5	-	463.5
Less: Cash acquired	(0.8)	-	(0.8)
Total consideration, net of cash acquired	**462.7**	**-**	**462.7**
Goodwill on acquisition			
Consideration transferred, net of cash acquired	462.7	-	462.7
Less: Net identifiable assets acquired, net of cash acquired	(305.1)	(3.0)	(308.1)
Goodwill on acquisition	**157.6**	**(3.0)**	**154.6**

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2015

26. Parent entity disclosures

	Company	
		Restated[1]
	2015	2014
	$m	$m
Result of the parent entity		
Profit/(Loss) for the period	216.4	56.5
Comprising:		
Dividend from subsidiaries	232.0	68.0
Finance expenses	(20.3)	(10.6)
Costs relating to mergers and acquisitions	(0.8)	(3.2)
Income tax benefit	6.0	2.7
Other	(0.5)	(0.4)
Total profit/(loss) for the period	**216.4**	**56.5**
Financial position of parent entity at year end		
Current assets	1.2	1.3
Total assets	1,413.7	1,316.7
Current liabilities	16.4	17.8
Total liabilities	751.5	792.7
Total equity of the parent entity		
Share capital	516.9	516.9
Reserves	3.6	0.4
Retained earnings	141.7	6.7
Total Equity	**662.2**	**524.0**

[1] The prior year comparative figure has been restated to include a dividend receivable from a subsidiary (TPG Internet Pty Ltd) on 31 October 2013 for $68m that was not included in the prior period. This has resulted in a $68m increase to profit for the period, dividends from subsidiaries, total assets and retained earnings for the parent entity. This restatement has no impact on the Group's consolidated income statement or the consolidated statement of financial position.

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 24.

27. Reconciliation of cashflows from operating activities

	Note	2015 $m	2014 $m
Cash flows from operating activities			
Profit for the year after income tax		224.1	171.7
Adjustments for:			
Dividend income	***5***	(3.8)	(2.6)
Depreciation of plant and equipment	***11***	102.4	72.6
Amortisation and impairment of intangibles	***12***	43.3	35.3
Bad and doubtful debts		1.3	1.9
Amortisation of borrowing costs	***6***	6.3	2.4
Performance rights plan expense		2.1	1.5
Unrealised foreign exchange loss		(1.8)	0.3
Interest income	***6***	(1.1)	(1.8)
Interest expense	***6***	14.6	8.4
Costs relating to mergers and acquisitions		-	3.1
Income tax expense	***7***	94.9	75.1
Operating profit before changes in working capital and provisions		**482.3**	**367.9**
Changes in:			
- Trade and other receivables		10.5	16.8
- Inventories		(3.1)	0.7
- Other assets		5.2	7.0
- Trade and other payables		4.4	4.1
- Other liabilities		(3.1)	5.0
- Employee benefits		1.1	(2.8)
- Provisions		(4.5)	(2.0)
		492.8	396.7
Income taxes paid		(110.9)	(96.1)
Net cash from operating activities		**381.9**	**300.6**

28. 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 — Retired 31 October 2014
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
Chief Operating Officer

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

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28. Related parties (continued)

Key management personnel remuneration

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

	2015 $m	2014 $m
Short-term employee benefits	7.2	5.8
Post-employment benefits	0.2	0.2
Other long term benefits	0.2	0.1
Share-based benefits	0.9	0.7
	8.5	**6.8**

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 21 to 28.

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 2015 was $0.8m (2014: $0.2m).

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.

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28. 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 2014	Purchases	Granted as remuneration	Disposals	Held at 31 July 2015
Directors					
D Teoh	291,625,603	-	-	-	291,625,603
D Ledbury	100,000	-	-	-	100,000
R Millner	7,374,175	60,000	-	-	7,434,175
J Pang	88,812	-	-	-	88,812
S Teoh	90,251	-	-	-	90,251
Executives					
S Banfield	200,000	-	57,000	(20,000)	237,000
J Paine	3,913,717	-	55,000	-	3,968,717
C Levy	493,666	-	77,334	(300,000)	271,000
W Springer	174,902	-	56,000	-	230,902
M De Ville	137,402	-	9,000	-	146,402
T Moffatt	575,571	-	56,000	-	631,571
M Rafferty	-	-	-	-	-

	Held at 1 August 2013	Purchases	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
M Rafferty	-	-	-	-	-

Identity of related parties

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

29. Subsequent events

Acquisition of iiNet

Subsequent to the end of the financial year the Group completed its acquisition of iiNet Limited.

The acquisition combines two businesses that are highly complementary for a number of reasons, including their respective market positioning and geographic presence, and should deliver scale benefits for the combined group.

The acquisition was implemented through a scheme of arrangement under which the Group acquired the 93.75% of share capital in iiNet Limited that it did not already own.

The scheme was approved by the Federal court on 21 August 2015, became effective on the date of change of control, which was 24 August 2015, and was completed when the consideration was transferred to iiNet shareholders on 7 September 2015.

The consideration transferred to iiNet shareholders comprised:
- Cash consideration: $1,156.8m; and
- Share consideration: 23,212,554 TPG Telecom Limited shares with an acquisition date fair value of $211.2m. This valuation was determined by reference to TPG's volume weighted average share price on 24 August 2015.

In addition, immediately prior to completion, iiNet shareholders were paid a discretionary special dividend amounting to $106.7m (net of $7.0m which was paid to the Group) which was funded through a loan to iiNet by the Group.

In order to fund the acquisition the Group entered into revised debt facility agreements with a syndicate of banks in August 2015. The facilities, which total $1,960m, were used to fund the cash consideration, the discretionary special dividend and to refinance the Group's and iiNet's existing bank debt.

The Group is not in a position to present information related to the acquisition date fair values of assets acquired and liabilities assumed along with any goodwill that may arise from the acquisition of iiNet Limited due to the proximity of the acquisition date of 24 August 2015 to the date of release of these financial statements.

Agreements with Vodafone Hutchison Australia

On 29 September 2015 the Group entered into two new major agreements with Vodafone Hutchison Australia Pty Limited (VHA): a major dark fibre transmission network expansion and an MVNO (Mobile Virtual Network Operator) Agreement.

Dark Fibre Agreement

Under the Dark Fibre Agreement, TPG will provide dark fibre and network services to more than 3,000 Vodafone Australia sites over a 15 year term.

29. Subsequent events (continued)

In order to provide the services, TPG will extend its current fibre infrastructure by constructing about 4,000km of new fibre to Vodafone cell sites across the country.

This agreement extends the existing relationship between the two companies, TPG having already delivered 900km of fibre for VHA sites between FY11 and FY13.

Construction of the dark fibre network will start immediately with deployment to the majority of the existing Vodafone network to be completed during 2018.

It is estimated that the Group will incur incremental capital expenditure of $300-400m over the rollout period, the majority of which will be incurred over the next 3 years.

TPG will provide the dark fibre services for 15 years from the date each site is delivered, with contracted revenue over the term exceeding $900m.

MVNO (Mobile Virtual Network Operator) Agreement

Under the MVNO Agreement the Group will migrate its TPG mobile customer base to the Vodafone network.

The agreement will mean TPG mobile customers will be able to experience Vodafone's world-class network which the Group is working to further enhance through the Dark Fibre Agreement.

Other

Other than the 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.

30. Auditors' remuneration

	2015 $'000	2014 $'000
Audit and review services		
Auditors of the Company – KPMG Australia		
- Audit and review of financial statements	667	799
- Other regulatory audit services	8	32
	675	**831**
Other services		
Auditors of the Company – KPMG Australia		
- Taxation and other services	124	28
	799	**859**

31. Significant accounting policies

The accounting policies as set out below 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, there are no new or revised Standards/ Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current reporting period and that are relevant to the Group.

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 (ii) below). 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 (k) 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.

(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

31. Significant accounting policies (continued)

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.

d. 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.

e. Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, 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.

(iii) Lease payments

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.

31. Significant accounting policies (continued)

f. Inventories

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

g. 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 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.

31. Significant accounting policies (continued)

(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.

h. 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.

i. 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.

j. New standards and interpretations not yet adopted

In the current reporting period, there are no new or revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current reporting period and are relevant to the Group.

31. Significant accounting policies (continued)

k. 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.

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 2015

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 35 to 86 and the Remuneration report in section 5 of the Directors' report, set out on pages 21 to 28, 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 2015 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 24 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 2015.

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 16th day of October, 2015.

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 2015, 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 31 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.

KPMG

Independence

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

Auditor's opinion

In our opinion:

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

- (i) giving a true and fair view of the Group's financial position as at 31 July 2015 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 21 to 28 of the directors' report for the year ended 31 July 2015. 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 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Anthony Travers
Partner
Sydney

16 October 2015

TPG Telecom Limited and its controlled entities

ASX additional information

For the year ended 31 July 2015

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The shareholding information is current as at 30 September 2015.

Substantial shareholders

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

Name of shareholder	Number of ordinary shares held	% of capital held
David Teoh and Vicky Teoh	291,625,603	35.69
Washington H Soul Pattinson and Company Limited	213,400,684	26.12

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	5,623
1,001 - 5,000	4,623
5,001 - 10,000	1,168
10,001 - 100,000	1,203
100,001 and over	125
	12,742

The number of shareholders holding less than a marketable parcel of ordinary shares is 419.

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 2015

Twenty largest shareholders (as at 30 September 2015)

Name of shareholder	Number of ordinary shares held	% of capital held
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	213,400,684	26.12
TSH HOLDINGS PTY LTD	101,645,893	12.44
VICTORIA HOLDINGS PTY LTD	100,840,608	12.34
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	54,255,191	6.64
DAVID TEOH	43,562,525	5.33
NATIONAL NOMINEES LIMITED	43,346,322	5.31
VICKY TEOH	43,217,403	5.29
J P MORGAN NOMINEES AUSTRALIA LIMITED	40,637,413	4.97
CITICORP NOMINEES PTY LIMITED	18,547,885	2.27
WIN CORPORATION PTY LTD	12,327,935	1.51
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED (BKCUST A/C)	9,195,353	1.13
BNP PARIBAS NOMS PTY LTD (DRP)	6,941,094	0.85
J S MILLNER HOLDINGS PTY LIMITED	6,201,207	0.76
FARJOY PTY LTD	6,010,000	0.74
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	4,676,692	0.57
BKI INVESTMENT COMPANY LIMITED	4,420,000	0.54
MR JOHN ERIC PAINE	3,843,717	0.47
MILTON CORPORATION LIMITED	3,731,553	0.46
CITICORP NOMINEES PTY LIMITED (COLONIAL FIRST STATE INV A/C)	2,963,544	0.36
TOTAL PERIPHERALS PTY LTD (SUPER FUND A/C)	2,359,175	0.29
	722,124,194	**88.39**

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