



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

**ASX Appendix 4E and
Preliminary Financial Report
for the year ended 31 July 2015**

Lodged with the ASX under Listing Rule 4.3A

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TPG Telecom Limited and its controlled entities
ASX Appendix 4E

Financial Year ended 31 July 2015
(Previous corresponding period: Year ended 31 July 2014)

Results for announcement to the market

Earnings

				\$m
Revenue	up	31%	to	1,270.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	up	33%	to	484.5
Net profit for the year attributable to owners of the Company	up	31%	to	224.1
Earnings per share (basic and diluted)	up	31%	to	28.2 cents

Dividends

	Amount per security
This period:	
Interim dividend for FY15	5.50 cents
Final dividend for FY15 (payable 17 November 2015)	6.0 cents
Previous corresponding period:	
Interim dividend for FY14	4.50 cents
Final dividend for FY14	4.75 cents

All dividends declared or paid during the current and prior years were fully franked at the rate of 30%.

Total FY15 dividends are up 24% from the prior year. For the FY15 final dividend the record date for determining entitlement to the dividend will be 13 October 2015. The Dividend Reinvestment Plan (DRP) is currently suspended until further notice.

Commentary on results

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

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Consolidated income statement

	<i>Note</i>	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		(102.4)	(72.6)
Amortisation of intangibles	6	(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		(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)	13	28.2	21.6

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Consolidated statement of comprehensive income

	<i>Note</i>	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	9	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

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Consolidated statement of financial position

	Note	31 July 2015 \$m	31 July 2014 \$m
Assets			
Cash and cash equivalents		23.7	23.8
Trade and other receivables	8	63.8	65.9
Inventories		5.8	2.7
Investments	9	151.6	99.2
Prepayments and other assets		9.0	10.3
Total Current Assets		253.9	201.9
Trade and other receivables	8	-	7.7
Investments	9	115.6	7.3
Property, plant and equipment		592.8	553.8
Intangible assets	6	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		153.8	134.8
Loans and borrowings	10	0.1	0.2
Current tax liabilities		12.3	17.1
Employee benefits		14.4	13.1
Provisions		10.5	11.5
Accrued interest	11	4.3	0.2
Deferred income and other liabilities		62.7	61.3
Total Current Liabilities		258.1	238.2
Loans and borrowings	10	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	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		516.9	516.9
Reserves		76.5	48.4
Retained earnings		409.8	267.1
Total Equity		1,003.2	832.4

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Consolidated statement of changes in equity

Attributable to owners of the Company							
Note	Share capital	Foreign currency translation reserve	Share-based payments reserve	Fair value reserve	Total reserves	Retained earnings	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$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	-	-	-	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	-	-	-	-	-	(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	-	-	-	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	-	-	-	-	-	(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 condensed notes on pages 8 to 17 are an integral part of these consolidated financial statements.

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Consolidated statement of cash flows

	<i>Note</i>	2015 \$m	2014 \$m
Cash flows from operating activities			
Cash receipts from customers		1,403.3	1090.0
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		381.9	300.6
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	16	-	(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	9	(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	10	175.0	472.0
Repayment of borrowings	10	(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	12	(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

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Preliminary Financial Report for the year ended 31 July 2015

Condensed notes to the consolidated financial statements

Note 1 Basis of preparation of financial report

This preliminary financial report for the year ended 31 July 2015 has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 July 2014 and any public announcements made by TPG Telecom Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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, and also the undrawn debt facility available to it (refer note 10).

Note 2 Significant accounting policies

Accounting policies applied by the Group in this preliminary financial report are the same as those applied by the Group in its consolidated annual financial report for the year ended 31 July 2014. In the current 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.

Note 3 Segment reporting

Operating segments

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

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.

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

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Condensed notes to the consolidated financial statements

Note 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)	(33.2)	(99.2)	(70.5)	-	-	(139.1)	(103.6)
Other expenses	(40.1)	(31.2)	(28.9)	(17.2)	(1.3)	(3.7)	(70.3)	(52.0)
Results from segment activities	239.7	205.6	242.3	159.0	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 \$10.8 million (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

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Condensed notes to the consolidated financial statements

Note 4 Revenue

	2015 \$m	Restated¹ 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

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.

Note 5 Other income

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

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Condensed notes to the consolidated financial statements

Note 6 Intangible assets

Note	Non-Amortising		Amortising				Total	
	Goodwill \$m	Trademarks \$m	Acquired customer bases \$m	Indefeasible rights of use of capacity \$m	Software \$m	Licences \$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	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	(3.0)	-	-	-	-	-	(3.0)
16	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

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Condensed notes to the consolidated financial statements

Note 7 Income tax

	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

Reconciliation between tax expense and pre-tax accounting profit

	2015 \$m	2014 \$m
Profit before income tax	319.0	246.8
Income tax using tax rate of 30%	95.7	74.0
Non deductible and non assessable items	(0.7)	1.2
Adjustments for prior years	(0.1)	(0.1)
Income tax expense	94.9	75.1

Note 8 Trade and other receivables

	2015 \$m	Restated 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.

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Condensed notes to the consolidated financial statements

Note 9 Investments

	2015 \$m	2014 \$m
Available-for-sale financial assets		
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.

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

Note 10 Loans and borrowings

	2015 \$m	2014 \$m
Current		
Finance lease liabilities	0.1	0.2
Non-Current		
Secured bank loans	329.0	350.0
Less: Unamortised borrowing costs	(1.3)	(3.3)
Secured bank loans, net of unamortised borrowing costs	327.7	346.7
Finance lease liabilities	-	0.1
	327.7	346.8

As at 31 July 2015 the Group had a debt facility of \$490m with an expiry date of 27 February 2017.

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.

Subsequent to the year end, the Group entered into a revised debt facilities agreement with a syndicate of banks for the purpose of financing the acquisition of iiNet (refer note 17).

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Condensed notes to the consolidated financial statements

Note 11 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	-
	<u>4.3</u>	<u>0.2</u>

¹ Payable on completion of iiNet acquisition.

Note 12 Dividends

Dividends recognised in the period 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	<u>37.7</u>	18 Nov 2014
Total amount		<u>81.4</u>	
2014			
Interim 2014 ordinary	4.50	35.7	20 May 2014
Final 2013 ordinary	4.00	<u>31.8</u>	19 Nov 2013
Total amount		<u>67.5</u>	

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 6.0 cents per share. As the final dividend was not declared or resolved to be paid by the Board of directors as at 31 July 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.

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Condensed notes to the consolidated financial statements

Note 13 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

Note 14 Net tangible assets

	2015 Cents	2014 Cents
Net tangible asset backing per ordinary share	40.0	15.1

Net tangible assets are calculated by deducting the value of intangible assets from the net assets of the Group.

Note 15 Capital commitments

	2015 \$m	2014 \$m
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.

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Note 16 Business combination

On 28 February 2014 the Group acquired 100% of Telecom New Zealand Australia Pty Ltd and its subsidiaries which include AAPT ("AAPT") for A\$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	Adjustments	Final
	\$m	\$m	\$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)
	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

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Condensed notes to the consolidated financial statements

Note 17 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.

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.

Note 18 Unaudited financial information

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