



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 2016**

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 2016
(Previous corresponding period: Year ended 31 July 2015)

Results for announcement to the market

Earnings

				\$m
Revenue	up	88%	to	2,387.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)	up	75%	to	849.4
Profit for the year	up	72%	to	384.6
Net profit for the year attributable to owners of the Company	up	69%	to	379.6
Earnings per share (basic and diluted)	up	61%	to	45.3 cents

Dividends

	Amount per security
This period:	
Interim dividend for FY16	7.0 cents
Final dividend for FY16 (payable 22 November 2016)	7.5 cents
Previous corresponding period:	
Interim dividend for FY15	5.5 cents
Final dividend for FY15	6.0 cents

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

Total FY16 dividends are up 26% from the prior year. The record date for determining entitlement to the FY16 final dividend will be 18 October 2016. The Dividend Reinvestment Plan (DRP) is currently suspended until further notice.

Commentary on results

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

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Consolidated income statement

	Note	2016 \$m	2015 \$m
Revenue	4	2,387.8	1,270.6
Other income	5	92.7	3.8
Network, carrier and hardware costs		(1,163.9)	(580.5)
Employee benefits expense		(273.6)	(139.1)
Other expenses	16(a)	(193.6)	(70.3)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		849.4	484.5
Depreciation of plant and equipment		(136.9)	(102.4)
Amortisation of intangibles	6	(115.1)	(43.3)
Results from operating activities		597.4	338.8
Finance income		1.3	1.1
Finance expenses		(84.6)	(20.9)
Net financing costs		(83.3)	(19.8)
Profit before income tax		514.1	319.0
Income tax expense	7	(129.5)	(94.9)
Profit for the year		384.6	224.1
Attributable to:			
Owners of the Company		379.6	224.1
Non-controlling interest		5.0	-
		384.6	224.1
Earnings per share attributable to owners of the Company:			
Basic and diluted earnings per share (cents)	13	45.3	28.2

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Consolidated statement of comprehensive income

	2016	2015
	\$m	\$m
Profit for the year	384.6	224.1
Items that may be reclassified subsequently to profit or loss, net of tax:		
Foreign exchange translation differences	(0.1)	0.3
Net loss on cash flow hedges taken to equity	(2.0)	-
Net change in fair value of available-for-sale financial assets	29.8	31.6
Available-for-sale financial assets reclassified to profit or loss	(62.4)	-
Other comprehensive income, net of tax	(34.7)	31.9
Total comprehensive income for the year	349.9	256.0
Attributable to:		
Owners of the Company	344.9	256.0
Non-controlling interest	5.0	-
	349.9	256.0

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Consolidated statement of financial position

	Note	31 July 2016 \$m	31 July 2015 \$m
Assets			
Cash and cash equivalents		39.2	23.7
Trade and other receivables	8	145.2	63.8
Inventories		12.0	5.8
Investments	9	139.1	151.6
Current tax assets		3.8	-
Derivative financial instruments		5.4	-
Prepayments and other assets		13.9	9.0
Total Current Assets		358.6	253.9
Investments	9	16.3	115.6
Derivative financial instruments		6.4	-
Property, plant and equipment		895.1	592.8
Intangible assets	6	2,485.2	685.6
Prepayments and other assets		9.4	5.9
Total Non-Current Assets		3,412.4	1,399.9
Total Assets		3,771.0	1,653.8
Liabilities			
Trade and other payables		298.0	153.8
Loans and borrowings	10	27.1	0.1
Current tax liabilities		-	12.3
Employee benefits		28.1	14.4
Provisions		16.6	10.5
Accrued interest		1.6	4.3
Deferred income and other liabilities		142.5	62.7
Total Current Liabilities		513.9	258.1
Loans and borrowings	10	1,350.4	327.7
Deferred tax liabilities		62.7	17.1
Employee benefits		2.4	2.0
Provisions		36.0	21.4
Deferred income and other liabilities		26.4	24.3
Total Non-Current Liabilities		1,477.9	392.5
Total Liabilities		1,991.8	650.6
Net Assets		1,779.2	1,003.2
Equity			
Share Capital	11	1,051.9	516.9
Reserves		41.2	76.5
Retained earnings		681.0	409.8
Equity attributable to owners of the Company		1,774.1	1,003.2
Non-controlling interest		5.1	-
Total Equity		1,779.2	1,003.2

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Consolidated statement of changes in equity

Note	Attributable to owners of the Company									
	Share Capital	Foreign currency translation reserve	Share based payments reserve	Fair value reserve	Cash flow hedge reserve	Total reserves	Retained earnings	Total	Non-controlling interest	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance as at 1 August 2014	516.9	0.1	0.4	47.9	-	48.4	267.1	832.4	-	832.4
Profit for the period	-	-	-	-	-	-	224.1	224.1	-	224.1
Other comprehensive income	-	0.3	-	31.6	-	31.9	-	31.9	-	31.9
Total comprehensive income for the period	-	0.3	-	31.6	-	31.9	224.1	256.0	-	256.0
Share-based payment transactions	-	-	(3.8)	-	-	(3.8)	-	(3.8)	-	(3.8)
Dividends paid to shareholders	-	-	-	-	-	-	(81.4)	(81.4)	-	(81.4)
Balance as at 31 July 2015	516.9	0.4	(3.4)	79.5	-	76.5	409.8	1,003.2	-	1,003.2
Balance as at 1 August 2015	516.9	0.4	(3.4)	79.5	-	76.5	409.8	1,003.2	-	1,003.2
Profit for the period	-	-	-	-	-	-	379.6	379.6	5.0	384.6
Other comprehensive income	-	(0.1)	-	(32.6)	(2.0)	(34.7)	-	(34.7)	-	(34.7)
Total comprehensive income for the period	-	(0.1)	-	(32.6)	(2.0)	(34.7)	379.6	344.9	5.0	349.9
Issue of shares	538.1	-	-	-	-	-	-	538.1	-	538.1
Share-based payment transactions	-	-	(0.6)	-	-	(0.6)	-	(0.6)	-	(0.6)
Share issue costs	(3.1)	-	-	-	-	-	-	(3.1)	-	(3.1)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	0.1	0.1
Dividends paid to shareholders	-	-	-	-	-	-	(108.4)	(108.4)	-	(108.4)
Balance as at 31 July 2016	1,051.9	0.3	(4.0)	46.9	(2.0)	41.2	681.0	1,774.1	5.1	1,779.2

The condensed notes on pages 8 to 18 are an integral part of these consolidated financial statements.

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Preliminary Financial Report for the year ended 31 July 2016

Consolidated statement of cash flows

	<i>Note</i>	2016 \$m	2015 \$m
Cash flows from operating activities			
Cash receipts from customers		2,625.5	1,403.3
Cash paid to suppliers and employees		(1,866.3)	(910.5)
Cash generated from operations		759.2	492.8
Income taxes paid		(138.8)	(110.9)
Net cash from operating activities		620.4	381.9
Cash flows from investing activities			
Acquisition of property, plant and equipment		(246.9)	(135.4)
Acquisition of intangibles		(34.1)	(18.4)
Disposal of investments	9	60.0	-
Acquisition of investments	9	(3.0)	(115.6)
Acquisition of subsidiaries, net of cash acquired	10,16	(1,151.3)	-
Special dividend paid under Scheme of Arrangement	10,16	(106.7)	-
Costs incurred on acquisition of subsidiaries	10	(8.6)	-
Dividends received	5	2.0	3.8
Net cash used in investing activities		(1,488.6)	(265.6)
Cash flows from financing activities			
Payment of finance lease liabilities		(21.4)	(0.2)
Proceeds from borrowings		1,789.7	175.0
Repayment of borrowings		(980.9)	(196.0)
Transaction costs related to loans & borrowings	10	(51.0)	-
Issue of shares		326.9	-
Share issue costs		(4.4)	-
Interest received		1.0	0.6
Interest paid		(67.5)	(14.9)
Dividends paid	12	(108.4)	(81.4)
Net cash from/(used in) financing activities		884.0	(116.9)
Net increase/(decrease) in cash and cash equivalents		15.8	(0.6)
Cash and cash equivalents at beginning of the year		23.7	23.8
Effect of exchange rate fluctuations		(0.3)	0.5
Cash and cash equivalents at end of the year		39.2	23.7

TPG Telecom Limited and its controlled entities Preliminary Financial Report for the year ended 31 July 2016

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 2016 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 2015 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*.

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 2015. 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.

As at the end of the prior year, the Group had two operating segments, being its Consumer and Corporate segments.

As a result of the acquisition of iiNet during the year ended 31 July 2016, the number of operating segments recognised by the Group and disclosed in this report has now increased to three. They are as follows:

TPG Consumer

The TPG Consumer segment provides retail telecommunications services to residential and small business customers.

TPG Corporate

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

iiNet

The iiNet segment provides telecommunications and technology services to residential and business customers.

Results for the year for each operating segment are set out in the table on the next page. In the table, expenses in the 'Unallocated' column comprise professional fees incurred in relation to business combinations plus other corporate costs.

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Condensed notes to the consolidated financial statements

Note 3 Segment reporting (continued)

	Note	TPG Consumer	TPG Corporate	iiNet	Unallocated	Total results
For the year ended 31 July 2016		\$m	\$m	\$m	\$m	\$m
Revenue		674.3	654.6	1,058.9	-	2,387.8
Other income	5	-	-	-	92.7	92.7
Network, carrier and hardware costs		(330.3)	(256.5)	(577.1)	-	(1,163.9)
Employee benefits expense		(45.0)	(100.4)	(128.2)	-	(273.6)
Other expenses		(43.3)	(28.4)	(111.0)	(10.9)	(193.6)
Results from segment activities		255.7	269.3	242.6	81.8	849.4

For the year ended 31 July 2015

Revenue		628.1	642.5	-	-	1,270.6
Other income	5	-	-	-	3.8	3.8
Network, carrier and hardware costs		(308.4)	(272.1)	-	-	(580.5)
Employee benefits expense		(39.9)	(99.2)	-	-	(139.1)
Other expenses		(40.1)	(28.9)	-	(1.3)	(70.3)
Results from segment activities		239.7	242.3	-	2.5	484.5

Reconciliation of segment results to the Group's profit before income tax is as follows:

	2016 \$m	2015 \$m
Total segment results	849.4	484.5
Depreciation of plant and equipment	(136.9)	(102.4)
Amortisation of intangibles	(115.1)	(43.3)
Results from operating activities	597.4	338.8
Net financing costs	(83.3)	(19.8)
Profit before income tax	514.1	319.0

Geographic Information

All of the Group's revenues are derived from Australian based entities, except for \$15.3m (2015:\$10.8m) derived from overseas customers.

All of the Group's non-current assets are located in Australia, except for assets amounting to \$124.4m (2015:\$115.9m) that are located either overseas or in international waters.

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Condensed notes to the consolidated financial statements

Note 4 Revenue

	2016 \$m	2015 \$m
Rendering of services	2,360.9	1,261.5
Sale of goods	26.9	9.1
	2,387.8	1,270.6

Note 5 Other income

	2016 \$m	2015 \$m
Gain on previously held interest in iiNet	73.1	-
Profit on sale of investments	17.6	-
Dividend income	2.0	3.8
	92.7	3.8

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Condensed notes to the consolidated financial statements

Note 6 Intangible assets

	Note	Non-Amortising		Amortising			Total
		Goodwill \$m	Brands \$m	Acquired customer bases \$m	Indefeasible rights of use of capacity \$m	Other intangibles* \$m	\$m
Cost							
Balance 1 August 2014		549.1	20.1	247.9	100.5	10.4	928.0
Additions		-	-	-	5.9	13.6	19.5
Acquisitions through business combinations		(3.0)	-	-	-	-	(3.0)
Balance 31 July 2015		546.1	20.1	247.9	106.4	24.0	944.5
Balance 1 August 2015		546.1	20.1	247.9	106.4	24.0	944.5
Additions		-	-	-	20.2	27.8	48.0
Acquisitions through business combinations	16	1,364.9	70.5	316.8	52.3	62.2	1,866.7
Balance 31 July 2016		1,911.0	90.6	564.7	178.9	114.0	2,859.2
Amortisation and Impairment							
Balance 1 August 2014		-	-	187.6	25.6	2.4	215.6
Amortisation for the year		-	-	31.5	8.3	3.5	43.3
Balance 31 July 2015		-	-	219.1	33.9	5.9	258.9
Balance 1 August 2015		-	-	219.1	33.9	5.9	258.9
Amortisation for the year		-	-	74.5	10.6	30.0	115.1
Balance 31 July 2016		-	-	293.6	44.5	35.9	374.0
Carrying amounts							
At 31 July 2015		546.1	20.1	28.8	72.5	18.1	685.6
At 31 July 2016		1,911.0	90.6	271.1	134.4	78.1	2,485.2

* Other intangible assets include software, subscriber acquisition costs, spectrum and other licences, and development costs. 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

	2016 \$m	2015 \$m
Current tax expense	135.3	107.7
Deferred tax expense		
Origination and reversal of temporary differences	(5.7)	(12.6)
Adjustments for prior years	(0.1)	(0.2)
	(5.8)	(12.8)
Income tax expense	129.5	94.9

Reconciliation between tax expense and pre-tax accounting profit

	2016 \$m	2015 \$m
Profit before income tax	514.1	319.0
Income tax using tax rate of 30%	154.2	95.7
Non deductible and non assessable items	(25.0)	(0.7)
Adjustments for prior years	0.3	(0.1)
Income tax expense	129.5	94.9

Note 8 Trade and other receivables

	2016 \$m	2015 \$m
Current		
Trade receivables	146.1	62.0
Accrued income and other receivables	32.4	18.9
Less: Provision for impairment losses	(33.3)	(17.1)
	145.2	63.8

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Condensed notes to the consolidated financial statements

Note 9 Investments

	2016	2015
	\$m	\$m
Available-for-sale financial assets		
Current		
Carrying amount at 1 August	151.6	99.2
Less: reclassified as non-current	-	(77.7)
Acquisitions	-	113.0
Disposals	(60.0)	-
Change in fair value	47.5	17.1
Carrying amount at 31 July	139.1	151.6
Non-Current		
Carrying amount at 1 August	115.6	7.3
Add: reclassified from current	-	77.7
Acquisitions	3.0	2.6
Deemed disposal on acquisition of iiNet	(97.3)	-
Change in fair value	(5.0)	28.0
Carrying amount at 31 July	16.3	115.6

The Group's investments comprise available-for-sale financial assets, being ASX listed securities. They are measured at fair value and are valued at quoted market prices.

Note 10 Loans and borrowings

	2016	2015
	\$m	\$m
Current		
Indefeasible right of use (IRU) lease liabilities	26.5	-
Other finance lease liabilities	0.6	0.1
	27.1	0.1
Non-Current		
Gross secured bank loans	1,350.0	329.0
Less: Unamortised borrowing costs	(34.2)	(1.3)
	1,315.8	327.7
IRU lease liabilities	34.5	-
Other finance lease liabilities	0.1	-
	1,350.4	327.7

During the year ended 31 July 2016, the Group entered into revised debt facility agreements with a syndicate of banks in order to fund the acquisition of iiNet, refinance the Group's and iiNet's existing bank debt and fund the continuing operations of the Group.

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Condensed notes to the consolidated financial statements

Note 10 Loans and borrowings (continued)

Explanation of the movement in the gross bank loan balance during the period is set out below:

	<i>Note</i>	\$m
Balance as at 1 August 2015		329.0
Loan drawdowns required to fund acquisition of iiNet:		
- Cash consideration, net of cash acquired	16	1,151.3
- Special dividend paid to iiNet shareholders	16	106.7
- Acquisition transaction costs		8.6
- Transaction costs relating to new debt facility		51.0
- iiNet bank debt acquired	16	<u>212.1</u>
Total loan drawdowns required to fund acquisition of iiNet		1,529.7
Loan repayments from proceeds of issue of shares		(322.5)
Other repayments made		<u>(186.2)</u>
Balance as at 31 July 2016		<u>1,350.0</u>

As at 31 July 2016 the Group has a debt facility of \$1,635m of which \$1,350m is drawn down. The debt facility has a maturity profile of between two and five years.

The outstanding loan balance as at the reporting date is shown in the statement of financial position net of unamortised borrowing costs of \$34.2m.

Note 11 Share capital

	Ordinary shares		\$m	
	31 July 2016	31 July 2015	31 July 2016	31 July 2015
Balance at start of period	793,808,141	793,808,141	516.9	516.9
Ordinary shares issued during the period				
- Consideration for acquisition of iiNet	23,212,554	-	211.2	-
- Institutional share placement	28,846,154	-	300.0	-
- Share purchase plan	2,606,269	-	26.9	-
Share issue costs (net of tax)	-	-	(3.1)	-
Balance at end of period	<u>848,473,118</u>	<u>793,808,141</u>	<u>1,051.9</u>	<u>516.9</u>

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Condensed notes to the consolidated financial statements

Note 12 Dividends

Dividends recognised in the period were as follows:

	Cents per share	Total Amount \$m	Date of payment
2016			
Interim 2016 ordinary	7.0	59.4	24 May 2016
Final 2015 ordinary	6.0	49.0	17 Nov 2015
Total amount		108.4	
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	

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 FY16 dividend of 7.5 cents per share. As the final dividend was not declared or resolved to be paid by the Board of directors as at 31 July 2016, the dividend has not been provided for in the consolidated statement of financial position. The dividend has a record date of 18 October 2016 and will be paid on 22 November 2016.

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

Note 13 Earnings per share

	2016 Cents	2015 Cents
Basic and diluted earnings per share	45.3	28.2
	2016 \$m	2015 \$m
Profit attributable to owners of the company used in calculating basic and diluted earnings per share	379.6	224.1
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	838,078,074	793,808,141

Note 14 Net tangible assets

	2016 Cents	2015 Cents
Net tangible asset backing per ordinary share	(84.2)	40.0

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

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Condensed notes to the consolidated financial statements

Note 15 Capital commitments

	2016 \$m	2015 \$m
Contracted but not provided for in the financial statements	343.7	162.1

Capital commitments at 31 July 2016 are comprised mainly of commitments in respect of:

- IRU agreements for international capacity (US\$108m*);
- spectrum licences purchased in FY16, payable in April 2017 (\$73m); and
- domestic fibre construction projects.

*translated into AUD at the prevailing spot rate at 31 July 2016 of \$0.76.

Note 16 Business combinations

During the 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 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.

During 2H16 acquisition accounting was completed, as a result of which a number of adjustments were made to the provisional value of identifiable assets and liabilities disclosed in the HY16 accounts. Set out on the next page are the finalised fair values of the identifiable assets and liabilities of iiNet as at the date of acquisition.

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Condensed notes to the consolidated financial statements

Note 16 Business combinations (continued)

Identifiable assets acquired and liabilities assumed

	\$m
Trade and other receivables	108.2
Provision for doubtful debts	(28.1)
Inventories	10.1
Derivative financial assets	27.0
Prepayments and other assets	8.0
Property, plant and equipment	178.4
Brand	70.5
Customer base	316.8
IRU assets	52.3
Other Intangible assets	62.2
Income tax receivable	12.4
Minority interest acquired	(0.1)
Trade and other payables	(133.4)
Liability for special dividend	(106.7)
Loans payable	(212.1)
IRU lease liabilities	(83.0)
Finance lease liabilities	(4.2)
Employee benefits and provisions	(14.9)
Provisions	(26.1)
Deferred income	(74.5)
Derivative financial liabilities	(0.6)
Deferred tax liabilities (net)	(67.3)
Net identifiable assets acquired	<u>94.9</u>
Consideration transferred	
Cash paid	1,156.8
Less: Cash acquired	(5.5)
Net cash consideration paid	<u>1,151.3</u>
Issue of shares	211.2
Fair value of previously held interest in iiNet	97.3
Total consideration, net of cash acquired	<u>1,459.8</u>
Goodwill on acquisition	
Consideration transferred, net of cash acquired	1,459.8
Less: Net identifiable assets acquired, net of cash acquired	(94.9)
Goodwill on acquisition	<u>1,364.9</u>

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

For the year ended 31 July 2016, iiNet contributed revenue of \$1,058.9m and profit after tax of \$122.0m to the Group's results (excluding acquisition costs and amortisation of acquisition intangibles) for the eleven and a quarter months post acquisition. Management estimates that if iiNet had have been owned by the Group for the full twelve month period, it would have contributed revenue of \$1,130.0m and profit after tax of \$124.0m to the Group's results.

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Note 16 Business combinations (continued)

Note 16(a) Transaction costs related to business combinations

During the period, the Group incurred transaction costs of \$10.3m related to the acquisition of iiNet. These costs have been included in 'Other expenses' in the consolidated income statement.

Note 17 Subsequent events

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

Note 18 Unaudited financial information

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