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 2014

Lodged with the ASX under Listing Rule 4.3A

Contents	**Page**

TPG Telecom Limited and its controlled entities
ASX Appendix 4E

Financial Year ended 31 July 2014
(Previous corresponding period: Year ended 31 July 2013)

Results for announcement to the market

Earnings

				A$'000
Revenue	up	34%	to	970,920
Earnings before interest, tax, depreciation and amortisation (EBITDA)	up	24%	to	363,651
Net profit for the year attributable to owners of the Company	up	15%	to	171,679
Earnings per share (basic and diluted)	up	15%	to	21.6 cents

Dividends

	Amount per security
This period:	
Interim dividend for FY14	4.50 cents
Final dividend for FY14 (payable 18 November 2014)	4.75 cents
Previous corresponding period:	
Interim dividend for FY13	3.50 cents
Final dividend for FY13	4.00 cents

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

Total FY14 dividends are up 23% from the prior year. For the FY14 final dividend the record date for determining entitlement to the dividend will be 14 October 2014. 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.

Consolidated income statement

	Note	2014 $'000	2013 $'000
Revenue	*4*	970,920	724,533
Other income	*5*	2,633	3,349
Telecommunications expense		(454,199)	(328,139)
Employee benefits expense		(103,634)	(60,067)
Other expenses		(52,069)	(46,590)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**363,651**	**293,086**
Depreciation of plant and equipment		(72,559)	(49,892)
Amortisation of intangibles	*6*	(35,214)	(23,942)
Results from operating activities		**255,878**	**219,252**
Finance income		1,762	2,447
Finance expenses		(10,837)	(9,400)
Net financing costs		**(9,075)**	**(6,953)**
Profit before income tax		**246,803**	**212,299**
Income tax expense	*7*	(75,124)	(63,134)
Profit for the year attributable to owners of the company		**171,679**	**149,165**
Earnings per share:			
Basic and diluted earnings per share (cents)	*12*	21.6	18.8

Consolidated statement of comprehensive income

	Note	2014 $'000	2013 $'000
Profit for the year		**171,679**	**149,165**
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation differences		(10)	23
Net change in fair value of available-for-sale financial assets, net of tax	9	12,583	24,435
Other comprehensive income, net of tax		**12,573**	**24,458**
Total comprehensive income attributable to owners of the company		**184,252**	**173,623**

Consolidated statement of financial position

	Note	31 July 2014 $'000	31 July 2013 $'000
Assets			
Cash and cash equivalents		23,756	26,128
Trade and other receivables	8	85,534	40,676
Inventories		2,749	179
Investments	9	99,159	81,181
Prepayments and other assets		10,261	6,352
Total Current Assets		**221,459**	**154,516**
Trade and other receivables	8	7,720	15,268
Investments	9	7,333	7,333
Property, plant and equipment		553,833	319,159
Intangible assets	6	712,311	502,201
Prepayments and other assets		6,638	339
Total Non-Current Assets		**1,287,835**	**844,300**
Total Assets		**1,509,294**	**998,816**
Liabilities			
Trade and other payables		136,556	94,122
Loans and borrowings	10	183	169
Current tax liabilities		17,085	33,628
Employee benefits		13,112	5,241
Provisions		11,534	2,616
Accrued interest		214	276
Deferred income and other liabilities		79,156	58,784
Total Current Liabilities		**257,840**	**194,836**
Loans and borrowings	10	346,847	39,134
Deferred tax liabilities		18,105	15,410
Employee benefits		2,170	349
Provisions		23,069	7,111
Deferred income and other liabilities		28,841	26,010
Total Non-Current Liabilities		**419,032**	**88,014**
Total Liabilities		**676,872**	**282,850**
Net Assets		**832,422**	**715,966**
Equity			
Share Capital		516,907	516,907
Reserves		48,384	36,134
Retained earnings		267,131	162,925
Total Equity		**832,422**	**715,966**

The condensed notes on pages 8 to 17 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Note	Share capital	Foreign currency translation reserve	Share-based payments reserve	Fair value reserve	Total reserves	Retained earnings	Total equity
		Attributable to owners of the Company						
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 August 2012		**516,907**	**106**	**(445)**	**10,836**	**10,497**	**63,373**	**590,777**
Profit for the year		-	-	-	-	-	149,165	149,165
Foreign currency translation differences		-	23	-	-	23	-	23
Net change in fair value of available-for-sale financial assets, net of tax	*9*	-	-	-	24,435	24,435	-	24,435
Total comprehensive income for the period		**-**	**23**	**-**	**24,435**	**24,458**	**149,165**	**173,623**
Share based payment transactions		-	-	1,179	-	1,179	-	1,179
Dividends paid to shareholders	*11*	-	-	-	-	-	(49,613)	(49,613)
Total contributions by and distributions to owners		**-**	**-**	**1,179**	**-**	**1,179**	**(49,613)**	**(48,434)**
Balance as at 31 July 2013		**516,907**	**129**	**734**	**35,271**	**36,134**	**162,925**	**715,966**
Balance as at 1 August 2013		**516,907**	**129**	**734**	**35,271**	**36,134**	**162,925**	**715,966**
Profit for the year		-	-	-	-	-	171,679	171,679
Foreign currency translation differences		-	(10)	-	-	(10)	-	(10)
Net change in fair value of available-for-sale financial assets, net of tax	*9*	-	-	-	12,583	12,583	-	12,583
Total comprehensive income for the period		**-**	**(10)**	**-**	**12,583**	**12,573**	**171,679**	**184,252**
Share based payment transactions		-	-	(323)	-	(323)	-	(323)
Dividends paid to shareholders	*11*	-	-	-	-	-	(67,473)	(67,473)
Total contributions by and distributions to owners		**-**	**-**	**(323)**	**-**	**(323)**	**(67,473)**	**(67,796)**
Balance as at 31 July 2014		**516,907**	**119**	**411**	**47,854**	**48,384**	**267,131**	**832,422**

The condensed notes on pages 8 to 17 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Cash receipts from customers		1,089,953	800,467
Cash paid to suppliers and employees		(693,326)	(482,450)
Cash generated from operations		396,627	318,017
Income taxes paid		(96,103)	(79,218)
Net cash from operating activities		**300,524**	**238,799**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	15	(462,752)	-
Costs incurred on acquisition of subsidiaries		(3,119)	-
Acquisition of property, plant and equipment		(68,870)	(58,320)
Acquisition of intangibles	6	(676)	(2,918)
Acquisition of investments	9	-	(7,333)
Proceeds from sale of investments		-	2,475
Dividends received	5	2,633	2,219
Net cash used in investing activities		**(532,784)**	**(63,877)**
Cash flows from financing activities			
Proceeds from borrowings	10	472,000	27,000
Repayment of borrowings	10	(164,000)	(134,000)
Transaction costs related to loans & borrowings		(2,409)	-
Payment of finance lease liabilities		(185)	(372)
Interest paid		(8,537)	(7,363)
Interest received		1,030	1,411
Dividends paid	11	(67,473)	(49,613)
Net cash from/(used in) financing activities		**230,426**	**(162,937)**
Net (decrease)/increase in cash and cash equivalents		(1,834)	11,985
Cash and cash equivalents at beginning of the year		26,128	13,767
Effect of exchange rate fluctuations		(538)	376
Cash and cash equivalents at end of the year		**23,756**	**26,128**

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 2014 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 2013 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 2014 consolidated statement of financial position show a net current liability position, the accounts have been prepared on a going concern basis as there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable based on its Board approved cashflow projections, and also the undrawn debt facility available to it (refer note 10).

Note 2 Significant accounting policies

Except as described below, the 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 2013. In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current reporting period and are relevant to the Group. The adoption of these amendments, discussed below, has not resulted in any change to the Group's accounting policies and has had no material impact on the Group's consolidated financial statements.

Changes in accounting standards adopted

AASB 10 Consolidated Financial Statements: AASB 10 establishes a single consolidation model based on control that applies to all entities, irrespective of the nature of the investee. The new control model broadens the situations where an entity is considered to be controlled by another entity.

AASB 13 Fair Value Measurement: AASB 13 does not change the requirements regarding which items should be measured or disclosed at fair value but expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. To comply with the new standard, additional disclosures have been included in note 9.

AASB 119 Employee Benefits (revised): The revised standard changes the distinction between short-term and long-term employee benefits which is now based on whether the benefits are "expected to be settled" wholly within 12 months after the reporting date rather than "due to be settled" within 12 months.

*Amendments to AASB 136: A*mendments relating to recoverable amount disclosures for non-financial assets are applicable for annual reporting periods beginning on or after 1 January 2014 but have been early adopted in the current year.

Condensed notes to the consolidated financial statements

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.

Following the acquisition of AAPT on 28 February 2014 (refer note 15), the Group has recognised three primary segments, Consumer, Corporate and AAPT, in its financial statements for the current year.

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

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

Geographic Information

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

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

Condensed notes to the consolidated financial statements

Note 3 Segment reporting (continued)

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

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

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

Condensed notes to the consolidated financial statements

Note 4 Revenue

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

Note 5 Other income

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

Note 6 Intangible assets

	2014 $'000	2013 $'000
Non-current		
Carrying amount at 1 August	502,201	523,225
Acquisitions through business combinations	244,648	-
Other acquisitions	676	2,918
Amortisation for the year	(35,214)	(23,942)
Carrying amount at 31 July	**712,311**	**502,201**
Comprising: - Goodwill	549,100	391,521
- Other intangible assets	163,211	110,680
	712,311	**502,201**

Condensed notes to the consolidated financial statements

Note 7 Income tax

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

Reconciliation between tax expense and pre-tax accounting profit

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

Note 8 Trade and other receivables

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

The non-current accrued income and other receivables balance represents revenue from the sale of network capacity that was recognised during the years ended July 2012 and July 2013, but for which the receivable from the customer is due beyond twelve months from the balance sheet date.

Condensed notes to the consolidated financial statements

Note 9 Investments

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

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

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

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

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

Note 10 Loans and borrowings

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

Condensed notes to the consolidated financial statements

At the beginning of FY14 the Group had outstanding debt of $42m which it fully repaid during 1H14.

Subsequently, on 27 February 2014, in order to finance the acquisition of AAPT (refer note 15) the Group entered into an Amendment and Restatement Deed relating to its existing Syndicated Debt Facility Agreement. Under the terms of the Deed the facility limit was increased to $490m and the termination date of the facility was extended to 27 February 2017.

The initial drawdown under the amended facility was $425m. Repayments of $75m have been made since that date taking total debt repayments for the year to $117m (net of draw-downs of $47m) and leaving a closing debt balance of $350m as at 31 July 2014.

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

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

In addition to the $140m undrawn debt facility at 31 July 2014, the Group also has a $25m working capital facility.

Note 11 Dividends

Dividends recognised in the period were as follows:

	Cents per share	Total Amount $'000	Date of payment
2014			
Interim 2014 ordinary	4.50	35,721	20 May 2014
Final 2013 ordinary	4.00	31,752	19 Nov 2013
Total amount		**67,473**	
2013			
Interim 2013 ordinary	3.50	27,783	21 May 2013
Final 2012 ordinary	2.75	21,830	20 Nov 2012
Total amount		**49,613**	

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

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

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

Condensed notes to the consolidated financial statements

Note 12 Earnings per share

	2014 Cents	2013 Cents
Basic and diluted earnings per share	21.6	18.8
	2014 $'000	**2013 $'000**
Profit attributable to ordinary shareholders used in calculating basic and diluted earnings per share	171,679	149,165
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	793,808,141	793,808,141

Note 13 Net tangible assets

	2014 Cents	2013 Cents
Net tangible asset backing per ordinary share	15.1	26.9

Net tangible assets are calculated by deducting the value of intangible assets from the net assets of the Group. Net tangible assets per ordinary share are lower than prior year as $244.6m of the $462.8m cost of acquisition of AAPT was attributed to intangible assets.

Note 14 Capital commitments

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

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

Note 15 Business combination

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

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

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

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

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

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

Identifiable assets acquired and liabilities assumed	**$'000**
Trade and other receivables	54,123
Inventories	3,281
Prepayments and other assets	17,447
Property, plant and equipment	240,914
Customer base	43,245
IRU assets	37,284
Other intangible assets	6,540
Trade and other payables	(38,310)
Employee benefits and provisions	(12,496)
Provisions	(26,880)
Deferred income	(18,231)
Deferred tax liabilities (net)	(1,744)
Net identifiable assets acquired	**305,173**
Consideration transferred	
Cash paid	463,540
Less: Cash acquired	(788)
Total consideration, net of cash acquired	**462,752**
Goodwill on acquisition	
Consideration transferred, net of cash acquired	462,752
Less: Net identifiable assets acquired, net of cash acquired	(305,173)
Goodwill on acquisition	**157,579**

Trade and other receivables in the table above, are shown net of a provision for doubtful debts of $9,786k.

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

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

Note 16 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 17 Unaudited financial information

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