



TPG Telecom Limited

ABN 46 093 058 069

and its controlled entities

ASX Appendix 4D and Half Year Financial Report 31 January 2015

Lodged with the ASX under Listing Rule 4.2A

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TPG Telecom Limited

ASX Appendix 4D

Half Year ended 31 January 2015

(Previous corresponding period: Half Year ended 31 January 2014)

Results for announcement to the market

Earnings

				\$'000
Revenue	up	59%	to	627,308
Earnings before interest, tax, depreciation and amortisation (EBITDA)	up	43%	to	236,210
Profit for the period attributable to owners of the Company	up	18%	to	106,725
Earnings per share (basic and diluted)	up	18%	to	13.4 cents

Dividends

	Amount per security (cents)	Franked amount per security (cents)
This period:		
Final dividend for FY14	4.75	4.75
Interim dividend for FY15 (payable 19 May 2015)	5.50	5.50
Previous corresponding period:		
Final dividend for FY13	4.00	4.00
Interim dividend for FY14	4.50	4.50

For the FY15 interim dividend the record date for determining entitlement to the dividend will be 14 April 2015. The Dividend Reinvestment Plan (DRP) is currently suspended until further notice.

Net Tangible Assets

	31 Jan 2015	31 Jan 2014
Net tangible assets per security	\$0.26	\$0.36

Net tangible assets per security have decreased due to the fact that the acquisition of AAPT in February 2014 gave rise to a substantial increase in intangible assets.

Commentary on results

The Company has provided a commentary on the results in its Review of operations which accompanies this report.

TPG Telecom Limited and its controlled entities

Directors' report

For the half-year ended 31 January 2015

The directors present their report together with the condensed consolidated financial report for the half-year ended 31 January 2015.

Directors

The names of directors of the Company in office at any time during, or since the end of the half-year are set out below:

Name	Period of directorship
David Teoh <i>Executive Chairman</i> <i>Chief Executive Officer</i>	Director since 2008
Denis Ledbury <i>Non-Executive Director</i>	Director since 2000
Robert Millner <i>Non-Executive Director</i>	Director since 2000
Joseph Pang <i>Non-Executive Director</i>	Director since 2008
Shane Teoh <i>Non-Executive Director</i>	Director since 2012
Alan Latimer <i>Executive Director, Finance & Corporate Services</i>	Retired effective 31 October 2014

Review of operations

Financial results for the TPG Telecom Limited Group for the half year ended 31 January 2015 ("1H15") include the following highlights:

- Net Profit After Tax ("NPAT") for the period was \$106.7m, an increase over 1H14 of 18%.
- Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period increased by 43% to \$236.2m.
- Earnings per share ("EPS") increased by 18% to 13.4 cents per share.
- Interim dividend per share increased by 22% to 5.5 cents per share.

TPG Telecom Limited and its controlled entities

Directors' report (continued)

For the half-year ended 31 January 2015

Review of operations (continued)

Consumer business

The Consumer Division's EBITDA for 1H15 was \$117.1m compared to \$100.2m for 1H14. The 1H15 result contains no material irregular items (the 1H14 result was last year reported as including a \$1.0m non-recurring benefit) so the Consumer Division's underlying EBITDA growth for 1H15 relative to 1H14 is therefore \$17.9m or 18%. This has been 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 38k in the half year, 2k higher than the 36k growth achieved in the same period last year. The composition of the 1H15 net subscriber growth was 21k ADSL and 17k NBN/FTTB.

As at 31 January 2015 the Group had 786k broadband subscribers and 342k mobile subscribers.

Corporate business

The Group's Corporate Division achieved EBITDA of \$117.7m for the period compared to \$64.5m for 1H14. The 1H15 result contains no material irregular items whereas in the prior year it was reported that the 1H14 result included \$5.6m of non-recurring benefits. The EBITDA growth relative to 1H14 excluding irregular items is therefore \$58.8m.

A large component of this EBITDA growth was derived directly from the acquisition of AAPT that occurred during 2H14. However, there has also been significant improvement in operations, resulting in increased EBITDA from the Corporate Division.

When acquired, AAPT's annualised EBITDA run-rate was ~\$70m¹ implying that the acquisition of AAPT added a half-yearly run rate of \$35m of EBITDA to the TPG business. The actual 1H15 EBITDA growth compared to 1H14 of \$58.8m indicates that operational improvements have delivered an additional \$23.8m of EBITDA.

The Group has also delivered significant EBITDA margin improvement from the AAPT business. Pre-acquisition, AAPT's EBITDA margin was 17%. The TPG Corporate Division's reported EBITDA margin during 1H14 was 53%. So, whilst the consolidation of AAPT's results into the Corporate Division has caused the Corporate Division EBITDA margin for 1H15 to fall from 53% to 37%, the EBITDA margin for 1H15 compared to proforma² 1H14 has actually increased from 29% to 37%, principally due to the cost savings achieved from the integration of the AAPT business.

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

² Combination of the underlying corporate division results for 1H14 reported on page 9 of the TPG 1H14 results presentation plus the run-rates reported for AAPT on page 4 of the 9/12/13 investor briefing.

TPG Telecom Limited and its controlled entities

Directors' report (continued)

For the half-year ended 31 January 2015

Review of operations (continued)

Cashflow

The Group delivered another strong cashflow result in 1H15 with \$238.1m cash generated from operations (pre-tax), and free cashflow after tax, capex and interest for the half year of \$102.9m.

This free cash was deployed to pay for equity investments of \$24.9m (investments in Covata and Amcom both already disclosed on the ASX during the period), to make debt repayments of \$30m, as well as to pay an increased dividend.

Dividend

In light of the Group's strong cashflow and earnings growth, the Board of Directors has declared an increase to the interim FY15 dividend by 22% to 5.5 cents per share (fully franked), payable on 19 May 2015 to shareholders on the register at 14 April 2015.

FY15 Guidance

The directors have upgraded the Group's FY15 EBITDA guidance from \$455-460m to a new estimated range of \$480-483m.

Proposed Acquisition of iiNet

On 13 March 2015, the Group entered into a Scheme of Arrangement with iiNet Limited to acquire 100% of the ordinary shares in iiNet that it doesn't already own, for consideration of \$8.60 per iiNet share, valuing iiNet at approximately \$1.4b. The Scheme, which is recommended by the iiNet Board, is subject to certain conditions including ACCC approval and approval by iiNet shareholders.

The proposed Scheme consideration will be paid fully in cash, for which the Group has secured new committed debt facilities. Following the acquisition the Group's debt to annualised EBITDA leverage ratio would be approximately 3.1x.

TPG Telecom Limited and its controlled entities

Directors' report (continued)

For the half-year ended 31 January 2015

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 25 and forms part of the directors' report for the half-year ended 31 January 2015.

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 financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 24th day of March 2015.

Signed in accordance with a resolution of the directors:



David Teoh
Chairman

TPG Telecom Limited and its controlled entities

Consolidated interim income statement

For the half-year ended 31 January 2015

	Note	31 Jan 2015 \$'000	31 Jan 2014 \$'000
Revenue	6	627,308	394,555
Other income	7	1,743	1,486
Telecommunications expense		(290,300)	(176,662)
Employee benefits expense		(68,375)	(32,854)
Other expenses		(34,166)	(20,884)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		236,210	165,641
Depreciation of plant and equipment		(51,419)	(25,061)
Amortisation of intangibles	10	(23,676)	(10,011)
Results from operating activities		161,115	130,569
Finance income		671	992
Finance expenses		(9,585)	(1,981)
Net financing costs		(8,914)	(989)
Profit before income tax		152,201	129,580
Income tax expense	8	(45,476)	(39,479)
Profit for the period attributable to owners of the company		106,725	90,101
Earnings per share:			
Basic and diluted earnings per share (cents)	12	13.4	11.4

TPG Telecom Limited and its controlled entities

Consolidated interim statement of comprehensive income

For the half-year ended 31 January 2015

	<i>Note</i>	31 Jan 2015 \$'000	31 Jan 2014 \$'000
Profit for the period		106,725	90,101
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		304	15
Net change in fair value of available-for-sale financial assets, net of tax	9	10,907	5,764
Other comprehensive income, net of tax		11,211	5,779
Total comprehensive income attributable to owners of the company		117,936	95,880

TPG Telecom Limited and its controlled entities

Consolidated interim statement of financial position

As at 31 January 2015

	Note	31 Jan 2015 \$'000	31 July 2014 \$'000
Assets			
Cash and cash equivalents		36,141	23,756
Trade and other receivables		99,289	85,534
Inventories		4,519	2,749
Investments	9	57,606	99,159
Prepayments and other assets		9,965	10,261
Total Current Assets		207,520	221,459
Trade and other receivables		-	7,720
Investments	9	89,409	7,333
Property, plant and equipment		569,968	553,833
Intangible assets	10	701,686	712,311
Prepayments and other assets		6,348	6,638
Total Non-Current Assets		1,367,411	1,287,835
Total Assets		1,574,931	1,509,294
Liabilities			
Trade and other payables		151,320	136,556
Loans and borrowings	11	191	183
Current tax liabilities		23,911	17,085
Employee benefits		13,046	13,112
Provisions		12,060	11,534
Accrued interest		605	214
Deferred income and other liabilities		83,263	79,156
Total Current Liabilities		284,396	257,840
Loans and borrowings	11	318,129	346,847
Deferred tax liabilities		14,353	18,105
Employee benefits		1,887	2,170
Provisions		19,984	23,069
Deferred income and other liabilities		28,194	28,841
Total Non-Current Liabilities		382,547	419,032
Total Liabilities		666,943	676,872
Net Assets		907,988	832,422
Equity			
Share capital		516,907	516,907
Reserves		54,931	48,384
Retained earnings		336,150	267,131
Total Equity		907,988	832,422

TPG Telecom Limited and its controlled entities

Consolidated interim statement of changes in equity

For the half-year ended 31 January 2015

	Note	Share capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Fair value reserve \$'000	Total reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 August 2013		516,907	129	734	35,271	36,134	162,925	715,966
Profit for the period		-	-	-	-	-	90,101	90,101
Foreign currency translation differences		-	15	-	-	15	-	15
Net change in fair value of available-for-sale financial assets, net of tax	9	-	-	-	5,764	5,764	-	5,764
Total comprehensive income for the period		-	15	-	5,764	5,779	90,101	95,880
Share-based payment transactions		-	-	(1,251)	-	(1,251)	-	(1,251)
Dividends paid to shareholders	13	-	-	-	-	-	(31,753)	(31,753)
Total contributions by and distributions to owners		-	-	(1,251)	-	(1,251)	(31,753)	(33,004)
Balance as at 31 January 2014		516,907	144	(517)	41,035	40,662	221,273	778,842
Balance as at 1 August 2014		516,907	119	411	47,854	48,384	267,131	832,422
Profit for the period		-	-	-	-	-	106,725	106,725
Foreign currency translation differences		-	304	-	-	304	-	304
Net change in fair value of available-for-sale financial assets, net of tax	9	-	-	-	10,907	10,907	-	10,907
Total comprehensive income for the period		-	304	-	10,907	11,211	106,725	117,936
Share-based payment transactions		-	-	(4,664)	-	(4,664)	-	(4,664)
Dividends paid to shareholders	13	-	-	-	-	-	(37,706)	(37,706)
Total contributions by and distributions to owners		-	-	(4,664)	-	(4,664)	(37,706)	(42,370)
Balance as at 31 January 2015		516,907	423	(4,253)	58,761	54,931	336,150	907,988

TPG Telecom Limited and its controlled entities

Consolidated interim statement of cash flows

For the half-year ended 31 January 2015

	Note	31 Jan 2015 \$'000	31 Jan 2014 \$'000
Cash flows from operating activities			
Cash receipts from customers		687,290	458,303
Cash paid to suppliers and employees		(449,208)	(280,086)
Cash generated from operations		238,082	178,217
Income taxes paid		(43,701)	(50,320)
Net cash from operating activities		194,381	127,897
Cash flows from investing activities			
Acquisition of property, plant and equipment		(68,108)	(23,556)
Acquisition of intangible assets	10	(16,062)	(559)
Acquisition of investments	9	(24,943)	-
Dividends received	7	1,743	1,486
Net cash used in investing activities		(107,370)	(22,629)
Cash flows from financing activities			
Payment of finance lease liabilities		(98)	(90)
Proceeds from borrowings	11	75,000	12,000
Repayment of borrowings	11	(105,000)	(54,000)
Interest received		455	476
Interest paid		(7,770)	(1,153)
Dividends paid	13	(37,706)	(31,753)
Net cash used in financing activities		(75,119)	(74,520)
Net increase in cash and cash equivalents		11,892	30,748
Cash and cash equivalents at beginning of the period		23,756	26,128
Effect of exchange rate fluctuations		493	46
Cash and cash equivalents at 31 January		36,141	56,922

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2015

1. Reporting entity

TPG Telecom Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 January 2015 comprises the accounts of the Company and its subsidiaries (together referred to as the 'Group').

2. Basis of preparation

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group for the year ended 31 July 2014, which is available on the Company's website at www.tpg.com.au/about/investorrelations.

The condensed consolidated interim financial report was approved by the Board of Directors on 24 March 2015.

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, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

Accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated annual financial report for the year ended 31 July 2014. There have been no new or revised Accounting Standards or Interpretations that have become effective for annual reporting periods beginning from 1 August 2014. The Group has not elected to early adopt any new Accounting Standards or Interpretations that have been announced but are not yet effective.

4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 July 2014.

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2015

5. Segment reporting

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. As AAPT was not a part of the Group in the comparative prior period, segment results for the prior period do not change.

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 half-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 \$5.2m (2014: \$6.3m) derived from overseas customers.

All of the Group's non-current assets are located in Australia, except for assets amounting to \$113.0m (2014: \$116.5m) that are located either overseas or in international waters.

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2015

5. Segment reporting (continued)

	Consumer		Corporate		Total results		Unallocated		Consolidated results	
	31 Jan 2015	31 Jan 2014	31 Jan 2015	31 Jan 2014	31 Jan 2015	31 Jan 2014	31 Jan 2015	31 Jan 2014	31 Jan 2015	31 Jan 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	307,984	272,754	319,324	121,801	627,308	394,555	-	-	627,308	394,555
Other income	-	-	-	-	-	-	1,743	1,486	1,743	1,486
Telecommunications expense	(150,898)	(141,219)	(139,402)	(35,443)	(290,300)	(176,662)	-	-	(290,300)	(176,662)
Employee benefits expense	(19,627)	(16,033)	(48,748)	(16,821)	(68,375)	(32,854)	-	-	(68,375)	(32,854)
Other expenses	(20,398)	(15,342)	(13,511)	(5,041)	(33,909)	(20,383)	(257)	(501)	(34,166)	(20,884)
Results from segment activities	117,061	100,160	117,663	64,496	234,724	164,656	1,486	985	236,210	165,641
Depreciation of plant and equipment									(51,419)	(25,061)
Amortisation of intangibles									(23,676)	(10,011)
Results from operating activities									161,115	130,569
Net financing costs									(8,914)	(989)
Profit before income tax									152,201	129,580
Income tax expense									(45,476)	(39,479)
Profit for the period									106,725	90,101

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2015

6. Revenue

	31 Jan 2015 \$'000	31 Jan 2014 \$'000
Revenue comprises the following:		
Rendering of services	596,386	364,881
Sale of goods	4,559	3,740
Network capacity sales, recognised as:		
- operating leases	25,804	24,383
- finance leases	559	1,551
	627,308	394,555

7. Other income

	31 Jan 2015 \$'000	31 Jan 2014 \$'000
Dividend income	1,743	1,486

8. Income tax expense

	31 Jan 2015 \$'000	31 Jan 2014 \$'000
Current tax expense		
Current period	51,454	39,503
Deferred tax expense		
Origination and reversal of temporary differences	(5,943)	(224)
Adjustments for prior periods	(35)	200
	(5,978)	(24)
Income tax expense	45,476	39,479

Numerical reconciliation between tax expense and pre-tax accounting profit

	31 Jan 2015 \$'000	31 Jan 2014 \$'000
Profit before income tax	152,201	129,580
Income tax using tax rate of 30%	45,660	38,874
Increase in income tax expense due to:		
Non-deductible expenses	(86)	695
Over provided in prior periods	(98)	(90)
Income tax expense	45,476	39,479

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2015

9. Investments

	31 Jan 2015 \$'000	31 July 2014 \$'000
Available-for-sale financial assets		
Current		
Carrying amount at 1 August	99,159	81,181
Less: reclassified as non-current	(77,705)	-
Acquisitions	22,343	-
Change in fair value	13,809	17,978
Carrying amount at end of period	57,606	99,159
Non-current		
Carrying amount at 1 August	7,333	7,333
Add: reclassified from current	77,705	-
Acquisitions	2,600	-
Change in fair value	1,771	-
Carrying amount at end of period	89,409	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 (unadjusted) 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; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's only financial instruments 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 categorised as Level 1 as they are valued at quoted market prices.

The Group has reclassified certain investments from current to non-current as the Board does not foresee a disposal within one year.

TPG Telecom Limited and its controlled entities
Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2015

10. Intangible assets

	Note	Non-Amortising		Amortising				Total
		Goodwill \$'000	Trademarks \$'000	Acquired customer bases \$'000	Indefeasible rights of use of capacity \$'000	Software \$'000	Licences \$'000	\$'000
Cost								
Balance 1 August 2013		391,521	20,068	236,924	62,585	9,496	2,667	723,261
Additions		-	-	-	567	109	-	676
Acquisitions through business combinations		157,579	-	43,245	37,284	6,540	-	244,648
Balance 31 July 2014		549,100	20,068	280,169	100,436	16,145	2,667	968,585
Balance 1 August 2014		549,100	20,068	280,169	100,436	16,145	2,667	968,585
Additions		-	-	-	2,545	17	13,500	16,062
Acquisitions through business combinations	14	(3,010)	-	-	-	-	-	(3,010)
Balance 31 Jan 2015		546,090	20,068	280,169	102,981	16,162	16,167	981,637
Amortisation and Impairment								
Balance 1 August 2013		-	-	192,327	19,468	9,221	44	221,060
Amortisation for the year		-	-	27,525	6,057	1,365	267	35,214
Balance 31 July 2014		-	-	219,852	25,525	10,586	311	256,274
Balance 1 August 2014		-	-	219,852	25,525	10,586	311	256,274
Amortisation for the period		-	-	17,803	4,128	1,312	433	23,676
Balance 31 Jan 2015		-	-	237,655	29,653	11,898	744	279,950
Carrying amounts								
At 31 July 2014		549,100	20,068	60,317	74,911	5,559	2,356	712,311
At 31 Jan 2015		546,090	20,068	42,514	73,328	4,264	15,423	701,686

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2015

11. Loans and borrowings

	31 Jan 2015 \$'000	31 July 2014 \$'000
Current		
Finance lease liabilities	191	183
Non-current		
Gross secured bank loans	320,000	350,000
Less: Unamortised borrowing costs	(1,871)	(3,259)
	318,129	346,741
Finance lease liabilities	-	106
	318,129	346,847

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

During the half year ended 31 January 2015, the Group made total debt repayments of \$30m (net of drawdowns of \$75m) leaving a closing debt balance of \$320m as at 31 January 2015.

12. Earnings per share

	31 Jan 2015 Cents	31 Jan 2014 Cents
Basic and diluted earnings per share	13.4	11.4
	31 Jan 2015 \$'000	31 Jan 2014 \$'000
Profit attributable to ordinary shareholders used in calculating basic and diluted earnings per share	106,725	90,101
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	793,808,141	793,808,141

TPG Telecom Limited and its controlled entities
Condensed notes to the consolidated interim financial statements
For the half-year ended 31 January 2015

13. Dividends

Dividends recognised in the current period were as follows:

	Cents per share	Total amount \$'000	Date of payment
2015			
Final 2014 ordinary	4.75	37,706	18 Nov 2014
2014			
Interim 2014 ordinary	4.50	35,720	20 May 2014
Final 2013 ordinary	4.00	31,753	19 Nov 2013

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

On 24 March 2015 the directors have declared a fully franked interim 2015 dividend of 5.50 cents per share. The dividend has a record date of 14 April 2015 and will be paid on 19 May 2015. As the interim dividend was not declared or resolved to be paid by the Board of directors as at 31 January 2015, the dividend has not been provided for in the consolidated interim statement of financial position.

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

14. Business combinations

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 revised in the current reporting period as set out in the table below.

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2015

14. Business combinations (continued)

Identifiable assets acquired and liabilities assumed	As reported 31 July 2014	Adjustments	Revised
	\$'000	\$'000	\$'000
Trade and other receivables	63,909	-	63,909
Provision for doubtful debts	(9,786)	-	(9,786)
Inventories	3,281	-	3,281
Prepayments and other assets	17,447	-	17,447
Property, plant and equipment	240,914	-	240,914
Customer base	43,245	-	43,245
IRU assets	37,284	-	37,284
Intangible assets	6,540	-	6,540
Trade and other payables	(38,310)	-	(38,310)
Employee benefits and provisions	(12,496)	-	(12,496)
Provisions	(26,880)	1,500	(25,380)
Deferred income	(18,231)	-	(18,231)
Deferred tax liabilities (net)	(1,744)	1,510	(234)
Net identifiable assets acquired	305,173	3,010	308,183
Consideration transferred			
Cash paid	463,540	-	463,540
Less: Cash acquired	(788)	-	(788)
Total consideration, net of cash acquired	462,752	-	462,752
Goodwill on acquisition			
Consideration transferred, net of cash acquired	462,752	-	462,752
Less: Net identifiable assets acquired, net of cash acquired	(305,173)	(3,010)	(308,183)
Goodwill on acquisition	157,579	(3,010)	154,569

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2015

15. Capital commitments

	31 Jan 2015 \$'000	31 July 2014 \$'000
Contracted but not provided for in the financial statements	111,223	34,453

Capital commitments at 31 January 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\$53m* in respect of an IRU agreement for international capacity entered into during the current reporting period, payable in instalments over 6 years commencing from December 2015.

Capital commitments at 31 July 2014 included \$13.5m in respect of spectrum licences which have subsequently been paid for during the current period.

*translated into AUD at the prevailing spot rate at 31 January 2015 of \$0.77.

16. Subsequent events

Proposed Acquisition of iiNet

On 13 March 2015 the Company announced that it had entered into an agreement with iiNet limited under which the Company would acquire 100% of the fully-diluted share capital in iiNet that it does not already own by way of a Scheme of Arrangement.

Under the proposed transaction, iiNet shareholders will receive cash consideration of \$8.60 per iiNet share. The cash consideration of \$8.60 per share values iiNet's fully diluted equity at approximately \$1.4 billion. The consideration will be funded from new committed debt facilities.

The Scheme is subject to certain conditions including regulatory approvals and the approval of iiNet shareholders. The directors of iiNet unanimously recommend the Scheme.

Other than the above and the declaration of the interim dividend (refer note 13), there has not arisen in the interval between the end of the half-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.

TPG Telecom Limited and its controlled entities

Directors' declaration

For the half-year ended 31 January 2015

In the opinion of the directors of TPG Telecom Limited ("the Company"):

1. the financial statements and notes set out on pages 7 to 21, are in accordance with the *Corporations Act 2001* including:
 - a. giving a true and fair view of the financial position of the Group as at 31 January 2015 and of its performance for the half-year ended on that date; and
 - b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 24th day of March 2015.

Signed in accordance with a resolution of the directors:



David Teoh
Chairman



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

We have reviewed the accompanying condensed consolidated half-year financial report of TPG Telecom Limited, which comprises the consolidated interim statement of financial position as at 31 January 2015, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 16 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 half-year's end or from time to time during the half-year period.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 January 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of TPG Telecom Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of TPG Telecom Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 January 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature in black ink, which appears to read 'Anthony Travers'.

Anthony Travers
Partner

Sydney

24 March 2015



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 review for the half-year ended 31 January 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Anthony Travers', written in a cursive style.

Anthony Travers
Partner

Sydney

24 March 2015