



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

**ASX Appendix 4D and  
Half Year Financial Report  
31 January 2019**

Lodged with the ASX under Listing Rule 4.2A

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# TPG Telecom Limited

## ASX Appendix 4D

Half Year ended 31 January 2019

(Previous corresponding period: Half Year ended 31 January 2018)

### Results for announcement to the market

#### Reported results

Revenue	down	1.5%	to	\$1,235.8m
Profit for the period	down	76.3%	to	\$47.4m
Profit for the period attributable to owners of the Company	down	76.4%	to	\$46.9m
Earnings per share attributable to owners of the Company (basic and diluted)	down	76.5%	to	5.1 cents
Earnings before interest, tax, depreciation, amortisation and impairment	up	1.7%	to	\$420.0m

#### Underlying results<sup>1</sup>

Underlying revenue	down	1.5%	to	\$1,235.8m
Underlying profit for the period	up	3.2%	to	\$225.7m
Underlying profit for the period attributable to owners of the Company	up	3.5%	to	\$225.2m
Underlying earnings per share attributable to owners of the Company (basic and diluted)	up	3.3%	to	24.3 cents
Underlying earnings before interest, tax, depreciation and amortisation	up	2.8%	to	\$424.4m

#### Dividends

	Amount per security	Franked Amount
<b>This period:</b>		
Final dividend for FY18	2.0 cents	100%
Interim dividend for FY19 (payable 21 May 2019)	2.0 cents	100%
<b>Previous corresponding period:</b>		
Final dividend for FY17	2.0 cents	100%
Interim dividend for FY18	2.0 cents	100%

For the FY19 interim dividend the record date for determining entitlement to the dividend will be 16 April 2019. The Dividend Reinvestment Plan (DRP) is currently suspended until further notice.

#### Net Tangible Assets<sup>2</sup>

	31 Jan 2019	31 Jan 2018
Net tangible assets per security	\$(1.04)	\$(1.39)

<sup>1</sup> Refer page 4 for reconciliation between reported and underlying results. The above table of underlying results comprises non-IFRS financial information that has not been subject to audit or review but is extracted or derived from the financial report for the period ended 31 January 2019 that has been reviewed by the Group's auditors, KPMG. The table of underlying results is provided because, in the opinion of the directors, it provides additional information about the underlying performance of the Group by excluding material non-recurring and/or non-cash items.

<sup>2</sup> Net tangible assets are calculated by deducting the value of intangible assets from the net assets of the Group. It should be noted that valuable assets owned by the Group such as mobile spectrum licences and indefeasible rights of use of bandwidth capacity are classified as intangible assets and are therefore excluded from the Group's net tangible assets.

# TPG Telecom Limited and its controlled entities

## Directors' report

For the half-year ended 31 January 2019

The directors present their report together with the condensed consolidated financial report of the Group, being TPG Telecom Limited ('the Company') and its controlled entities, for the half-year ended 31 January 2019 ('HY19').

### 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:

<b>Name</b>	<b>Period of directorship</b>
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

### Review of operations

#### Reported Results

Reported financial results for the TPG Telecom Limited Group for the half-year ended 31 January 2019 ("HY19") include the following highlights:

- Earnings before interest, tax, depreciation and amortisation ("EBITDA") before impairment for the period of \$420.0m;
- Net Profit After Tax attributable to shareholders ("NPAT") for the period of \$46.9m; and
- Earnings per share ("EPS") of 5.1 cents per share.

#### Underlying<sup>3</sup> Results

As advised to the market on 26 February, it has been necessary to recognise an impairment expense of \$227.4m in the HY19 results, arising from the Group's decision to cease the rollout of its Australian mobile network.

The HY19 reported results also include \$4.4m of one-off transaction costs relating to the planned merger with Vodafone Hutchison Australia ("VHA").

Excluding these irregular items, underlying EBITDA increased from \$413.0m<sup>4</sup> in HY18 to \$424.4m in HY19, underlying NPAT increased by 3.5% to \$225.2m and underlying EPS increased by 3.3% to 24.3 cents per share.

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<sup>3</sup> A reconciliation of reported to underlying results is set out on page 4.

<sup>4</sup> Prior period comparatives have been re-stated for the effects of the adoption of AASB 15.

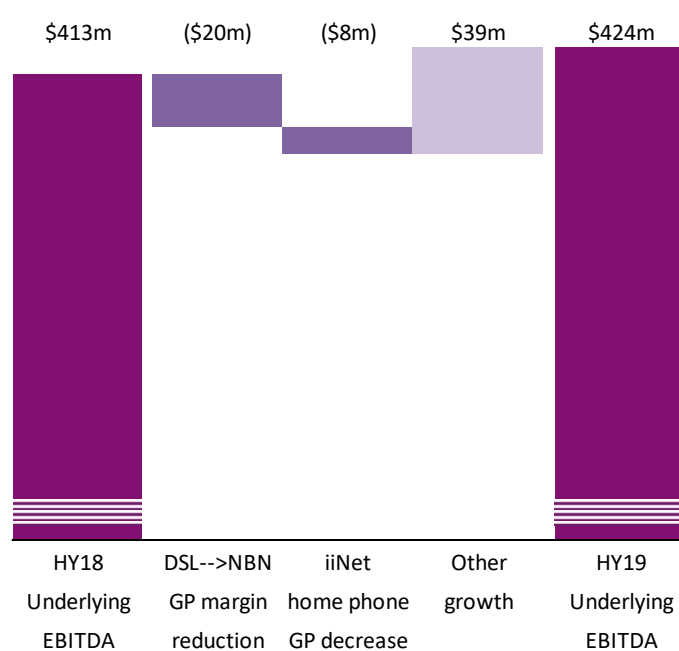
# TPG Telecom Limited and its controlled entities

## Directors' report (continued)

For the half-year ended 31 January 2019

As shown in the chart below, underlying EBITDA continued to be adversely impacted by the loss of margin as DSL and home phone customers migrate to low margin NBN services, but the Group was again successful in offsetting these headwinds in HY19.

### Bridge between underlying HY18 and HY19 EBITDA



The adverse profit impacts of the headwinds shown in the chart above were within expectations. The \$39m of other EBITDA growth achieved relative to HY18 was driven by growth in the Corporate Division (including an uplift in contribution from the VHA fibre contract) and the continued realisation of operating expense efficiencies across the Group.

### Reconciliation of Reported to Underlying results

\$m	HY19		HY18	
	EBITDA	NPAT	EBITDA	NPAT
<b>Reported</b>	<b>192.6</b>	<b>46.9</b>	<b>413.0</b>	<b>198.6</b>
Add: Transaction costs re planned merger	4.4	3.1	-	-
Add: Impairment expense	227.4	159.2	-	-
Add: Acquired customer base intangible amortisation	-	16.0	-	19.0
<b>Underlying</b>	<b>424.4</b>	<b>225.2</b>	<b>413.0</b>	<b>217.6</b>

# TPG Telecom Limited and its controlled entities

## Directors' report (continued)

For the half-year ended 31 January 2019

### Segment Results

\$m		Consumer	Corporate	Other	Total
Revenue	HY19	852.6	383.2	-	1,235.8
	HY18	880.6	374.0	-	1,254.6
EBITDA	HY19	243.0	182.5	(1.1)	424.4
	HY18	255.2	158.7	(0.9)	413.0
EBITDA %	HY19	29%	48%	-	34%
	HY18	29%	42%	-	33%

The Consumer Segment's EBITDA for HY19 was \$243.0m compared to \$255.2m for HY18. This movement comprises a \$24.8m decrease in gross profit, partially offset by a \$12.6m decrease in employment and overhead costs. The gross profit decline is driven by broadband gross margin erosion and loss of home phone voice revenue, both due to the NBN rollout. The significant decrease in employment and overhead costs reflects the results of ongoing operating cost optimisation work.

The Corporate Segment achieved EBITDA of \$182.5m for HY19 compared to \$158.7m for HY18. This \$23.8m increase was driven by a significant step up in the contribution from the contract to provide fibre services to VHA, complemented by other on-net fibre sales. The continued shift towards revenue delivered on the Group's owned fibre infrastructure helped lift the Corporate Segment EBITDA margin to 48% in HY19 compared to 42% in HY18.

### Cashflow, Capital Expenditure and Gearing

The Group generated net operating cashflow after tax of \$333.0m for the half-year.

Total capital expenditure for the half year of \$556.7m included a \$352.4m instalment for the 2x10MHz of 700MHz spectrum acquired at auction in 2017, \$66.1m invested in the (now ceased) Australian mobile network build, and \$39.8m in the Singapore mobile network build. The remaining 'business as usual' capital expenditure of \$98.4m was \$64.7m lower than HY18 following substantial completion of the fibre expansion for the VHA fibre contract.

At the end of HY19 the Group had net debt (excluding outstanding spectrum liabilities) of \$1,567.6m which represents a leverage ratio of ~1.85x annualised underlying EBITDA.

### Singapore Update

TPG's mobile network build in Singapore continues to progress well. The network has achieved a nationwide outdoor coverage performance result of over 99%, easily exceeding the 95% milestone it was required to meet by the end of 2018.

A service trial was launched in late December 2018 allowing customers to trial the network for free for twelve months while work continues to enhance network coverage, performance and features.

In response to positive feedback received from initial trial customers, the trial service limit has been expanded to 200,000 users so that more Singaporeans can experience the excellent service and network quality ahead of the full commercial launch.

# TPG Telecom Limited and its controlled entities

## Directors' report (continued)

For the half-year ended 31 January 2019

### Dividend

The Board of Directors has declared an interim FY19 dividend in line with last year of 2.0 cents per share (fully franked), payable on 21 May 2019 to shareholders on the register on 16 April 2019. The Dividend Reinvestment Plan remains suspended until further notice.

### FY19 Guidance

The directors reaffirm the guidance provided in September 2018 for BAU<sup>5</sup> EBITDA for the Group for the full year FY19 to be in the range of \$800-820m and BAU<sup>5</sup> capex to be in the range of \$180-220m.

	HY19 Actual \$m	FY19 Guidance* \$m
BAU <sup>5</sup> EBITDA	424.4	800-820
BAU <sup>5</sup> Capex	98.4	180-220

\* As originally provided in September 2018, and now reaffirmed.

### Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 32 and forms part of the directors' report for the half-year ended 31 January 2019.

### Rounding off

The Company is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191 dated 24 March 2016 and, in accordance with that instrument, all financial information presented in the consolidated financial statements and directors' report has been rounded to the nearest hundred thousand dollars unless otherwise stated.

Dated at Sydney this 19<sup>th</sup> day of March 2019.

Signed in accordance with a resolution of the directors:



**David Teoh**  
Chairman

<sup>5</sup> In its FY18 results presentation (dated 18 September 2018) the Group provided BAU ('Business as usual') guidance and defined BAU EBITDA as relating to existing Consumer and Corporate Division operations and excluding any impact (revenue or expense) from mobile network operations in Australia or in Singapore and taking no account of any impact from the planned merger with VHA (including merger transaction costs). BAU capex was defined as excluding any expenditure in relation to the mobile network builds in Australia and Singapore and also excluding spectrum payments.

# TPG Telecom Limited and its controlled entities

## Consolidated interim income statement

For the half-year ended 31 January 2019

	<b>Note</b>	<b>HY19 \$m</b>	<b>HY18* \$m</b>
Revenue	<b>6</b>	1,235.8	1,254.6
Network, carrier and hardware costs		(613.7)	(626.8)
Employee benefits expense		(109.3)	(124.4)
Other expenses		(92.8)	(90.4)
<b>Earnings before interest, tax, impairment, depreciation and amortisation</b>		<b>420.0</b>	<b>413.0</b>
Impairment of spectrum and mobile assets	<b>7</b>	(227.4)	-
Depreciation of plant and equipment	<b>12</b>	(66.5)	(68.8)
Amortisation of intangibles	<b>13</b>	(42.1)	(46.3)
<b>Results from operating activities</b>		<b>84.0</b>	<b>297.9</b>
Finance income		1.0	0.6
Finance expenses	<b>8</b>	(14.7)	(19.2)
<b>Net financing costs</b>		<b>(13.7)</b>	<b>(18.6)</b>
<b>Profit before income tax</b>		<b>70.3</b>	<b>279.3</b>
Income tax expense	<b>9</b>	(22.9)	(79.5)
<b>Profit for the period</b>		<b>47.4</b>	<b>199.8</b>
<b>Attributable to:</b>			
Owners of the Company		46.9	198.6
Non-controlling interest		0.5	1.2
		<b>47.4</b>	<b>199.8</b>
<b>Earnings per share attributable to owners of the Company:</b>			
Basic and diluted earnings per share (cents)	<b>17</b>	5.1	21.5

\*Restated, see note 3(ii)

# TPG Telecom Limited and its controlled entities

## Consolidated interim statement of comprehensive income

For the half-year ended 31 January 2019

	<b>HY19</b>	<b>HY18*</b>
	<b>\$m</b>	<b>\$m</b>
<b>Profit for the period</b>	<b>47.4</b>	<b>199.8</b>
<b>Items that may subsequently be reclassified to the income statement, net of tax:</b>		
Foreign exchange translation differences	3.7	1.9
Net (loss)/gain on cash flow hedges taken to equity	(14.4)	4.5
<b>Items that will not subsequently be reclassified to the income statement, net of tax:</b>		
Net change in fair value of assets measured through other comprehensive income	(0.5)	(0.3)
<b>Total other comprehensive income, net of tax</b>	<b>(11.2)</b>	<b>6.1</b>
<b>Total comprehensive income for the period</b>	<b>36.2</b>	<b>205.9</b>
<b>Attributable to:</b>		
Owners of the Company	35.7	204.7
Non-controlling interest	0.5	1.2
	<b>36.2</b>	<b>205.9</b>

\*Restated, see note 3(ii)



# TPG Telecom Limited and its controlled entities

## Consolidated interim statement of financial position

As at 31 January 2019

	Note	31 Jan 2019 \$m	31 July 2018* \$m
<b>Assets</b>			
Cash and cash equivalents		44.0	82.2
Trade and other receivables and contract assets	6	131.9	134.2
Deferred contract costs		9.0	10.0
Inventories		8.1	4.9
Derivative financial assets		0.2	0.7
Prepayments and other assets		14.8	14.9
<b>Total Current Assets</b>		<b>208.0</b>	<b>246.9</b>
Investments	10	1.1	1.9
Deferred contract costs		5.5	4.8
Property, plant and equipment	12	1,262.3	1,249.0
Spectrum assets	13	1,388.3	1,479.7
Goodwill and other intangible assets	13	2,376.9	2,411.2
Deferred tax assets		33.3	-
Prepayments and other assets		6.7	7.2
<b>Total Non-Current Assets</b>		<b>5,074.1</b>	<b>5,153.8</b>
<b>Total Assets</b>		<b>5,282.1</b>	<b>5,400.7</b>
<b>Liabilities</b>			
Trade and other payables		286.1	320.3
Loans and borrowings and derivative financial liabilities	14	3.8	5.5
Spectrum liability	15	336.0	344.0
Current tax liabilities		7.9	23.2
Deferred revenue	6	156.5	153.6
Employee benefits		28.7	29.7
Provisions		9.3	9.2
Accrued interest		5.0	5.1
<b>Total Current Liabilities</b>		<b>833.3</b>	<b>890.6</b>
Loans and borrowings and derivative financial liabilities	14	1,582.6	1,318.4
Spectrum liability	15	-	327.8
Deferred tax liabilities		-	12.0
Deferred revenue	6	25.5	26.3
Employee benefits		2.2	2.2
Provisions		33.8	34.0
<b>Total Non-Current Liabilities</b>		<b>1,644.1</b>	<b>1,720.7</b>
<b>Total Liabilities</b>		<b>2,477.4</b>	<b>2,611.3</b>
<b>Net Assets</b>		<b>2,804.7</b>	<b>2,789.4</b>
<b>Equity</b>			
Share capital	16	1,465.2	1,465.2
Reserves		(21.7)	(8.2)
Retained earnings		1,356.7	1,328.4
<b>Equity attributable to owners of the Company</b>		<b>2,800.2</b>	<b>2,785.4</b>
Non-controlling interest		4.5	4.0
<b>Total Equity</b>		<b>2,804.7</b>	<b>2,789.4</b>

\*Restated, see note 3(ii)

TPG Telecom Limited and its controlled entities  
Consolidated interim statement of changes in equity

For the half-year ended 31 January 2019

		Attributable to owners of the Company								
Note	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 2017, as reported	1,449.4	(3.7)	(3.5)	(7.0)	(3.9)	(18.1)	963.3	2,394.6	4.7	2,399.3
Effect of AASB 15 implementation	-	-	-	-	-	-	6.5	6.5	-	6.5
Restated balance at 1 August 2017	1,449.4	(3.7)	(3.5)	(7.0)	(3.9)	(18.1)	969.8	2,401.1	4.7	2,405.8
Restated profit for the period	-	-	-	-	-	-	198.6	198.6	1.2	199.8
Other comprehensive income	-	1.9	-	(0.3)	4.5	6.1	-	6.1	-	6.1
Restated total comprehensive income for the period	-	1.9	-	(0.3)	4.5	6.1	198.6	204.7	1.2	205.9
Issue of shares	9.1	-	-	-	-	-	-	9.1	-	9.1
Share-based payment transactions	-	-	0.8	-	-	0.8	-	0.8	-	0.8
Dividends paid to shareholders	-	-	-	-	-	-	(18.5)	(18.5)	(1.8)	(20.3)
Restated balance as at 31 January 2018	1,458.5	(1.8)	(2.7)	(7.3)	0.6	(11.2)	1,149.9	2,597.2	4.1	2,601.3
Balance as at 1 August 2018, as reported	1,465.2	3.3	(0.9)	(7.7)	(2.9)	(8.2)	1,323.2	2,780.2	4.0	2,784.2
Effect of AASB 15 implementation	-	-	-	-	-	-	5.2	5.2	-	5.2
Restated balance at 1 August 2018	1,465.2	3.3	(0.9)	(7.7)	(2.9)	(8.2)	1,328.4	2,785.4	4.0	2,789.4
Profit for the period	-	-	-	-	-	-	46.9	46.9	0.5	47.4
Other comprehensive income	-	3.7	-	(0.5)	(14.4)	(11.2)	-	(11.2)	-	(11.2)
Total comprehensive income for the period	-	3.7	-	(0.5)	(14.4)	(11.2)	46.9	35.7	0.5	36.2
Share-based payment transactions	-	-	(2.3)	-	-	(2.3)	-	(2.3)	-	(2.3)
Dividends paid to shareholders	-	-	-	-	-	-	(18.6)	(18.6)	-	(18.6)
Balance as at 31 January 2019	1,465.2	7.0	(3.2)	(8.2)	(17.3)	(21.7)	1,356.7	2,800.2	4.5	2,804.7

The condensed notes on pages 12 to 28 are an integral part of these consolidated interim financial statements.

# TPG Telecom Limited and its controlled entities

## Consolidated interim statement of cash flows

For the half-year ended 31 January 2019

	<i>Note</i>	<b>HY19</b> <b>\$m</b>	<b>HY18</b> <b>\$m</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1,359.4	1,373.6
Cash paid to suppliers and employees		(948.7)	(956.4)
Cash generated from operations		410.7	417.2
Income taxes paid		(77.7)	(111.6)
<b>Net cash from operating activities</b>		<b>333.0</b>	<b>305.6</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(162.5)	(149.4)
Acquisition of spectrum assets	<b>15</b>	(352.4)	(594.8)
Acquisition of other intangible assets		(41.8)	(47.5)
Transaction costs relating to planned business combination		(2.9)	-
<b>Net cash used in investing activities</b>		<b>(559.6)</b>	<b>(791.7)</b>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		(2.4)	(16.4)
Proceeds from borrowings		292.8	927.7
Repayment of borrowings		(55.0)	(353.6)
Transaction costs related to borrowings		-	(10.8)
Interest received		0.7	0.5
Finance costs paid		(29.4)	(16.5)
Dividends paid		(18.6)	(9.4)
Dividends paid to non-controlling interest		-	(1.8)
<b>Net cash from financing activities</b>		<b>188.1</b>	<b>519.7</b>
Net (decrease)/increase in cash and cash equivalents		(38.5)	33.6
Cash and cash equivalents at beginning of the period		82.2	46.3
Effect of exchange rate fluctuations		0.3	(0.1)
<b>Cash and cash equivalents at end of the period</b>		<b>44.0</b>	<b>79.8</b>

The condensed notes on pages 12 to 28 are an integral part of these consolidated interim financial statements.

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 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 half-year ended 31 January 2019 ('HY19') 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 Group's 2018 Annual Report, which is available on the Company's website at <https://www.tpg.com.au/about/investorrelations>.

Accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its 2018 Annual Report, except for the adoption of new accounting standards applicable to the Group from 1 August 2018. The effect of the initial application of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* are described in note 3 below.

The Group is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191 dated 24 March 2016 and, in accordance with that instrument, all financial information has been rounded to the nearest hundred thousand dollars unless otherwise stated.

The condensed consolidated interim financial report was approved by the Board of Directors on 19 March 2019.

### 3. Adoption of new accounting standards

#### (i) Financial instruments (Revised AASB 9)

The revised AASB 9 is applicable to the Group from 1 August 2018. The standard sets out new requirements for classification and measurement of financial assets and financial liabilities. The impact of this revised standard on the Group's consolidated financial statements is not significant and there has been no restatement of prior year comparatives.

#### Impact on Financial assets

##### a. Classification and measurement

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost (MAAC), fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The standard eliminates the previous categories of: held to maturity, loans and receivables, and available for sale.

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 3. Adoption of new accounting standards (continued)

The Group has the following categories of financial assets: (i) trade receivables and (ii) equity investments.

- (i) Trade receivables: Under AASB 9, trade receivables are classified as 'Held-to-collect' MAAC assets and measured at amortised cost.
- (ii) Equity investments: At 31 July 2018, the Group had equity investments that are held for long-term strategic purposes valued at \$1.9m, classified as 'available-for-sale' and measured on a FVOCI basis. Upon initial application of AASB 9, the Group has elected to classify these equity investments as FVOCI assets. Consequently, all fair value gains and losses continue to be reported in other comprehensive income, but no impairment losses are recognised in the income statement and no gains or losses are reclassified to the income statement on disposal.

#### b. Impairment

Under the revised standard, impairment of financial assets will be calculated using an 'expected credit loss' (ECL) model replacing the previous 'incurred loss' model. The new impairment model applies to financial assets that are classified as MAAC or FVOCI, but excluding equity investments. The current provisioning system for trade receivables is consistent with the prescribed lifetime expected credit loss method and hence no significant impact arises from the adoption of the new standard.

#### Impact on Financial liabilities

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

#### Hedge accounting

AASB 9 also provides simpler hedge accounting requirements and helps align accounting treatment more closely to the Group's risk management strategy. The Group has adopted the AASB 9 hedge accounting model on initial application of the new standard. All the Group's previous hedge accounting relationships comply with the requirements of AASB 9 and therefore there is no change on adoption of AASB 9.

### (ii) Revenue from contracts with customers (AASB 15)

The new AASB 15 is applicable to the Group from 1 August 2018. The standard contains a single model that applies to all contracts with customers. Under that model, an entity must determine the various performance obligations under a contract, allocate the total contract price amongst the performance obligations, and recognise revenue when the performance obligations are satisfied. The standard also provides guidance on treatment of contract costs, i.e. incremental costs of acquiring a contract and costs to fulfil the contract.

#### Changes to accounting policies, significant judgements and estimates arising from adoption of AASB 15:

##### a. Set-up revenue and connection costs:

For certain products, set-up revenue charged to customers and connection costs incurred by the Group were previously recognised on installation. As set-up revenue does not satisfy the definition of a performance obligation under the new standard, from the date of initial application, it is treated as part of the total contract price and allocated over the identified performance obligations. Connection costs, being costs of fulfilling orders, are capitalised as deferred contract costs and expensed to network, carrier and hardware costs over the life of the contract.

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 3. Adoption of new accounting standards (continued)

#### b. Subscriber acquisition costs:

In accordance with AASB Interpretation 1042: Subscriber Acquisition Costs in the Telecommunications Industry, the direct costs of acquiring customer contracts such as sign-on incentives, free equipment and discounted installation costs were previously classified as subscriber acquisition costs within intangible assets and amortised through intangible amortisation.

From the date of initial application of the new standard, costs such as sign-on incentives and free equipment that arise on obtaining customer contracts form part of the total contract price and hence reduce the revenue recognised over the contract term.

Costs such as discounted installation costs are classified as deferred contract costs and amortised through network, carrier and hardware costs over the contract term.

The unamortised balance of these items as at 1 August 2018 of \$9.5m was reclassified from intangible assets to contract assets disclosed under 'Trade and other receivables and contract assets' (\$5.1m) and deferred contract costs (\$4.4m).

#### c. Sales commission costs:

Incremental sales commission costs incurred in acquiring new contracts were previously expensed on contract inception. Under the new AASB 15 these costs are capitalised as deferred contract costs and expensed to employee benefits expense over the life of the contract.

#### d. Significant judgements and estimates:

The Group applies judgement in allocating transaction price across the various performance obligations comprised under a customer contract. Judgement is also exercised to estimate the period over which deferred contract costs are expensed.

#### **Transition and impact of changes in accounting policies on initial adoption of AASB 15:**

The Group has adopted the retrospective method for transition to the new AASB 15. Consequently, the prior year comparatives have been restated in the HY19 financial statements. In accordance with practical expedients provided by the standard, on transition, the Group has elected not to restate contracts completed before 1 August 2017.

The impact of initial application of AASB 15 on the Group's consolidated financial statements is set out in the tables below. Table A and B disclose the impact on the previously reported statements of financial position as at 31 July 2018 and 31 July 2017. Table C discloses the impact on the previously reported HY18 income statement.

There is no impact on the statement of cash flows arising from the adoption of AASB 15.

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 3. Adoption of new accounting standards (continued)

#### A. Impact of changes in accounting policies on the statement of financial position as at 31 July 2018:

	As previously reported \$m	Adjustment \$m	As restated \$m
Trade and other receivables and contract assets	129.1	5.1	134.2
Deferred contract costs	-	14.8	14.8
Goodwill and other intangible assets	2,420.7	(9.5)	2,411.2
Other	2,840.5	-	2,840.5
<b>Total Assets</b>	<b>5,390.3</b>	<b>10.4</b>	<b>5,400.7</b>
Deferred revenue	174.6	5.3	179.9
Deferred tax liabilities	12.1	(0.1)	12.0
Other	2,419.4	-	2,419.4
<b>Total Liabilities</b>	<b>2,606.1</b>	<b>5.2</b>	<b>2,611.3</b>
Retained earnings	1,323.2	5.2	1,328.4
Other	1,461.0	-	1,461.0
<b>Total Equity</b>	<b>2,784.2</b>	<b>5.2</b>	<b>2,789.4</b>

#### B. Impact of changes in accounting policies on the statement of financial position as at 31 July 2017:

	As previously reported \$m	Adjustment \$m	As restated \$m
Trade and other receivables and contract assets	131.6	5.2	136.8
Deferred contract costs	-	19.1	19.1
Goodwill and other intangible assets	2,416.2	(11.1)	2,405.1
Other	1,363.2	-	1,363.2
<b>Total Assets</b>	<b>3,911.0</b>	<b>13.2</b>	<b>3,924.2</b>
Deferred revenue	174.4	7.3	181.7
Deferred tax liabilities	10.1	(0.6)	9.5
Other	1,327.2	-	1,327.2
<b>Total Liabilities</b>	<b>1,511.7</b>	<b>6.7</b>	<b>1,518.4</b>
Retained earnings	963.3	6.5	969.8
Other	1,436.0	-	1,436.0
<b>Total Equity</b>	<b>2,399.3</b>	<b>6.5</b>	<b>2,405.8</b>

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 3. Adoption of new accounting standards (continued)

#### C. Impact of changes in accounting policies on the income statement for the six months ended 31 January 2018:

	As previously reported \$m	Adjustment \$m	As restated \$m
Revenue	1,252.0	2.6	1,254.6
Network, carrier and hardware costs	(619.2)	(7.6)	(626.8)
Employee benefits expense	(124.2)	(0.2)	(124.4)
Other expenses	(90.4)	-	(90.4)
<b>EBITDA</b>	<b>418.2</b>	<b>(5.2)</b>	<b>413.0</b>
Depreciation of plant and equipment	(68.8)	-	(68.8)
Amortisation of intangibles	(51.3)	5.0	(46.3)
Net financing costs	(18.6)	-	(18.6)
Income tax expense	(79.6)	0.1	(79.5)
<b>Profit for the period</b>	<b>199.9</b>	<b>(0.1)</b>	<b>199.8</b>
Other comprehensive income	6.1	-	6.1
<b>Total comprehensive income</b>	<b>206.0</b>	<b>(0.1)</b>	<b>205.9</b>
Basic and diluted earnings per share (cents)	<b>21.5</b>	-	<b>21.5</b>

#### (iii) New standards and interpretations not yet adopted

##### Leases (AASB 16)

AASB 16 will be applicable to the Group from 1 August 2019. AASB 16 introduces a single, on-balance sheet, lease accounting model for lessees. From an initial assessment of the potential impact on its consolidated financial statements, the Group has noted the following:

- a number of lease contracts currently disclosed within note 20 ('Operating lease commitments') of the FY18 Annual Report, which currently give rise to recurring expenses within operating expenses, will in future be recognised on the balance sheet as 'Right of use assets';
- a corresponding lease liability reflecting the Group's commitment to make payments to third parties under these contracts will also be recognised on the balance sheet;
- the Group will depreciate the 'Right of use assets' with a charge to the income statement over the shorter of the assets' useful lives and the lease term;
- the Group will recognise an interest expense on the liability as a finance cost in the income statement;
- the profile of the overall expense in the income statement will change as the interest expense will be more front-loaded compared to a straight-line operating lease rental expense.

The Group's assessment of the impact of adopting AASB 16 on its consolidated financial statements is on-going and the quantitative effect will depend on, amongst other things, the Group's future borrowing rate, the composition of the Group's lease portfolio, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.



# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 3. Adoption of new accounting standards (continued)

#### Transition:

The Group intends using the 'Modified Retrospective method' for transition to the new standard. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 August 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

### 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 consistent with those applied in the Group's 2018 Annual Report, except for new significant judgements and key sources of estimation uncertainty related to:

- the application of AASB 15 as described in note 3(ii), and
- impairment of spectrum and mobile assets as described in note 7.

### 5. Segment reporting

The Group determines and presents operating segments based on the information that is internally provided to the Executive Chairman, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Group's Executive Chairman to make decisions about resources to be allocated to each segment and assess its performance, and for which discrete financial information is available.

As at the end of HY19, the Group recognises the following segments:

#### Consumer Segment

The Consumer Segment provides telecommunications and technology services to residential and small business customers.

#### Corporate Segment

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

Results for the period for each operating segment are set out in the table on the next page. In the table, expenses in the 'Unallocated' column comprise start-up expenses in relation to the Group's Singapore operations, business combination transaction costs and other corporate costs.

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 5. Segment reporting (continued)

	Consumer	Corporate	Unallocated	Total results
For the half year ended 31 January 2019	\$m	\$m	\$m	\$m
Revenue	852.6	383.2	-	1,235.8
Network, carrier and hardware costs	(482.0)	(131.7)	-	(613.7)
Employee benefits expense	(59.4)	(49.6)	(0.3)	(109.3)
Other expenses	(68.2)	(19.4)	(5.2)	(92.8)
<b>Results from segment activities</b>	<b>243.0</b>	<b>182.5</b>	<b>(5.5)</b>	<b>420.0</b>

For the half year ended 31 January 2018

Revenue	880.6	374.0	-	1,254.6
Network, carrier and hardware costs	(485.2)	(141.6)	-	(626.8)
Employee benefits expense	(68.0)	(56.3)	(0.1)	(124.4)
Other expenses	(72.2)	(17.4)	(0.8)	(90.4)
<b>Results from segment activities</b>	<b>255.2</b>	<b>158.7</b>	<b>(0.9)</b>	<b>413.0</b>

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

	HY19	HY18
	\$m	\$m
<b>Total segment results</b>	<b>420.0</b>	<b>413.0</b>
Impairment of spectrum and mobile assets	(227.4)	-
Depreciation of plant and equipment	(66.5)	(68.8)
Amortisation of intangibles	(42.1)	(46.3)
<b>Results from operating activities</b>	<b>84.0</b>	<b>297.9</b>
Net financing costs	(13.7)	(18.6)
<b>Profit before income tax</b>	<b>70.3</b>	<b>279.3</b>

### Geographic Information

All of the Group's revenues are derived from Australian based entities, except for \$16.5m (2018: \$15.4m) derived from overseas customers.

A geographic analysis of the Group's non-current assets is set out below:

Country	31 Jan 2019	31 July 2018
	\$m	\$m
Australia	4,570.3	4,713.0
Singapore	250.6	203.0
Other	253.2	237.8
<b>Total</b>	<b>5,074.1</b>	<b>5,153.8</b>

'Other' predominantly relates to submarine cables located 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 2019

### 6. Revenue

The Group derives its revenue primarily from the provision of services to customers. The following table provides a breakdown of major product categories by segment.

	Consumer		Corporate		Total	
	HY19 \$m	HY18 \$m	HY19 \$m	HY18 \$m	HY19 \$m	HY18 \$m
<b>Major product categories</b>						
Data & Internet*	722.6	710.3	320.5	300.6	1,043.1	1,010.9
Voice	40.6	63.5	62.7	73.4	103.3	136.9
Mobile	54.6	57.2	-	-	54.6	57.2
Other	34.8	49.6	-	-	34.8	49.6
<b>Total</b>	<b>852.6</b>	<b>880.6</b>	<b>383.2</b>	<b>374.0</b>	<b>1,235.8</b>	<b>1,254.6</b>

\* Includes, for the Consumer division, revenue from bundled home phone voice.

### Contract balances

The following table provides information about receivables, contract assets, and liabilities from contracts with customers.

	31 Jan 2019 \$m	31 July 2018 \$m
Included in 'Trade and other receivables and contract assets'		
- Trade receivables	118.9	114.4
- Contract assets	10.7	8.3
Deferred revenue liability	182.0	179.9

Accounting policy changes and the impact of the initial adoption of AASB 15 on the Group's interim financial statements are disclosed in note 3(ii).

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 7. Impairment of spectrum and mobile assets

On 29 January 2019, the Company announced that, as a consequence of the Government's ban on use of Huawei equipment in 5G mobile networks, it had decided to cease its Australian mobile network rollout.

Having ceased the mobile network rollout, the Group now has no business plan or strategy for using its spectrum licences and other mobile network assets on a standalone basis and, accordingly, it has been necessary to reassess the carrying value of these assets.

It is expected that, in the event that the planned merger with Vodafone Hutchison Australia (VHA) proceeds, the Group's spectrum and mobile assets will be complementary to the VHA mobile network. However, as the merger remains subject to regulatory and shareholder approval and is, therefore, not certain to proceed, the expected use by and value to the merged entity of these assets may not be taken into account in determining their current value to the Group.

Pursuant to an impairment review conducted as at 31 January 2019, management has estimated the recoverable amount of all of the relevant assets on a 'fair value less costs of disposal' basis (which is categorised as a level 3 method in the fair value hierarchy set out in note 11). The aggregate impact of the review is that an impairment expense of \$227.4m has been recognised in the current reporting period, comprising the following:

	<b>Note</b>	<b>Impairment amount \$m</b>
Spectrum licences	<b>13</b>	91.8
Mobile network assets	<b>12</b>	76.0
Capitalised interest, related to		
- spectrum licences	<b>13</b>	57.5
- mobile network assets	<b>12</b>	2.1
<b>Total</b>		<b>227.4</b>

Further details regarding each of these components are provided below.

#### ***Spectrum licences***

The Group has Australian spectrum licences that have not to-date been amortised in the Group's accounts. In accordance with the Group's accounting policies, amortisation of these licences was to commence when the associated mobile network assets were installed and ready for their intended use.

Following the Group's announcement of 29 January 2019, the carrying value of these assets has been reassessed on a fair value less costs of disposal basis. The key factors considered in assessing the valuation of the licences were:

- the original price paid at auction for each of the spectrum licences;
- a comparison of current market conditions and participants with those prevailing at the time of the relevant auctions;
- whether there were any more recent, directly comparable spectrum auctions; and
- the remaining licence term of each spectrum licence.

Determination of the fair value of these spectrum licences is an area of significant estimation uncertainty given the lack of recent market data for relevant spectrum licence sales in the Australian regulatory context. It has been determined that the most relevant value is the price paid at auction by the Group, adjusted for the licence period that has expired.

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 7. Impairment of spectrum and mobile assets (continued)

Pursuant to this assessment, the Group has impaired the carrying value of its spectrum licences by \$91.8m.

Due to there being no plan for the use of the spectrum licences, commencing from the start of 2H19, the licences will be amortised in the Group's accounts on a straight-line basis over the remaining term of each licence.

#### ***Mobile network assets***

As at 31 January 2019, the Group had incurred capital expenditure of approximately \$100m in design, planning, acquisition and construction costs relating to its Australian mobile network. A significant component of this capital expenditure relates to the acquisition and installation of Huawei equipment.

As a result of the 29 January 2019 announcement, the Group has reassessed the carrying value of these mobile network assets. Key factors considered in assessing their fair value were:

- the fact that Huawei equipment is banned from use in any 5G networks in Australia;
- the limited alternative uses of the Huawei equipment; and
- the alternative uses of the non-Huawei assets.

There is also a high level of estimation uncertainty in the valuation adopted for these assets due to the absence of directly comparable transactions that provide evidence as to the value to third parties of the various network components.

Pursuant to this assessment, the Group has impaired the carrying value of the mobile network assets by \$76.0m.

#### ***Capitalised interest***

In accordance with the Group's accounting policies, interest expense on debt drawn to finance the Group's investments in Australian spectrum and associated mobile network assets was being capitalised into the cost of the relevant assets. Capitalisation of the interest expense was to cease at the same time as the related assets began being depreciated.

Given the decision to cease the mobile network rollout and the change in the expected use of these assets, the Group has ceased capitalising interest expense relating to its Australian spectrum and associated mobile network assets from the date of the decision. Interest capitalised up until this date comprised:

- Interest on deferred 700MHz spectrum payment instalments: \$33.2m
- Debt facility interest: \$26.4m.

Given the cessation of the mobile network construction, both amounts (total \$59.6m) have been written-off in the current reporting period as the recoverable amount of the spectrum and network assets was below the carrying value of the assets including the capitalised interest.

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 8. Finance expenses

	<b>HY19</b> <b>\$m</b>	<b>HY18</b> <b>\$m</b>
Interest expense	6.0	9.9
Borrowing costs	8.7	9.3
	<b>14.7</b>	<b>19.2</b>

Interest expense in the current period excludes \$36.1m of interest incurred in the period that was directly attributable to the construction of the Group's fibre and mobile networks and acquisition of mobile spectrum which, in accordance with the Group's accounting policies, was capitalised as, part of the cost of the relevant assets. However, as described in note 7 'Impairment of spectrum and mobile assets', \$59.6m of capitalised interest has been written-off during the current period.

### 9. Income tax expense

	<b>HY19</b> <b>\$m</b>	<b>HY18</b> <b>\$m</b>
<b>Current tax expense</b>	<b>64.3</b>	<b>91.2</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(41.4)	(11.7)
<b>Income tax expense</b>	<b>22.9</b>	<b>79.5</b>

#### Numerical reconciliation between tax expense and pre-tax accounting profit

	<b>HY19</b> <b>\$m</b>	<b>HY18</b> <b>\$m</b>
Profit before income tax	70.3	279.3
Income tax using Australian tax rate of 30%	21.1	83.8
Different tax rates in other jurisdictions	0.1	-
Non-deductible and non-assessable items	1.7	(4.3)
<b>Income tax expense</b>	<b>22.9</b>	<b>79.5</b>

### 10. Investments

	<b>31 Jan 2019</b> <b>\$m</b>	<b>31 July 2018</b> <b>\$m</b>
Measured at fair value through other comprehensive income		
<b>Non-current</b>		
Carrying amount at beginning of period	1.9	2.9
Change in fair value	(0.8)	(1.0)
<b>Carrying amount at end of period</b>	<b>1.1</b>	<b>1.9</b>

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 10. Investments (continued)

#### Joint venture with Vodafone Hutchison Australia (VHA)

In October 2018, the Company and VHA formed a 50:50 Joint Venture company, Mobile JV Pty Limited. The initial scope of the joint venture is to acquire, hold and licence 3.6GHz spectrum. The joint venture entity will be accounted using the equity method. It had no material balances to report as at 31 January 2019.

Mobile JV successfully bid for twelve 5MHz lots in the 3.6GHz spectrum auction concluded in December 2018. Mobile JV will pay \$263.3m in early 2020 for the lots purchased. The Group's share of the purchase price is reflected in the capital commitments set out in note 19.

### 11. Hierarchy of financial instruments measured at fair value

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 financial instruments which are measured at fair value are categorised as follows:

	31 Jan 2019			31 July 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial assets</b>						
Investments	1.1	-	-	1.9	-	-
Derivative financial assets						
Interest rate swap contracts	-	-	-	-	-	-
Foreign currency forward contracts	-	0.2	-	-	0.7	-
<b>Financial liabilities</b>						
Derivative financial liabilities						
Interest rate swap contracts	-	(24.5)	-	-	(4.8)	-
Foreign currency forward contracts	-	(0.1)	-	-	(0.1)	-

The Group's investments, being ASX listed securities, are categorised as Level 1 as they are valued at quoted market prices.

Interest rate swap contracts are categorised as Level 2 as they are valued at the present value of the estimated future cash flows. Estimates of future floating rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty.

Foreign currency forward contracts are categorised as Level 2 as they are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies.

TPG Telecom Limited and its controlled entities  
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For the half-year ended 31 January 2019

**12. Property, plant and equipment**

	Network & IT infrastructure \$m	Land & Buildings \$m	Leasehold improvements \$m	Total \$m
<b>Cost</b>				
Balance at 1 August 2017	1,716.3	42.7	13.9	1,772.9
Additions	325.2	4.6	1.0	330.8
Disposals	(0.1)	-	-	(0.1)
Effect of movements in exchange rates	1.6	-	-	1.6
<b>Balance at 31 July 2018</b>	<b>2,043.0</b>	<b>47.3</b>	<b>14.9</b>	<b>2,105.2</b>
Balance at 1 August 2018	2,043.0	47.3	14.9	2,105.2
Additions	149.3	0.2	1.2	150.7
Transfers	4.8			4.8
Disposals	(0.2)	-	-	(0.2)
Effect of movements in exchange rates	2.6	-	-	2.6
<b>Balance at 31 January 2019</b>	<b>2,199.5</b>	<b>47.5</b>	<b>16.1</b>	<b>2,263.1</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 August 2017	706.2	3.1	8.1	717.4
Depreciation charge for the year	136.3	1.1	1.3	138.7
Disposals	0.1	-	-	0.1
<b>Balance at 31 July 2018</b>	<b>842.6</b>	<b>4.2</b>	<b>9.4</b>	<b>856.2</b>
Balance at 1 August 2018	842.6	4.2	9.4	856.2
Depreciation charge for the year	64.1	0.6	1.8	66.5
Impairment (Refer note 7)	78.1	-	-	78.1
<b>Balance at 31 January 2019</b>	<b>984.8</b>	<b>4.8</b>	<b>11.2</b>	<b>1,000.8</b>
<b>Carrying amounts</b>				
At 31 July 2018	1,200.4	43.1	5.5	1,249.0
<b>At 31 January 2019</b>	<b>1,214.7</b>	<b>42.7</b>	<b>4.9</b>	<b>1,262.3</b>



TPG Telecom Limited and its controlled entities  
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13. Intangible assets

	Goodwill~	Brands~	Acquired customer bases	Indefeasible rights of use of capacity	Other intangibles *	Sub - total	Spectrum licences	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Costs</b>								
Balance 1 August 2017	1,911.0	90.6	480.5	215.8	104.6	2,802.5	222.2	3,024.7
Additions	-	-	-	35.4	64.7	100.1	1,262.8	1,362.9
Effect of movements in exchange rates	-	-	-	-	-	-	9.1	9.1
<b>Balance 31 July 2018, as reported</b>	<b>1,911.0</b>	<b>90.6</b>	<b>480.5</b>	<b>251.2</b>	<b>169.3</b>	<b>2,902.6</b>	<b>1,494.1</b>	<b>4,396.7</b>
AASB 15 adjustment	-	-	-	-	(12.8)	(12.8)	-	(12.8)
<b>Restated balance 31 July 2018</b>	<b>1,911.0</b>	<b>90.6</b>	<b>480.5</b>	<b>251.2</b>	<b>156.5</b>	<b>2,889.8</b>	<b>1,494.1</b>	<b>4,383.9</b>
Balance 1 August 2018	1,911.0	90.6	480.5	251.2	156.5	2,889.8	1,494.1	4,383.9
Additions	-	-	-	25.5	40.4	65.9	-	65.9
Transfers	-	-	-	-	(4.8)	(4.8)	-	(4.8)
Effect of movements in exchange rates	-	-	-	-	-	-	4.6	4.6
<b>Balance 31 January 2019</b>	<b>1,911.0</b>	<b>90.6</b>	<b>480.5</b>	<b>276.7</b>	<b>192.1</b>	<b>2,950.9</b>	<b>1,498.7</b>	<b>4,449.6</b>
<b>Amortisation and Impairment</b>								
Balance 1 August 2017	-	-	271.8	56.1	58.4	386.3	5.9	392.2
Amortisation for the period	-	-	51.0	15.0	29.6	95.6	8.5	104.1
<b>Balance 31 July 2018, as reported</b>	<b>-</b>	<b>-</b>	<b>322.8</b>	<b>71.1</b>	<b>88.0</b>	<b>481.9</b>	<b>14.4</b>	<b>496.3</b>
AASB 15 adjustment	-	-	-	-	(3.3)	(3.3)	-	(3.3)
<b>Restated balance 31 July 2018</b>	<b>-</b>	<b>-</b>	<b>322.8</b>	<b>71.1</b>	<b>84.7</b>	<b>478.6</b>	<b>14.4</b>	<b>493.0</b>
Balance 1 August 2018	-	-	322.8	71.1	84.7	478.6	14.4	493.0
Amortisation for the period	-	-	23.0	8.3	6.6	37.9	4.2	42.1
Impairment (Refer note 7)	-	-	-	-	57.5	57.5	91.8	149.3
<b>Balance 31 January 2019</b>	<b>-</b>	<b>-</b>	<b>345.8</b>	<b>79.4</b>	<b>148.8</b>	<b>574.0</b>	<b>110.4</b>	<b>684.4</b>
<b>Carrying amounts</b>								
At 31 July 2018, restated	1,911.0	90.6	157.7	180.1	71.8	2,411.2	1,479.7	3,890.9
At 31 January 2019	<b>1,911.0</b>	<b>90.6</b>	<b>134.7</b>	<b>197.3</b>	<b>43.3</b>	<b>2,376.9</b>	<b>1,388.3</b>	<b>3,765.2</b>

~ Goodwill and Brands are non-amortising intangible assets as they have indefinite useful lives.

\* Other intangible assets include software, capitalised interest, development costs and other licences.  
Amortising intangibles are removed from cost in the analysis in the year after they become fully amortised.

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 14. Loans and borrowings and derivative financial liabilities

	31 Jan 2019 \$m	31 July 2018 \$m
<b>Current</b>		
Finance lease liabilities	3.7	5.5
Derivative financial liabilities	0.1	-
	<b>3.8</b>	<b>5.5</b>
<b>Non-current</b>		
Gross secured bank loans	1,571.5	1,330.7
Less: Unamortised borrowing costs	(25.2)	(29.6)
	1,546.3	1,301.1
Finance lease liabilities	11.8	12.4
Derivative financial liabilities	24.5	4.9
	<b>1,582.6</b>	<b>1,318.4</b>

As at 31 January 2019, the Group had debt facilities of \$2,387.8m (including a Singapore dollar denominated facility of SGD100m which is translated to AUD using the 31 January 2019 spot rate) of which \$1,571.5m was drawn down.

As at 31 January 2019, the maturity profile of the facilities is now between 1.7 and 5.7 years, with a weighted average of 3.1 years.

The outstanding loans balance as at the reporting date is shown in the statement of financial position net of unamortised borrowing costs of \$25.2m.

The Group has entered into interest rate swap contracts to hedge the interest rate risk on \$800m of its debt facilities. These contracts will enable the Group to convert its borrowings from floating rates to fixed rates for 5 years starting from December 2019.

### 15. Spectrum liability

	31 Jan 2019 \$m	31 July 2018 \$m
Balance as at 1 August	671.8	-
Present value of spectrum liabilities assumed	-	655.2
Instalment paid on 31 January 2019	(352.4)	-
Interest accrued for the period	16.6	16.6
<b>Balance at period end</b>	<b>336.0</b>	<b>671.8</b>
Current	336.0	344.0
Non-current	-	327.8

The Group acquired a licence for two lots of 10MHz of 700MHz spectrum at an auction in April 2017 for a purchase price of \$1.260 billion, payable in three annual instalments starting from 31 January 2018. The licence period commenced from 1 April 2018. The total amount payable for the spectrum licence amounts to \$1,309.6m and implies total interest expense for the deferred payment instalments of \$49.6m. The final instalment of \$352.4m, including interest of \$16.4m, is payable on 31 January 2020.

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 16. Share capital

	Ordinary shares		\$m	
	31 Jan 2019	31 July 2018	31 Jan 2019	31 July 2018
Balance at start of period	927,811,493	924,719,448	1,465.2	1,449.4
Ordinary shares issued during the period:				
- Dividend reinvestment plan	-	3,092,045	-	15.8
<b>Balance at end of period</b>	<b>927,811,493</b>	<b>927,811,493</b>	<b>1,465.2</b>	<b>1,465.2</b>

### 17. Earnings per share

	<b>HY19 Cents</b>	<b>HY18 Cents</b>
Basic and diluted earnings per share	5.1	21.5
	<b>\$m</b>	<b>\$m</b>
Profit attributable to owners of the Company used in calculating basic and diluted earnings per share	46.9	198.6
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	927,811,493	925,416,737

### 18. Dividends

Dividends recognised in the current period were as follows:

	<b>Cents per share</b>	<b>Total amount \$m</b>	<b>Date of payment</b>
<b>2019</b>			
Final FY18 ordinary	2.0	18.6	20 Nov 2018
<b>2018</b>			
Interim FY18 ordinary	2.0	18.5	22 May 2018
Final FY17 ordinary	2.0	18.5	21 Nov 2017

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

On 19 March 2019 the directors have declared a fully franked interim FY19 dividend of 2.0 cents per share. The dividend has a record date of 16 April 2019 and will be paid on 21 May 2019. As the interim dividend was not declared or resolved to be paid by the Board of directors as at 31 January 2019, 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.

# TPG Telecom Limited and its controlled entities

## Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2019

### 19. Capital commitments

	31 Jan 2019 \$m	31 July 2018 \$m
Capital expenditure commitments contracted but not provided for in the financial statements	256.8	163.8

Capital commitments at 31 January 2019 include the following individually material items:

- 3.6GHz spectrum payments due in March 2020: \$131.7m (refer note 10);
- IRU agreements for international capacity: US\$36.0m\*

\*translated into AUD at the prevailing spot rate at 31 January 2019 of 1.388.

### 20. Proposed merger with Vodafone Hutchison Australia

On 30 August 2018, the Company and Vodafone Hutchison Australia ("VHA") entered into a Scheme Implementation Deed under which the companies have agreed a proposed merger of equals to establish a fully integrated telecommunications operator in Australia.

The merger will be implemented via a TPG Scheme of Arrangement, with the new merged group listed on the Australian Securities Exchange ("ASX") and renamed "TPG Telecom Limited" in conjunction with implementation of the scheme.

Following completion of the merger, TPG shareholders will own 49.9% of the equity of the Merged Group, with VHA shareholders owning the remaining 50.1%.

The merger is subject to a number of conditions including shareholder and regulatory approvals.

There is no impact on the financial statements at 31 January 2019 except for transaction costs of \$4.4m incurred during the period.

### 21. Subsequent events

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 2019

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

1. the financial statements and notes set out on pages 7 to 28, 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 2019 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 19<sup>th</sup> day of March 2019.

Signed in accordance with a resolution of the directors:



**David Teoh**  
Chairman

# Independent Auditor's Review Report

To the shareholders of TPG Telecom Limited

## Report on the Half-year Financial Report

### Conclusion

We have reviewed the accompanying **Half-year Financial Report** of TPG Telecom Limited.

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:

- giving a true and fair view of the **Group's** financial position as at 31 January 2019 and of 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*.

The **Half-year Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 January 2019
- Consolidated interim income statement, 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 21 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises TPG Telecom Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year Period.

### Responsibilities of the Directors 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*
- 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 for the review of the Half-year Financial Report

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 2019 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.

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

KPMG

Chris Hollis

Partner

Sydney

19 March 2019



## 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 2019 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 'Chris Hollis', written in a cursive style.

Chris Hollis

*Partner*

Sydney

19 March 2019