



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

**ASX Appendix 4D and
Half Year Financial Report
31 January 2012**

Lodged with the ASX under Listing Rule 4.2A

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TPG Telecom Limited
ASX Appendix 4D

Half Year ended 31 January 2012

(Previous corresponding period: Half Year ended 31 January 2011)

Results for announcement to the market

Earnings

				\$A'000
Revenue	up	17%	to	324,508
Earnings before interest, tax, depreciation and amortisation (EBITDA)	up	17%	to	131,862
Net profit for the period attributable to owners of the Company	up	65%	to	55,662
Earnings per share (basic and diluted)	up	61%	to	7.1 cents

Dividends

	Amount per security	Franked amount per security
Interim dividend for FY11 (paid 24 May 2011)	2.25 cents	2.25 cents
Final dividend for FY11 (paid 22 November 2011)	2.25 cents	2.25 cents
Interim dividend for FY12 (payable 22 May 2012)	2.75 cents	2.75 cents
For the FY12 interim dividend the record date for determining entitlement to the dividend will be 17 April 2012. The directors have decided to suspend the Dividend Reinvestment Plan (DRP) until further notice and, accordingly, the DRP will not apply to this dividend.		

Net Tangible Assets

	31 Jan 2012	31 Jan 2011
Net tangible assets per security	\$0.04	\$(0.11)

Commentary on results

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

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TPG Telecom Limited and its controlled entities

Directors' report

For the half-year ended 31 January 2012

The directors present their report together with the consolidated financial report for the half-year ended 31 January 2012.

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>Chairman</i> <i>Executive Director</i> <i>Chief Executive Officer</i>	Director since 2008
Robert Millner <i>Non-Executive Director</i>	Director since 2000
Denis Ledbury <i>Non-Executive Director</i>	Director since 2000
Alan Latimer <i>Executive Director</i>	Director since 2008
Joseph Pang <i>Non-Executive Director</i>	Director since 2008

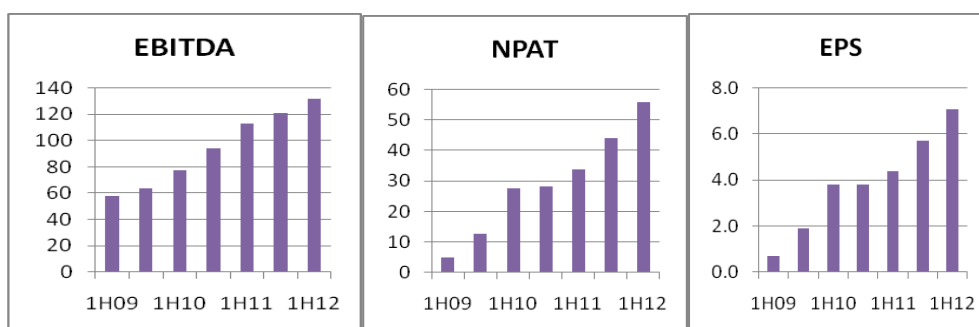
Review of operations

TPG Telecom Limited's financial results for the half year ended 31 January 2012 ("1H12") include Net Profit After Tax ("NPAT") of \$55.7m, an increase over 1H11 of 65%.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the half year increased by 17% to \$131.9m, leaving the Group well positioned to achieve its EBITDA guidance range for the full year of \$250m-\$260m.

Earnings per share ("EPS") increased by 61% to 7.1 cents per share. EPS, excluding the impact of intangible amortisation expense, was 8.7 cents per share.

These strong results represent the Group's 7th consecutive half year of growth in reported EBITDA, NPAT, and EPS.



TPG Telecom Limited and its controlled entities

Directors' report (continued)

For the half-year ended 31 January 2012

Review of operations (continued)

Consumer business

Organic subscriber growth in the Group's consumer broadband business has continued to be driven by TPG's award winning ADLS2+ with Home Phone bundle plans, which grew by 49,000 bundle subscribers during the half year. The increase in bundle subscribers was partially offset by a decline in standalone on-net (23,000) and off-net (7,000) subscribers, such that the total net increase in TPG's consumer broadband subscribers for the 6 months was 19,000.

Since launching its Super Value Mobile Plans with unlimited calls to TPG Mobiles and Home Phone in September 2011, TPG's mobile business has shown increased momentum, achieving a net growth of 21,000 mobile subscribers in the 6 months, taking its total mobile subscriber numbers to 222,000.

Corporate business

During the half year the Group created a Corporate division comprising the corporate, government and wholesale businesses of TPG, Soul, and PIPE. Each of these businesses is adopting PIPE as its brand. The Corporate division has delivered excellent first half results, providing 44% of the Group's total EBITDA.

The fibre network expansion continues with an additional 417km installed during the half, representing a 26% increase over 31 July 2011, to a total of 2,264km.

Cashflow

The Group's cashflow for the period was also very strong; \$146.6m cash was generated from operations (pre-tax). After tax, interest and capital expenditure, the Group had free cash flow of \$76.6m.

The free cashflow enabled the Group to repay \$26m of debt in the period, as well as to fund the acquisition of an established cloud business and to purchase shares in iiNet.

The Group re-financed its debt facility during the half year, securing improved pricing and extending the term of the facility to March 2015. The amended facility has a limit of \$300m (in addition to a \$20m working capital facility) of which \$103m is currently undrawn. The Group's debt to annual EBITDA leverage ratio has now been reduced to less than 0.8 times with \$126m of debt having been repaid in the 18 months to January 2012.

Dividend

In light of the strength of the Group's cashflows and earnings growth, the Board of Directors has also declared an increase in the interim FY12 dividend by 22% to 2.75 cents per share (fully franked), payable on 22 May 2012 to shareholders on the register at 17 April 2012. The directors have decided to suspend the Dividend Reinvestment Plan (DRP) until further notice and, accordingly, the DRP will not apply to this dividend.

TPG Telecom Limited and its controlled entities

Directors' report (continued)
For the half-year ended 31 January 2012

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 24 and forms part of the directors' report for the half-year ended 31 January 2012.

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 20th day of March 2012.

Signed in accordance with a resolution of the directors:



David Teoh
Chairman

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TPG Telecom Limited and its controlled entities

Consolidated Interim Income Statement For the half-year ended 31 January 2012

<i>In thousands of AUD</i>	Note	31 Jan 2012	31 Jan 2011
Revenue	8	324,508	277,971
Dividend income		603	452
Telecommunications expense		(145,918)	(125,962)
Employee benefits expense		(28,510)	(23,496)
Other expenses		(18,821)	(15,963)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		131,862	113,002
Depreciation of plant and equipment		(23,034)	(23,065)
Amortisation of intangibles	9	(17,846)	(25,184)
Results from operating activities		90,982	64,753
Finance income		466	472
Finance expenses		(10,711)	(15,132)
Net financing costs		(10,245)	(14,660)
Profit before income tax		80,737	50,093
Income tax expense	10	(25,075)	(16,263)
Profit for the period attributable to owners of the company		55,662	33,830
Earnings per share:			
Basic and diluted earnings per share (cents)	13	7.1	4.4

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TPG Telecom Limited and its controlled entities

Consolidated Interim Statement of Comprehensive Income For the half-year ended 31 January 2012

	31 Jan 2012	31 Jan 2011
<i>In thousands of AUD</i>		
Profit for the period	55,662	33,830
Foreign exchange translation differences	6	(44)
Net change in fair value of available-for-sale financial assets, net of tax	5,173	(126)
Other comprehensive income, net of tax	5,179	(170)
Total comprehensive income attributable to owners of the company	60,841	33,660

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TPG Telecom Limited and its controlled entities

Consolidated Interim Statement of Financial Position

As at 31 January 2012

<i>In thousands of AUD</i>	<i>Note</i>	31 Jan 2012	31 July 2011
Assets			
Cash and cash equivalents		19,928	9,525
Trade and other receivables		33,448	30,310
Inventories		572	262
Investments	11	41,063	11,293
Prepayments and other assets		5,789	6,655
Total Current Assets		100,800	58,045
Property, plant and equipment		321,415	314,440
Intangible assets	9	538,857	541,448
Prepayments and other assets		606	809
Total Non-Current Assets		860,878	856,697
Total Assets		961,678	914,742
Liabilities			
Trade and other payables		78,257	72,957
Loans and borrowings	12	479	76,214
Current tax liabilities		17,097	19,482
Employee benefits		4,174	3,865
Provisions		2,000	2,000
Accrued Interest		293	380
Deferred income and other liabilities		40,271	36,312
Total Current Liabilities		142,571	211,210
Loans and borrowings	12	201,904	149,474
Deferred tax liabilities		9,015	7,362
Employee benefits		765	603
Provisions		6,740	6,912
Deferred income and other liabilities		27,567	23,320
Total Non-Current Liabilities		245,991	187,671
Total Liabilities		388,562	398,881
Net Assets		573,116	515,861
Equity			
Share Capital		516,907	502,874
Reserves		6,309	1,111
Retained earnings		49,900	11,876
Total Equity		573,116	515,861

TPG Telecom Limited and its controlled entities

Consolidated Interim Statement of Changes in Equity

For the half-year ended 31 January 2012

Attributable to owners of the company

In thousands of AUD

<i>Note</i>	Share capital	Foreign currency translation reserve	Treasury share reserve	Fair value reserve	Total reserves	Retained earnings	Total equity
Balance as at 1 August 2010	478,814	150	(157)	110	103	(33,480)	445,437
Profit for the period	-	-	-	-	-	33,830	33,830
Foreign currency translation differences	-	(44)	-	-	(44)	-	(44)
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	(126)	(126)	-	(126)
Total comprehensive income for the period	-	(44)	-	(126)	(170)	33,830	33,660
Movement in share option reserve	-	-	54	-	54	-	54
Transaction costs, net of tax	(18)	-	-	-	-	-	(18)
Dividends paid to shareholders	14 11,136	-	-	-	-	(15,356)	(4,220)
Total contributions by and distributions to owners	11,118	-	54	-	54	(15,356)	(4,184)
Balance as at 31 January 2011	489,932	106	(103)	(16)	(13)	(15,006)	474,913
Balance as at 1 August 2011	502,874	100	(81)	1,092	1,111	11,876	515,861
Profit for the period	-	-	-	-	-	55,662	55,662
Foreign currency translation differences	-	6	-	-	6	-	6
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	5,173	5,173	-	5,173
Total comprehensive income for the period	-	6	-	5,173	5,179	55,662	60,841
Movement in treasury share reserve	-	-	19	-	19	-	19
Issue of ordinary shares	607	-	-	-	-	-	607
Transaction costs, net of tax	(24)	-	-	-	-	-	(24)
Dividends paid to shareholders	14 13,450	-	-	-	-	(17,638)	(4,188)
Total contributions by and distributions to owners	14,033	-	19	-	19	(17,638)	(3,586)
Balance as at 31 January 2012	516,907	106	(62)	6,265	6,309	49,900	573,116

TPG Telecom Limited and its controlled entities

Consolidated Interim Statement of Cash Flows For the half-year ended 31 January 2012

<i>In thousands of AUD</i>	Note	31 Jan 2012	31 Jan 2011
Cash flows from operating activities			
Cash receipts from customers		364,227	309,261
Cash paid to suppliers and employees		(217,629)	(208,950)
Cash generated from operations		146,598	100,311
Income taxes paid		(27,715)	(35,629)
Net cash from operating activities		118,883	64,682
Cash flows from investing activities			
Acquisition of property, plant and equipment		(33,749)	(21,232)
Acquisition of subsidiaries, net of cash acquired	7	(11,313)	-
Costs incurred on acquisition of subsidiaries	7	(132)	-
Acquisition of investments	11	(22,380)	-
Dividends received		603	138
Net cash used in investing activities		(66,971)	(21,094)
Cash flows from financing activities			
Transaction costs related to issue of shares		(24)	(18)
Repayment of finance lease liabilities		(333)	(207)
Proceeds from borrowings	12	10,000	10,000
Repayment of borrowings	12	(36,677)	(40,000)
Transaction costs related to loans & borrowings	12	(1,290)	-
Interest received		466	472
Interest paid		(9,018)	(13,053)
Dividends paid, net of Dividend Reinvestment Plan		(4,188)	(4,220)
Net cash used in financing activities		(41,064)	(47,026)
Net increase/(decrease) in cash and cash equivalents		10,848	(3,438)
Cash and cash equivalents at beginning of period		9,525	17,112
Effect of exchange rate fluctuations		(445)	(201)
Cash and cash equivalents at 31 January		19,928	13,473

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements For the half-year ended 31 January 2012

1. Reporting entity

TPG Telecom Limited (the 'Company') is a company domiciled in Australia. The consolidated interim financial report of the Company for the six months ended 31 January 2012 comprises the Company and its subsidiaries (together referred to as the 'Group').

The consolidated annual financial report for the Group for the year ended 31 July 2011 is available on the Company's website www.tpg.com.au.

2. Statement of Compliance

The 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 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 2011.

The consolidated interim financial report was approved by the Board of Directors on 20 March 2012.

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

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report for the year ended 31 July 2011.

4. Basis of measurement

Notwithstanding the fact that the classifications within the 31 January 2012 consolidated statement of financial position show a net current liability position, the accounts have been prepared on a going concern basis as there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable based on its Board approved cashflow projections.

5. Estimates

The preparation of interim financial reports 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 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 2011.

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2012

6. Segment reporting

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

The operating segments previously identified by the Group were the Consumer, Corporate and PIPE Networks segments. However, following further integration of the Group's operations during the half year ended 31 January 2012, the results of PIPE Networks are now recognised within the Corporate segment and are presented as such in this segment note (with the prior year comparatives having also been re-stated for comparability).

Subsequent to its acquisition, the results from operations of IntraPower Limited are also included within the Corporate segment.

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

In the following table, costs in the 'Unallocated' column comprise professional fees incurred in relation to business combinations, plus other corporate costs and listing fees.

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TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2012

6. Segment Reporting (continued)

Information about reportable segments

Reconciliation to profit for the period

	Consumer		Corporate*		Total results		Unallocated		Consolidated results for the period	
	31 Jan 2012	31 Jan 2011	31 Jan 2012	31 Jan 2011	31 Jan 2012	31 Jan 2011	31 Jan 2012	31 Jan 2011	31 Jan 2012	31 Jan 2011
<i>In thousands of AUD</i>										
Revenue	195,748	183,978	128,760	93,993	324,508	277,971	-	-	324,508	277,971
Dividend Income	-	-	-	-	-	-	603	452	603	452
Telecommunications expense	(96,939)	(88,702)	(48,979)	(37,260)	(145,918)	(125,962)	-	-	(145,918)	(125,962)
Employee benefits expense	(11,287)	(9,908)	(17,223)	(13,588)	(28,510)	(23,496)	-	-	(28,510)	(23,496)
Other expenses	(13,531)	(13,058)	(5,130)	(2,379)	(18,661)	(15,437)	(160)	(526)	(18,821)	(15,963)
EBITDA	73,991	72,310	57,428	40,766	131,419	113,076	443	(74)	131,862	113,002
Depreciation of plant and equipment	(8,696)	(8,949)	(14,338)	(14,116)	(23,034)	(23,065)	-	-	(23,034)	(23,065)
Results from Segment activities	65,295	63,361	43,090	26,650	108,385	90,011	443	(74)	108,828	89,937
Amortisation of intangibles									(17,846)	(25,184)
Results from operating activities									90,982	64,753
Net financing costs									(10,245)	(14,660)
Profit before income tax									80,737	50,093
Income tax expense									(25,075)	(16,263)
Profit for the period									55,662	33,830

* As explained on page 12, comparative figures have been restated to include Pipe Networks within the Corporate Segment

Geographic Information

All of the Group's revenues are derived from Australian based entities, except for \$3.6 million (HY 2011: \$2.4 million) derived from overseas customers.

All of the Group's non-current assets are located in Australia, except for assets amounting to \$134.2 million (HY 2011: \$141.8 million) 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 2012

7. Business combination

The Group acquired control of IntraPower Limited on 3 August 2011 through the successful completion of an off-market takeover offer. Shareholders representing 97% of the total number of IntraPower shares accepted the takeover offer, with the remaining 3% being acquired by way of compulsory acquisition which completed on 14 October 2011.

The acquisition will enable the Group to widen its range of solutions to its retail, corporate and government customers through IntraPower's TrustedCloud™ platform. The Group also expects to derive cost synergies through network and data centre integration.

In the six months to 31 January 2012, IntraPower Limited contributed revenue of \$11.4 million to the Group.

The following summarises the major classes of consideration transferred, and the provisionally recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

In thousands of AUD

Cash paid	12,095
Less: Cash acquired	(782)
Cash paid, net of cash acquired	11,313
Equity instruments (413,962 ordinary shares) issued	607
Total consideration, net of cash acquired	11,920

Identifiable assets acquired and liabilities assumed

In thousands of AUD

Cash and cash equivalents	782
Trade and other receivables	2,213
Inventories	58
Prepayments and other assets	653
Property, plant and equipment	1,979
Intangible assets	6,239
Deferred tax assets	2,087
Trade and other payables	(3,590)
Loans and borrowings	(2,864)
Employee benefits and provisions	(637)
Deferred income	(332)
Deferred tax liabilities	(1,825)
Deferred settlement of non-controlling interest obligation	(640)
Net identifiable assets acquired	4,123

Goodwill on acquisition

Consideration transferred, net of cash acquired	11,920
Less: Net identifiable assets acquired, net of cash acquired	(3,341)
Goodwill on acquisition	8,579

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2012

7. Business combination (continued)

Acquisition related costs

The Group incurred acquisition-related costs of \$132,000 relating to external legal fees and due diligence costs. These amounts have been included in Other expenses in the consolidated interim income statement.

8. Revenue

In thousands of AUD

Revenue comprises the following:

Rendering of services

Sale of goods

Network capacity sales, recognised as:

- operating leases

- finance leases

	31 Jan 2012	31 Jan 2011
Rendering of services	287,931	257,405
Sale of goods	3,161	2,720
Network capacity sales, recognised as:		
- operating leases	20,881	17,846
- finance leases	12,535	-
	324,508	277,971

9. Intangible assets

In thousands of AUD

Current

Carrying amount at 1 August

Additions

Amortisation for the period

Carrying amount at 31 January

Non-current

Carrying amount at 1 August

Acquired through business acquisitions

Additions for the period

Amortisation for the period

Carrying amount at 31 January

Analysed as: Goodwill

Other intangible assets

	31 Jan 2012	31 Jan 2011
Carrying amount at 1 August	-	382
Additions	-	-
Amortisation for the period	-	(382)
Carrying amount at 31 January	-	-
Carrying amount at 1 August	541,448	588,103
Acquired through business acquisitions	14,818	-
Additions for the period	437	-
Amortisation for the period	(17,846)	(24,802)
Carrying amount at 31 January	538,857	563,301
Analysed as: Goodwill	390,932	382,353
Other intangible assets	147,925	180,948
	538,857	563,301

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements For the half-year ended 31 January 2012

10. Income tax

In thousands of AUD

	31 Jan 2012	31 Jan 2011
Current tax expense		
Current period	26,511	17,732
Adjustments for prior periods	30	498
	26,541	18,230
Deferred tax expense		
Origination and reversal of temporary differences	(1,719)	(1,967)
Adjustments for prior periods	253	-
	(1,466)	(1,967)
Income tax expense	25,075	16,263

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD

	31 Jan 2012	31 Jan 2011
Profit before tax	80,737	50,093
Income tax using the domestic corporation tax rate of 30%	24,221	15,028
Increase in income tax expense due to:		
Non-deductible expenses	571	737
Under-provided in prior periods	283	498
Income tax expense	25,075	16,263

Uncertain tax position

Refer note 15 for details of an uncertain tax position arising as a result of a proposed retrospective amendment in tax consolidation legislation.

11. Investments

In thousands of AUD

	31 Jan 2012	31 July 2011
Current		
Available-for-sale financial assets	41,063	11,293

Available-for-sale financial assets represent investments in ASX listed equity securities.

During the half year ended 31 January 2012, the Company paid \$22.4million to acquire new ASX listed equity shares. The balance of the increase in the period represents the favourable movement in the fair values of the investments held during the period, as reflected in the fair value reserve movement in the Consolidated interim statement of changes in equity.

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements For the half-year ended 31 January 2012

12. Loans and borrowings

<i>In thousands of AUD</i>	31 Jan 2012	31 July 2011
Current liabilities		
Gross secured bank loans	-	80,000
Less: Unamortised borrowing costs	-	(3,989)
Secured bank loans	-	76,011
Finance lease liabilities	479	203
	<u>479</u>	<u>76,214</u>
Non-current liabilities		
Gross secured bank loans	207,000	152,000
Less: Unamortised borrowing costs	(6,073)	(2,542)
Secured bank loans	200,927	149,458
Finance lease liabilities	977	16
	<u>201,904</u>	<u>149,474</u>

On 7 December 2011 the Group entered into an Amendment and Restatement Deed relating to its existing Syndicated Facility Agreement.

Under the terms of the Deed the termination date of the facility was extended to 15 March 2015, and the obligation to make any compulsory repayments before the termination date was removed. All of the Group's outstanding bank debt has therefore been re-classified to non-current as at 31 January 2012.

The amended facility has a limit of \$300m, of which \$93m was undrawn as at 31 January 2012. The Group's \$20m working capital facility has also been retained.

The security provided by the Group to secure the facility is unchanged from that detailed in the 31 July 2011 annual report.

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements For the half-year ended 31 January 2012

13. Earnings per share

	31 Jan 2012 Cents	31 Jan 2011 Cents
Basic and diluted earnings per share	7.1	4.4
<i>In thousands of AUD</i>		
Profit attributable to ordinary shareholders used in calculating basic and diluted earnings per share	55,662	33,830
<i>Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share</i>		
	31 Jan 2012 Number	31 Jan 2011 Number
Ordinary shares on issue at 1 August	783,481,644	767,849,104
Effect of shares issued under the Dividend Reinvestment Plan	3,771,073	1,576,709
Effect of shares issued on acquisition of IntraPower Limited	301,300	-
Weighted average number of ordinary shares at 31 January	787,554,017	769,425,813

14. Dividends

Dividends recognised in the current period by the Company are as follows:

<i>In thousands of AUD</i>	Cents per share	Total amount	Date of payment
2012			
Final 2011 ordinary	2.25	17,638	22 Nov 2011
2011			
Interim 2011 ordinary	2.25	17,449	24 May 2011
Final 2010 ordinary	2.00	15,356	17 Nov 2010

All dividends recognised were fully franked at the tax rate of 30%.

On 20 March 2012 the directors have declared a fully franked interim 2012 dividend of 2.75 cents per share. The dividend has a record date of 17 April 2012 and will be paid on 22 May 2012. The directors have decided to suspend the Dividend Reinvestment Plan (DRP) until further notice and, accordingly, the DRP will not apply to this dividend.

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2012

15. Likely future developments

On 25 November 2011, the Federal Government announced proposals to amend existing tax consolidation legislation. The announcement proposes both retrospective and prospective changes to the tax consolidation legislation. The proposed changes in the legislation are yet to pass through the parliamentary processes required for them to be substantively enacted as legislation.

In May 2010 the Government enacted tax consolidation legislation amendments related to 'rights to future income'. The Group has 'rights to future income' assets in its balance sheet reflected as acquired customer bases within Intangible Assets. These May 2010 legislation amendments enabled the Group to claim tax deductions related to the amortisation of its acquired customer bases.

These amendments were reflected in the Group's FY10 financial statements through the recognition of a one-off reduction in tax expense in the income statement of \$3m, and by the fact that no deferred tax liability was created in the acquisition balance sheet relating to the acquired PIPE Networks customer base (a deferred tax liability would otherwise have been created with the offset being that goodwill arising on the acquisition of PIPE Networks would have been higher).

Should the November 2011 proposals be enacted as legislation, the Group's right to claim tax deductions for its acquired customer base amortisation, created by the May 2010 legislation amendments, will be effectively reversed both retrospectively and prospectively.

If the legislation is enacted in accordance with the Government announcement, this would lead to the Group having an additional current tax liability of \$12m, additional deferred tax liabilities of \$11m and consequently recognising a one-off increase in tax expense in the income statement of \$23m (all calculated as at 31 January 2012).

It is important to note that if the Government had not enacted the May 2010 tax consolidation amendments, then \$20m of this \$23m adjustment would never have impacted upon the Group's income statement as the acquisition balance sheet for the PIPE Networks acquisition would have reflected a deferred tax liability for this amount. This would now, however, have to be recognised in the income statement as accounting standards do not allow an acquisition balance sheet to be amended after greater than 12 months.

If the legislation is enacted in accordance with the Government announcement, the expected cashflow consequences for the Group will be an increase in tax payments of \$15m following the enactment of the legislation, and a further increase in tax payments of \$8m spread over the ensuing approximately 7 years.

The eventual financial statement impacts are dependent on the final legislation to be enacted by Parliament. Until this legislation is substantively enacted, no financial consequences of these proposed amendments can be recognised in the financial statements.

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements For the half-year ended 31 January 2012

16. 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.

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TPG Telecom Limited and its controlled entities

Directors' declaration

For the half-year ended 31 January 2012

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

1. the financial statements and notes set out on pages 6 to 20, 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 2012 and of its performance, as represented by the results of its operations and cash flows 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 20th day of March 2012.

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 half-year financial report of TPG Telecom Limited, which comprises the consolidated statement of financial position as at 31 January 2012, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year period 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 2012 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 2012 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 that reads 'Anthony Travers'.

Anthony Travers
Partner

Sydney
20 March 2012

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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 2012 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 that reads 'Anthony Travers'.

Anthony Travers
Partner

Sydney

20 March 2012