Market Announcements Office
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Sydney NSW 2000

Sydney, 26 March 2021

TPG Telecom Annual Report for the year ended 31 December 2020

Please find attached for immediate release to the market TPG Telecom's Annual Report to shareholders for the year ended 31 December 2020.

Authorised for lodgement with the ASX by:

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Annual Report 2020

tpg TELECOM

tpg TELECOM

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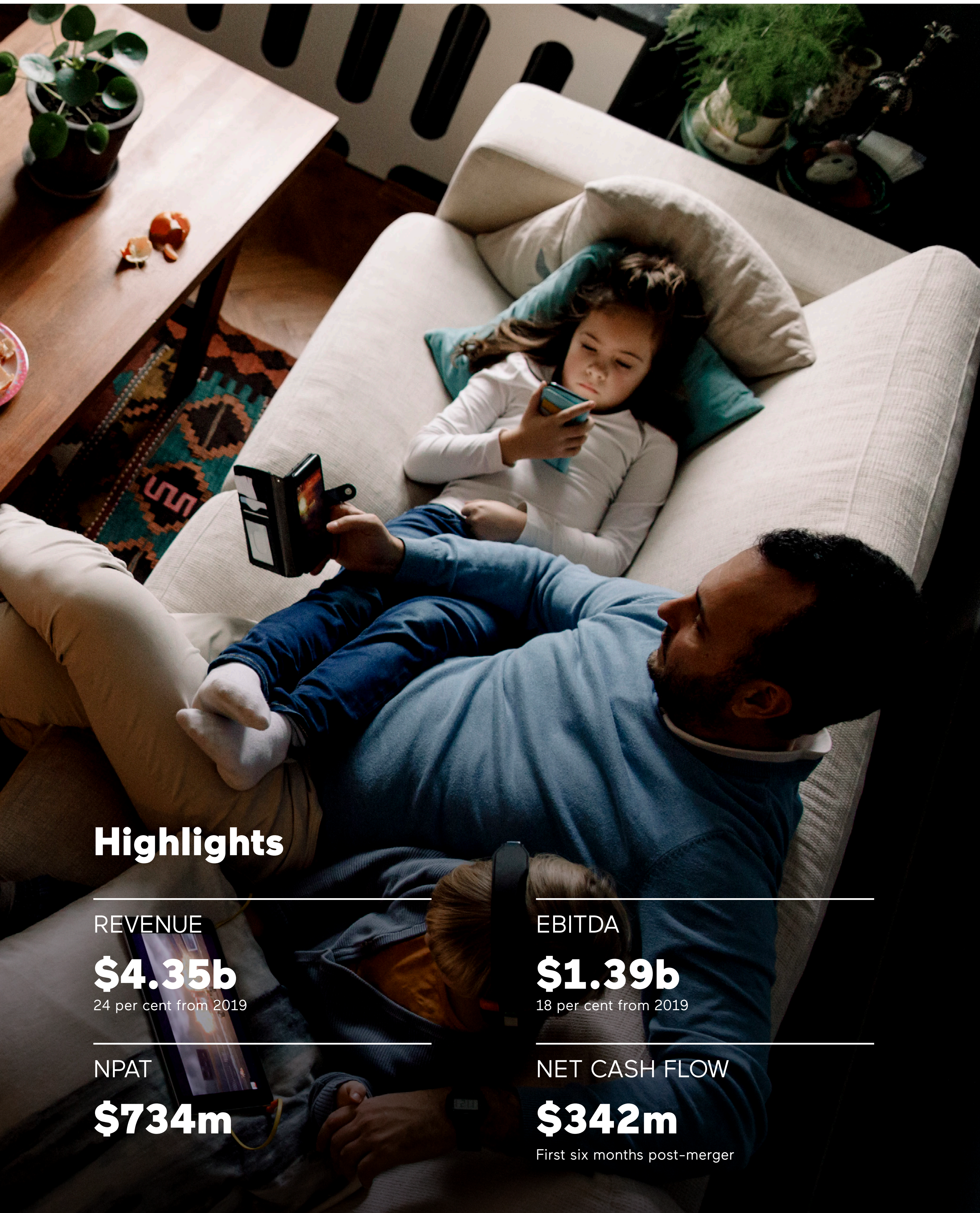

Highlights

REVENUE

$4.35b

24 per cent from 2019

EBITDA

$1.39b

18 per cent from 2019

NPAT

$734m

NET CASH FLOW

$342m

First six months post-merger

Chairman and CEO's letter

Dear Shareholders,

2020 was a year in which Australian society and the economy was subjected to significant unexpected shocks but also showed remarkable resilience.

Telecommunications services played an essential part in the everyday lives of Australians, with the COVID-19 pandemic and the bushfire crisis highlighting the critical role that the sector plays in our society.

While supporting our customers and employees through these difficult times, we completed Australia's largest corporate merger in 2020, carefully navigated COVID and regulatory challenges to our operations, introduced 5G technology into our network, provided great value and service to our customers, made good progress on our merger integration plans, and delivered a maiden dividend of 7.5 cents per share to shareholders.

We are better together as a merged company, delivering increased competition and innovation, and enhanced network services.

TPG Telecom ends 2020 with its synergy program on track and a strong foundation for the future.

We are pleased to share with you the details of our 2020 achievements and our 2021 priorities.

2020 highlights

Following the implementation of the merger between the companies formerly named Vodafone Hutchison Australia ('VHA') and TPG Telecom on 13 July 2020, we set upon the important work of delivering the benefits to customers and shareholders.

Customers began benefiting from the integration of our complementary network assets from day one, with additional spectrum, small cells and fibre links boosting mobile performance and capacity.

Under a unified and experienced senior management team, we are smoothly integrating the two legacy entities. In a demonstration of our capabilities as a merged company, we have already secured contracts with several large Australian companies for mobile and fixed network services and became the highest seller of NBN Enterprise Ethernet since July 2020.

We are fast-tracking our 5G mobile rollout, with 5G services now available in more than 350 suburbs in Sydney, Melbourne, Brisbane, Perth, Adelaide, Canberra, the Gold Coast and Newcastle. Customer take-up of 5G devices has been strong and we now have more than 425,000 5G enabled smartphones on our mobile network.

Across our family of brands, we have brought innovation, and more value to customers. During 2020, we achieved net growth of 117,000 fixed broadband subscribers and introduced highly competitive mobile and fixed products and offers. We also launched Infinite Data mobile plans with higher speed tiers and felix, our carbon neutral, digital-native brand.

In 2H20, we also completed the rollout of Australia's first city-wide 10 Gigabit network to 1,000 buildings in Adelaide in partnership with the City of Adelaide.

We are also leveraging our extensive infrastructure to offer compelling NBN alternatives to increase fixed line margins. In the first half of 2021, we will begin offering 5G fixed wireless services to customers.

We are pleased with the progress we have made, and we thank our employees for their hard work to deliver more every day for our customers.

Financial performance

Our results demonstrate that despite the impact of COVID, especially global travel restrictions, continued NBN headwinds, ongoing mobile competition and regulatory challenges, we have delivered for our customers and shareholders.

While simultaneously completing the merger and managing these challenges, we were also regaining ground following uncertainty due to the merger delay and the 5G vendor restrictions.

As a result of the merger, we have a stronger balance sheet. And it says a lot about the Group's underlying strength and resilience that we were able to produce a strong cash result and deliver a dividend in the current environment.

As the merger was effective for accounting purposes from 26 June 2020, TPG Telecom's reported results for 2020 include a full twelve months of TPG Telecom Limited (formerly named VHA) and a contribution of six months and four days from TPG Corporation Limited (formerly named TPG Telecom).

Reported revenue for the year increased 24 per cent from 2019 to $4.35 billion and reported EBITDA increased by 18 per cent to $1.39 billion.

We reported NPAT of $734 million, which includes a one-off, non-cash credit to income tax expense of $820 million.

In the first six months post-merger, the Group has generated $342 million of net cash flow.

The TPG Telecom Board resolved to pay a final dividend for 2020 of 7.5 cents per share.

We are better together as a merged company, delivering increased competition and innovation, and enhanced network services.

Chairman and CEO's letter continued

Becoming one company

We have always recognised that a successful integration would be critical for our customers, employees, shareholders, and the future of TPG Telecom.

It's a big task, but we have taken it on with enthusiasm and urgency, leveraging the extensive experience and talent within our company.

Every step of the way, we have made carefully considered decisions, while moving at pace to deliver the benefits of the merger as quickly as possible.

The company has come together as one organisation under a unified senior management team and we have made significant progress on our integration priorities.

- On the technology side, more than 1.8 million Australians are benefiting from enhanced mobile performance after we deployed 1800 MHz spectrum to around 320 sites around Australia.
- We are nearing completion of a program to integrate over 400 small cells into the mobile network in Sydney, Melbourne, Brisbane and Adelaide.
- Our program to connect additional mobile sites to dark fibre is ahead of schedule.
- Around 60 per cent of iiNet mobile customers have so far migrated to the company's mobile network.

We have made good progress, but this is only the beginning.

Our year ahead

We head into 2021 with cautious optimism and a continued focus on delivering for customers and shareholders in the short, medium and long term.

Our plans and targets for 2021 are ambitious and on track, which include reaching 85 per cent 5G population coverage in the top six cities, and delivering more than $70 million in cost synergies, excluding the contribution of 5G fixed wireless services and cross-sell revenue.

Reduced roaming revenue and the absence of international visitors will continue to impact our business, as will ongoing NBN headwinds and the introduction of the Regional Broadband Scheme Levy. However, we are confident that our growth strategies and synergy program will work to offset these.

As a merged company, we are in a stronger position to respond to ongoing COVID challenges and aggressive competition in the mobile market.

We are encouraged by improved momentum in mobile in the last quarter of 2020 in response to Vodafone's Infinite Data plans, Vodafone's Summer of Cricket sponsorship and a strong iPhone 12 launch. Since November, more than three quarters of our postpaid handset sales were for 5G-capable devices.

With our wider suite of brands, products and network infrastructure, we will continue to drive innovation in the market, maintain our competitive market positioning and simplify customer journeys.

And our Enterprise team will continue to build on early success achieved in the business and government segments.

As a result of COVID and greater flexibility in working arrangements, we expect to see continued increased take-up of higher speed NBN plans.

Overall, we have increased confidence about our year ahead.

Thank you

2020 was a year like no other in many ways. We are extremely pleased about the way the multiple and complex challenges have been navigated. We are especially proud that we have maintained our focus on our customers, working every day to enhance their network and service experiences with us.

The merger has provided the Group with tremendous opportunities for the future, as well as increased ability to support customers with the services they rely on through the ongoing COVID pandemic.

Through the combination of our fixed and mobile networks, we are now an integrated telecommunications company with the assets and skills to be a stronger competitor to benefit customers in all market segments, while delivering long-term value to shareholders.

The TPG Telecom Board and senior management team thank you, our shareholders, employees and customers for the support during the year.

David Teoh
Chairman

Iñaki Berroeta
Chief Executive Officer and Managing Director

Strategy and Performance

2020 was a monumental year, and it's incredible to see how much we have achieved in just six months following the completion of the merger.

While coming together as a merged company and helping support Australians through COVID-19, we remained steadfast in our efforts to serve our customers' needs.

We have a family of award-winning brands that customers love. In 2020, we won a number of major customer satisfaction awards including iiNet for best NBN provider for the third year in a row from Choice, Vodafone for Best Fixed Broadband provider at the Edison Awards and TPG for Best High Speeds for NBN at the Finder Awards, while Internode was recognised as a Top 10 brand at the Canstar Blue 10-year Awards.

In a further demonstration of customer sentiment, our major brands, Vodafone, TPG and iiNet, have achieved consistently high Net Promoter Score results. There was also a substantial decrease in the number of customer complaints after the COVID peak, with all three brands recording Telecommunication Industry Ombudsman complaint rates below the industry average in the September and December quarters.

As a stronger full-service telecommunications company, we are focusing on three growth opportunities – increasing fixed and mobile converged household market share, bringing more customers onto products using our own infrastructure and developing our Enterprise & Government and Wholesale business units.

We are enabling growth in these three areas by investing in our 5G mobile network and in the transformation of our IT and digital infrastructure.

The strength of our company is underpinned by our integration and synergy program and our work to unify our culture and organisation.

Strategic Priorities

Capitalising on strengths and opportunities to drive growth

How we will drive growth	Bring more of our products into even more Australian households	Launch 5G fixed wireless services and bring more customers onto our infrastructure	Increase focus on Enterprise, Government and Wholesale
How we will enable growth	Continue rolling out 5G network to reach scale in major cities	Transform IT & Digital to enhance and simplify the customer experience	
How we will become stronger	Deliver more of the benefits of the merger to our customers and shareholders		
	Unify our culture, experience and organisation as one company		

How we will drive growth

Bring more of our products into even more Australian households

Our first growth priority is to bring more of our products into more Australian households. As a merged mobile and fixed broadband company, we have a significant opportunity to grow our converged households, and within those households, to grow our mobile customer base.

In 2020, we launched new competitively priced and innovative products across our major brands, including Vodafone's Infinite Data plans and mobile and NBN bundles, as well as new TPG and iiNet mobile offers.

In 2021, we will be launching new ways to encourage our customers to take up more services with us and new inclusions to enhance their at-home experience. This will include 4G backup on more NBN products across our brands, increased cross-selling initiatives, and improvements to sales, on-boarding and account management journeys.

Launch 5G fixed wireless services and bring more customers onto our infrastructure

Our second growth priority is to make the most of our extensive fixed and mobile infrastructure by bringing more on-net services to more customers, providing them with greater choice and value.

We are especially excited to be bringing 5G fixed wireless services to customers in the first half of 2021. We are currently testing devices using our 3.6 GHz spectrum to ensure we deliver an exceptional product to customers.

We also have thousands of customers connected to 4G fixed wireless services through the Vodafone brand in areas where we have spare 4G network capacity, and have started expanding this service to the TPG and iiNet brands.

In 2021, we will continue investing in, and maximising the value from, our on-net fixed access infrastructure.

Our Fibre to the Basement network, which delivers typical evening speeds of 90 megabits per second, is available to almost 3,000 multi-dwelling buildings and over 200,000 premises across major metropolitan areas. Previously available on TPG and iiNet only, we recently launched FTTB products on Internode.

Our HFC services are sold through the iiNet brand, and are superior to the majority of the alternative services offered in these locations.

Our VDSL network delivers typical evening speeds of 74 megabits per second and covers around 90,000 premises in the ACT, with services offered through the iiNet brand.

The NBN Connectivity Virtual Circuit (CVC) wholesale pricing model continues to be a challenge for all NBN retailers. We continue to advocate to NBN Co and the Government for a flat rate and the removal of the CVC. Until a sustainable model is implemented, we will continue to manage our NBN plan mix to maximise margins.

Increase focus on Enterprise & Government and Wholesale

The provision of combined mobile and fixed solutions to the enterprise, government and wholesale sectors is a significant growth opportunity for TPG Telecom.

In 2020, we brought the Enterprise and Government teams together. Equipped with both solutions, know-how and deep customer focus, the Enterprise & Government team quickly won several major tenders. During the year, we announced an agreement to provide fixed and mobile network services to National Australia Bank.

In partnership with the City of Adelaide, we completed the rollout of 10 Gigabit Adelaide, Australia's first city-wide 10 Gigabit network to 1,000 buildings in the city. We are providing services exclusively to hundreds of business entities ranging from research institutes to eCommerce, medical, IT software engineering and educational institutions.

In 2021, our Enterprise & Government priorities include providing products and services that meet the needs of government agencies and businesses of all sizes, and deepening our focus on the total customer experience we provide. We will continue to: drive on-net data in our existing fibre footprint; connect new businesses to the high speed, dedicated and symmetric NBN Enterprise Ethernet fibre product; and provide mobiles, including mobile back up, to support fixed fibre networks.

Our efforts will be supported by investment in building brand awareness of our full-service suite of telecommunications products and services to business, enterprise and government; and expanding our existing SD-WAN, Managed Service, Security, 5G and IoT propositions.

In 2020, we also brought the legacy VHA and TPG wholesale sales and carrier teams into an independent business unit to maximise the potential for standalone growth in wholesale. The combination of legacy VHA's MVNO wholesale capability with the AAPT Wholesale business brings a third converged wholesale infrastructure challenger to the Australian market for the first time.

The new TPG Telecom Wholesale business offers an extensive range of products and services ranging from MVNO access to Application-to-Person ('A2P') SMS, FTTB, enterprise fibre services, consumer and enterprise NBN, and domestic and international capacity.

Our Wholesale focus for 2021 is to grow the wholesale business, increase the utilisation of our extensive network assets, and drive synergies and long-term value in our carrier partner agreements.

Strategy and Performance continued

How we will enable growth

Continue rolling out 5G to reach scale in major cities

In 2020, we finalised the building blocks for our 5G future and commenced the rollout of our 5G mobile network with our RAN and transmission partner, Nokia. Our partnership with Nokia is underpinned by our long-term arrangement to access Axicom's portfolio of tower assets and our joint venture agreement with Optus. These agreements, supported by our maintained level of capital expenditure, will enable us to deploy 5G efficiently, to more places and with a competitive cost structure.

We know customers are excited about 5G, and we're excited to be rolling it out across Australia as the first of our key enablement priorities.

Last year, total data traffic on our mobile network grew 12 per cent to 611 million Gigabytes ('GB') from 545 million GB in 2019 as customers continued to stream, browse and share more on their smartphones, mobile devices and tablets.

We now have 5G services switched on in parts of Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra, the Gold Coast and Newcastle.

5G is available in more than 350 suburbs across these major metro areas and we currently have around 1,600 sites in the planning and design phase.

Using our 3.6 GHz spectrum and 700 MHz spectrum, together with a new standalone core, we are targeting more than 85 per cent 5G network population coverage in the top six Australian cities by the end of 2021.

Millimetre wave spectrum will accelerate the potential of 5G, especially for mobile services in high foot-traffic areas and for fixed wireless services. It will provide significantly increased capacity and enable faster data speeds. In 2020, we completed trials on the 28 GHz band, reaching speeds of around 2 Gigabits per second. The Australian Communications and Media Authority will auction 2.4 GHz of spectrum in the 26 GHz band in April.

As our 5G network reaches scale, we will offer new products and experiences so customers can make the most of the higher speeds, lower latency and more data connections that 5G supports.

While we are accelerating our 5G rollout to bring next generation services to customers as soon as possible, Australians will still be relying on 4G for some years to come. To continue meeting customer demand, we will be enhancing the 4G experience including expanding Voice over LTE capability and virtualising our mobile network for agility and scalability and to support new use cases.

Transform IT and Digital to enhance and simplify the customer experience

Consumer trends and COVID are changing the way customers want to interact with us. The transformation of our IT and digital infrastructure is our second enablement priority as we focus on enhancing and simplifying the customer experience.

In 2020, the number of customer care enquiries on the Vodafone brand that involved web chat increased by more than 75 per cent from 2019. Take-up of the MyVodafone app continues to increase, with the app now downloaded to more than 1.6 million active devices.

In 2020, we also lifted online sales mix by three to five percentage points across our major Consumer brands.

We refreshed our Vodafone website to improve the customer journey, with a particular focus on becoming more mobile-friendly. Improvements include enabling customers to compare plans more easily and a simplified check-out experience. We also launched a new My TPG app and an improved iiHelp self-support online tool for iiNet customers.

In 2021, we will continue to support the shift towards online activity across our brands to give customers more choice around how they engage with us and manage their account.

We are also integrating our IT architecture to rationalise systems, and support cross-selling and on-net initiatives across our brands. This will enable us to improve our time-to-market, streamline the customer experience within and across our channels, simplify back-end processes, empower our employees and ultimately allow us to better understand and serve our customers.

How we will become stronger

Deliver more of the benefits of the merger to our customers and shareholders

We are building a strong foundation for the future, with our continued focus on delivering our integration and synergy programs.

Since day one of the merger, we have deployed our 1800 MHz spectrum to 318 mobile sites to benefit around 1.8 million Australians and migrated around 60 per cent of iiNet mobile customers onto our mobile network. We are pleased to share that our program to integrate almost 400 small cells into the mobile network in major cities is nearing completion, and we are ahead of schedule in connecting dark fibre to over 700 mobile sites.

In 2021, we expect to achieve approximately $70 million in cost savings, excluding the contribution of fixed wireless services and cross-sell revenue, as we continue to deliver the synergies from the merger. Our cost synergies ambition includes mobile network backhaul savings, the continued migration of iiNet customers, and other operating efficiencies across technology, infrastructure, property and marketing.

By 2023, we expect our synergy program to deliver between $125 to $150 million of annual cost savings.

Fixed wireless is expected to be an additional sizeable opportunity. Based on current NBN wholesale costs, the successful migration of every 100,000 NBN customers back onto on-net infrastructure would represent approximately $50 million of annualised cost savings for the Group.

Further, we expect increased cross-selling activities to our fixed and mobile bases across Consumer and Enterprise to generate revenue synergies.

Unify our culture, experience and organisation as one company

The foundation of our company is our people. We now have a family of over 5,000 employees across our operations.

United by a challenger spirit, our legacy businesses share a common cause in driving competition and bringing innovation to the Australian telecommunications market. Across our company, we share a belief and confidence that we are better together.

We are integrating our Group functions and senior management layer into a simplified structure which best serves our customer segments, as well as driving value and performance from our Group assets.

Our executive team is now complete with the recent appointments of Kieren Cooney and Elizabeth Aris, who will lead our Consumer and Enterprise segments through the next phase of growth.

2020 presented no challenge too big to overcome in completing our merger. Our office-based workforce continues to work from the office or remotely, whichever helps our people to work effectively and be at their best. This has enabled us to bring more teams together in an agile manner in common physical spaces, whilst beginning to consolidate our commercial office footprint.

Ultimately, our goal is for TPG Telecom to be an employer of choice. Together, we are working on building a vibrant and inclusive environment for our people: one which acknowledges that we grow stronger with diversity, flexibility and respect in the workplace. We are progressively creating a common culture and way of working which capitalises on our organisational strengths and streamlines cross-functional collaboration.

In 2021, we will increase our focus on growing future leaders and attracting new talent, as well as harmonising the end-to-end employee experience.

We are pleased with our progress so far and excited about the future as we continue the integration journey as one company.

Strategy and Performance continued

Supporting our customers, employees and the community

Our strong actions to support Australians as they spent more time at home during 2020 ensured connectivity for our customers while also helping to protect the health and wellbeing of our community.

Our customers

2020 was a challenging year for many of our customers as their circumstances changed dramatically. It highlighted the critical role telecommunications plays in our society as Australians relied on our services more than ever to work and learn from home and for social connection.

We worked hard to support our customers with a range of initiatives. On the Vodafone brand, these included a temporary $10 Stay Connected plan for customers experiencing financial difficulty, additional data allowances, unlimited standard national calls, and pausing of late payment fees and collections. In addition, Vodafone provided two months' free access for frontline health workers, and the free rating of government and health websites. Vodafone also supported low-income families through NBN Co's Education Assistance Package so school-aged children could access home schooling.

At the start of the year, when Australians faced the devasting summer bushfires, Vodafone offered a two-months free mobile service to a range of frontline volunteers, a free mobile Wi-Fi option to assist those who lost their homes and, additional data for customers in bushfire-affected areas, payment support or relief options, and a matched donation program. TPG helped keep schools, staff and students connected with high-speed dedicated fibre.

COVID-19 made us all think differently and we had to respond quickly to continue to support customers and their services. The enablement of remote working for contact centre employees and temporary redeployment of retail, support and field employees to contact centre roles helped us to quickly restore service capacity levels following the impact from strict lockdowns in Mumbai, Pune, Manila and Cape Town.

To continue supporting customers to stay connected during local lockdowns, Vodafone was the first provider to set up a non-contact click and collect model for its retail stores. This model enables us to continue providing diagnostic services for critical issues such as replacing a faulty SIM that cannot be done online. It worked well in the first Melbourne lockdown and we have used this model successfully in other states.

We also accelerated our Digital strategy, including boosting Vodafone's web chat capability. As a result, the proportion of digitally assisted interactions doubled from 2019 to 2020.

Our employees

We continue to take an agile approach to working arrangements for office-based employees. This means we can respond immediately and with an abundance of caution to any COVID-related health risks in the community.

While COVID risks are low, there is no one-size-fits-all working model. We empower our people to make decisions about how to best structure their working week to suit their work responsibilities and personal circumstances. Some tasks and roles are best performed in a collaborative workplace environment, while others might be better suited to a home office.

This year, we also enabled remote working for our contact centre employees for the first time, and now that the model has been proven, it gives us flexibility for the future.

As telecommunications is considered an essential service, most Vodafone retail stores are open with social distancing and increased hygiene measures in place.

To support our employees who may need time off to meet family commitments or for health reasons, an additional ten days of leave is available.

Our community

We take our role and responsibilities in the community very seriously.

In 2020, the Vodafone Foundation re-purposed its DreamLab app to support a research project by The Imperial College of London to fight COVID-19. The research is examining whether existing drugs and anti-viral molecules in foods can be used for COVID treatments. The DreamLab app, which speeds up medical research sending tiny pieces of research puzzles to a user's smartphone while they sleep for processing, recently reached one million downloads globally.

As the first step in our broader sustainability strategy which focuses on the significant issues for our society, we launched a new mobile brand, felix, in late 2020. felix is carbon neutral and 100 per cent powered by renewable electricity. In partnership with One Tree Planted, felix is planting one tree per month for every active customer.

The company has also extended its sponsorship activities to increase brand awareness to broader audiences. Among its suite of partnerships, Vodafone became the Official Platinum Partner of Cricket Australia, naming rights partner of Men's Test Match and League Partner of the Women's Big Bash League ('WBBL'). iiNet continued as the principal partner of the Hawthorn Football Club and the Sydney Sixers, and Vodafone is proud to continue as the Official & Exclusive Mobile Service Sponsor of the Sydney Gay and Lesbian Mardi Gras Festival.

Key Risks

Overview

At TPG Telecom, we recognise that it is essential that risks are consistently and proactively managed and we strike the right balance between managing risk and achieving business objectives.

We are committed to the ongoing development of a strategic and consistent approach to risk management underpinned by a risk aware culture. By continually identifying, monitoring and assessing risks we are able to put in place appropriate controls and actions to allow us to achieve our core objectives.

We understand that identifying and managing risk is a fundamental duty to our shareholders, customers, employees and other stakeholders. While the board and board committees have oversight of risk issues, and the company's Executive has responsibility for managing risks, all TPG Telecom employees play a key role in ensuring effective risk management is in place.

Below is a summary of the key risks that have been identified for TPG Telecom. These are not in priority order and are not an exhaustive list of risks we have identified and monitor.

Key Risks

Network Capability and Performance

Customers rely heavily on the availability and performance of our mobile and fixed networks. Network congestion and outages lead to poor customer experience and negatively impact our reputation and customer trust. The COVID-19 pandemic has highlighted the critical role that our sector plays and has reinforced the importance of strong, resilient telecommunication companies. Our networks have kept family and friends connected, allowed businesses to continue operating through remote working arrangements and facilitated online orders while offices and stores were closed.

The potential of failures across our networks caused by human error, accidental damage, power loss, weather conditions, natural disasters including bushfires, physical or cyber security breaches or vandalism could cause significant disruption to our business resulting in financial loss, increased customer attrition and possible legal liability. Furthermore, our ability to operate a competitive telecommunications business is dependent upon access to sufficient spectrum, equipment and network infrastructure. If we were unable to acquire, renew or otherwise secure sufficient spectrum, equipment or network infrastructure at an acceptable price, our ability to provide services to customers economically and efficiently may limit revenue growth and profitability.

We have, and continue to, invest significantly in network capability and performance. Our network performance is closely and continually monitored, and we have a robust emergency and crisis management response plan in place to respond to incidents.

Following the Australian Government restrictions on the use of perceived high-risk network vendors, we partnered with Nokia to build our 5G mobile network. We are accelerating our rollout of the 5G network with a target to cover 85 per cent of the population in the top six cities by the end of 2021. We also work closely and proactively with the Australian Government and the Australian Communications and Media Authority ('ACMA') to seek access to adequate spectrum.

Competitive Industry and Market Disruption

We operate in a highly competitive marketplace where strong price competition, increasing demand for data and the high cost of network investment challenge our ability to sustain revenue growth, increase brand consideration and increase market share. The telecommunications industry is particularly susceptible to rapid change, due to technological innovation, changing consumer trends and rapidly evolving industry practices.

Innovation and disruptive technologies may cause market discontinuity which may in turn adversely impact our business models where there is a failure to transition and adapt quickly. We must continue to develop, adopt and integrate the latest technologies into our existing infrastructure or we may lose market share resulting in reduced revenue and profits.

To mitigate this risk, we continuously review and update our products and services to maintain innovative and competitive offerings. We are also transforming our digital services to deliver an improved customer experience at a lower cost base. Our technology experts monitor technological developments and emerging trends and work with global technology providers to capitalise on these opportunities.

Cyber Security and Data Protection

Cyber threats are constantly evolving, with heightened threats from international groups with sophisticated phishing scams and cyber attacks, who are targeting individuals and Australian companies. Legacy IT systems in particular may contain vulnerabilities and provide opportunities for cyber attacks. These attacks have the potential to cause significant service interruption or compromise customer data privacy. The COVID pandemic has heightened the general risk of cyber threats as opportunistic cyber criminals have quickly adapted their methods to exploit an increase in the use of online services.

TPG Telecom manages a significant volume of sensitive information. Customers, employees and third parties expect us to use the highest levels of security to protect their personal information. The legal and regulatory environment regarding information security is increasingly

complex and demanding. Failure to protect personal information could result in reputational damage, regulatory scrutiny and financial loss. This could result in compensation claims from customers, penalties by regulators or authorities and customer losses.

We always seek to handle personal data honestly, ethically, with integrity and in accordance with applicable laws. We are committed to creating a strong security culture and provide mandatory annual training to ensure our people understand our obligations and are equipped to respond to cyber and privacy events appropriately. We conduct regular internal testing to ensure this training is effective. We take a Privacy-By-Design approach and seek to continuously improve our controls environment. We undertake multiple initiatives throughout the year to improve our cyber security and data security posture and continue to implement strong compensating controls to manage risks associated with the transition of our workforce to remote working.

Technology Stability and Resilience

We rely heavily on information and communications technology for the delivery of our services and we have invested significantly in technology to maximise the efficiency of operations. Issues such as service interruptions or unavailability may arise if these systems are inadequately maintained, secured and updated or are damaged due to accidents, deliberate attacks or natural disasters. In particular, legacy IT with unsupported software versions may contain potential vulnerabilities and provide opportunities for cyber attacks. Additionally, our IT transformation programs may cause unexpected disruptions, fail to provide anticipated benefits or otherwise be unsuccessful. These disruptions could result in impacts on our reputation, customer retention, revenue, or costs.

Our IT transformation program is aimed at increasing the resilience, stability, and performance of our architecture. The program is supported by a strong governance framework to minimise impacts to the business and ensure we meet our anticipated targets.

We have implemented target objectives for recovery of critical IT systems and our recovery plans that are regularly reviewed and tested. We are focusing on upgrading IT systems by removing outdated technologies and updating systems to supported versions.

Legal and Regulatory Risk

We operate in a highly regulated industry with complex and evolving legal requirements. We always seek to comply with all applicable legal and regulatory obligations. Through strong compliance and legal risk management we minimise the risk of reputational damage, fines and penalties, withdrawal or cancellation of licences, suspension or termination from trading on the ASX and litigation. The highly regulated environment exposes us to risks of changes to regulatory policy and other government interventions which could impact our financial performance or the commercial viability of existing or proposed projects or operations. As an example, the adoption of the Telecommunication Sector Security Reform and the subsequent Australian Government ban of Huawei in 5G networks continue to have an effect on our business.

TPG Telecom has subject matter experts within key business areas who provide oversight, support compliance monitoring and are able to respond to emerging issues. A culture of compliance is established with policies, codes and training and awareness initiatives which ensure our people are adequately equipped to understand and manage our compliance obligations. We also have subject matter experts within our legal and regulatory teams and external legal advisors to advise on emerging regulatory issues and advocate for our interests if legal or regulatory changes may impact our business.

Macroeconomic Risk

Our financial performance may be impacted by various macroeconomic factors. Unfavourable macroeconomic conditions, global trade conflicts and restrictions and major economic disruptions could result in reduced demand for our services, restrict our ability to develop, adopt and integrate the latest technologies, impact our key suppliers' ability to provide services, increase borrowing costs or restrict the availability of debt financing.

The COVID pandemic has impacted our business in several ways including reduced customer access to retail stores, lower international roaming revenues, lack of international students, revenue impact from customer support initiatives and suspension of late payment fees and collection activities during the height of the pandemic. These impacts are likely to have a negative impact on our financial performance until the situation returns to pre-COVID conditions.

To mitigate this risk, we take a conservative approach to financing and work effectively and proactively in partnership with lenders. Our annual budget and long-range planning processes also take into account potential changes to macroeconomic conditions.

People Risk

The health, safety and wellbeing of our staff at our retail, corporate and technology sites is paramount. Physical security vulnerabilities, inappropriate behaviour towards front-line staff, failure to maintain and secure infrastructure, failure to comply with EME policies and regulations, and failing to provide an inclusive and respectful corporate environment all present potential health and wellbeing risks. Integrating business units and developing a

Key Risks continued

strong unified culture were identified as key requirements following the merger in mid-2020 and failure to achieve those objectives may result in loss of performance and lower staff retention. Failure to manage these risks could impact our reputation, inhibit our ability to attract and retain talent and expose us to regulatory action or litigation.

During the COVID pandemic, we moved quickly to protect the safety and wellbeing of our employees, customers and contractors including increasing working from home arrangements for most office-and contact centre staff, the temporary closure of at-risk retail stores, implementing social distancing measures and enhancing professional cleaning and hygiene measures at all locations.

We continue to prioritise the mental health and well-being of our people particularly during the uncertainty of COVID restrictions and lockdowns. Careful monitoring and increased Executive communication has assisted to minimise these health, safety and wellbeing risks.

We are also committed to providing a safe, flexible and respectful environment for employees and customers, free from all forms of discrimination, bullying and sexual harassment. We focus on creating a cohesive culture in the newly merged business and have policies and processes in place to attract and retain key talent.

Sustainability

We believe that managing environmental and social risks is important to maintaining long term value for shareholders. Climate change is a challenge creating risks to industries, societies and economies across the globe. As an owner and operator of national telecommunications infrastructure we recognise that failure to manage and respond to the direct and indirect impacts of climate change presents risks to our business. Climate change will increase our exposure of damage to our infrastructure (for example, increases in extreme weather and bushfires), financial risk (for example, additional costs of regulation, potential litigation and increase in energy costs) and reputational risk (for example, failure to meet stakeholder expectations).

Additionally, failure to adapt to meet changing societal, customer, employee and stakeholder expectations about corporate behaviour and standards may lead to reputational damage, regulatory inquiries or shareholder actions.

Our operations teams build network resilience and redundancy against environmental risks. Our subject matter experts ensure our mobile and base stations comply with international and national safety limits. Our sustainability experts help to identify climate change risks that impact our business and plan appropriately for the future.

We have been working on programs to reduce energy usage in our networks and have contributed further to emissions reductions by launching felix mobile, Australia's first telecommunications brand to be powered by 100 percent renewable energy.

TPG Telecom has a strong corporate governance framework that complies with the legal and regulatory requirements. Our employee and board policies, charters and codes are regularly reviewed to ensure our strong conduct, culture and governance framework meets the changing risk environment and increasing stakeholder expectations.

Operating and Financial Review

1. Introduction and business overview

TPG Telecom is a provider of telecommunications services to consumers, business, enterprise, government and wholesale customers in Australia.

The Group owns significant network infrastructure throughout Australia (as well as a subsea cable connecting Australia to Guam with onward connectivity into the US and Asia) that facilitates the provision of fixed and mobile telecommunications services.

The Group markets its services through multiple well-known brands including Vodafone, TPG, iiNet, Lebara, Internode and AAPT.

The Group has over 5,000 employees across Australia, New Zealand and the Philippines and the business is also supported by outsourced service centres in India and South Africa.

2. Merger with TPG Corporation

The merger of the Company and TPG Corporation became effective for accounting purposes on 26 June 2020 and was completed on 13 July 2020.

The merger brings together two highly complementary businesses to create a leading integrated, full-service telecommunications company with a comprehensive portfolio of fixed and mobile products for its customers.

The merger was implemented through a Scheme of Arrangement under which the Company acquired all of the shares in TPG Corporation in return for issuing shares in the Company to TPG Corporation shareholders.

The Scheme was approved by the Supreme Court of New South Wales on 26 June 2020 and became effective for accounting purposes on that day, being the deemed date of effective control. The Scheme was implemented on 13 July 2020 when the agreed number of shares in the Company were issued to TPG Corporation shareholders.

TPG Corporation Limited changed its name from TPG Telecom Limited and was suspended from trading on the ASX on 29 June 2020, and the Company changed its name from Vodafone Hutchison Australia Limited to TPG Telecom Limited on 29 June 2020 and listed on the ASX on 30 June 2020.

3. Composition of reported results for the year ended 31 December 2020

As a result of the structure and timing of the merger, the Group's Consolidated Income and Cash Flow Statements for the year ended 31 December 2020 include a full twelve months of results of the company formerly known as VHA plus a contribution of six months and four days from TPG Corporation (between the accounting effective date and 31 December 2020).

The 2019 comparative year in the financial statements comprises just the results of the company formerly known as VHA, and therefore any comparison between the Group's 2020 and 2019 results is impacted by the merger.

Therefore, in order to assist users of the accounts to obtain a better understanding of the underlying performance of the Group, the Company has separately prepared pro forma results for 2020 and 2019 simulating what the Group's results would have been if the merger had been effective throughout both years. These pro forma results are included in a Financial Results Commentary and Investor Presentation that have been separately posted on the ASX on 25 February 2021 and are also available on the Group's website at www.tpgtelecom.com.au/investor-relations.

4. Analysis of reported results for the year ended 31 December 2020

Whilst acknowledging the limitations described above of comparing the reported results of 2020 and 2019 due to the impact of the merger, the following sections provide an overview of the reported results.

Users of the accounts seeking to obtain a better understanding of the underlying performance of the Group may like to also refer to the pro forma results included in the 2020 Financial Results Commentary and Investor Presentation available on the Group's website at www.tpgtelecom.com.au/investor-relations.

Operating and Financial Review continued

4.1 Consolidated Income Statement Overview

	NOTE	2020 $m	2019 $m	CHANGE $m
Revenue				
Service revenue		3,479	2,406	1,073
Handset revenue		871	1,107	(236)
Total revenue		**4,350**	**3,513**	**837**
Other income		11	10	1
Cost of telco services		(1,388)	(695)	(693)
Cost of handsets sold		(855)	(1,102)	247
Employee benefits expense		(328)	(232)	(96)
Other operating expenses		(399)	(316)	(83)
EBITDA	1	**1,391**	**1,178**	**213**
Depreciation and amortisation	2	(1,188)	(1,021)	(167)
Operating profit		**203**	**157**	**46**
Net financing costs	3	(289)	(437)	148
Loss before tax		**(86)**	**(280)**	**194**
Income tax benefit/(expense)	4	820	–	820
Profit/(loss) after tax		**734**	**(280)**	**1,014**
Attributable to:				
Owners of the Company		741	(280)	1,021
Non-controlling interest		(7)	–	(7)
Earnings per share (cents)		**64**	**(68)**	**132**

1. **Earnings before net financing costs, tax, depreciation and amortisation ('EBITDA')**

   The Group's EBITDA, including six months and four days contribution from TPG Corporation, was $1,391 million, $213 million higher than 2019.

   Service revenue and operating expenses all increased substantially due to the inclusion of TPG Corporation's results.

   However, handset revenue and the associated cost of handsets sold both decreased, reflecting a lower volume of mobile handsets sold by the legacy VHA business in 2020. TPG Corporation does not sell mobile handsets.

2. **Depreciation and amortisation**

   Depreciation and amortisation expense increased by $167 million in 2020. This increase includes $82 million of amortisation relating to the TPG Corporation acquired customer base that has been recognised as an intangible asset in the Group's balance sheet as a result of the merger acquisition accounting. This is an accounting expense that has no associated cash outflows.

   The remainder of the increase is driven by depreciation/amortisation of TPG Corporation's property, plant and equipment and intangible assets (including spectrum licences) acquired through the merger. Partially offsetting this increase was a decrease in depreciation expense in the legacy VHA business in the year largely due to the fact that a right-of use asset in respect of a fibre agreement that VHA had with TPG Corporation before the merger has now been eliminated on consolidation (refer to balance sheet commentary below).

3. **Net financing costs**

   Net financing costs decreased by $148 million in 2020. This was driven primarily by the fact that, as reflected in the balance sheet below, the Group's borrowings were $2,668 million lower as at 31 December 2020 than at 31 December 2019.

   The reduction in debt in the year was a function of (a) the debt restructure that occurred as part of the merger implementation in July 2020, under which $4,475 million of debt was removed from the Company and assumed by the Company's pre-merger shareholders; (b) the $2,526 million of debt that TPG Corporation had at date of acquisition (after paying the $479 million special dividend to its pre-merger shareholders); and (c) debt repayments made from cash generated from operations. The $289 million of net financing expenses for 2020 includes six months of interest incurred on the higher level of debt that existed pre-merger completion.

4. **Income tax**

   The Group's 2020 income statement includes an $820 million accounting credit to income tax expense which has arisen due to the recognition of deferred tax assets in respect of carried forward tax losses not previously recognised in the Company's accounts and in respect of temporary timing differences between book and tax accounting.

   As at 31 December 2019, the Company had not recognised any additional deferred tax assets beyond its deferred tax liabilities in its balance sheet because, as a loss making entity with no certainty of generating taxable profits in future years, the Company didn't meet the accounting criteria necessary for recognition of deferred tax assets.

   Following the merger, the Group is generating (and is expected to continue generating) taxable profits, and these deferred tax assets have therefore been brought to account at 31 December 2020, giving rise to the one-off accounting credit to income tax expense.

Operating and Financial Review continued

4.2 Consolidated Balance Sheet Overview

Set out below is a condensed version of the Group's balance sheet as at 31 December 2020, summarised in a manner to highlight some key points.

A comparison of the 31 December 2020 and 31 December 2019 balance sheets is materially affected by (a) the fact that the 31 December 2020 balance sheet includes TPG Corporation's assets and liabilities acquired through the merger and (b) the issue of shares and debt restructure that occurred as part of the merger implementation. Commentary on some of the material movements and balances is set out below the table.

	NOTE	2020 $m	2019 $m	CHANGE $m
Cash and cash equivalents	1	120	734	(614)
Trade and other receivables		431	391	40
Derivative financial instruments	1	–	130	(130)
Assets held for sale	2	2	–	2
Other current assets		130	167	(37)
Total current assets		**683**	**1,422**	**(739)**
Property, plant and equipment	3	3,258	1,865	1,393
Right-of-use assets	4	1,012	1,454	(442)
Spectrum licences	5	2,325	1,161	1,164
Other intangible assets	6	11,144	2,768	8,376
Deferred tax assets	7	264	–	264
Other non-current assets		138	77	61
Total non-current assets		**18,141**	**7,325**	**10,816**
Trade and other payables		927	1,035	(108)
Borrowings	1	–	5,255	(5,255)
Lease liabilities		92	84	8
Other current liabilities		437	255	182
Total current liabilities		**1,456**	**6,629**	**(5,173)**
Borrowings	1	4,330	1,743	2,587
Lease liabilities	4	1,051	1,544	(493)
Other non-current liabilities		95	34	61
Total non-current liabilities		**5,476**	**3,321**	**2,155**
Net assets		**11,892**	**(1,203)**	**13,095**
Contributed equity	8	18,399	6,047	12,352
Reserves		(6,507)	(7,250)	743
Total equity		**11,892**	**(1,203)**	**13,095**

1. Net debt

As at 31 December 2020, the Group had net borrowings of $4,210 million (borrowings of $4,330 million less cash of $120 million) down from $6,264 million (borrowings of $6,998 million less cash of $734 million) as at 31 December 2019. This $2,054 million reduction in borrowings reflects (a) the debt restructure that occurred as part of the merger implementation in July 2020, under which $4,475 million of debt was removed from the Company and assumed by the Company's pre-merger shareholders; (b) the $2,526 million of debt that TPG Corporation had at date of acquisition (after paying the $479 million special dividend to its pre-merger shareholders); and (c) debt repayments made from cash generated from operations.

The $130 million of derivative financial instruments as at 31 December 2019 represented cross currency swaps associated with the pre-merger borrowings that were assumed by the Company's pre-merger shareholders as part of the debt restructure upon merger implementation.

2. **Assets held for sale**

   As at 31 December 2020, the Group, through TPG Corporation, held a 60% interest in the Tech2 Group Pty Ltd. TPG Corporation had acquired this interest through its acquisition of iiNet in 2015. Tech2 is primarily in the business of providing installation services in the telecommunications and other technology space and in 2020 contributed a small loss to the Group's results.

   Following the merger, it was determined that Tech2 was a non-core part of the Group's business and in February 2021 the Group completed a transaction to dispose of its interest in Tech2.

   The fair value of Tech2's net assets were therefore disclosed as held for sale as at 31 December 2020. The fair valuing of Tech2's net assets gave rise to a $9 million impairment expense which is included within other operating expenses in the Group's 2020 consolidated income statement.

3. **Property, plant and equipment ('PP&E')**

   PP&E as at 31 December 2020 was $3,258 million, an increase of $1,393 million compared to 31 December 2019, driven by the fact that TPG Corporation's acquisition balance sheet included PP&E fair valued at $1,491 million. Excluding the addition of TPG Corporation assets, the PP&E balance reduced by $98 million in the year, which is explained by net PP&E additions of $557 million, less transfers (to intangible assets) of $125 million and depreciation expense of $530 million.

4 **Right-of-use assets and lease liabilities**

   Right-of-use assets and non-current lease liabilities declined by $442 million and $485 million respectively notwithstanding that the 31 December 2020 balances include the addition of TPG Corporation assets and liabilities. The reason for this unusual movement is that, prior to the merger, the Company recognised in its balance sheet a right-of use asset and corresponding liability in respect of a fibre agreement with TPG Corporation which, subsequent to the merger, has been eliminated on consolidation.

5. **Spectrum licences**

   The net book value of spectrum licences held by the Group as at 31 December 2020 was $2,325 million, an increase of $1,164 million compared to 31 December 2019, driven by the fact that TPG Corporation's acquisition balance sheet included spectrum licences fair valued at $1,095 million. Excluding the addition of TPG Corporation spectrum, the Group's spectrum balance increased by $70 million in the year, which is explained by a $257 million addition of 3.6 GHz spectrum acquired through the joint venture between the Company and TPG Corporation, less $187 million of amortisation expense.

6. **Other intangible assets**

   Excluding spectrum licences, other intangible assets increased in the year by $8,376 million to $11,144 million. The three main components of this increase, all related to the merger acquisition accounting, are (a) the acquired TPG Corporation customer base fair valued at $1,607 million, (b) the $424 million fair value of TPG Corporation brands acquired, and (c) goodwill arising from the merger of $6,155 million.

7. **Deferred tax assets**

   As at 31 December 2019, the Company had not recognised any deferred tax assets (beyond the set off against deferred tax liabilities) in its balance sheet because, as a loss making entity with no certainty of generating taxable profits in future years, the Company didn't meet the accounting criteria necessary for recognition of deferred tax assets.

   Following the merger, the Group is generating (and is expected to continue generating) taxable profits, and a net deferred tax asset of $264 million has been recognised as at 31 December 2020, comprising the following principal components:

   (a) A deferred tax asset relating to carried forward tax losses, not previously recognised, of $590 million;

   (b) Deferred tax liabilities acquired through the business combination with TPG Corporation of $557 million; and

   (c) Other net deferred tax assets of $231 million primarily representing temporary timing differences between book and tax accounting.

8. **Contributed equity**

   Contributed equity as at 31 December 2020 of $18,399 million is $12,352 million higher than as at 31 December 2019. This increase represents (a) equity issued to the Company's pre-merger shareholders related to their assumption of part of the Company's debt as part of the pre-merger debt restructure ($4,475 million), and (b) equity issued to TPG Corporation shareholders in respect of the Company's acquisition of all of the shares in TPG Corporation ($7,877 million).

Operating and Financial Review continued

4.3 Consolidated Cash Flow Statement

A comparison of the Group's 2020 and 2019 cash flow statements is affected by (a) the fact that 2020 includes a six month and four day contribution from TPG Corporation compared to zero contribution from TPG Corporation in 2019; and (b) cash flows in 2020 related to the merger transaction. A condensed version of the cash flow statement is set out below together with some commentary below the table highlighting some key points.

	NOTE	2020 $m	2019 $m	CHANGE $m
Operating cash flow	1	1,188	1,296	(108)
Capital expenditure	2	(612)	(542)	(70)
Mobile spectrum payments	3	(204)	(76)	(128)
Net cash acquired through merger	4	99	–	99
Disposal of subsidiary (net of cash disposed)	5	(379)	–	(379)
Cash reclassified within assets held for sale	6	(7)	–	(7)
Transaction costs re merger		(37)	(17)	(20)
Net cash flow before financing activities		**48**	**661**	**(613)**
Net drawdown/(repayment) of borrowings		186	(171)	357
Lease repayments		(130)	(112)	(18)
Net finance costs paid	7	(239)	(287)	48
Pre-acquisition dividends paid to TPG Corporation shareholders	8	(479)	–	(479)
Net cash flow		**(614)**	**91**	**(705)**

1. **Operating cash flow**

   Operating cash flow of $1,188 million was $108 million lower than in 2019 despite the fact that 2020 included the six month and four day contribution from TPG Corporation. This is principally explained by the timing of material payments to suppliers of mobile handsets that were acquired by the Company in late 2019 but paid in early 2020. This boosted 2019 operating cash flows by approximately $207 million and correspondingly reduced 2020 cash flow by $207 million, a $414 million swing. This is consistent with the fact that, as shown in the summarised balance sheet above, trade and other payables were lower at 31 December 2020 than at 31 December 2019 by $108 million despite the fact that the TPG Corporation acquisition balance sheet contained trade and other payables of $272 million (i.e. there was an underlying decrease in trade and other payables at 31 December 2020 of $380 million compared to 31 December 2019).

2. **Capital expenditure (capex)**

   Capex comprises payments for property, plant and equipment and for intangible assets (excluding spectrum payments). Capex for 2020 of $612 million was $70 million higher than for 2019 due to the six month and four day contribution from TPG Corporation in 2020. The $612 million capex corresponds closely to the total $648 million of property, plant and equipment and intangible asset additions (excluding spectrum) in the balance sheet in the year and primarily represents investment in the Group's mobile and fixed telecommunications network infrastructure and business support systems.

3. **Mobile spectrum payments**

   During the year, prior to the merger, the Group made payments totalling $204 million for the acquisition of spectrum licences, comprising (a) a $132 million contribution to the joint venture between the Company and TPG Corporation for its 50% share of the 3.6 GHz spectrum acquired by the joint venture at the ACMA's December 2019 auction, and (b) a final $72 million instalment in respect of the 700 MHz spectrum acquired at the ACMA's April 2017 auction.

4. **Net cash acquired through merger**

   This represents the cash held by TPG Corporation at the merger effective date.

5. **Disposal of subsidiary (net of cash disposed)**

   As part of the debt restructuring required to implement the agreed merger debt structure, the Company's pre-merger shareholders assumed $4,475 million of the Company's debt. This was achieved by transferring the Company's financing subsidiary to the pre-merger shareholders which included $4,844 million of debt and associated cross currency swaps. A cash payment of $379 million was made to the pre-merger shareholders in order to achieve the required level of debt assumption and to repay all associated borrowing costs.

6. **Cash reclassified within assets held for sale**

   As noted in the balance sheet commentary above, the Group's interest in the Tech2 Group Pty Ltd was reclassified as held for sale as at 31 December 2020. This line item in the cash flow statement reflects the removal of Tech2's cash balance from the Group's consolidated cash balance.

7. **Net finance costs paid**

   Net finance costs paid decreased in 2020 primarily due to the Group's reduced debt post-merger, coupled with lower average interest rates in 2020 compared to 2019. This decrease was partially offset by one-off establishment fees paid in respect of the new Merged Group debt facility entered into in July 2020.

8. **Pre-acquisition dividends paid to TPG Corporation shareholders**

   Between the merger accounting effective date of 26 June 2020 and the merger completion date of 13 July 2020, TPG Corporation paid a dividend of $479 million to its pre-merger shareholders to increase its debt to the level that had been agreed that it would bring into the merged Group.

4.4 Segments

Prior to the merger, the Company reported results for a single operating segment. However, prior to the merger, TPG Corporation reported two operating segments, being its Consumer and Corporate Segments. TPG Corporation's Consumer Segment comprised residential and small business customers, and its Corporate Segment comprised corporate, government and wholesale customers.

Following the merger, the merged Group now also recognises a Consumer and Corporate Segment. The Consumer Segment comprises the legacy TPG Corporation Consumer Segment plus the consumer customers of the legacy VHA business, while the Corporate Segment comprises the legacy TPG Corporation Corporate Segment plus the enterprise, business and wholesale customers of the legacy VHA business.

Merged Group Operating Segments

Consumer Segment	Fixed and mobile services to consumers and small business customers.
Corporate Segment	Fixed and mobile services to business, enterprise, government and wholesale customers.

Results by operating segment are set out below:

	CONSUMER		CORPORATE		UNALLOCATED		TOTAL	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Revenue								
Service revenue	2,891	2,125	588	281	–	–	3,479	2,406
Handset revenue	815	1,042	56	65	–	–	871	1,107
Total revenue	**3,706**	**3,167**	**644**	**346**	**–**	**–**	**4,350**	**3,513**
Other income	–	–	–	–	11	10	11	10
Cost of telco services	(1,219)	(619)	(169)	(76)	–	–	(1,388)	(695)
Cost of handsets sold	(799)	(1,037)	(56)	(65)	–	–	(855)	(1,102)
Employee benefits expense	(258)	(208)	(68)	(24)	(2)	–	(328)	(232)
Other operating expenses	(312)	(268)	(43)	(29)	(44)	(19)	(399)	(316)
EBITDA	**1,118**	**1,035**	**308**	**152**	**(35)**	**(9)**	**1,391**	**1,178**

The increase in revenue and EBITDA for both segments reflects the inclusion of TPG Corporation results for the six months and four days of 2020 post the merger effective date of 26 June 2020. The 2020 financial results commentary and investor presentation available on the Company's website at www.tpgtelecom.com.au/investor-relations set out the segment results for 2020 and 2019 on a pro forma basis (i.e. as if the merger had been effective since 1 January 2019) to assist users of the accounts to gain a better understanding of the underlying performance of the segments during the period.

Operating and Financial Review continued

4.5 Customer numbers

Group mobile subscribers

As at 31 December 2020, the Group had 5.25 million mobile customers, down from 5.99 million as at 31 December 2019. Postpaid and prepaid mobile customers decreased by 158,000 and 545,000 respectively.

A significant proportion of these declines is attributable to the effect that COVID has had on the number of international visitors and temporary visa holders in Australia which have historically been an important customer segment for the Group. However, the declines are also reflective of the competitive intensity of the industry which has seen industry postpaid average revenue per user ('ARPU') decline over the past year. In that regard, our Group's ARPU decline has been relatively modest but that relative ARPU discipline has come at the cost of subscriber losses in 2020.

Group broadband subscribers

Being primarily a mobile telecommunications business prior to the merger, the Company had only a relatively small number of fixed broadband (NBN) customers, 119,000 as at 31 December 2019. TPG Corporation, being a provider of fixed telecommunications services, brought approximately two million fixed broadband customers into the merged Group, and the Group finished 2020 with 2.17 million fixed broadband customers.

4.6 Outlook

TPG Telecom heads into 2021 with increased confidence amid continuing uncertainty due to COVID-19, as well as ongoing NBN headwinds and the introduction of the Regional Broadband Scheme ('RBS') levy.

While the merged company is in a stronger position to respond to aggressive competition in the market and mitigate headwinds, we expect financial performance will continue to be impacted by global travel restrictions, NBN margin erosion and the new RBS levy.

In 2021, we expect an incremental negative impact of approximately $20 million from the impact of COVID on international roaming and international visitor revenue. We also expect total NBN headwinds of approximately $60 million and an $11 million negative impact from the RBS levy for the year.

We plan to offset these headwinds by bringing more customers onto fixed wireless and other on-net services, continuing to improve performance in mobile, growing Enterprise and Government, and realising around $70 million in merger synergy cost savings.

We are encouraged by improved momentum in mobile in the final quarter 2020 in response to Vodafone's Infinite Data plans, a strong iPhone 12 launch and Vodafone's 5G TV and digital campaign as the naming rights partner of the Summer of Cricket.

Building on this, we will continue to drive innovation and improve co-ordination across our brands, maintain our competitive market positioning, and deliver more compelling multi-service incentives and simpler customer journeys to grow our converged households.

To help offset the impact of fewer international visitors in the Australian market, we are upweighting our retention capabilities and strategies towards existing customers, and offering new customers great value propositions across our family of brands.

With many customers continuing to spend more time at home as a result of COVID and greater flexibility in working arrangements, we also expect the trend of increased customer take-up of high speed NBN plans will continue.

Despite the ongoing challenges, we are cautiously optimistic about the year ahead and in a stronger underlying position as we continue to focus on delivering for customers and shareholders now and in the future.

Directors' Report

The Directors present their report, together with the Financial Report of TPG Telecom Limited (formerly named Vodafone Hutchison Australia Limited) for the financial year ended 31 December 2020 in compliance with the provisions of the *Corporations Act 2001*.

Board of Directors

Details of Directors of the Company who held office at any time during or since the end of the previous year are set out below:

Current

The following are the Directors who held office at 31 December 2020.

David Teoh *Chairman*	David Teoh is the founder of the TPG Corporation group of companies, which was merged with VHA during 2020. He served as Executive Chairman and Chief Executive Officer (CEO) of TPG Corporation Limited (ASX:TPM) from 2008 until 13 July 2020. Mr Teoh is also a Director of Tuas Limited. Mr Teoh's appointment as Chairman of the merged Company commenced on 13 July 2020. ***Special Responsibilities:*** Chairman of the Board and Member of the Governance Remuneration and Nomination Committee
Iñaki Berroeta *Managing Director and Chief Executive Officer*	Iñaki Berroeta joined VHA as Chief Executive Officer in 2014. A 24-year veteran of the telecommunications industry, Mr Berroeta previously served as CEO of both Vodafone Romania and Vodafone Malta, and held various operational roles at Vodafone Spain, Global Star USA, AirTouch International Inc. (USA) and Airtile Moviles (Spain). Mr Berroeta holds a Master of Science in Telecommunications from Bilbao Superior School of Telecommunications Engineering, Spain, and a Master of Business Administration from Henley Management College, UK. Mr Berroeta's appointment to the Board commenced on 29 June 2020. ***Special Responsibilities:*** Managing Director and Chief Executive Officer
Fok Kin Ning, Canning *Non-Executive Director*	Fok Kin Ning, Canning has been a Director of TPG Telecom since 2001. He has been a Director of Hutchison Telecommunications (Australia) Limited since 1999. Mr Fok has been an Executive Director and Group Co-Managing Director of CK Hutchison Holdings Limited since 2015. He has been a Director of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited since 1985 and 1984 respectively, both of which became wholly-owned subsidiaries of CK Hutchison Holdings Limited in 2015. He has been Chairman and a Non-Executive Director of Hutchison Telecommunications Hong Kong Holdings Limited since 2009 and of Hutchison Port Holdings Management Pte. Limited as the Trustee-Manager of Hutchison Port Holdings Trust since 2011, an Executive Director since 1985 and Chairman since 2005 of Power Assets Holdings Limited, and Chairman and an Executive Director of HK Electric Investments Manager Limited as the Trustee-Manager of HK Electric Investments and of HK Electric Investments Limited since 2013. He has also been an Executive Director and Deputy Chairman of CK Infrastructure Holdings Limited since 1997 and a Director of Cenovus Energy Inc. since January 2021. He was a Co-Chairman from 2000 to December 2020 and has been a Director since 2000 of Husky Energy Inc. (delisted on 5 January 2021 following its combination with Cenovus Energy Inc.). He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand. ***Special Responsibilities:*** Mr Fok served as a Member of the Governance Remuneration and Nomination Committee from 13 July 2020 until 19 August 2020.

Directors' Report continued

Pierre Klotz *Non-Executive Director*	Pierre Klotz is the Vodafone Group plc ('Vodafone') Group Corporate Finance Director. He joined Vodafone in July 2011 and is responsible for the Vodafone Group's Mergers & Acquisitions and Treasury related activities. Previously, Mr Klotz held a number of senior executive positions at UBS Investment Bank and at HSBC Investment Bank. He holds a Master of Science in Business Administration from Gothenburg School of Economics and Commercial Law. Mr Klotz's appointment to the Board commenced on 12 May 2020. ***Special Responsibilities:*** Member of the Audit and Risk Committee
Diego Massidda *Non-Executive Director*	Diego Massidda is CEO of Vodafone Partner Markets, and a Director of Vodafone Sales & Services Limited. Mr Massidda joined Vodafone in 2007 as Group Director of Broadband and Online, and subsequently he was Group Director of Video and Connected Home. From 2011 to 2016, he served as CEO of Vodafone Hungary. Prior to joining Vodafone, Diego was CEO of the ISP Tiscali in South Africa and France, and of Telecom Italia wireline operations in France. He also spent 6 years with McKinsey & Company earlier in his career. He holds a degree in Hydraulic Civil Engineering from the Università di Cagliari, Italy, and a Master in Business Administration from INSEAD, France. Mr Massidda's appointment to the Board commenced on 12 May 2020. ***Special Responsibilities:*** Member of the Governance Remuneration and Nomination Committee
Robert Millner *Non-Executive Director*	Robert Millner served as a Non-Executive Director of TPG Corporation from 2000 until the merger with the Company in 2020, and was the Chairman of TPG Corporation from 2000 until 2008. Mr Millner has over 30 years' experience as a Company Director and is currently a Director of the following listed companies: Apex Healthcare Berhad, Brickworks Limited, BKI Investment Company Limited, Milton Corporation Limited, New Hope Corporation Limited and Washington H. Soul Pattinson and Company Limited. Mr Millner was also an interim Director at Hunter Hall Global Value Limited from April 2017 to June 2017 and a Director of Australian Pharmaceutical Industries Limited from May 2000 to July 2020. Mr Millner is also a Director of Tuas Limited. Mr Millner's appointment to the Board commenced on 13 July 2020.
Dr Helen Nugent AO *Non-Executive Director*	Helen Nugent is the Chairman of Ausgrid and the National Disability Insurance Agency, and a Non-Executive Director of IAG. She has been a Company Director for over 20 years, and has over 40 years' experience in the financial services sector. This includes having been Chairman of Veda Group, Funds SA, and Swiss Re (Australia), a Non-Executive Director of Macquarie Group, Director of Strategy at Westpac Banking Corporation, and a Partner at McKinsey & Company. She has also been Chairman of Australian Rail Track Corporation and a Non-Executive Director of Origin Energy. Dr Nugent has given back to the community in education and the arts, having been Chancellor of Bond University; President of Cranbrook School; Chairman of the National Opera Review; Chairman of the Major Performing Arts Inquiry; and Deputy Chairman of Opera Australia. She is currently Chairman of the National Portrait Gallery of Australia. Dr Nugent is an Officer of the Order of Australia (AO) and received a Centenary Medal as well as an Honorary Doctorate in Business from the University of Queensland and an Honorary Doctorate from Bond University. She holds a BA (Honours) and Doctorate of Philosophy from the University of Queensland and a Master of Business Administration with Distinction from the Harvard Business School. Dr Nugent's appointment to the Board commenced on 13 July 2020. ***Special Responsibilities:*** Chairman of the Governance Remuneration and Nomination Committee and member of the Audit and Risk Committee

Frank Sixt *Non-Executive Director*	Frank John Sixt has been a Director of TPG Telecom Limited since 2001. He has been a Director and an Alternate Director to a Director of Hutchison Telecommunications (Australia) Limited since 1998 and 2008 respectively. Mr Sixt has been an Executive Director, Group Finance Director and Deputy Managing Director of CK Hutchison Holdings Limited since 2015. Since 1991, Mr Sixt has been a Director of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, both of which became wholly-owned subsidiaries of CK Hutchison Holdings Limited in 2015. He has been Chairman and a Non-Executive Director of TOM Group Limited since 1999 and an Executive Director of CK Infrastructure Holdings Limited since 1996. He has also been an Alternate Director to a Director of HK Electric Investments Manager Limited as the Trustee-Manager of HK Electric Investments and of HK Electric Investments Limited since 2015. He has been a Director of Cenovus Energy Inc. since January 2021. Mr Sixt has also been a Director of Husky Energy Inc. (delisted on 5 January 2021 following its combination with Cenovus Energy Inc.) since 2000. He has almost four decades of legal, global finance and risk management experience, and possesses deep expertise in overseeing financial reporting system, risk management and internal control systems as well as sustainability issues and related risks. Mr Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a Member of the Bar and of the Law Society of the Provinces of Québec and Ontario, Canada. ***Special Responsibilities:*** Member of the Governance Remuneration and Nomination Committee from 20 August 2020. Member of the Audit and Risk Committee until 12 July 2020.
Arlene Tansey *Non-Executive Director*	Arlene Tansey is currently a Non-Executive Director of Aristocrat Leisure Limited, WiseTech Global Limited, Infrastructure NSW and Lend Lease Real Estate Investments Limited. She is also a Board Member of the Australian National Maritime Museum Foundation and Council. She is a former Non-Executive Director of Adelaide Brighton Limited and Healius Limited. Ms Tansey is a Member of Chief Executive Women and the International Women's Forum and a Fellow of the Australian Institute of Company Directors. She has a Juris Doctor (Law) from the University of Southern California and an MBA in finance and international business from New York University. Ms Tansey has worked in commercial and investment banking in Australia and the US. Her expertise covers a variety of disciplines including corporate advisory, M&A, commercial banking, capital management and business turnaround. Ms Tansey's appointment to the Board commenced on 13 July 2020. ***Special Responsibilities:*** Chairman of the Audit and Risk Committee and Member of the Governance Remuneration and Nomination Committee
Shane Teoh *Non-Executive Director*	Mr Teoh has served as a Non-Executive Director of TPG Corporation since 2012. He is Managing Director of Total Forms Pty Ltd, a leading developer of accounting and taxation software in Australia. Mr Teoh holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales. Mr Teoh's appointment to the Board commenced on 13 July 2020.

Directors' Report continued

Former Directors

The following persons were Directors of the Company until the dates specified below, noting that 26 June 2020 and 13 July 2020 were respectively the effective date and the implementation date of the merger between the Company and TPG Corporation Limited.

NAME	ROLE	FINAL DATE AS DIRECTOR
Francesco Bianco	Non-Executive Director	28 June 2020
Amanda Harkness	Non-Executive Director	28 June 2020
Dominic Lai	Non-Executive Director	28 June 2020
Miguel Marin	Non-Executive Director	28 June 2020
Barry Roberts-Thomson	Non-Executive Director	12 July 2020
Ronald Spithill	Non-Executive Director	28 June 2020
Vivek Badrinath	Non-Executive Director	11 May 2020
Thomas Reisten	Non-Executive Director and Member of Audit and Risk Committee	11 May 2020
Kwan Cheung	Alternate Director for Mr Fok	28 June 2020
Cliff Woo	Alternate Director for Mr Lai	28 June 2020

Company Secretary

Mr Tony Moffatt was appointed Company Secretary of the Company on 17 August 2020. Tony holds a Bachelor of Arts and Laws from the University of New South Wales and is a Member of Law Society of New South Wales.

Mr Trent Czinner was Company Secretary of the Company for the period of the financial year prior to 17 August 2020.

Directors' shareholdings

The relevant interest of each director in the shares and options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the Australian Stock Exchange in accordance with section 205G of the *Corporations Act 2001*, at the date of this report is disclosed in the Remuneration Report.

Directors' meetings

Prior to the implementation of the merger between the Company and TPG Corporation Limited (ASX:TPM), there were three Board meetings and two meetings of the Audit and Risk Committee. Since the implementation date, there were six meetings of the Board, four meetings of the Audit and Risk Committee and five meetings of the Governance Remuneration and Nomination Committee.

The number of Board and Committee meetings held during the financial year and the number of meetings attended by each of the Directors as a Member of the Board or relevant Committee were as follows:

	BOARD MEETINGS		AUDIT AND RISK COMMITTEE MEETINGS		GOVERNANCE REMUNERATION AND NOMINATION COMMITTEE MEETINGS	
DIRECTOR	**A**	**B**	**A**	**B**	**A**	**B**
D Teoh	6	6	–	–	5	5
I Berroeta	6	6	–	–	–	–
C Fok	6	9	–	–	1	3
P Klotz	6	7	4	4	–	–
D Massidda	7	7	–	–	5	5
R Millner	6	6	–	–	–	–
H Nugent	6	6	4	4	5	5
F Sixt	9	9	2	2	2	2
A Tansey	6	6	4	4	5	5
S Teoh	6	6	–	–	–	–
F Bianco	0	3	–	–	–	–
A Harkness	3	3	–	–	–	–
D Lai	3	3	–	–	–	–
M Marin	3	3	–	–	–	–
B Roberts-Thomson	3	3	–	–	–	–
R Spithill	3	3	–	–	–	–
V Badrinath	1	2	–	–	–	–
T Reisten	1	2	2	2	–	–
K Cheung (alternate)	2	3	–	–	–	–
C Woo (alternate)	–	–	–	–	–	–

NOTE:

A: Number of meetings attended by the Director/Alternate Director.

B: Number of meetings held to which the Director was eligible to attend as a Member (or Alternate for a Director where the Director was not able to attend).

Principal activities

The principal activity of the Group is the provision of telecommunications services.

Significant changes in the state of affairs

The following changes in the state of affairs of the Company occurred during the year:

Merger with TPG Corporation

The merger of the Company and TPG Corporation became effective for accounting purposes on 26 June 2020 and was legally completed on 13 July 2020. The merger was implemented through a Scheme of Arrangement under which the Company acquired all of the shares in TPG Corporation in return for issuing shares in the Company to TPG Corporation shareholders. The Scheme was approved by the Supreme Court of New South Wales on 26 June 2020 and became effective for accounting purposes on that day, being the deemed date of effective control. The Scheme was implemented on 13 July 2020 when the agreed number of shares in the Company were issued to TPG Corporation shareholders.

TPG Corporation Limited changed its name from TPG Telecom Limited and was suspended from trading on the ASX on 29 June 2020, and the Company changed its name to TPG Telecom Limited on 29 June 2020 and listed on the ASX on 30 June 2020.

Directors' Report continued

COVID-19

Since the reporting date, containment policies by the Australian Government and governments around the world remain in force to prevent the spread of COVID-19. The level of restrictions and measures to limit movement into and out of Australia, and also domestically, continue to evolve. While there is prevailing uncertainty over the extent and duration of the COVID-19 pandemic, it is reasonably likely that the pandemic will continue to have an impact on the Group's operations and results in future periods.

Review of operations

The Operating and Financial Review ('OFR') provides details relating to the Company's operations and results for the financial year.

Dividends

The Directors have declared a fully franked final 2020 dividend of 7.5 cents per share. The dividend has a record date of 17 March 2021 and will be paid on 14 April 2021.

For information regarding the special dividends declared by TPG Corporation Limited prior to the merger, refer to Note 12 in the notes to the consolidated financial statements.

There were no other ordinary dividends paid or declared by the Company during or since the current or previous corresponding periods.

Likely developments

The OFR provides details relating to the Company's business strategies and prospects for future financial years. This information in the OFR is provided to assist with informed decision making of shareholders.

Events subsequent to reporting date

Other than the matters described elsewhere, there has been no other matter or circumstance that has arisen after the reporting date that has significantly affected, or may significantly affect:

(i) the operations of the Company and of the Group in future financial years, or

(ii) the results of those operations in future financial years, or

(iii) the state of affairs of the Company and of the Group in future financial years.

Corporate Governance

The Company's Corporate Governance Statement details its compliance with the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. Refer to www.tpgtelecom.com.au/investor-relations for further details.

Environmental and other sustainability risks

TPG Telecom seeks to comply with all laws and regulations relevant to its operations.

This includes obligations under the *National Greenhouse and Energy Reporting Act 2007*, which requires the Company to report its Australian greenhouse gas emissions, energy consumption and energy production on an annual basis to the Clean Energy Regulator.

During the financial year, there have been no claims against TPG Telecom in respect of a breach of environmental regulation.

For more information on environmental performance, including environmental regulation, see the TPG Telecom Sustainability Report 2020, which will be available online at https://www.tpgtelecom.com.au/investor-relations.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Employees and OHS

TPG Telecom manages varied levels of inherent risk within its health, safety and wellbeing (HSW) management systems. These risks are both direct and indirect in nature and are not limited to but include inappropriate behaviour to our retail staff, structural risk and 5G deployment, employee wellbeing and associated risks within the Company's facilities, products and services. The Company adopts a risk based approach to how it actively monitors and manages its obligations and is aware that any failure to manage these risks could cause harm to its people, partners or members of the public. Over the past twelve months the Company has faced new challenges in supporting its employees and customers through the COVID-19 pandemic, the ongoing consolidation of the Company's safety management systems with those of TPG Corporation and in the support it provided to communities through the 2019/2020 summer bushfire season. The Company will continue to evolve its approach to HSW in 2021 as it further embeds its businesses with a consistent approach to systems, monitoring and compliance.

Indemnification and insurance of officers and directors

Indemnification

The Company has agreed to indemnify all directors of the Company, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs, charges and expenses) incurred by the director as a director or officer of the Company or a related body corporate of the Company.

Insurance policies

The Group maintains directors' and officers' liability insurance for the benefit of persons defined in the policy which include current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities to the extent permitted by the *Corporations Act 2001*. The terms of the insurance contract prohibit disclosure of the premiums payable and other terms of the policies.

Auditor indemnity

The Company has agreed to reimburse its auditors, PricewaterhouseCoopers, for any liability (including reasonable legal costs) incurred by PricewaterhouseCoopers with connection with any claim by a third party arising from the Company's breach of the audit agreement between the Company and PricewaterhouseCoopers. The reimbursement obligation is subject to restrictions contained in the *Corporations Act 2001* (Cth). No payment has been made to indemnify the auditors during or since the end of the financial year.

Non-audit services

During the financial year, PricewaterhouseCoopers ('PwC'), the Company's auditor, has been engaged to performed certain other non-audit services in addition to their statutory duties. Details of the amounts paid to PwC for audit and non-audit services provided during the year are set out in Note 29 of the financial statements.

The Board of Directors, in accordance with advice provided by the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 60.

Rounding of amounts

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 million dollars, unless otherwise indicated.

Remuneration Report

Executive Summary

This, the first Remuneration Report of TPG Telecom Limited ('TPG Telecom', 'the Company'), reflects both the timing and nature of the merger between Vodafone Hutchison Australia (VHA) and TPG Corporation, as well as the progressive transition of the Company's Executive remuneration to a single approach in a publicly listed environment.

More specifically, this Remuneration Report reflects the following observations:

- Over the past year, TPG Telecom's remuneration approach supported delivery and initial implementation of the merger in a way that was consistent with delivering value for shareholders.
- Going forward, changes to the current remuneration system for Executives will support short and longer-term alignment between employees and shareholders in a publicly listed environment.
- Non-Executive Directors have exercised effective governance and are remunerated in ways that support the retention of their independence and their commitment to shareholder performance.

The Past Year

For TPG Telecom, 2020 has been a year in two parts: pre and post the merger of 26 June 2020. Reflecting the structure of the merger, the consequence was that until the merger date, VHA – rather than TPG Corporation – was the reporting entity. This determined the composition of Executive Key Management Personnel (KMP), as did an organisational structure change and new fixed remuneration arrangements that took effect on 17 August 2020.

The result is that three former senior VHA executives, including the ongoing CEO Iñaki Berroeta, are classified as KMP for the full year. Six former VHA executives ceased to be KMP during the course of the year; while three other senior executives became KMP at or after the organisation restructure on 17 August 2020.

These changes affected **fixed remuneration**, with new arrangements put in place on 17 August 2020, other than for the CEO, whose new arrangement took effect from 1 July 2020. The new organisation structure and fixed remuneration arrangements supported the merger's implementation, with fixed remuneration benchmarked to the median of ASX 11-50 peer organisations. Thus, disclosed KMP Executive fixed remuneration for 2020 reflects both the period for which executives were KMP, and the fixed remuneration arrangements that came into effect on 17 August 2020.

Short term incentive (STI) arrangements operated in a different way. This was because the VHA STI Plan was already in operation from the beginning of 2020, before the Court handed down its decision in relation to the merger and before it was known that the merger would proceed. VHA's Scheme, paid in cash following the end of the financial year, continued to operate. It was based on performance in relation to Service Revenue (40%); Earnings before net financing costs, tax, depreciation and amortisation (EBITDA) (40%); and Operating Free Cash Flow (FCF) (20%), with a multiplier for individual performance from 0% to 150% affecting individual outcomes. Post-merger, performance metrics needed to be adjusted for each of Service Revenue, EBITDA and Operating FCF. In addition, the new TPG Telecom Board approved the same Scheme operating for former senior TPG Corporation Executives, including incoming Executive KMP, so that incentives for all Executives were aligned for 2H 2020 during the early stages of the merger.

The STI outcomes for Executives are consistent with the performance of the company over the period. The assessment of performance comprised three elements. The first element related to the full year company performance metrics and targets previously approved by the VHA Board. These targets were assessed up to 30 June 2020 and the outcomes were weighted at 50% for 1H 2020. The second element related to revised financial forecasts approved by the TPG Telecom Board for the balance of the year. Performance relative to these forecasts was assessed on a quantitative and qualitative basis and the outcome was weighted at 50% for 2H 2020. The weighted performance outcomes for 1H and 2H were applied to the STI targets of the former VHA KMP. For former TPG Corporation KMP, 2H performance was applied to their STI targets. The final performance element was the assessment of individual performance which was then applied to the business modified STI outcomes to determine the final STI payment.

In addition, the 2020 VHA **long term incentive** (LTI) Plan continued to operate for former VHA executives who had received letters of offer for the Scheme in early 2020. This legacy Scheme, which operates over a three year period, has two equally weighted tranches: one tranche, tested annually, depends on meeting Operating FCF targets; the other tranche is service based, requiring the Executive to still be employed by the company at the payment date in February after the end of the third year. Prior to the merger, the then VHA Remuneration Committee also approved the acceleration of the 2018 LTI Plan and a portion of the 2019 LTI Plan. This is disclosed in remuneration outcomes for former VHA Executive KMP.

Going Forward

Going forward, changes to the remuneration approach have been approved to create alignment between employees and shareholders in a way that is consistent with expectations for an ASX listed company.

That approach links TPG Telecom's purpose, its strategic priorities, its remuneration principles, and its remuneration structure.

Fixed remuneration – consistent with the approach adopted for the latter part of 2020—is set by reference to the median of the external market for comparable roles, taking into consideration the size and complexity of the role, skills and experience of employees and internal market relativities. The external market data consists of median benchmarks for comparable roles in ASX 11-50 peer organisations. Fixed remuneration consists of base salary plus superannuation. No fixed KMP remuneration increases are proposed for 2021.

From 1 January 2021 a new **STI** approach, aligned to TPG Telecom's strategic priorities, has also come into operation. Subject to Group financial and risk gateways, and an individual behavioural gateway, the CEO will be eligible to earn a STI of up to 100% of base salary at target, and 150% at maximum; while the equivalent for other Executive KMP will be 65% at target and 100% at maximum of base salary. Performance outcomes will be assessed against a balanced scorecard incorporating financial and non-financial measures, as well as individual performance achievement aligned to strategic priorities for the Executive's specific role. STI will be paid in a mix of cash and Deferred Share Rights (DSRs), with the percent deferred increasing from 40% to 50% over the next three years, with the progressive increase reflecting the fact that currently no deferred component exists for any Executive. DSRs will vest in two equal tranches after one and two years, subject to continuing employment. Malus conditions will apply, and Executives will be unable to enter into any arrangement that limits their economic exposure to unvested DSRs.

A new **LTI** Plan also came into operation in 2021. Under this Scheme, the CEO will be eligible for an allocation of performance share rights valued at 100% of base remuneration at target, and 150% at maximum, with the equivalent for other Executive KMP being 65% at target and 100% at maximum. Performance will be tested over a three year period against two equally weighted performance hurdles: namely, Operating FCF, and relative total shareholder return (TSR) against a nominated peer group of ASX 100 companies that excludes energy, financial, materials and real estate sectors. The number of performance rights to be issued (reflecting the value allocated) will be determined by the face value of the volume weighted average share price (VWAP) of a TPG Telecom ordinary share over the five days following announcement of the annual results and before the grant date. Malus conditions will apply and no arrangements can be entered into to limit the economic risk of the performance rights. Performance rights will generally be forfeited if the Executive leaves, except in special circumstances including redundancy, retirement, death or total and permanent disability.

Total remuneration for Executive KMP has been set so that target total remuneration is at or below the median of the ASX 11-50 peer group, while maximum remuneration has been set to be close to target total remuneration at the 75th percentile of the ASX 11-50 peer group for a comparable role.

Executive KMP will also need to hold the value equivalent of one year's base salary in shares or share equivalents, which can be accumulated over five years from the date of the merger or appointment, whichever is later.

Non-Executive Directors Governance and Remuneration

The timing and nature of the merger has also determined the Directors of the Board of Directors who are designated as KMP.

As a consequence, two Non-Executive Directors held those roles for the entire year; another eight until various dates prior to the merger; two assumed office in May just prior to the merger; with another five taking office on 13 July 2020 at the time of merger implementation. Put another way, post merger, the Board consists of nine Non-Executive Directors, with two being Independent Non-Executive Directors, with the Board being chaired by Mr David Teoh, the previous CEO and Executive Chairman of TPG Corporation.

Both pre and post-merger, the governance responsibilities of the Non-Executive Directors have been defined and are exercised in a way that preserves the independence from management. Management of conflicts of interest are rigorously enforced.

Remuneration Report continued

Non-Executive Directors do not receive fees that are contingent on performance; shares in return for their service; retirement benefits, other than statutory superannuation; or any termination benefits. The exception was a payment made to Mr David Teoh as a final termination payment related to 12 weeks severance pay ($371,538) as CEO and Executive Chairman of TPG Corporation, prior to the merger. This payment was approved by the post-merger Board of TPG Telecom, based on legal advice, with Mr Teoh not receiving any papers and absenting himself from the meeting.

As disclosed in the Scheme booklet, the Chairman is eligible to receive an annual fee for his service of $450,000 (plus a fee of $20,000 for being a member of the Governance, Remuneration and Nomination Committee (GRNC)). The Chairman of the Audit and Risk Committee and the GRNC, both of whom are independent directors, respectively receive fees of $50,000 and $40,000 a year for those roles; while Non-Executive Directors (other than the Chairman) are eligible to receive an annual base fee of $165,000. Directors have determined that there will be no increase in directors' fees in 2021.

Non-Executive Directors who personally receive board fees are required to hold the equivalent of one year of their base Non-Executive Director fee in shares, which can be accumulated over four years from the date of the merger or appointment, whichever is later. At any point in time, the value of a Non-Executive Director's minimum holding will be calculated as the higher of the purchase price or current market price. Non-Executive Directors are required to advise the Company Secretary of the purchase price at the time of purchase.

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1. Key Management Personnel

1.1 Significant changes have occurred in the composition of the Executive KMP to reflect the structure and stages of the merger.

KMP are those persons having the authority and responsibility for planning, directing and controlling the activities of TPG Telecom, directly or indirectly, including any director (whether executive or otherwise). At TPG Telecom, the relevant roles meeting this criteria have significant influence over the operating activities, and profit and loss of the organisation.

The full list of Executive KMP is reported as follows:

NAME	ROLE	TERM AS KMP[1]
Iñaki Berroeta	Chief Executive Officer	Full year
Daniel Lloyd	Group Executive Wholesale	Full year
Ana Bordeianu	Chief Customer Officer Vodafone and Lebara	Full year
Ben McIntosh	Chief Commercial Officer	Ceased to be KMP 14 February 2020
Kevin Millroy	Chief Technology Officer	Ceased to be KMP 7 February 2020
Sean Crowley	Chief Financial Officer	Ceased to be KMP 16 August 2020
Trent Czinner	General Counsel and Company Secretary	Ceased to be KMP 16 August 2020
Vanessa Hicks	Director Human Resources	Ceased to be KMP 16 August 2020
Robert James	Chief Information Officer and Director of Business Enablement	Ceased to be KMP 16 August 2020
Stephen Banfield	Group Chief Financial Officer	Commenced 17 August 2020
Craig Levy	Chief Operating Officer TPG, iiNet and Internode	Commenced 17 August 2020
Elizabeth Aris	Group Executive Enterprise & Government	Commenced 1 December 2020

1. If an Executive did not serve as KMP for the full year, all remuneration information disclosed in this report is from the date the Executive commenced as KMP to the date they ceased as KMP.

Remuneration Report continued

Changes in Executive KMP occurred as a result of the following:

1. VHA Executives that remain part of the KMP. These Executives held KMP roles within VHA prior to the merger and have also been appointed to KMP roles in the organisation following merger implementation. They are highlighted in yellow.
2. VHA Executives who left the organisation prior to the merger or who ceased being KMP on 16 August 2020 in anticipation of an organisation restructure. They are highlighted in orange.
3. TPG Corporation or new Executives who have been appointed to roles which hold a significant influence over the operating activities and profit and loss of the organisation; and who are KMP as at 31 December 2020. They are highlighted in purple.

1.2 Non-Executives, who are KMP, reflect the evolution of the merger.

Non-Executive Directors are classified as KMP, but they are not Executives. The KMP, who were Non-Executive Directors, changed as the merger progressed.

KMP	ROLE	FROM DATE	TO DATE[1]
Canning Fok	Non-Executive Director Chairman	1 January 2020 1 January 2020	31 December 2020 12 July 2020
Frank Sixt	Non-Executive Director	1 January 2020	31 December 2020
Vivek Badrinath	Non-Executive Director	1 January 2020	11 May 2020
Thomas Reisten	Non-Executive Director	1 January 2020	11 May 2020
Francesco Bianco	Non-Executive Director	1 January 2020	28 June 2020
Amanda Harkness	Non-Executive Director	1 January 2020	28 June 2020
Dominic Lai Kai Ming	Non-Executive Director	1 January 2020	28 June 2020
Miguel Angel Marin Pilz	Non-Executive Director	1 January 2020	28 June 2020
Ronald Spithill	Non-Executive Director	1 January 2020	28 June 2020
Barry Roberts-Thomson	Non-Executive Director	1 January 2020	12 July 2020
Diego Massidda	Non-Executive Director	12 May 2020	31 December 2020
Pierre Klotz	Non-Executive Director	12 May 2020	31 December 2020
David Teoh	Non-Executive Director and Chairman	13 July 2020	31 December 2020
Robert Millner	Non-Executive Director	13 July 2020	31 December 2020
Dr Helen Nugent AO	Independent Non-Executive Director	13 July 2020	31 December 2020
Arlene Tansey	Independent Non-Executive Director	13 July 2020	31 December 2020
Shane Teoh	Non-Executive Director	13 July 2020	31 December 2020

1. Directors serving up until 31 December 2020 remain in place.

The Non-Executive Directors listed above fall into four categories:

1. Non-Executive Directors for all of 2020. They are highlighted in yellow.
2. Non-Executive Directors who left the Board at or prior to merger implementation on 13 July 2020. They are highlighted in orange.
3. Non-Executive Directors who joined the Board in May 2020 prior to implementation and who remain on the Board as at 31 December 2020. They are highlighted in blue.
4. Non-Executive Directors who joined the Board on the merger implementation date of 13 July 2020, and who were Directors effective 31 December 2020. They are highlighted in purple.

2. Overview

Notwithstanding the significant challenges posed by COVID-19, TPG Telecom's approach to remuneration up to and immediately after the merger has been focused on delivering the benefits of the merger for shareholders.

Nonetheless, as indicated in the Scheme Booklet, and as a matter of good corporate governance, TPG Telecom's Board of Directors and the Governance, Remuneration and Nomination Committee (GRNC) have examined those remuneration practices which will serve the merged Company best in a listed environment.

Following this review, the Board has concluded that:

While TPG Telecom's legacy remuneration system has served it well in 2020, a revised approach will better support TPG Telecom's short and longer-term objectives. More specifically:

- **Over the past year, TPG Telecom's Executive remuneration approach supported delivery and initial implementation of the merger in a way that was consistent with delivering value for shareholders. (See Section 3: 2020 Executive Remuneration Structure).**
- **Going forward, enhancements to the remuneration approach for Executives will support short and longer-term alignment between employees and shareholders in a publicly listed environment. (See Section 4: 2021 Executive Remuneration Structure).**
- **Non-Executive Directors have exercised effective remuneration governance and are remunerated in ways that support the retention of their independence and their commitment to performance for shareholders. (See Section 5: 2020 and 2021 Non-Executive Director Governance and Remuneration).**

Each of these conclusions is outlined in the following sections of the report, primarily for KMP, which has also undergone significant change during the year.

3. 2020 Executive Remuneration Structure

Over the past year, TPG Telecom's Executive remuneration approach supported delivery and initial implementation of the merger in a way that was consistent with delivering value for shareholders.

It is widely acknowledged that 2020 was a year like no other. Unprecedented is the word most commonly used to describe the impact of the COVID-19 global pandemic.

However, along with the challenges posed by the global pandemic, TPG Telecom faced uncertainties associated with the merger between VHA and TPG Corporation, first announced on 30 August 2018.

It was only on 26 June 2020 that the merger became effective from an accounting perspective, resulting technically in TPG Corporation being delisted from the ASX; and VHA being listed on the ASX as TPG Telecom. Merger implementation occurred on 13 July 2020.

Importantly, this means that before 26 June 2020, it is VHA, rather than TPG Corporation, that was the reporting remuneration entity, with reporting for the merged entity occurring thereafter. An organisation restructure that took effect on 17 August 2020, has also affected the remuneration for Executive KMP.

The key elements of Executive remuneration – namely fixed, STI and LTI – are described below for 2020.

Remuneration Report continued

3.1 Fixed remuneration for Executive KMP reflects both historic roles and changes subsequently made as the merger implementation progressed.

Fixed remuneration for the **CEO** for 2020 reflects remuneration adjustments throughout the year, including the evolution of the merger, with two changes being made during the year.

First, following VHA's scheduled 2020 remuneration review, Mr Berroeta's fixed remuneration - comprised of base salary, car allowance and superannuation- was increased by 2.8% on 1 March 2020. Second, after a review by the VHA Remuneration Committee and immediately after the effective date of the merger (26 June 2020), Mr Berroeta's fixed remuneration was increased, effective from 1 July 2020, to $1,871,694. This remuneration decision was based on the increased size and scope of the merged company against the median of the ASX 11-50 peer group. The fixed remuneration for each period is outlined in the chart below.

2020 CEO Fixed Remuneration

PERIOD	DESCRIPTION	CEO ANNUAL FIXED REMUNERATION[1,2] $	CEO PRO RATA FIXED REMUNERATION $
1 Jan 20 – 29 Feb 20	VHA fixed remuneration prior to 2020 VHA salary review	1,471,003	245,167
1 Mar 20 – 30 Jun 20	VHA fixed remuneration following VHA salary review determined by VHA Remuneration Committee	1,512,253	504,084
1 Jul 20 – 31 Dec 20	TPG Telecom fixed remuneration determined by VHA Remuneration Committee and subsequently noted by the GRNC and TPG Telecom Board	1,871,694[3]	935,847
		Total	**1,685,098**

1. Consists of base salary and statutory superannuation.
2. The CEO's Fixed Remuneration package prior to 1 July 2020 was inclusive of a car allowance of $37,500. From 1 July 2020 this car allowance was discontinued and incorporated into the CEO's base salary.
3. Consists of base salary of $1,850,000 and statutory superannuation of $21,694.

The outcome of these changes is that Mr Berroeta's fixed remuneration for 2020 was $1,685,098.

Fixed remuneration for **other Executive KMP** also reflects the evolution of the merger with two changes being made during 2020.

As with Mr Berroeta, the fixed remuneration of VHA KMP was reviewed in February 2020 by the VHA Remuneration Committee at that time. Base remuneration adjustments ranged from 0% to 4%, which became effective on 1 March 2020.

Following the merger, on 17 August 2020, a new organisation structure was announced with changes to the Executives who were KMP as outlined in Section 1. At the same time changes were approved by the GRNC and the Board for fixed remuneration for ongoing and new KMP. Remuneration for those Executives was set at or below the median for comparable roles in ASX 11-50 peer organisations.

As a result, fixed remuneration outcomes for Executive KMP reflects not just remuneration changes, but also the period for which each person was KMP.

NAME	ROLE	TERM AS KMP	PRO RATA FIXED REMUNERATION FOR PERIOD AS KMP[1] $
Iñaki Berroeta	Chief Executive Officer	Full year	1,685,098[2]
Elizabeth Aris	Group Executive Enterprise & Government	Commenced 1 December 2020	63,757
Stephen Banfield	Group Chief Financial Officer	Commenced 17 August 2020	293,585
Ana Bordeianu	Chief Customer Officer Vodafone and Lebara	Full year	634,322
Daniel Lloyd	Group Executive Wholesale	Full year	572,524
Sean Crowley	Chief Financial Officer	Ceased to be KMP 16 August 2020	319,957
Trent Czinner	General Counsel and Company Secretary	Ceased to be KMP 16 August 2020	317,735
Vanessa Hicks	Director Human Resources	Ceased to be KMP 16 August 2020	322,244
Robert James	Chief Information Officer and Director of Business Enablement	Ceased to be KMP 16 August 2020	367,001
Craig Levy	Chief Operating Officer TPG, iiNet and Internode	Commenced 17 August 2020	274,736
Ben McIntosh	Chief Commercial Officer	Ceased to be KMP 14 February 2020	81,786
Kevin Millroy	Chief Technology Officer	Ceased to be KMP 7 February 2020	64,323

1. Fixed remuneration consists of contractual base salary and statutory superannuation amounts.
2. Inclusive of car allowance from 1 January 2020 to 30 June 2020.

Fixed remuneration for Executives who held those roles as at 31 December 2020 is outlined in the table below.

NAME	ROLE	TERM AS KMP	ONGOING ANNUAL FIXED REMUNERATION FROM 17 AUGUST[1] $
Iñaki Berroeta	Chief Executive Officer	Full year	1,871,694
Elizabeth Aris	Group Executive Enterprise & Government	Commenced 1 December 2020	721,694
Stephen Banfield	Group Chief Financial Officer	Commenced 17 August 2020	771,694
Ana Bordeianu	Chief Customer Officer Vodafone and Lebara	Full year	721,694
Craig Levy	Chief Operating Officer TPG, iiNet and Internode	Commenced 17 August 2020	721,694
Daniel Lloyd	Group Executive Wholesale	Full year	621,694

1. Fixed remuneration consists of contractual base salary and statutory superannuation amounts.

Remuneration Report continued

3.2 STI payments reflect VHA's Scheme, with adjustments made post merger to incorporate new participants and targets.

The VHA STI Scheme was designed for participants to share in the success of the business and incentivise individual contributions. It operated throughout 2020 for all former VHA Executives, including KMP.

Further, from 17 August 2020, to ensure the alignment of incentives for former VHA and TPG Corporation Executives after the new organisation structure was announced, former TPG Corporation Executives were included in the VHA Scheme. More specifically, this applied to Stephen Banfield and Craig Levy.

The 2020 VHA STI Scheme operated as follows:

PLAN ELEMENT	OUR APPROACH
STI opportunity	Under the VHA STI scheme, the CEO is eligible to earn STI equivalent to 70% of base salary at target and 105% of base salary at maximum for the period 1 January 2020 to 30 June 2020. From 1 July 2020 when the CEO's TPG Telecom contract came into effect, the CEO is eligible to earn STI equivalent up to 100% of base salary at target. Other Executive KMP are eligible to earn STI equivalent of 60% of base salary at target and 90% of base salary at maximum.
Performance measures	The STI for 2020 is based on a combination of individual and business performance over the financial year. STI outcomes are determined using the following formula: **Individual target STI ($)** X **Business performance multiplier** X **Individual performance multiplier** = **STI payment** **Business performance multiplier** Business performance is assessed against a scorecard of measures selected based on organisation business priorities. The measures included in the business performance multiplier for 2020 are outlined below and apply to all eligible Executives. The outcomes were weighted at 50%, given that it related to half of the year. PERFORMANCE MEASURE — WEIGHTING Service revenue — 40% EBITDA — 40% Operating FCF — 20% The business performance multiplier can exceed 100% based on performance against the scorecard of measures. **Individual performance multiplier** The individual performance multiplier recognises the individual contribution of each Executive to business outcomes. The individual multiplier can range from 0% to 150%.

PLAN ELEMENT	OUR APPROACH
How performance is evaluated	The GRNC makes a recommendation to the TPG Telecom Board on the CEO's individual performance. This performance is modified against Company performance measures to determine the final outcome. The CEO makes a recommendation to the GRNC for recommendation to the TPG Telecom Board on the individual performance of each Executive KMP. This performance is modified against Company performance measures to determine the final outcome. STI outcomes for the CEO or other Executive KMP are subject to overriding Board discretion.
Performance period	STI is assessed over a one-year period aligned to the TPG Telecom financial year. For Executives who commence eligibility through the performance period, performance will be considered from their start date in the plan.
Instrument	STI awards are paid in cash following the end of the financial year as per the existing VHA scheme. For the component of the CEO's remuneration post 1 July 2020, 60% is paid in cash and 40% will be paid in DSRs which will vest equally in two tranches after a one and two year vesting period.
Cessation of employment	STI will generally be forfeited if an Executive KMP resigns before the payment date, except in special circumstances (including redundancy, retirement, death or total and permanent disability or as otherwise agreed). Where business performance is yet to be determined for the period, outcomes will reflect target performance. Where business performance has been determined this will be applied to final outcomes together with individual performance.

In the absence of knowing whether the merger would proceed, full year company performance metrics and targets were approved by the VHA Board for the entire year. Progress against these metrics, as at the end of June 2020, has been assessed. The outcomes were weighted at 50% for 1H 2020. Subsequently, revised financial forecasts were used by the TPG Telecom Board on a quantitative basis to make decisions in relation to the balance of the year, along with a qualitative overlay.

More specifically, the table below details the 2020 STI Target and eligibility for Executive KMP. The STI target has been determined in one of three ways:

1. For Mr Berroeta, the total 2020 STI Target was a combination of the 1H 2020 and 2H 2020 target amounts. The 1H 2020 target was pro-rated based on the CEO's former VHA contract with the target STI set at 70% of base salary as at 1 March 2020. The 2H 2020 target was based on Mr Berroeta's new TPG Telecom contract effective 1 July 2020, with the STI Target set at 100% of base salary as at 1 July 2020. The 2H 2020 STI will be paid in cash 60% and DSRs 40% (subject to shareholder approval at the AGM). DSRs vest in equal tranches over two years.
2. For current KMP who were formerly VHA Executives (Daniel Lloyd and Ana Bordeianu), the STI Target is 60% of base salary as at 1 March 2020.
3. For current Executive KMP formerly from TPG Corporation (Stephen Banfield and Craig Levy), a nominal pro rata STI Target was determined by the GRNC and the Board for the period 17 August 2020 to 31 December 2020.

Remuneration Report continued

EXECUTIVE KMP	2020 STI ELIGIBLE PERIOD	2020 STI TARGET $
Iñaki Berroeta	Full year	1,423,033
Elizabeth Aris	Ineligible for 2020 STI	–
Stephen Banfield	From 17 August 2020	89,583
Ana Bordeianu	Full year	348,000
Daniel Lloyd	Full year	314,630
Craig Levy	From 17 August 2020	108,333

No STI payments were made to former KMP for 2020 during the period they were KMP.

3.3 Prior to the merger, VHA accelerated 2018 and 2019 LTI payments while maintaining the 2020 LTI Scheme as originally intended.

The VHA LTI Plan is focussed on the retention of Executive talent and the alignment of remuneration with Company performance over the long term. Only the VHA Scheme operated in 2020 and it was only in place for former VHA KMP. It is described below.

PLAN ELEMENT	OUR APPROACH
LTI opportunity	Under the VHA Scheme, the CEO is eligible to earn the LTI equivalent of 80% of his base salary ($1,375,000 as at the time of allocation, February 2020) at target and 90% of base salary at maximum. Other Executive KMP are eligible to earn LTI equivalent to 70% of base salary at target and 79% of base salary at maximum.
Performance measures	Performance will be tested annually against two equally weighted independent tranches. One tranche is subject to Operating FCF performance and the other tranche is service based.
Performance period	LTI is assessed annually over the three year period (for instance out to the end of 2022 for the 2020 LTI allocation).
How performance is evaluated	For LTI tranches subject to an annual Operating FCF performance target: • A threshold of 80% achievement of the annual Operating FCF target is required in order for 75% of the tranche to vest. Performance below this level will result in the performance tranche lapsing. • It is a straight-line vesting whereby 100% achievement of the Operating FCF target results in 100% of the annual tranche vesting. • Performance at or above 110% of the Operating FCF target will result in a cap of 125% of the annual tranche vesting. LTI, subject to a service condition, will vest at 100% if an Executive KMP is still employed by the Company and has not resigned before the payment date. Any payment under the LTI is subject to GRNC and Board approval.
Instrument	LTI awards will be paid subject to performance assessment and service conditions in cash after the financial year results, which for the 2020 LTI Plan will be in February 2023.
Cessation of employment	LTI will be forfeited if an Executive KMP resigns before the payment date. LTI will be pro-rated at the discretion of the GRNC in special circumstances including redundancy, retirement, death or total and permanent disability.
Change of control	Participation in the LTI will cease on a Change of Control. A pro rata determination may be made for any LTI award by the Board in its absolute discretion.

LTI Plans that were outstanding at the time of merger are detailed below.

LTI GRANT	PERFORMANCE PERIOD START DATE	PERFORMANCE PERIOD END DATE
2018 LTI	1 January 18	31 December 20
2019 LTI	1 January 19	31 December 21
2020 LTI	1 January 20	31 December 22

In addition, the 2017 LTI Plan whose performance period ended on 31 December 2019, was paid out in February 2020.

Prior to the merger implementation, the VHA Remuneration Committee approved the level of business performance in relation to the 2018 and 2019 VHA LTI Plans as well as the first half of the 2020 LTI Plan.

The VHA Remuneration Committee also decided to accelerate the 2018 LTI Plan in full for the remaining period to 31 December 2020. The 2019 LTI Plan was also accelerated for the completed period up to 30 June 2020.

The table below details the performance outcomes for 2018 and 2019.

LTI GRANT	PERFORMANCE YEAR 1	PERFORMANCE YEAR 2	PERFORMANCE YEAR 3
2018 LTI	125%	122.5%	125%
2019 LTI	122.5%	125%[1]	100%[2]

1. First half 2020 performance applied to 50% of the 2019 LTI Year 2 tranche. The remaining 50% of the 2019 LTI Year 2 tranche is payable in FY22.
2. Performance Year 3 of the 2019 LTI grant has been approved by the VHA Remuneration Committee prior to merger at 100% of target.

As a result, the following LTI payments to the Executive KMP listed below who were considered KMP at the time the payment, were made in February 2020 in the case of the 2017 LTI Plan and in July 2020 for the 2018 and 2019 LTI Plans.

NAME	2017 LTI PAYMENT $	2018 LTI PAYMENT[1] $	2019 LTI PAYMENT (TO 30 JUNE 2020)[1] $	TOTAL LTI PAYMENT $
Iñaki Berroeta	1,025,787	1,056,560	557,895	2,640,242
Ana Bordeianu	–	353,063	175,875	528,938
Sean Crowley	98,091	101,034	156,333	355,458
Trent Czinner	285,588	333,448	171,087	790,123
Vanessa Hicks	104,530	360,908	179,783	645,221
Daniel Lloyd	372,746	383,929	195,075	951,750

1. Lapsed LTI awards for Ben McIntosh of $397,185 and Kevin Millroy of $364,292 were equal to 29% of their on-foot 2018 LTI award and 63% of their on-foot 2019 LTI award.

In addition, an LTI Scheme was put in place at the beginning of 2020 for former VHA KMP which will vest (subject to performance hurdles) in 2022 and be paid in February 2023. The VHA Remuneration Committee prior to merger implementation determined the performance outcome for 1H 2020 with a subsequent recommendation and decision being made by the GRNC and the TPG Telecom Board in relation to 2H 2020 performance.

Remuneration Report continued

The LTI allocation for 2020 for former VHA Executives who were KMP as at 31 December 2020 is as follows:

EXECUTIVE KMP	VHA BASE SALARY[1]	2020 LTI TARGET % OF VHA BASE SALARY	2020 LTI ALLOCATION
Iñaki Berroeta	1,375,000	80%	1,100,000
Ana Bordeianu	525,000	70%	367,500
Daniel Lloyd	514,101	70%	359,871

1. VHA Base Salary (excluding superannuation) as at time of allocation, February 2020.

The remaining portion of the 2019 LTI Plan and the 2020 LTI Plan are currently outstanding and will be paid out in February 2022 and 2023 respectively, subject to meeting performance targets.

3.4 Total remuneration for 2020 reflects pre and post merger fixed remuneration, STI and LTI arrangements, as well as other LTI payments.

For former VHA KMP for the period they were KMP, total actual remuneration paid for 2020 reflects Fixed remuneration in relation to historic roles as KMP of VHA, along with STI payments for 2020, and accelerated payments for the 2018 and 2019 LTI Plans. For former TPG Corporation and new Executives, payments reflect Fixed Remuneration from 17 August 2020, along with STI payments since the same date.

As noted earlier, in the absence of knowing whether the merger would proceed, STI targets, business performance multiplier metrics and performance targets were set by the VHA Remuneration Committee for the entire year. Progress against these metrics, for the period 1 January 2020 to 30 June 2020, was assessed by the TPG Telecom Board and the outcomes weighted at 50% for 1H 2020. The 1H 2020 outcomes on the performance metrics are detailed in the following table.

1H 2020 BUSINESS SCORECARD MEASURE	SCORECARD WEIGHTING	PERFORMANCE OUTCOME
Service revenue	40%	37.6%
EBITDA	40%	37.3%
Operating FCF	20%	26.5%
Total	**100%**	**101.4%**

For the 2H 2020 business performance measure, revised financial forecasts were used by the GRNC and the TPG Telecom Board on a quantitative and qualitative basis to make decisions in relation to the balance of the year. Following an assessment of quantitative performance data relative to these revised financial forecasts and qualitative data related to important financial, customer, operational and integration achievements throughout the year, the Board approved the 2H 2020 business performance measure outcome at 100%.

A further assessment of individual performance was completed for the CEO by the Board. The Board also assessed the individual performance for other Executive KMP with input from the CEO. An individual performance multiplier of 100% was approved for each KMP.

The table below applies the above performance outcomes to the 2020 STI targets to calculate the actual 2020 STI payment for Executives who were KMP as at 31 December 2020.

	BUSINESS PERFORMANCE MULTIPLIER					
EXECUTIVE KMP	**1H 2020**	**2H 2020**	**OVERALL[1]**	**INDIVIDUAL PERFORMANCE MULTIPLIER**	**2020 STI TARGET $**	**2020 STI ACTUAL $**
Iñaki Berroeta[2]	101.4%	100%	100.7%	100%	1,423,003	1,429,935
Elizabeth Aris[3]	–	–	–	–	–	–
Stephen Banfield[4]	–	100%	100%	100%	89,583	89,583
Ana Bordeianu[5]	101.4%	100%	100.7%	100%	348,000	350,423
Craig Levy[4]	–	100%	100%	100%	108,333	108,333
Daniel Lloyd[5]	101.4%	100%	100.7%	100%	314,630	316,820

1. Overall Business Performance Multiplier has been calculated based on the pro-rated performance of 1H and 2H.
2. The CEO's 2020 STI Target is pro-rated based on the approved pre-merger VHA remuneration package effective from 1 January to 30 June 2020 and the approved TPG Telecom remuneration package effective from 1 July 2020 to 31 December 2020.
3. Elizabeth Aris commenced on 1 December 2020 and is therefore not eligible for a 2020 STI payment.
4. STI Targets for former TPG Corporate Executive KMP have been pro-rated from 17 August 2020 to 31 December 2020.
5. STI Targets for former VHA Executive KMP have been applied for the full financial year based on the STI Targets set and approved in February 2020.

The below table details actual remuneration awarded to Executives (both in cash and deferred) for 2020 for Executives who were KMP as at 31 December 2020.

		SHORT TERM INCENTIVE				ACTUAL AWARDED
EXECUTIVE KMP	**FIXED REMUNERATION[1] $**	**RETENTION $**	**CASH $**	**DEFERRED $**	**LTI[9] $**	**TOTAL REMUNERATION $**
Iñaki Berroeta	1,685,098	92,500[2]	1,057,913[4]	372,022[8]	1,100,000	4,307,533
Elizabeth Aris	63,757	–	–[5]	–	–	63,757
Stephen Banfield	293,585	–	89,583[6]	–	–	383,168
Ana Bordeianu	634,322	–	350,423[7]	–	367,500	1,352,245
Craig Levy	274,736	–	108,333[6]	–	–	383,069
Daniel Lloyd	572,524	77,115[3]	316,821[7]	–	359,871	1,326,331

1. Fixed remuneration values represent the pro-rated contract value of the KMP's fixed remuneration package over the period they served as KMP.
2. Relates to the CEO's contractually approved Retention payment of $555,000 which is to be paid in 6 equal tranches on specified payment dates between 1 October 2020 and 1 January 2022, subject to continuous employment, unless the Company terminates CEO's employment without cause. The payment is not to be taken into account when calculating any payment for STI, LTI, annual leave, long service leave or on termination of employment.
3. Relates to two installments, out of a total of three installments, of a contractually approved Retention payment. The second and third installments were payable in 2020.
4. The CEO's actual STI Cash is pro-rated based on the approved pre-merger VHA remuneration package effective from 1 January 2020 to 30 June 2020 and the approved TPG Telecom remuneration package effective from 1 July 2020 to 31 December 2020.
5. Elizabeth Aris commenced on 1 December 2020 and is therefore not eligible for a 2020 STI payment.
6. Actual STI for former TPG Corporate Executive KMP has been pro-rated from 17 August 2020 to 31 December 2020.
7. Actual STI for former VHA Executive KMP reflects the full financial year, and is based on the STI Targets set and approved in February 2020.
8. The deferred STI component is based on 40% of the CEO's pro-rated actual STI from 1 July 2020 to 31 December 2020. The total pro-rated actual STI is based on the CEO's Base Salary pro-rated from 1 July 2020 to 31 December 2020.
9. In February 2020 an LTI allocation was approved for previous Executives of VHA. These allocations have not been paid, and are subject to all existing conditions and performance targets for the 2020 LTI Plan Allocation detailed in 3.3.

Remuneration Report continued

The below table details Actual cash remuneration received by Executives who held those roles as at 31 December 2020.

					ACTUAL CASH
EXECUTIVE KMP	FIXED REMUNERATION[1] $	RETENTION $	SHORT TERM INCENTIVE ACTUAL $	LTI ACTUAL[7] $	TOTAL REMUNERATION $
Iñaki Berroeta	1,685,098	92,500[2]	1,057,913[4]	2,640,242	5,475,753
Elizabeth Aris	63,757	–	–	–	63,757
Stephen Banfield	293,585	–	89,583[6]	–	383,168
Ana Bordeianu	634,322	–	350,423[5]	528,938	1,513,683
Craig Levy	274,736	–	108,333[6]	–	383,069
Daniel Lloyd	572,524	77,115[3]	316,821[5]	951,750	1,918,210

1. Fixed remuneration values represent the pro-rated contract value of the KMP's fixed remuneration package over the period they served as KMP.
2. Represents the first tranche of the CEO's contracted retention payment.
3. Represents the last two installments out of a total of three installments of the contracted retention payment, with the last payment made in 2020.
4. Actual STI outcome for CEO was calculated based on full year performance. In addition, the CEO was allocated $372,022 in DSRs which will vest equally in two tranches after a one and two year vesting period.
5. Actual STI outcomes for former VHA Executives were calculated based on full year performance.
6. Actual STI outcomes for former TPG Corporate Executives were calculated based on performance from 1 July 2020.
7. Actual LTI payments include the vested 2017 LTI plan outcome, plus accelerated LTI payments from the 2018 and 2019 LTI plans.

3.5 These remuneration outcomes are aligned with the interests of shareholders.

This section of the Remuneration Report provides an overview of how the Company's performance for FY20 has driven remuneration outcomes for our Executive KMP.

TPG Telecom's remuneration framework has been designed to align the contribution of Executive KMP to the collective performance of TPG Telecom and shareholder returns.

The below table details the history of Company performance.

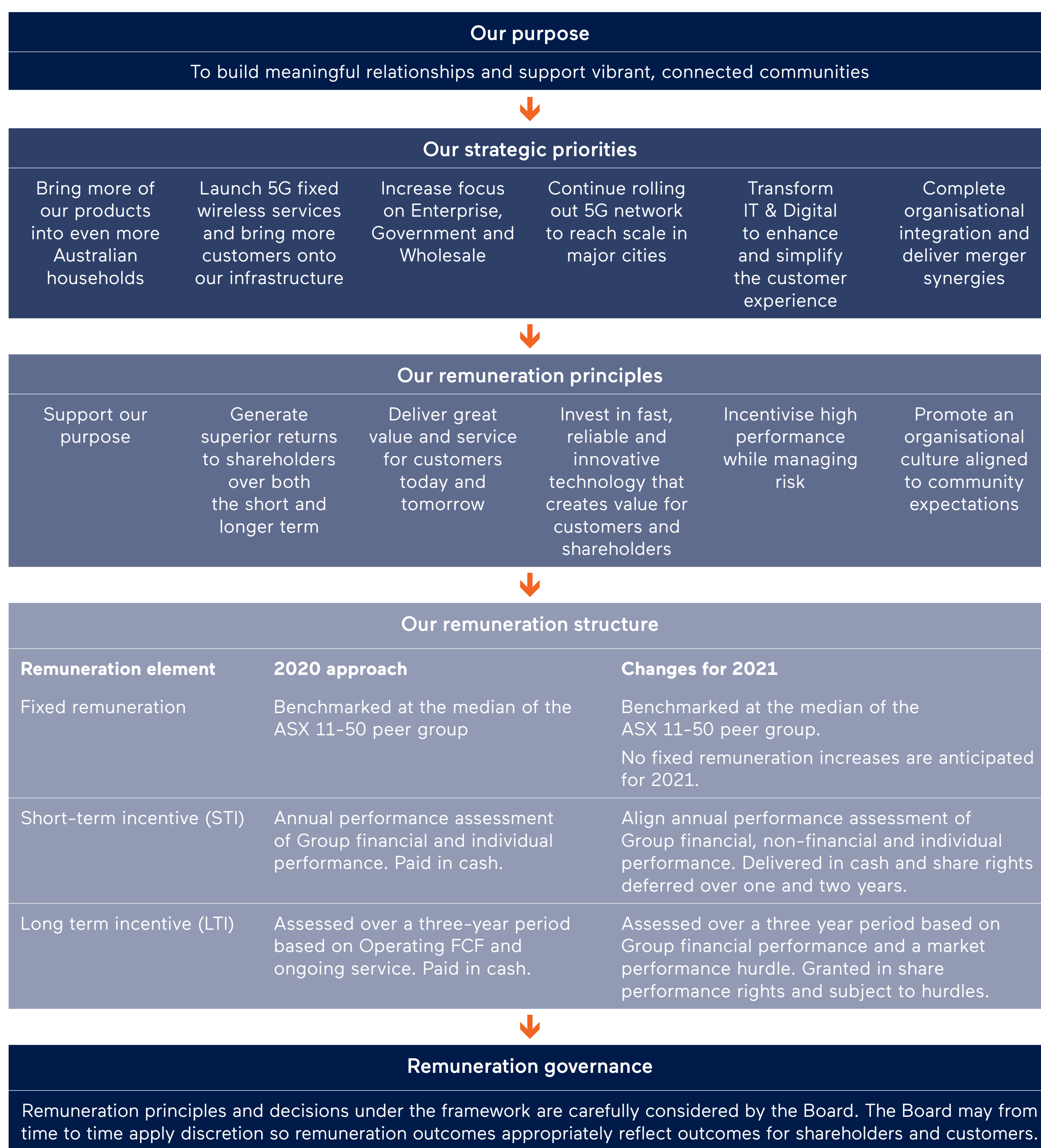
FINANCIAL[1]	2016 $m	2017 $m	2018 $m	2019 $m	1H 2020 $m	2H 2020 $m	FULL YEAR 2020 $m
Service revenue[2]	2,363	2,437	2,391	2,271	1,097	2,198	3,295
EBITDA[3]	913	972	1,102	1,178	531	860	1,391
Operating FCF[4]	408	495	564	568	(61)	422	361
Dividend Paid						N/A	N/A
Share Price[5]						7.22	7.22
Return on Capital						N/A	N/A

1. Historic performance from 2016 to 2019 relates to TPG Telecom (then VHA) and not to the merged entity. 1H2020 includes 4 days of financial performance relating to TPG Corporation. Service revenue and EBITDA are derived from statutory financial statements.
2. Service revenue is customer mobile, fixed broadband, data and internet service revenue and excludes other service revenue.
3. EBITDA is defined as earnings before net financing costs, tax, depreciation and amortisation.
4. Operating FCF is based on management reported figures. Operating FCF excludes Spectrum.
5. Represents the closing share price as at 31 December 2020. The closing share price represents a -14.96% movement since the $8.49 opening share price.

4. 2021 Executive Remuneration Structure

Going forward, enhancements to the remuneration approach for Executives will support short and longer-term alignment between employees and shareholders in a publicly listed environment.

TPG Telecom's Executive remuneration approach for 2020 supported delivery and initial implementation of the merger. From 2021 onwards, enhancements to the remuneration approach for Executives will support short and longer-term alignment between employees and shareholders in a publicly listed environment.



Our purpose

To build meaningful relationships and support vibrant, connected communities

Our strategic priorities

- Bring more of our products into even more Australian households
- Launch 5G fixed wireless services and bring more customers onto our infrastructure
- Increase focus on Enterprise, Government and Wholesale
- Continue rolling out 5G network to reach scale in major cities
- Transform IT & Digital to enhance and simplify the customer experience
- Complete organisational integration and deliver merger synergies

Our remuneration principles

- Support our purpose
- Generate superior returns to shareholders over both the short and longer term
- Deliver great value and service for customers today and tomorrow
- Invest in fast, reliable and innovative technology that creates value for customers and shareholders
- Incentivise high performance while managing risk
- Promote an organisational culture aligned to community expectations

Our remuneration structure

Remuneration element	2020 approach	Changes for 2021
Fixed remuneration	Benchmarked at the median of the ASX 11-50 peer group	Benchmarked at the median of the ASX 11-50 peer group. No fixed remuneration increases are anticipated for 2021.
Short-term incentive (STI)	Annual performance assessment of Group financial and individual performance. Paid in cash.	Align annual performance assessment of Group financial, non-financial and individual performance. Delivered in cash and share rights deferred over one and two years.
Long term incentive (LTI)	Assessed over a three-year period based on Operating FCF and ongoing service. Paid in cash.	Assessed over a three year period based on Group financial performance and a market performance hurdle. Granted in share performance rights and subject to hurdles.

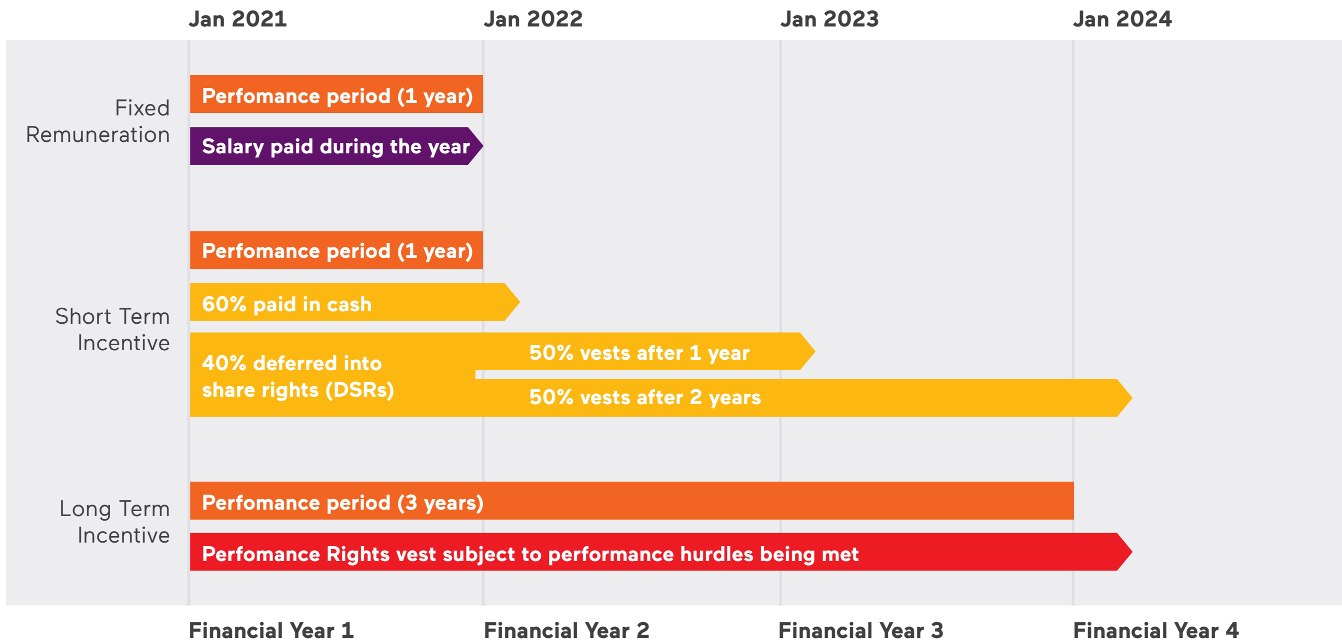
Remuneration governance

Remuneration principles and decisions under the framework are carefully considered by the Board. The Board may from time to time apply discretion so remuneration outcomes appropriately reflect outcomes for shareholders and customers.

Remuneration Report continued

4.1 The reward approach

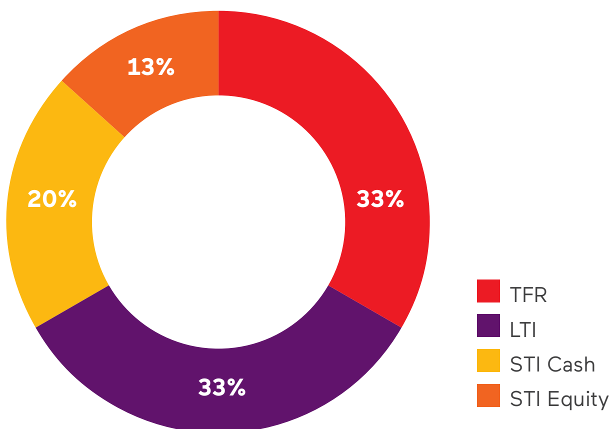
During 2020, TPG Telecom reviewed Executive remuneration arrangements considering the organisation's purpose, strategic priorities and remuneration principles. The objective was to better support short and longer-term alignment between employees and shareholders in the merged Company in a publicly listed environment. This is reflected in the 2021 Executive KMP remuneration framework in fixed remuneration, STI and LTI.



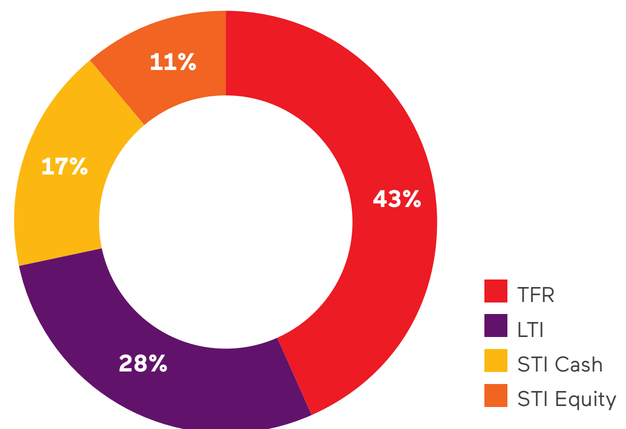
4.2 Remuneration Mix for 2021

The target remuneration mix has been structured to align CEO and Other Executive KMP with the short and long-term business objectives of TPG Telecom. For the CEO and Other Executive KMP the graphs below outline the target remuneration mix between total fixed remuneration (TFR), short term incentive cash and equity components and long term incentive.

CEO



Other Executive KMP



4.3 Total Target and Maximum Remuneration for 2021

Total Target remuneration for the CEO and other Executive KMP has been set by reference to the median of benchmark data for comparable roles in ASX 11-50 peer organisations. The maximum has been set at the 75th percentile of total target remuneration for comparable roles in ASX 11-50 peer organisations. The below table details Total Target remuneration by reward elements for those Executive KMP who held that role as at 1 January 2021.

EXECUTIVE KMP	BASE SALARY[1] $	STI TARGET % OF BASE SALARY	STI TARGET $	% STI DEFERRED	LTI TARGET % OF BASE SALARY	LTI TARGET $	TOTAL TARGET REMUNER-ATION $
Iñaki Berroeta	1,850,000	100%	1,850,000	40%	100%	1,850,000	5,550,000
Elizabeth Aris	700,000	65%	455,000	40%	65%	455,000	1,610,000
Stephen Banfield	750,000	65%	487,500	40%	65%	487,500	1,725,000
Ana Bordeianu	700,000	65%	455,000	40%	65%	455,000	1,610,000
Craig Levy	700,000	65%	455,000	40%	65%	455,000	1,610,000
Daniel Lloyd	600,000	65%	390,000	40%	65%	390,000	1,380,000

1. Statutory superannuation is not included in the calculation of incentives.

The below table details Total Maximum remuneration by reward element for those Executive KMP who held that role as at 1 January 2021.

EXECUTIVE KMP	BASE SALARY[1] $	STI MAXIMUM % OF BASE SALARY	STI MAXIMUM $	% STI DEFERRED	LTI MAXIMUM % OF BASE SALARY	LTI MAXIMUM $	TOTAL MAXIMUM REMUNER-ATION $
Iñaki Berroeta	1,850,000	150%	2,775,000	40%	150%	2,775,000	7,400,000
Elizabeth Aris	700,000	100%	700,000	40%	100%	700,000	2,100,000
Ana Bordeianu	700,000	100%	700,000	40%	100%	700,000	2,100,000
Stephen Banfield	750,000	100%	750,000	40%	100%	750,000	2,250,000
Craig Levy	700,000	100%	700,000	40%	100%	700,000	2,100,000
Daniel Lloyd	600,000	100%	600,000	40%	100%	600,000	1,800,000

1. Statutory superannuation is not included in the calculation of incentives.

The sections below provide greater detail in relation to each remuneration element.

4.4 Fixed remuneration 2021

Fixed remuneration is determined by reference to the median of the external market for comparable roles, taking into consideration the size and complexity of the role, skills and experience of employees and internal market relativities. The external market data consists of median benchmarks for comparable roles in ASX 11-50 peer organisations. Fixed remuneration is comprised of base salary plus superannuation. No fixed remuneration increases are proposed for 2021 for Executive KMP.

Remuneration Report continued

4.5 Short Term Incentive 2021

The STI is awarded for annual Company and individual performance and the achievement of TPG Telecom's strategic priorities. It aligns the interests of KMP and shareholders.

The key elements of STI for TPG Telecom for 2021 are as follows:

ELEMENT	DESCRIPTION
Gateway	An STI allocation to Executives will be paid after the following considerations are taken into account: **Assessed at a Group level:** • **Financial:** minimum financial performance aligned with shareholder interests has been achieved. This is set at the beginning of the performance year at the discretion of the Board. • **Risk:** appropriate management of financial, operational and reputational risks in the generation of returns as assessed by the Board in its discretion at the end of the financial year. **Assessed at an individual level:** • **Behaviours:** demonstrated behaviours that are aligned with the organisation's purpose and culture as assessed by the Board on the advice of management at the end of the financial year.
STI opportunity	The CEO is eligible to earn STI equivalent of up to 100% of base salary at target and up to 150% of base salary at maximum. Other Executive KMP are eligible to earn STI equivalent of up to 65% of base salary at target and up to 100% of base salary at maximum. The target STI opportunity has been set relative to the aggregate STI and LTI remuneration against the total target remuneration levels at the median of the ASX 11-50 peer group. The maximum STI opportunity has been determined by reference to total target remuneration levels at the 75th percentile of the ASX 11-50 peer group.
Funding	The size of the STI pool will be determined based on the specific outcomes of the STI scorecard measures, capped by the maximum available to individual Executive KMP.
Performance measures	Performance STI outcomes will be assessed against a balanced scorecard developed to support the Company's strategic priorities. The table below outlines the performance measures to be used in 2021.

PERFORMANCE MEASURE	SCORECARD WEIGHTING
Total Service Revenue	15%
Operating FCF	15%
EBITDA (unadjusted)[1]	20%
Customer experience	10%
Employee experience	10%
Individual performance achievement	30%
TOTAL	**100%**

Individual performance measures are role specific and set with reference to the organisation's strategic priorities as they relate to an individual's role.

1. The Board reserves the right to use its discretion to adjust abnormal items.

<table>
<tr><th>ELEMENT</th><th colspan="3">DESCRIPTION</th></tr>
<tr><td>How performance is evaluated</td><td colspan="3">The GRNC makes a recommendation to the Board on the CEO's performance against the Group's scorecard and individual goals agreed at the beginning of the financial year.

The CEO makes a recommendation to the GRNC for recommendations to the Board on the performance of each individual Other Executive KMP against the Group's scorecard and their individual goals.

Any STI outcomes for the CEO or Other Executive KMP will be subject to overriding Board discretion.</td></tr>
<tr><td rowspan="5">Instruments</td><td colspan="3">STI will be awarded in cash and DSRs. DSRs are rights over TPG Telecom ordinary shares. DSRs are granted at no cost to Executive KMP and no dividend is payable for any unexercised DSRs.

A transition to the desired 50% equity deferral will occur over time given that historically neither legacy VHA nor TPG Corporation used deferred STI arrangements. The transition is being staged to balance the retention of Executive KMP over the crucial post-merger period with shareholder expectations over the near term for the proportion to be retained.

The table below outlines the percentage of cash and deferred equity to be allocated for STI for the next three years. This applies to all Executive KMP.</td></tr>
<tr><td>YEAR</td><td>CASH COMPONENT</td><td>DSR COMPONENT</td></tr>
<tr><td>2021</td><td>60%</td><td>40%</td></tr>
<tr><td>2022</td><td>55%</td><td>45%</td></tr>
<tr><td>2023 onwards</td><td>50%</td><td>50%</td></tr>
<tr><td>Performance period</td><td colspan="3">STI is assessed over a one year period, aligned to the calendar year (and TPG Telecom's financial year).</td></tr>
<tr><td>Vesting period</td><td colspan="3">The cash component of the STI will be paid following the end of the financial year.

DSRs will vest equally in two tranches after a one and two year vesting period subject to continued employment.</td></tr>
<tr><td>Number of DSRs issued</td><td colspan="3">The number of DSRs issued is calculated based on the face value of the volume weighted average share price (VWAP) of TPG Telecom's ordinary shares over the five days following the announcement of annual results.</td></tr>
<tr><td>Exercise</td><td colspan="3">Exercise of DSRs is automatic on vesting and there is no exercise price.</td></tr>
<tr><td>Hedging of DSRs</td><td colspan="3">Executives cannot enter into any arrangements that will limit the economic risk of unvested DSRs.</td></tr>
<tr><td>Malus conditions</td><td colspan="3">In cases where an Executive KMP acts fraudulently or dishonestly or is in breach of his or her obligations to TPG Telecom, any eligibility to STI or unvested rights will lapse.</td></tr>
</table>

Remuneration Report continued

ELEMENT	DESCRIPTION
Cessation of employment	STI will be forfeited if an Executive KMP resigns before the payment date. Unvested DSRs will also be forfeited if the Executive KMP resigns before the vesting date. In special circumstances (including redundancy, retirement, death or total and permanent disability or as otherwise agreed), the below treatment may apply: • Cash STI may be awarded pro rata on termination. Where business performance is yet to be determined for the period, outcomes will reflect at Target performance. Where business performance has been determined, this will be applied to final outcomes together with an assessment of individual performance. • DSRs may be retained on cessation of employment subject to the existing terms and conditions of the award.
Change of control	DSRs will be subject to the existing terms and conditions of the award and the exercise of Board discretion.

4.6 Long Term Incentive 2021

LTI supports longer-term alignment between an Executive KMP and the return experienced by shareholders in TPG Telecom. LTI considers both Company performance and performance relative to the external market.

ELEMENT	DESCRIPTION
LTI opportunity	The target LTI opportunity has been determined by reference to the median of the ASX 11-50 peer group for comparable roles, taking into account the level of fixed, STI and LTI remuneration. The maximum LTI opportunity has been determined with reference to total target remuneration levels at the 75th percentile of the peer group. The CEO is eligible to earn LTI equivalent of up to 100% of base salary at target and up to 150% of base salary at maximum. Other Executive KMP are eligible to earn LTI equivalent of up to 65% of base salary at target and up to 100% of base salary at maximum.
Performance measures and vesting period	Performance under the LTI will be tested against two equally weighted measures linked to: • Operating FCF after lease payments and excluding spectrum payments; and • Total Shareholder Return (TSR) relative to a peer group of 48 ASX 100 listed organisations (excluding Energy, Financials, Materials, and Real Estate sectors). Performance under the LTI will be tested over a discrete three year period, as outlined in the table below. **PERFORMANCE MEASURE** / **WEIGHTING** Relative TSR: 50% Operating FCF: 50% If the performance hurdles are met, vesting may only occur at the end of the three year performance period.

ELEMENT	DESCRIPTION
How performance is evaluated	Vesting schedules for the LTI performance measures are included in the table below.

Relative TSR vesting schedule

RELATIVE TSR PERFORMANCE Following the 3 year Performance Period % ranking with peer group	VESTING % of Granted Performance Rights that vest
Equal to or less than the 50th percentile	0%
Between the 50.1 percentile and 75th percentile	Straight-line pro rata vesting between 50% and 100%
Equal to the 75th percentile or above	100%

Operating FCF vesting schedule

OPERATING FCF PERFORMANCE Performance Period % of 3 Year Cumulative Target	VESTING % of Granted Performance Rights that vest
Less than 80% of the cumulative Operating FCF target is achieved	0%
80% of the cumulative Operating FCF target is achieved	50%
Between 80% and 110% of the cumulative Operating FCF target is achieved	Straight-line pro rata vesting between 50% and 100%
110% or more of the cumulative Operating FCF target is achieved	100%

ELEMENT	DESCRIPTION
Instrument	LTI is granted in performance rights that entitle participants to a fully paid ordinary share in TPG Telecom subject to the meeting of performance hurdles. Performance rights are granted at no cost. No dividend is payable on unexercised rights.
Number of rights issued	The number of performance rights issued is calculated based on the face value of the VWAP of TPG Telecom's ordinary shares over the five days following the announcement of the Company's annual results.
Exercise	Exercise of performance rights is automatic on vesting and there is no exercise price.
Hedging	Executives cannot enter into any arrangements that limit the economic risk of unvested performance rights.
Malus conditions	In cases where an Executive KMP acts fraudulently or dishonestly or is in breach of his or her obligations to TPG Telecom, any unvested rights will lapse.
Cessation of employment	Performance rights will generally be forfeited if an Executive KMP resigns before the vesting date. In special circumstances (including redundancy, retirement, death or total and permanent disability or as otherwise agreed), any unvested rights may be retained on cessation of employment subject to the existing terms and conditions of the award and Board discretion.
Change of control	Performance Rights will be subject to the existing terms and conditions of the award and Board discretion.

Remuneration Report continued

To further align the interests of the Executive with shareholders, going forward a minimum shareholding requirement has been approved by the Board for all Executive KMP.

Under the minimum shareholding requirement, Executive KMP are required to acquire and maintain, directly or indirectly, a holding with a value equivalent of one year's base salary. Each Executive KMP may accumulate this value over five years from the date of the merger or appointment, whichever is later. The shareholding requirements will be periodically reviewed. At any point in time, the value of an Executive KMP's Minimum Holding will be calculated as the higher of the purchase price or current market price. The minimum shareholding is calculated as the total value of shares held by the Executive KMP and unvested performance rights. For the purpose of the calculation, the value of unvested performance rights is discounted by 50%.

In addition, the Board of TPG Telecom has adopted a share trading policy to ensure Executives comply with, and are perceived as complying with insider trading laws, and their dealing in securities of TPG Telecom. The policy relates to no or restricted dealing of securities in relation to trading windows, written acknowledgement for trading, no short-term speculative trading, disclosure of changes in notifiable interests and margin lending. A breach of policy will be regarded seriously and may constitute a breach of the law potentially leading to disciplinary action being taken against the Executive.

5. 2020 and 2021 Non-executive Director Governance and Remuneration

5.1 Governance responsibilities have been clearly defined.

Pre-merger

Prior to the merger, the VHA Remuneration Committee had oversight of VHA's remuneration arrangements and was accountable for both CEO and Executive KMP remuneration, as well as the related policies and processes.

The governance responsibilities were performed by the Remuneration Committee at this time which reported to the full Board.

Prior to the merger, the VHA Remuneration Committee had responsibility for; oversight of remuneration policies for the company, remuneration arrangements and outcomes for the CEO and Executives; and design and outcomes for all employee incentive plans. The Remuneration Committee exercised its delegated authority from the Board with respect to employee incentive plans and ensured practices and procedures complied with legal requirements and were in line with current market practices.

Post-merger

Following the merger in July 2020, the full Board of Directors of TPG Telecom has had oversight of TPG Telecom's remuneration arrangements, and is accountable for both Executive and Non-Executive Director remuneration as well as the related policies and processes.

The GRNC reports to the full Board either through formal minutes or a verbal report provided to the Board by the Chairman of the GRNC.

Following the merger, the responsibilities of the Board and the GRNC, as defined in the Board and GRNC Charter, are as follows:

<table>
<tr><th>AREA</th><th>APPROVED BY BOARD ON RECOMMENDATION OF GRNC</th><th>ROLE OF GRNC</th></tr>
<tr><td>Executive remuneration</td><td>Remuneration policies
Remuneration arrangements for CEO and Executives and the Company Secretary
Performance and remuneration outcomes for the CEO and Executives (including annual or ad-hoc reviews)
Design and outcomes for all employee incentive plans involving equity in the company
Gender outcomes to avoid gender or other bias
Minimum shareholding policy</td><td>In addition to making recommendations to the Board, the GRNC undertakes the following:
Reviews remuneration policies to ensure they reflect:
risks involved
time demands
relevant industry and related benchmarks
Assesses conformance with minimum shareholding requirements
Exercises delegated discretions under employee incentive and equity plans
Monitors the effectiveness of employee incentive and equity plans
Ensures practices and procedures comply with legal and ASX requirements and are in line with current market practices
Reviews remuneration reporting to ensure it complies with legal requirements
Monitors conformance with minimum shareholding requirement</td></tr>
<tr><td>Non-Executive Director remuneration</td><td>Remuneration policies
Remuneration fees
(subject to the aggregate cap)
Minimum shareholding policy</td><td>Monitors conformance with minimum shareholding requirement</td></tr>
</table>

5.2 The relevant Board Committee is composed of Non-Executive Directors, who operated independently of management.

The composition of the Committee with oversight of remuneration has changed during the year to reflect the merger.

Pre-merger

Prior to merger, the VHA Remuneration Committee consisted of four VHA Non-Executive Directors, with equal representation from the two shareholders at that time. All Committee members had a comprehensive understanding of the pre-merge Company and the interaction of remuneration, risk and performance.

NAME	ROLE	DATE
Canning Fok	Non-Executive Director and Remuneration Committee Chairman	To 12 July 2020
Dominic Lai Kai Ming	Non-Executive Director	To 28 June 2020
Francesco Bianco	Non-Executive Director	To 28 June 2020
Vivek Badrinath	Non-Executive Director	To 11 May 2020
Diego Massidda	Non-Executive Director	From 12 May 2020 to 12 July 2020

Remuneration Report continued

Post-merger

Since the merger, the GRNC has consisted of five Non-Executive Directors, two of whom, including the Committee Chairman, are independent Non-Executive Directors. All Committee members are diligent in ensuring they have a comprehensive understanding of the merged company and the interaction of remuneration, risk and performance.

NAME	ROLE	DATE
Dr Helen Nugent AO	Independent Non-Executive Director and GRNC Chairman	From 13 July 2020
Arlene Tansey	Independent Non-Executive Director and Audit & Risk Committee Chairman	From 13 July 2020
David Teoh	Non-Executive Director and Board Chairman	From 13 July 2020
Diego Massidda	Non-Executive Director	From 13 July 2020
Canning Fok	Non-Executive Director	From 13 July 2020 to 19 August 2020
Frank Sixt	Non-Executive Director	From 20 August 2020

All members of the GRNC have experience in both Human Resources and risk to achieve effective governance of TPG Telecom's remuneration system. In addition, all members of the GRNC have extensive experience in remuneration either through their professional background or as members of the committees of other boards, both in Australia and overseas.

5.3 Effective remuneration governance processes are in operation.

Since the merger, the GRNC has met five times. Director's attendance at the meetings are set out in the Directors' Report. Over that period, the GRNC has paid sustained attention to the design and operation of remuneration policies and practices, at the same time as being acutely aware of the need to motivate and retain employees as the organisation structure evolves and merger integration proceeds.

More specifically, the GRNC and the Board have strong processes in place for making remuneration decisions for senior employees, including KMP, which also involves assiduous management of conflicts of interest. These are rigidly followed both by the GRNC and the Board.

The GRNC also discusses with the CEO the performance of each member of the senior management team, including the KMP.

5.4 The Board reached its own decision on benchmark information.

In the lead up to, and subsequent to the merger, benchmark data was sought from an independent third party on peer group remuneration practices and levels as well as on the LTI peer group. This data was considered in detail by the VHA Remuneration Committee and subsequently by the GRNC as input to its recommendations and decision-making.

However, no recommendation, as defined by the *Corporations Act 2001* (Cth) was sought from the third party.

5.5 The structure of Non-Executive Director remuneration fees are linked to their governance role and they are not paid in shares.

TPG Telecom's remuneration approach ensures that Non-Executive Directors are appropriately remunerated in a way that supports the retention of their independence.

Prior to the merger, all Non-Executive Directors received no remuneration from VHA and were remunerated directly by shareholders.

The fees to be paid to Non-Executive Directors of the merged Company were determined prior to the merger and disclosed in the Scheme Booklet.

Non-Executive Directors do not receive:

- Fees that are contingent on performance;
- Shares in return for their service;
- Retirement benefits, other than statutory superannuation; or
- Termination benefits.

On completion of the merger, David Teoh ceased his position as CEO and Executive Chairman of TPG Corporation and his employment was ended. External Legal advice was sought in relation to the treatment of David Teoh's termination with reference to his contract of employment, and as such his termination from TPG Corporation was treated as a redundancy. David Teoh's termination payment included 12 weeks of severance pay in line with the minimum statutory entitlement. He also received payment for leave entitlements all of which had been previously accrued. He agreed to waive the 3 month notice period entitlement detailed in his employment contract. This payment was approved by the post-merger Board of TPG Telecom, based on legal advice, with Mr Teoh not receiving any papers and absenting himself from the meeting.

David Teoh's final termination payment is detailed below:

PAYMENT	AMOUNT $
Annual Leave and Long Service Leave	2,265,146
Severance (12 weeks)	371,538
Total termination payment	**2,636,684**

The CEO is not remunerated separately for acting as a Director.

5.6 The fees paid to Non-Executive Directors are appropriate.

The maximum aggregate fee pool available for Non-Executive Directors is $2.5 million as set out in the 2020 Scheme Booklet. Non-Executive Director fees were determined with reference to the median of a peer group of ASX 11-50 companies.

The table below outlines the fees (inclusive of superannuation) paid to Independent Non-Executive Directors.

ROLE	BOARD $	AUDIT AND RISK COMMITTEE $	GOVERNANCE, REMUNERATION AND NOMINATION COMMITTEE $
Chair	450,000[1]	50,000	40,000
Member	165,000	25,000	20,000

1. The Non-Executive Chairman is also paid $20,000 per annum for being a member of the GRNC.

Following a review in late 2020, there are no proposed changes to Non-Executive Director fees for the 2021 financial year.

A Non-Executive Director nominated by a shareholder may elect to have director's fees paid to their nominating shareholder. For current Non-Executive Directors this includes Canning Fok, Frank Sixt, Pierre Klotz and Diego Massidda.

Remuneration Report continued

5.7 Non-Executive Directors are required to hold a minimum shareholding of TPG Telecom shares.

To align the interests of the Board with shareholders, the Board has a minimum shareholding requirement for Non-Executive Directors.

Under the minimum shareholding requirement, Non-Executive Directors are required to acquire and maintain, directly or indirectly, a holding with a value equivalent of one year of base Non-Executive fees (excluding Committee fees). Each Non-Executive Director may accumulate this value over four years from the date of the merger or appointment, whichever is later. The shareholding requirements will be periodically reviewed. This requirement will not apply to any Non-Executive Director appointed by a nominating shareholder who does not personally receive Non-Executive Director fees from the Company. At any point in time, the value of a Non-Executive Director's minimum holding will be calculated as the higher of the purchase price or current market price. Non-Executive Directors are required to advise the Company Secretary of the purchase price at the time of purchase.

In addition, the Board of TPG Telecom has adopted a share trading policy to ensure Non-Executive Directors comply with, and are perceived as complying with, the law as regards to insider trading, and their dealing in securities of TPG Telecom. The policy relates to dealing in securities during trading windows, written acknowledgement of trading, no short-term speculative trading, disclosure of changes in notifiable interests and margin lending. A breach of policy is regarded seriously and may constitute a breach of the law and may lead to disciplinary action being taken against the Non-Executive Director.

Appendices

1. Executive Service Agreements

The table below sets out the main terms and conditions of the employment contracts of Executive KMP.

	CEO IÑAKI BERROETA	OTHER EXECUTIVE KMP
Employee notice period	Six months if within the first two years from start date, 12 months thereafter	6 months
TPG Telecom notice period	12 months	6 months
Term of Agreement	Unlimited term	Unlimited term
Remuneration Review	Annual	Annual
Restraint and non-solicitation period	12 months	6 months
Termination arrangements	Entitled to severance of 6 months' base salary	Entitled to severance of 3 months' base salary or statutory entitlement whichever is greater

The table below sets out the CEO's remuneration package from 1 July 2020.

CEO	BASE SALARY $	SUPER-ANNUATION $	TOTAL FIXED REMUNER-ATION $	RETENTION PAYMENT[1] $	STI TARGET % OF BASE SALARY	STI MAXIMUM % OF BASE SALARY	LTI TARGET % OF BASE SALARY	LTI MAXIMUM % OF BASE SALARY
Iñaki Berroeta	1,850,000	21,694	1,871,694	555,000	Up to 100%	Up to 150%	Up to 100%	Up to 150%

1. The Retention payment is to be paid in 6 equal tranches on specified payment dates between 1 October 2020 and 1 January 2022, subject to continuous employment, unless the Company terminates CEO's employment without cause. The payment is not to be taken into account when calculating any payment for STI, LTI, annual leave, long service leave or on termination of employment.

2. Executive Statutory Remuneration

Detail of remuneration for Executives is set out below in accordance with statutory disclosure requirements under the Corporations Act and the Australian Accounting Standards.

		SHORT TERM BENEFITS				POST EMPLOYMENT BENEFITS
NAME	YEAR	CASH SALARY AND FEES[1] $	STI CASH[2] $	NON-MONETARY BENEFITS[3] $	OTHER SHORT TERM BENEFITS[4] $	SUPERANNUATION $
Iñaki Berroeta	2020[7]	1,756,250[8]	1,471,131	18,040	113,593	21,348
Elizabeth Aris	2020[9]	58,333	–	1,264	5,532	5,424
Stephen Banfield	2020[10]	282,738	89,583	5,587	26,870	10,847
Ana Bordeianu	2020[7]	612,474	335,681	20,463	36,108	21,848
Daniel Lloyd	2020[7]	628,291	359,265	14,927	42,225	21,348
Sean Crowley	2020[11]	327,782	169,094	–	12,272	15,925
Trent Czinner	2020[11]	325,011	220,734	9,340	18,950	15,925
Vanessa Hicks	2020[11]	305,819	169,698	10,969	4,279	16,425
Robert James	2020[11]	351,551	206,384	9,340	17,166	15,450
Craig Levy	2020[10]	263,889	108,333	5,587	25,079	10,847
Ben McIntosh	2020[12]	76,915	(19,198)	1,835	2,559	4,871
Kevin Millroy	2020[13]	59,871	(17,546)	–	5,616	4,452
Total		**5,048,924**	**3,093,159**	**97,352**	**310,249**	**164,710**

1. Cash salary and fees includes base salary, retention payments and car allowance.
2. STI Cash includes actual STI amounts relating to the 2020 STI Plan performance year, and adjustment to the accruals for the 2019 STI Plan after the final payment.
3. Non monetary benefits include car parking, medical checks, insurances related to health, salary continuance, death and TPD and tax support (inclusive of any relevant fringe benefits tax).
4. Other short term benefits relate to accrued annual leave.
5. Termination benefits include payments related to the contractual notice period and severance provisions.
6. LTI Cash includes the accrued or paid amounts during the year relating to the 2020 performance year for the 2018, 2019 and 2020 VHA LTI Plan Awards, and adjustments to the accruals of the 2018 and 2019 LTI Plan Awards and the final payment of the 2017 LTI Plan Award during the year for the finalisation of the 2019 performance year outcome.
7. Represents remuneration received as KMP from 1 January 2020 to 31 December 2020.
8. The CEO's Cash salary and fees includes a cash salary amount of $1,626,250, car allowance of $37,500 and a retention payment of $92,500.
9. Represents remuneration received as KMP from 1 December 2020.
10. Represents remuneration received as KMP from 17 August 2020.
11. Represents remuneration received as KMP up until 16 August 2020.
12. Represents remuneration received as KMP up until 14 February 2020.
13. Represents remuneration received as KMP up until 7 February 2020.

Remuneration Report continued

3. Non-Executive Director Statutory Remuneration

Detail of remuneration for Non-Executive Directors is set out below in accordance with statutory disclosure requirements under the Corporations Act and the Australian Accounting Standards.

		SHORT TERM BENEFITS		POST-EMPLOYMENT BENEFITS		
NAME[1]	YEAR	CASH SALARY AND FEES $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	TERMINATION BENEFITS[2] $	TOTAL $
David Teoh	2020	210,530	–	10,847	371,538	592,915
Canning Fok	2020	85,478	–	–	–	85,478
Pierre Klotz	2020	95,150	–	–	–	95,150
Diego Massidda	2020	92,801	–	–	–	92,801
Robert Millner	2020	70,975	–	6,743	–	77,718
Dr Helen Nugent AO	2020	98,935	–	9,399	–	108,334
Frank Sixt	2020	90,724	–	–	–	90,724
Arlene Tansey	2020	101,085	–	9,603	–	110,688
Shane Teoh	2020	70,975	–	6,743	–	77,718
Total		**916,653**	**–**	**43,335**	**371,538**	**1,331,526**

1. The following Non-Executive Directors of VHA resigned during the financial year: V Badrinath, T Reisten, F Bianco, A Harkness, D Lai Kai Ming, M Angel Marin Pilz, R Spithill and B Roberts-Thomson. These Directors did not receive remuneration from VHA and were remunerated directly by shareholders.
2. Termination benefits for David Teoh reflects a 12 week severance payment made on termination from his role as CEO and Executive Chairman of TPG Corporation.

4. Equity Movements

The table below provides movements in equity for KMP during the financial year.

NAME	HOLDING AT START OF YEAR	GRANTED AS REMUNERATION	OTHER MOVEMENTS[1]	PURCHASED/ (SOLD)	BALANCE AT YEAR END
David Teoh	–	–	318,315,608	–	318,315,608
Canning Fok	–	–	–	–	–
Pierre Klotz	–	–	–	–	–
Diego Massidda	–	–	–	–	–
Robert Millner	–	–	8,373,058	–	8,373,058
Dr Helen Nugent AO	–	–	–	11,000	11,000
Frank Sixt	–	–	–	–	–
Arlene Tansey	–	–	–	20,000	20,000
Shane Teoh	–	–	133,258	–	133,258
Elizabeth Aris	–	–	–	–	–
Stephen Banfield	–	–	338,300	–	338,300
Iñaki Berroeta	–	–	–	–	–
Ana Bordeianu	–	–	–	–	–
Craig Levy	–	–	437,600	(120,000)	317,600
Daniel Lloyd	–	–	–	–	–

1. TPG shares issued through a one-for-one exchange for TPM securities on ASX listing.

5. Related Party Transactions

Since the completion of the merger, the Group has rented office premises from companies related to a Director of the Company, David Teoh. The total rent charged for the period was $855,181.

On 13 July 2020, as part of the merger transaction, TPG Corporation paid two dividends to its pre-merger shareholders comprising:

a. a cash dividend of $0.516 per TPG Corporation share; and
b. an in-specie distribution of shares in Tuas Limited (of one Tuas Limited share for every two TPG Corporation shares). Each Tuas Limited share was valued at $0.6799 being the five-day VWAP of the Tuas Limited shares for the first five days of trading following its listing.

Certain KMP of the Company, being David Teoh, Robert Millner, Shane Teoh, Craig Levy and Stephen Banfield, were pre-merger shareholders of TPG Corporation and were, therefore, recipients of these dividends. The total value of these dividends paid to the Company's KMP was $280.4 million.

No loans were made to any KMP.

This concludes the Remuneration Report, which has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

This Directors' Report is made in accordance with a resolution of the Directors on 25 February 2021.

David Teoh
Director
25 February 2021

Sydney, Australia

Iñaki Berroeta
Director
25 February 2021

Sydney, Australia

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of TPG Telecom Limited (formerly named Vodafone Hutchison Australia Limited) for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of TPG Telecom Limited (formerly named Vodafone Hutchison Australia Limited) and the entities it controlled during the period.

S Prakash
Partner
PricewaterhouseCoopers

Sydney
25 February 2021

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Financial Report

About this report

The financial report covers the group consisting of TPG Telecom Limited (formerly named Vodafone Hutchison Australia Limited) ('TPG Telecom', 'the Company') and its controlled entities (the 'Group'). Vodafone Hutchison Australia Pty Limited ('VHA') converted to a public company on 19 June 2020 and changed its name to Vodafone Hutchison Australia Limited. On 29 June 2020, the Company changed its name from Vodafone Hutchison Australia Limited to TPG Telecom Limited.

All amounts are presented in Australian dollars unless stated otherwise.

TPG Telecom is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, 177 Pacific Highway

North Sydney NSW 2060

A description of the nature of the Group's operations and its principal activities is included in the Directors' report on pages 22 to 59.

The financial report was authorised for issue by the Directors on 25 February 2021. The Company has the power to amend and reissue the financial report.

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Consolidated Income Statement

for the year ended 31 December 2020

	NOTES	2020 $m	2019 $m
Revenue from contracts with customers	4	4,350	3,513
Other income	5	11	10
Cost of provision of telecommunication services		(1,388)	(695)
Cost of handsets sold		(855)	(1,102)
Employee benefits expense	5	(328)	(232)
Other operating expenses	5	(399)	(316)
Earnings before interest, tax, depreciation and amortisation		**1,391**	**1,178**
Depreciation and amortisation expense	5	(1,188)	(1,021)
Results from operating activities		**203**	**157**
Finance income	5	3	7
Finance expenses	5	(292)	(444)
Net financing costs		**(289)**	**(437)**
Loss before income tax		**(86)**	**(280)**
Income tax benefit/(expense)	6	820	–
Profit/(loss) for the year		**734**	**(280)**
Attributable to:			
Owners of the Company		741	(280)
Non-controlling interests		(7)	–
		734	**(280)**

		cps	cps
Earnings per share for profit/(loss) attributable to owners of the Company			
Basic and diluted earnings per share	7	64	(68)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	2020 $m	2019 $m
Profit/(loss) for the year	**734**	**(280)**
Other comprehensive income		
Items that may subsequently be reclassified to the income statement, net of tax:		
Net gain/(loss) on cash flow hedges taken to equity	2	(1)
Other comprehensive income/(loss) for the year, net of tax	**2**	**(1)**
Total comprehensive income/(loss) for the year	**736**	**(281)**
Attributable to:		
Owners of the Company	743	(281)
Non-controlling interests	(7)	–
	736	**(281)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 December 2020

	NOTES	2020 $m	2019 $m
ASSETS			
Current assets			
Cash and cash equivalents	8	120	734
Trade and other receivables	9	431	391
Inventories	10	51	103
Derivative financial instruments	11	–	130
Prepayments		79	64
Assets held for sale	13	2	–
Total current assets		**683**	**1,422**
Non-current assets			
Trade and other receivables	9	110	77
Property, plant and equipment	14	3,258	1,865
Right-of-use assets	15	1,012	1,454
Intangible assets	16	13,469	3,929
Deferred tax assets	6	264	–
Prepayments		28	–
Total non-current assets		**18,141**	**7,325**
Total assets		**18,824**	**8,747**
LIABILITIES			
Current liabilities			
Trade and other payables	17	927	1,035
Contract liabilities	4	271	122
Borrowings	18	–	5,255
Lease liabilities	15	92	84
Provisions	19	84	37
Derivative financial instruments	11	1	1
Other current liabilities	20	81	95
Total current liabilities		**1,456**	**6,629**
Non-current liabilities			
Contract liabilities	4	25	–
Borrowings	18	4,330	1,743
Lease liabilities	15	1,051	1,544
Provisions	19	64	22
Other non-current liabilities	20	6	12
Total non-current liabilities		**5,476**	**3,321**
Total liabilities		**6,932**	**9,950**
Net assets/(liabilities)		**11,892**	**(1,203)**
EQUITY			
Contributed equity	21	18,399	6,047
Reserves	22	1	(1)
Accumulated losses		(6,508)	(7,249)
Equity attributable to owners of the Company		**11,892**	**(1,203)**
Non-controlling interests	12	–	–
Total equity/(deficiency in equity)		**11,892**	**(1,203)**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

		ATTRIBUTABLE TO OWNERS OF THE COMPANY					
	NOTES	CONTRIBUTED EQUITY $m	RESERVES $m	ACCUMULATED LOSSES $m	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY $m	NON-CONTROLLING INTEREST $m	TOTAL EQUITY $m
Balance at 1 January 2020		6,047	(1)	(7,249)	(1,203)	–	(1,203)
Non-controlling interest acquired	12	–	–	–	–	7	7
Profit/(loss) for the year		–	–	741	741	(7)	734
Other comprehensive income, net of tax		–	2	–	2	–	2
Shares issued during the year	21	12,352	–	–	12,352	–	12,352
Balance at 31 December 2020		**18,399**	**1**	**(6,508)**	**11,892**	**–**	**11,892**
Balance at 1 January 2019		6,047	–	(6,969)	(922)	–	(922)
Loss for the year		–	–	(280)	(280)	–	(280)
Other comprehensive income, net of tax		–	(1)	–	(1)	–	(1)
Balance at 31 December 2019		**6,047**	**(1)**	**(7,249)**	**(1,203)**	**–**	**(1,203)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	NOTES	2020 $m	2019 $m
Cash flows from operating activities			
Receipts from customers		4,822	3,914
Payments to suppliers and employees		(3,645)	(2,628)
		1,177	1,286
Other revenue	5	11	10
Income taxes paid	6	–	–
Net cash generated from operating activities	8(b)	**1,188**	**1,296**
Cash flows from investing activities			
Net cash acquired as a result of merger	12	99	–
Payments for property, plant and equipment		(411)	(315)
Payments for spectrum on behalf of joint venture		(132)	–
Payments for intangible assets		(273)	(303)
Disposal of subsidiary (net of cash disposed)	13	(379)	–
Cash reclassified to assets held for sale	13	(7)	–
Transaction costs relating to merger		(37)	(17)
Net cash outflows from investing activities		**(1,140)**	**(635)**
Cash flows from financing activities			
Proceeds from borrowings		4,780	–
Repayment of borrowings		(4,594)	(171)
Repayment of principal element of leases		(130)	(112)
Finance costs paid		(241)	(294)
Interest received		2	7
Pre-acquisition dividends paid to TPG Corporation shareholders	12	(479)	–
Net cash outflows from financing activities		**(662)**	**(570)**
Net (decrease)/increase in cash and cash equivalents		**(614)**	**91**
Cash and cash equivalents at 1 January		734	643
Cash and cash equivalents at 31 December	8	**120**	**734**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 1. Reporting entity

TPG Telecom Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 1, 177 Pacific Highway, North Sydney NSW 2060. The consolidated financial statements as at, and for the year ended 31 December 2020 (referred to throughout this report as '2020'), comprise the accounts of the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is primarily involved in the provision of telecommunications services.

Note 2. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are presented without the parent entity financial statements. Disclosures in relation to the parent entity required under paragraph 295(3)(a) of the *Corporations Act 2001* have been included in Note 26.

The financial statements are prepared in accordance with the historical cost convention, except for unsold handset and accessory receivables, derivative financial instruments and assets held for sale, which, as noted, are at fair value. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Comparative figures have been adjusted to conform to the presentation of the financial statements and notes for the current financial year, where required, to enhance comparability.

(a) Merger with TPG Corporation Limited (formerly named TPG Telecom Limited)

The merger of the Company and TPG Corporation became effective for accounting purposes on 26 June 2020 (being the acquisition date) and was completed on 13 July 2020.

The merger was implemented through a Scheme of Arrangement under which the Company acquired all of the shares in TPG Corporation in return for issuing shares in the Company to TPG Corporation shareholders.

The Group's Consolidated Income Statement for the year to 31 December 2020 includes six months and four days of results from TPG Corporation (between the accounting effective date and 31 December 2020).

Further details of the merger accounting are set out in Note 12.

(b) Net current asset deficiency

At 31 December 2020, the Group had a deficiency of net current assets of $773 million (2019: a deficiency of $5,207 million). The Group is satisfied that it will be able to meet all its obligations as they fall due, due to its history of generating positive operating cash flows, its expected future profitability as a merged Group, and existing cash reserves and available debt facilities.

(c) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The acquisition method of accounting is used to account for business combinations by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Notes to the Consolidated Financial Statements continued

Note 2. Basis of preparation continued

All intercompany transactions, balances and unrealised gains on transactions between companies within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Balance Sheet respectively.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement except when they relate to financial instruments qualifying for hedges as set out in Note 11.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

(e) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Rounding of amounts

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 presented in the consolidated financial statements and Directors' report has been rounded to the nearest million dollars, unless otherwise indicated.

(g) New accounting standards and Interpretations

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions - AASB 16 Leases has been amended to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications. Instead, a lessee would not treat those rent concessions as lease modifications. AASB 2020-4 applies to annual periods beginning on or after 1 June 2020. While the Group has decided to early adopt this amendment, the adoption did not have a material impact on the Group during the year, due to the immaterial nature of rent concessions received by the Group during the year.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(h) Key accounting estimates and judgements

Summary of key accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is provided in the following notes:

- Note 6 Recognition of deferred tax assets
- Note 9 Loss allowance on trade and other receivables
- Note 9 Recognition of unbilled handset and accessories revenue
- Note 12 Accounting for business combinations
- Note 14 Useful lives of property, plant and equipment
- Note 15 Lease terms and discount rates
- Note 16 Useful lives of intangible assets
- Note 16 Determination of the Group's cash generating units
- Note 16 Impairment of intangible assets with indefinite lives

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

COVID-19 Pandemic

During the year to 31 December 2020, the COVID-19 outbreak has developed rapidly with significant measures to contain the virus taken by the Australian Government and governments around the world. These measures have affected economic activity and the telecommunications market, and also led to the Group undertaking measures to support customers, all of which have impacted the Group's financial performance during the period. The ongoing restrictions in movement, in particular international travel, have seen reduced inbound related connections, visitor revenue and international roaming revenues.

A thorough consideration of COVID-19 impacts on the business has not identified any significant impacts on the Group's 31 December 2020 asset values, or significant risks giving rise to additional liabilities to be recognised at 31 December 2020. Management notes that the Group's future financial performance, profitability and cash flow performance are critical inputs to certain significant accounting judgements including recognition of deferred tax assets (Note 6), recoverability of receivables (Note 9), impairment assessment of goodwill and intangibles with indefinite lives (Note 16), and the Company's financial risk management (Note 28).

Management has not identified any significant changes to its accounting judgements and estimates when considering the impacts of COVID-19 on estimation uncertainty in preparing these accounting positions for the purposes of the full-year financial report.

Notes to the Consolidated Financial Statements continued

Note 3. Segment reporting

The Group determines operating segments based on the information that is internally provided to the senior management team, who are the Group's chief operating decision makers.

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

During the second half of financial year, in light of the ongoing integration activities between the Company and TPG Corporation, the senior management team has decided to adopt revised reporting segments, being the Consumer and Corporate segments, to reflect how the Group is managed. Comparative balances have been restated to reflect the updated reporting structure.

SEGMENT	PRINCIPAL ACTIVITIES
Consumer	Provision of telecommunications services to residential and small business customers.
Corporate	Provision of telecommunications services to corporate, government and wholesale customers. Mobile small business customers have been categorised in Corporate.
Unallocated:	Unallocated includes: • Transaction costs relating to the merger • Impairment of Tech2 • Certain head office costs.

	CONSUMER $m	CORPORATE $m	UNALLOCATED $m	TOTAL $m
For the year ended 31 December 2020				
Revenue from contracts with customers	3,706	644	–	4,350
Other income	–	–	11	11
Cost of provision of telecommunication services	(1,219)	(169)	–	(1,388)
Cost of handsets sold	(799)	(56)	–	(855)
Employee benefits expense	(258)	(68)	(2)	(328)
Other operating expenses	(312)	(43)	(44)	(399)
Results from segment activities	**1,118**	**308**	**(35)**	**1,391**
For the year ended 31 December 2019				
Revenue from contracts with customers	3,167	346	–	3,513
Other income	–	–	10	10
Cost of provision of telecommunication services	(619)	(76)	–	(695)
Cost of handsets sold	(1,037)	(65)	–	(1,102)
Employee benefits expense	(208)	(24)	–	(232)
Other operating expenses	(268)	(29)	(19)	(316)
Results from segment activities	**1,035**	**152**	**(9)**	**1,178**

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

	2020 $m	2019 $m
Total segment results	1,391	1,178
Depreciation and amortisation expense	(1,188)	(1,021)
Results from operating activities	**203**	**157**
Net financing costs	(289)	(437)
Loss before income tax	**(86)**	**(280)**

Geographic information

The majority of the Group's revenues are derived from Australian based entities, and no single customer generates revenue greater than 10% of the Group's total revenue. A geographic analysis of the Group's non-current assets is set out below:

	2020 $m	2019 $m
Australia	17,847	7,325
Other	294	–
	18,141	**7,325**

'Other' predominantly relates to submarine cables located in international waters.

Note 4. Revenue from contracts with customers

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer. Revenue is presented net of GST, rebates and discounts.

Revenue arrangements with multiple deliverables

Goods and services may be sold separately or in bundled packages. For bundled packages, e.g. mobile devices and monthly service fees, the Group accounts for revenue from individual goods and services. The consideration for the bundled packages comprises cash flows from the customers (expected to be received) in relation to goods and services delivered over the contract term. The consideration (transaction price) is allocated between separate goods and services in a bundle based on their relative stand-alone selling prices. Where a discount is provided to the customer for bundled packages they are recognised in proportion with the hardware and service equivalent stand-alone prices.

Service revenue – Telecommunication services

The Group sells telecommunication services of the following nature: postpaid and prepaid mobile services, fixed data, internet and voice services, insurance and content services. Telecommunication services include monthly access charges for voice, messaging and data services, fees for connecting users of fixed line and other mobile providers to the network and agreements entered into with other telecommunications networks. Set-up revenue for certain products does not satisfy the definition of a performance obligation and is treated as part of the total contract price and allocated over the identified performance obligations. Revenue from insurance and content services is recognised on a net basis when the Group acts as agent. Revenue from telecommunication services are recognised over time in the accounting period in which the services are rendered. Revenue is measured based on the consideration specified in a contract with a customer.

Notes to the Consolidated Financial Statements continued

Note 4. Revenue from contracts with customers continued

Hardware revenue

Revenue from the sale of handsets, modems and accessories is recognised at a point in time when the handsets and accessories are delivered, the legal title has passed and the customer has accepted the goods.

For mobile devices sold in bundled contracts, customers are offered two options for payment – full payment at the commencement of the contract or instalments over 12, 24 or 36 months. A handset and accessories receivable is recognised for such instalment plans. Management have determined for instalment payments that a significant financing component does not exist and has therefore not adjusted the transaction price for the time value of money.

The total transaction price for hardware revenue paid through instalments is subject to risks around collectability, impacts of new plans and industry trends. Accordingly, accumulated experience is used to estimate the impacts of these risks at the time of sale using a portfolio estimate. Each year, this experience is updated which can impact the estimate of the transaction price.

(a) Major product categories

		CONSUMER		CORPORATE		TOTAL	
	TIMING OF REVENUE RECOGNITION	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Mobile – Postpaid	Over time	1,459	1,579	237	261	1,696	1,840
Mobile – Prepaid	Over time	444	434	–	–	444	434
Fixed	Over time	890	45	–	–	890	45
Data and Internet	Over time	–	–	265	3	265	3
Other service revenue	Over time	69	57	85	16	154	73
Handsets and accessories	Point in time	815	1,042	56	65	871	1,107
Other hardware revenue	Point in time	29	10	1	1	30	11
		3,706	**3,167**	**644**	**346**	**4,350**	**3,513**

(b) Assets and liabilities related to contracts with customers

Contracts assets (referred to as trade receivables) are amounts due from customers for goods and services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional less loss allowance. Refer to Note 9 for further details.

Contract costs are recognised as an asset and expensed over the expected life of a customer contract consistent with the transfer of the goods and services to which the capitalised costs relate to the customer. Refer to Note 16 for further details.

	2020 $m	2019 $m
Contract liabilities	296	122

Contract liabilities relate to unearned revenue. Unearned revenue arises from consideration received from prepaid services which have not been utilised, or from postpaid services which have not yet been provided. Contract liabilities relating to prior year released during the year were $118 million (2019: $123 million).

(c) Remaining performance obligations

The Group has applied the practical expedient of not disclosing information about the amount of transaction price allocated to the remaining (unfulfilled) performance obligations as the Group has a right to consideration in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

Note 5. Other profit and loss items

(a) Other income

	2020 $m	2019 $m
Grant income	10	10
Other income	1	–
	11	**10**

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grant income relates to government grants that are deferred and recognised in the Consolidated Income Statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are credited to Consolidated Income Statement on a straight-line basis over the expected lives of the related assets.

	2020 $m	2019 $m
(b) Employee benefits expense		
Superannuation expense	23	19
Other employee benefits expense	305	213
	328	**232**
(c) Other operating expenses		
Advertising and promotion expenses	85	72
Consulting and outsourced services costs	115	97
IT and facilities expenses	25	17
Transaction costs associated with the merger	36	19
Administration and other expenses	138	111
	399	**316**
(d) Depreciation and amortisation expense		
Depreciation of property, plant and equipment	530	507
Depreciation of right-of-use assets	151	166
Amortisation of intangible assets	507	348
	1,188	**1,021**
(e) Net financing costs		
Finance income		
Interest income	(3)	(7)
Finance expenses		
Amortisation of borrowing costs	13	7
Interest and finance charges for borrowings and lease liabilities	279	437
	289	**437**

Interest income

Revenue from interest is recognised using the effective interest method.

Notes to the Consolidated Financial Statements continued

Note 6. Income tax

The consolidated current tax payable or recoverable is based on taxable profit/(loss) for the year. Taxable profit differs from profit reported in the Consolidated Income Statement because some items of income or expense are taxable or deductible in different periods or may never be taxable or deductible. The Group's liability for current tax is calculated using Australian tax rates (and laws) that have been enacted or substantively enacted by the reporting date.

Tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited directly to equity, in which case the tax is also recognised directly in equity.

Tax consolidation legislation

With effect from 13 July 2020, the wholly owned Australian subsidiaries acquired as part of the merger with TPG Corporation entered the tax consolidated group, of which the Company is the head entity, in accordance with Australian taxation law. The tax sharing agreement entered into between the entities within the tax consolidated group provides for the determination of the allocation of the income tax liabilities between entities should the head entity default in its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that the company's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

	NOTES	2020 $m	2019 $m
(a) Income tax expense			
Current tax			
Current tax expense on profit/(loss) for the period		8	–
Adjustments for current tax in respect of prior periods		–	–
Total current tax expense		**8**	**–**

The Group has recognised $8 million of income tax expense relating to the period between 26 June 2020 and 13 July incurred by TPG Corporation. At 31 December 2020, the Group has recorded a $3 million current tax payable.

	NOTES	2020 $m	2019 $m
Deferred tax			
(Increase) in deferred tax assets	6(d)	(792)	–
Decrease in deferred tax liabilities	6(d)	(34)	–
Adjustments for deferred tax of prior periods		(2)	–
Total deferred tax (benefit)/expense		**(828)**	**–**
Income tax (benefit)/expense		**(820)**	**–**

(b) Numerical reconciliation between tax expense and pre-tax accounting profit/(loss)

	2020	2019
Loss from operations before income tax	(86)	(280)
Income tax benefit using the Australian tax rate of 30% (2019: 30%)	(26)	(84)
Tax effect of amounts which are (not deductible)/taxable in calculating taxable income:		
Interest expense	–	52
Non-deductible expenses	13	–
Tax losses incurred during the year, not recognised	–	32
Initial recognition of deferred tax assets	(819)	–
Other	12	–
Income tax (benefit)/expense	**(820)**	**–**

(c) Tax losses

	2020 $m	2019 $m
Unused tax losses for which no deferred tax asset has been recognised	–	2,081
Unused transferred tax losses for which no deferred tax asset has been recognised	2,275	2,275
Total tax losses for which no deferred tax asset has been recognised	2,275	4,356
Potential tax benefit at 30% (2019: 30%)	683	1,307

The transferred losses of $2,275 million arose from the Vodafone and '3' merger in 2009, and were transferred to VHA at that time. These transferred losses are subject to an available fraction calculation which determines the rate at which the transferred losses can be utilised.

(d) Deferred tax assets and liabilities

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the associated entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements continued

Note 6. Income tax continued

Critical Estimates and Judgements: Recognition of deferred tax assets

Management judgement is required to determine the recognition of deferred tax assets, which is reviewed at the end of each reporting period. The carrying amount of deferred tax assets is only recognised to the extent that it is probable that sufficient taxable profit will be available in the future to utilise this benefit. This assessment requires assumptions about the generation of future taxable profits derived from management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the Consolidated Statement of Financial Position and the amount of tax losses and temporary differences not yet recognised.

Subsequent to the merger effective date, management has assessed the assumptions about the generation of future taxable profits of the new merged Group based on management's estimates of future cash flows, and have recognised $226 million of previously unrecognised deferred tax assets relating to temporary differences and a corresponding credit to the Consolidated Income Statement.

With regard to tax losses carried forward, the benefit of tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the Company complies with the conditions for deductibility imposed by tax legislation. At 31 December 2020, $590 million of deferred tax assets from tax losses have been recognised based on management's assessment of the availability of the tax losses, and the future rate of utilisation of tax losses based on management's estimates of future cash flows.

Amounts unrecognised as at the reporting date could be subsequently recognised if it becomes probable that future taxable profit will allow the Group to benefit from these unrecognised tax losses.

	2020 $m	2019 $m
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Employee benefits	19	8
Deferred revenue	15	7
Property, plant and equipment	134	143
Provisions and accruals	72	50
Lease liabilities	336	316
Tax losses	590	–
Other	21	5
Unrealised foreign exchange movements	–	64
Temporary differences not recognised	–	(302)
Total deferred tax assets	1,187	291
Set off tax liabilities pursuant to set-off provisions	(923)	(291)
Net deferred tax assets	**264**	**–**

MOVEMENTS	EMPLOYEE BENEFITS $m	DEFERRED REVENUE $m	PROPERTY, PLANT AND EQUIPMENT $m	PROVISIONS AND ACCRUALS $m	LEASE LIABILITIES $m	TAX LOSSES $m	OTHER $m	UNREALISED FOREIGN EXCHANGE MOVEMENTS $m	TEMPORARY DIFFERENCES NOT RECOGNISED $m	TOTAL $m
At 1 January 2020	8	7	143	50	316	–	5	64	(302)	291
(Charged)/credited										
– Addition from business combination	9	10	3	30	32	–	25	–	–	109
– to profit or loss	2	(2)	(12)	(8)	(12)	590	(4)	(64)	302	792
– Reclassification to assets held for sale	–	–	–	–	–	–	(5)	–	–	(5)
At 31 December 2020	**19**	**15**	**134**	**72**	**336**	**590**	**21**	–	–	**1,187**

As at 31 December 2019, net temporary differences of $302 million were not recognised as it was considered that they were not recoverable.

	2020 $m	2019 $m
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Right-of-use assets	298	289
Intangible assets	612	–
Other	13	2
	923	291
Set off tax liabilities pursuant to set-off provisions	(923)	(291)
Net deferred tax liabilities	**–**	**–**

MOVEMENTS	RIGHT-OF-USE ASSETS $m	INTANGIBLE ASSETS $m	OTHER $m	TOTAL $m
At 1 January 2020	289	–	2	291
(Charged)/credited				
– Addition from business combination	24	637	5	666
– to profit or loss	(15)	(25)	6	(34)
At 31 December 2020	**298**	**612**	**13**	**923**

Notes to the Consolidated Financial Statements continued

Note 7. Earnings per share

	UNITS	2020	2019
Basic and diluted earnings per share	cents	64	(68)
Profit/(loss) attributable to the owners of the Company used in calculating basic and diluted earnings per share ($m)	$m	741	(280)
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	number	1,156,505,986	414,185,152

The Group presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares during the period.

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

The weighted average number of ordinary shares has been retrospectively adjusted for the share consolidation on the Company's debt restructure which occurred during the period. Refer to Note 21 for further details.

Note 8. Cash and cash equivalents

For the purposes of presentation in the Consolidated Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

(a) Restricted cash

At 31 December 2020, none of the cash and cash equivalents balance held by the Company were subject to restrictions and therefore not available for general use by other entities within the Group (2019: $39 million). In the prior year, these deposits supported various bank guarantees and a corporate credit card facility.

(b) Reconciliation of cash flows from operating activities

The presentation of cash flows from operating activities in the Consolidated Statement of Cash Flows has been changed from an indirect to a direct method, as it provides more relevant information for the users of the financial report. The comparative has been amended accordingly. The indirect method has been disclosed in the below table.

	2020 $m	2019 $m
Cash flows from operating activities		
Profit/(loss) for the year after income tax	734	(280)
Adjustments for:		
Depreciation and amortisation expense	1,188	1,021
Net financing costs	289	437
Transaction costs relating to merger	36	19
Impairment expense	10	–
	2,257	**1,197**
Movements in operating assets and liabilities:		
Decrease in trade and other receivables	45	49
Decrease in inventories	59	26
(Increase) in prepayments	(3)	(2)
(Increase) in deferred tax assets	(845)	–
(Decrease)/increase in trade and other payables	(290)	10
(Decrease) in contract liabilities	(17)	–
(Decrease)/increase in other liabilities	(20)	34
Increase/(decrease) in provisions	2	(18)
	(1,069)	**99**
Net cash generated from operating activities	**1,188**	**1,296**

(c) Non-cash investing and financing activities

	2020 $m	2019 $m
Acquisition of right-of-use assets	84	91
Partial settlement of business combination through issuance of shares	7,877	–
Movement in use of supply chain financing for trade creditors	–	131

Notes to the Consolidated Financial Statements continued

Note 8. Cash and cash equivalents continued

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2020 $m	2019 $m
Cash and cash equivalents	120	734
Borrowings (current)	–	(5,255)
Borrowings (non-current)	(4,330)	(1,743)
Lease liabilities (current)	(92)	(84)
Lease liabilities (non-current)	(1,051)	(1,544)
Derivative financial instruments	(1)	129
	(5,354)	**(7,763)**
Cash and cash equivalents	120	734
Gross debt (fixed interest rates)	(1,143)	(1,791)
Gross debt (variable interest rates)	(4,330)	(6,835)
Derivative financial instruments	(1)	129
	(5,354)	**(7,763)**

	CASH AND CASH EQUIVALENTS $m	LEASE LIABILITIES $m	BORROWINGS $m	DERIVATIVE FINANCIAL INSTRUMENTS $m	TOTAL $m
Net debt at 1 January 2020	734	(1,628)	(6,998)	129	(7,763)
Acquired on business combination	99	(115)	(2,047)	–	(2,063)
Disposed on business combination	–	557	–	–	557
Cash flows	(327)	209	–	–	(118)
Lease acquisitions	–	(100)	–	–	(100)
Interest unwinding	–	(84)	–	–	(84)
Lease revaluations and terminations	–	16	–	–	16
Foreign exchange adjustments	–	–	(97)	102	5
Promissory notes received	–	–	4,475	–	4,475
Disposal of subsidiary (VHF)	(379)	–	605	(232)	(6)
Reclassification to assets held for sale	(7)	2	–	–	(5)
Proceeds from borrowings	–	–	(4,780)	–	(4,780)
Repayment of borrowings	–	–	4,594	–	4,594
Guarantee fees	–	–	(82)	–	(82)
Net debt at 31 December 2020	**120**	**(1,143)**	**(4,330)**	**(1)**	**(5,354)**

	CASH AND CASH EQUIVALENTS $m	LEASE LIABILITIES $m	BORROWINGS $m	DERIVATIVE FINANCIAL INSTRUMENTS $m	TOTAL $m
Net debt at 1 January 2019	642	(592)	(7,004)	112	(6,842)
Impacts of *AASB 16 Leases*	–	(1,066)	–	–	(1,066)
Cash flows	92	209	171	–	472
Lease acquisitions	–	(91)	–	–	(91)
Interest unwinding	–	(98)	–	–	(98)
Lease revaluations and terminations	–	10	–	–	10
Foreign exchange adjustments	–	–	(13)	17	4
Realisation of derivatives	–	–	–	–	–
Proceeds from borrowings	–	–	–	–	–
Guarantee fees	–	–	(152)	–	(152)
Net debt at 31 December 2019	**734**	**(1,628)**	**(6,998)**	**129**	**(7,763)**

Note 9. Trade and other receivables

Trade receivables are amounts due from customers for goods and services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional less loss allowance. Trade receivables are generally due for settlement within 30-60 days, except for handset and accessories receivables which are collected over the term of the contract. For Handset and Accessories receivables which have not been sold to third parties in accordance with the Group's arrangements, these are initially recognised at the amount expected to be recoverable over the term of the contract, subject to collectability reviews.

Collectability of receivables are reviewed on an ongoing basis. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over relevant historical periods before year end and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic and commercial factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of internal recovery include inactive accounts, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 90 to 120 days past due. Impairment losses on trade receivables are presented as impairment of receivables within other operating expenses in the Consolidated Income Statement. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group has entered into arrangements which allows them to sell certain handset and accessories receivables to a third party.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised as handset receivable expense within other operating expenses in the Consolidated Income Statement.

As the relevant criteria in *AASB 9 Financial Instruments* were satisfied, the fair value of the current receivables sold were derecognised from the financial statements. At 31 December 2020, $153 million of its unsold handset receivables (2019: $115 million) has yet to satisfy the qualifying criteria required under the risk transfer arrangement with third parties, and are recognised as receivables by the Group.

Notes to the Consolidated Financial Statements continued

Note 9. Trade and other receivables continued

	2020 $m	2019 $m
Current		
Trade receivables	246	192
Less: Provision for impairment of receivables	(37)	(11)
	209	181
Handset and accessories receivables	157	116
Accrued revenue	35	48
Receivable from related parties	1	–
Other receivables	29	46
	431	**391**
Non-current		
Handset and accessories receivables	104	70
Other receivables	6	7
	110	**77**

(a) Movement in provision for impairment of receivables

	2020 $m	2019 $m
Balance at 1 January	**(11)**	**(14)**
Acquired provision from business combination	(29)	–
Provision for impairment recognised during the year	(18)	(2)
Change in estimate	3	2
Receivables written off during the year	18	3
Balance at 31 December	**(37)**	**(11)**

Critical Estimates and Judgements: Loss allowance on trade and other receivables

Management judgement is required to determine the allowance for doubtful debts for the Group's trade receivables. During the financial year, the loss assumptions used in determining the provision for trade and other receivables were reviewed against, and updated to align with, actual debtor collectability using latest available data.

At 31 December 2020, this included a thorough assessment of COVID-19 impacts on potential increases in the number of customers in financial hardship, future plans and measures to support customers, and inherent uncertainties of the ongoing COVID-19 pandemic. This assessment led to an additional provision for impairment of receivables estimate of $1 million (2019: nil), which has been reflected in the Consolidated Income Statement.

(b) Handset and accessories receivables

	2020 $m	2019 $m
Handset and accessories receivables	333	265
Estimated future adjustments to unbilled revenue	(72)	(79)
	261	186
Handset receivables sale expense	**31**	**55**

Critical Estimates and Judgements: Recognition of unbilled handset and accessories revenue

Management judgement is required to determine the potential future adjustments to handset and accessories revenue. Handset and accessories revenue is recognised upfront, with cash collected from customers over the instalment contract period. At the end of the reporting period, management assesses the risks associated with the recovery of unsold handset receivables paid through instalments and potential future buy-backs of sold receivables, and other loss risks relating to factors such as new plans, industry trends and company policies. During the financial year, the Group has performed a detailed analysis of historical data and future expected trends to identify any required revenue reversal to the original transaction price.

At 31 December 2020, this included an assessment of COVID-19 impacts on the aforementioned loss risk factors. No significant impacts were identified that resulted in a change in the recognition of variable consideration of hardware revenue during the financial year (2019: $26.1 million increase).

Note 10. Inventories

Finished goods include handsets, modems, other connectivity devices and accessories and are stated at the lower of cost and net realisable value. Cost comprises the purchase price and any expenditure that is directly attributable to the acquisition of the inventory after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

	2020 $m	2019 $m
Finished goods at net realisable value	51	103

Inventories expensed in the Consolidated Income Statement during the year ended 31 December 2020 amounted to $807 million (2019: $1,012 million).

Note 11. Derivative financial instruments

Derivative financial instruments are utilised by the Group in the management of its foreign currency exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The fair values of derivative financial instruments designated in hedge relationships are separately identified and disclosed. Movements in the hedging reserve are shown in Note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

For derivatives that are unhedged, changes in fair value are recognised in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements continued

Note 11. Derivative financial instruments continued

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement within other income or other operating expenses.

The Group tests cash flow hedges for effectiveness at each reporting date both retrospectively and prospectively. Amounts taken to 'other comprehensive income' are:

- transferred to the consolidated income statement when the hedged transaction affects profit or loss, such as, when the hedged financial income or financial expense is recognised, or when a forecast transaction occurs,
- transferred to the initial carrying amount of the non-financial asset or liability where the hedged item is the cost of a non-financial asset or non-financial liability, or
- transferred to the consolidated income statement immediately if the forecast transaction or firm commitment is no longer expected to occur.

If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in 'other comprehensive income' remain in 'other comprehensive income' until the forecast transaction occurs.

	2020 $m	2019 $m
Current assets		
Cross currency swaps (related entities to Vodafone Group Plc)	–	65
Cross currency swaps (related entities to CK Hutchison Holdings Limited)	–	65
Forward foreign exchange contracts	–	–
	–	**130**
Current liabilities		
Forward foreign exchange contracts	1	1

(a) Cross currency swaps

The Group had a USD3.5 billion syndicated loan facility with a syndicate of lenders. The facility was based on the 3 month US LIBOR plus a margin and was scheduled to mature in November 2020. In order to protect against exchange rate movements, the Group had in place cross currency swaps to coincide with the maturity of the loan. The swaps in place cover 100% of the outstanding loan balance and have a fixed exchange rate and effectively swap US Dollar debt for Australian Dollar debt. The Group's effective rate of interest is based on the Australian 3 month BBSW plus a margin. The swaps were entered into with related parties associated with the jointly controlling parent entities at the time (refer to Note 24).The cross currency swaps are settled in full on the same date as the interest payment is made to the facility agent.

The gain or loss on the hedging instrument is recognised in the Consolidated Income Statement and is expected to broadly offset the revaluation on the syndicated loan facility.

On 9 July 2020, the Group's USD3.5 billion syndicated loan facility and the associated cross currency swaps were assumed by certain shareholders as part of the pre-merger completion debt restructuring steps.

(b) Forward foreign exchange contracts

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

The Group procures a portion of its handsets, network equipment and technology support services from global suppliers. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts, in a number of currencies, primarily US Dollar, Euro and Indian Rupee.

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for purchases are scheduled to be made.

Note 12. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary company comprises:

- fair values of assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interest issued by the Group,
- fair value of any assets or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised in the Consolidated Income Statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the Consolidated Income Statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements continued

Note 12. Business combinations continued

Merger of the Company and TPG Corporation

The merger of the Company and TPG Corporation became effective for accounting purposes on 26 June 2020 and was completed on 13 July 2020.

The merger brings together two highly complementary businesses to create a leading integrated, full-service telecommunications company with a comprehensive portfolio of fixed and mobile products for consumers, SMEs and enterprises.

The merger was implemented through a Scheme of Arrangement under which the Company acquired all of the shares in TPG Corporation in return for issuing shares in the Company to TPG Corporation shareholders.

The Scheme was approved by the Supreme Court of New South Wales on 26 June 2020 and became effective for accounting purposes on that day, being the deemed date of effective control. The Scheme was implemented on 13 July 2020 when the agreed number of shares in the Company were issued to TPG Corporation shareholders.

TPG Corporation Limited changed its name from TPG Telecom Limited and was suspended from trading on the ASX on 29 June 2020, and the Company changed its name to TPG Telecom Limited on 29 June 2020 and listed on the ASX on 30 June 2020.

Between the accounting effective date (26 June 2020) and the merger completion date (13 July 2020) there were several restructuring steps that needed to be implemented by both the Company and TPG Corporation in accordance with the Scheme Implementation Deed.

Acquisition related costs of $36 million are included in Other Operating Expenses in the Consolidated Income Statement for the year ended 31 December 2020 (2019: $19 million).

TPG Corporation's contribution to the Group's results for the six months and four day period from 26 June 2020 to 31 December 2020 was revenue of $1,237 million and net profit after tax of $219 million. If the merger had been effective from 1 January 2020, management estimates that the Group would have revenue of $5,517 million and net profit after tax of $283 million for the year ended 31 December 2020.

Critical Estimates and Judgements: Business combinations

Accounting for mergers and acquisitions is inherently complex, requiring a number of judgements and estimates to be made.

The merger of the Company and TPG Corporation became effective for accounting purposes during the period. The merger was effected through a Scheme of Arrangement under which the Company acquired all of the shares in TPG Corporation.

In relation to the fair value of the Scheme consideration, the Company acquired TPG Corporation through the issue of shares in the Company (one TPG Telecom share for every TPG Corporation share). For accounting purposes, the acquisition date was 26 June 2020. TPG Telecom was listed on the ASX on a deferred settlement basis on 30 June 2020. TPG Telecom commenced trading on an ordinary settlement basis on 14 July 2020. Management has reviewed the reliability of available information and inputs on each relevant date, in particular with regard to the fair value hierarchy under AASB 13, and has assessed that the TPG Telecom quoted share price on 30 June 2020 represents the most reliable measure of the fair value of the Scheme consideration at the acquisition date (26 June 2020).

Management judgement is required to determine the fair value of identifiable assets and liabilities acquired in business combinations. A number of judgements have been made in relation to the identification of fair values attributable to separately identifiable assets and liabilities acquired, including customer relationships and brands. The determination of fair values require the use of valuation techniques based on assumptions including future cash flows, revenue growth, margins, customer attrition rates and weighted-average cost of capital.

The initial accounting for the acquisition of TPG Corporation was provisionally determined at 30 June 2020. In accordance with AASB 3, the Group has twelve months from the date of acquisition to finalise the purchase price accounting and allocation of fair value to goodwill and other indefinite life intangible assets. At the date of the finalisation of the annual report for the year ended 31 December 2020, market valuations and other calculations had not yet been finalised, and the fair value of the assets and liabilities, including deferred tax balances and goodwill, were therefore only provisionally determined based on management's best estimate of the likely value.

	NOTE	$m
Purchase consideration		
Shares issued[1]		7,877
Acquisition of spectrum held in Mobile JV[2]		(129)
Settlement of pre-existing relationships[3]		(77)
Total purchase consideration		**7,671**
The assets and liabilities recognised as a result of the acquisition are as follows:		
Provisional fair value[4]		
Cash and cash equivalents		99
Trade and other receivables		124
Inventories		7
Deferred tax liabilities	6	(557)
Other assets		25
Property, plant and equipment	14	1,491
Right-of-use assets	15	99
Intangible assets	16	3,431
Trade and other payables		(272)
Contract liabilities		(194)
Borrowings	18	(2,047)
Lease liabilities	15	(115)
Provisions		(89)
		2,002
Assets classified as held for distribution[5]		512
Acquired pre-acquisition dividends payable[6]		(991)
Net identifiable assets acquired		**1,523**
Less: Non-controlling interests acquired[4]		(7)
Add: provisional goodwill[4]	16	6,155
		7,671

1. **Fair value of shares issued**
   The Company acquired TPG Corporation through the issue of shares in the Company (one TPG Telecom share for every TPG Corporation share). For accounting purposes, the acquisition date was 26 June 2020. TPG Telecom was listed on the ASX on a deferred settlement basis on 30 June 2020. TPG Telecom commenced trading on an ordinary settlement basis on 14 July 2020. Management has reviewed the reliability of available information and inputs on each relevant date, in particular with regard to the fair value hierarchy under AASB 13, and has assessed that the TPG Telecom quoted share price on 30 June 2020 represents the most reliable measure of the fair value of the Scheme consideration at the acquisition date (26 June 2020).
2. **Acquisition of spectrum held in Mobile JV**
   Mobile JV was established as a joint venture between the Company and TPG Corporation to purchase 3.6 GHz spectrum at the auction conducted in November 2018. Prior to 26 June 2020, the Company funded its 50% share of the 3.6 GHz spectrum payment, being $132 million. On acquisition of TPG Corporation, the Company acquired the remaining 50% share of Mobile JV. The Group has recognised the acquisition of TPG Corporation's interest in the spectrum asset as a step asset acquisition and recognised $257 million in spectrum licences. The total underlying asset is measured at fair value on the date of acquisition.
3. **Settlement of pre-existing relationships**
   On the accounting acquisition date (26 June 2020), the Company held $14 million of MVNO and Interconnect receivables, $473 million of right-of-use assets and $564 million of lease liabilities relating to the Company's access to dark fibre links, of which TPG Corporation was the counterparty. These receivables and liabilities are considered to be effectively settled on the merger effective date. These pre-existing contractual relationships have been assessed to reflect market value at the acquisition date, and no gain or loss has been recognised in the Consolidated Income Statement.
4. **Provisional fair value of acquired assets liabilities, non-controlling interest and goodwill recognised**
   In accordance with AASB 3, the Group has twelve months from the date of acquisition (26 June 2020) to finalise the purchase price accounting and allocation of fair value to goodwill and other indefinite lived intangible assets. Hence, acquired balances in other notes to the financial statements are disclosed at provisional values.

Notes to the Consolidated Financial Statements continued

Note 12. Business combinations continued

5. Acquired assets classified as held for distribution

The acquired assets held for distribution, as valued by an independent valuation assessment, represent the net assets of Tuas Limited, which was demerged by way of an in-specie distribution of Tuas shares to TPG Corporation's pre-merger shareholders immediately prior to implementation of the merger on 13 July 2020. The operating results of Tuas between the merger accounting effective date (26 June) and 13 July 2020 were not material to the Group's results for the year and have therefore not been reflected in the Group's Consolidated Income Statement for the year.

6. Acquired pre-acquisition dividends payable

Total acquired pre-acquisition dividends payable comprise $479 million relating to the special cash dividend and $512 million relating to the Tuas In-Specie Dividend, which were distributed to TPG Corporation's pre-merger shareholders on 13 July 2020.

Note 13. Interests in other entities

(a) Subsidiaries

Investments in subsidiaries are measured at cost in the Company's financial statements. The following is a list of all entities that formed part of the Group as at 31 December 2020.

			EQUITY HOLDING	
NAME OF ENTITY	NOTES	COUNTRY OF INCORPORATION	2020 %	2019 %
Vodafone Hutchison Finance Pty Limited ('VHF')	1	Australia	100	100
Vodafone Hutchison Spectrum Pty Limited	4	Australia	100	100
Vodafone Hutchison Receivables Pty Limited	4	Australia	100	100
H3GA Properties (No. 3) Pty Limited		Australia	100	100
Vodafone Foundation Australia Pty Limited		Australia	100	100
Vodafone Australia Pty Limited	4	Australia	100	100
Vodafone Pty Limited	4	Australia	100	100
Vodafone Network Pty Limited	4	Australia	100	100
Mobileworld Operating Pty Ltd	4	Australia	100	100
Mobileworld Communications Pty Ltd	4	Australia	100	100
Mobile JV Pty Limited ('Mobile JV')	2,4	Australia	100	50
AAPT Limited	3,4	Australia	100	–
ACN 088 889 230 Pty Ltd	3,4	Australia	100	–
ACN 139 798 404 Pty Ltd	3,4	Australia	100	–
Adam Internet Holdings Pty Ltd	3,4	Australia	100	–
Adam Internet Pty Ltd	3,4	Australia	100	–
Agile Pty Ltd	3,4	Australia	100	–
Alchemyit Pty Ltd	3	Australia	100	–
Blue Call Pty Ltd	3,4	Australia	100	–
Cable Licence Holdings Pty Ltd	3,4	Australia	100	–
Chariot Pty Ltd	3,4	Australia	100	–
Chime Communications Pty Ltd	3,4	Australia	100	–
Connect Internet Solutions Pty Limited	3,4	Australia	100	–
Connect West Pty Ltd	3,4	Australia	100	–
Destra Communications Pty Ltd	3	Australia	100	–
Digiplus Contracts Pty Ltd	3,4	Australia	100	–
Digiplus Holdings Pty Ltd	3,4	Australia	100	–

NAME OF ENTITY	NOTES	COUNTRY OF INCORPORATION	EQUITY HOLDING 2020 %	2019 %
Digiplus Investments Pty Ltd	3,4	Australia	100	–
Digiplus Pty Ltd	3,4	Australia	100	–
FTTB Wholesale Pty Ltd	3,4	Australia	100	–
Gizmo Corporation Pty Ltd	3	Australia	60	–
Hosteddesktop.com Pty Ltd	3	Australia	100	–
iHug Pty Ltd	3,4	Australia	100	–
iiNet (New Zealand) AKL Ltd	3,4	New Zealand	100	–
iiNet (OzEmail) Pty Ltd	3,4	Australia	100	–
iiNet Labs Pty Ltd	3,4	Australia	100	–
iiNet Limited	3,4	Australia	100	–
Internode Pty Ltd	3,4	Australia	100	–
Intrapower Pty Ltd	3,4	Australia	100	–
Intrapower Terrestrial Pty Ltd	3,4	Australia	100	–
IP Group Pty Ltd	3,4	Australia	100	–
IP Service Xchange Pty Ltd	3	Australia	100	–
Jiva Pty Ltd	3,4	Australia	100	–
Kooee Communications Pty Ltd	3,4	Australia	100	–
Kooee Mobile Pty Ltd	3,4	Australia	100	–
Kooee Pty Ltd	3,4	Australia	100	–
Mercury Connect Pty Ltd	3	Australia	100	–
Neighbourhood Cable Unit Trust	3	Australia	100	–
Netspace Online Systems Pty Ltd	3,4	Australia	100	–
Numillar IPS Pty Ltd	3	Australia	88.57	–
Orchid Cybertech Services Incorporated	3	Philippines	99.99	–
Orchid Human Resources Pty Ltd	3,4	Australia	100	–
PIPE International (Australia) Pty Ltd	3,4	Australia	100	–
PIPE Networks Pty Ltd	3,4	Australia	100	–
PIPE Transmission Pty Ltd	3,4	Australia	100	–
PowerTel Limited	3,4	Australia	100	–
PPC 1 (US) Incorporated	3	USA	100	–
PPC 1 Limited	3	Bermuda	100	–
Request Broadband Pty Ltd	3,4	Australia	100	–
Soul Communications Pty Ltd	3,4	Australia	100	–
Soul Contracts Pty Ltd	3,4	Australia	100	–
Soul Pattinson Telecommunications Pty Ltd	3,4	Australia	100	–
SPT Telecommunications Pty Ltd	3,4	Australia	100	–
SPTCom Pty Ltd	3,4	Australia	100	–
Telecom Enterprises Australia Pty Limited	3,4	Australia	100	–
Telecom New Zealand Australia Pty Limited	3,4	Australia	100	–

Notes to the Consolidated Financial Statements continued

Note 13. Interests in other entities continued

NAME OF ENTITY	NOTES	COUNTRY OF INCORPORATION	EQUITY HOLDING 2020 %	EQUITY HOLDING 2019 %
TPG (NZ) Pty Ltd	3,4	New Zealand	100	–
TPG Corporation Limited	3,4	Australia	100	–
TPG Energy Pty Ltd	3,4	Australia	100	–
TPG Holdings Pty Ltd	3,4	Australia	100	–
TPG Internet Pty Ltd	3,4	Australia	100	–
TPG JV Company Pty Ltd	3,4	Australia	100	–
TPG Network Pty Ltd	3,4	Australia	100	–
TransACT Broadcasting Pty Ltd	3,4	Australia	100	–
TransACT Capital Communications Pty Ltd	3,4	Australia	100	–
TransACT Communications Pty Ltd	3,4	Australia	100	–
TransACT Victoria Communications Pty Ltd	3,4	Australia	100	–
TransACT Victoria Holdings Pty Ltd	3,4	Australia	100	–
Transflicks Pty Ltd	3,4	Australia	100	–
Trusted Cloud Pty Ltd	3,4	Australia	100	–
Trusted Cloud Solutions Pty Ltd	3	Australia	100	–
Value Added Network Pty Ltd	3,4	Australia	100	–
Virtual Desktop Pty Ltd	3,4	Australia	100	–
VtalkVoip Pty Ltd	3	Australia	100	–
Westnet Pty Ltd	3,4	Australia	100	–
Tech2 Business Solutions Pty Ltd	3,5	Australia	60	–
Tech2Home Proprietary Ltd	3,5	New Zealand	60	–
Tech2Home Pty Ltd	3,5	Australia	60	–
Tech2Home (Communications) Pty Ltd	3,5	Australia	60	–
The Tech2 Group Pty Ltd	3,5	Australia	60	–

1. On 9 July 2020, the Company's 100% ownership in VHF was transferred to Vodafone Hutchison (Australia) Holdings Limited, a UK incorporated company jointly controlled by entities in the CK Hutchison Holdings ('CKHH') and Vodafone Groups. On disposal of the subsidiary, $379 million of cash and cash equivalents held in VHF were transferred out of the Group.
2. The entity was established as a joint venture between the Company and TPG Corporation including to purchase 3.6 GHz spectrum at the auction conducted in November 2018. As part of the merger, the entity is now 100% owned by the Group and included in the consolidated results. The entity had no material balances as at 31 December 2019 and therefore no significant impact arises from moving from the equity method of accounting to consolidation. Refer to Note 12 for further details.
3. These companies were acquired as part of the merger between the Company and TPG Corporation on 13 July 2020. These entities previously had a 31 July year-end, which has since been changed to 31 December to align with the Group. TPG Telecom Pte Ltd and Tuas Limited were distributed to TPG Corporation's pre-merger shareholders on 13 July 2020.
4. Pursuant to the *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, these wholly-owned subsidiaries within the Closed Group are relieved from the *Corporations Act 2001 (Cth)* requirements to prepare and lodge separate financial reports for the year ended 31 December 2020 (to the extent they apply).
5. On 31 December 2020, the Group classified its 60% investment in Tech2 as held for sale. Refer to Note 13(c) below for further details.

(b) Joint ventures

Under *AASB 11 Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated statement of financial position.

Equity method

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 14.

		EQUITY HOLDING	
NAME OF ENTITY	COUNTRY OF INCORPORATION	2020 %	2019 %
3GIS Pty Limited	Australia	50	50
3GIS Properties (No 1) Pty Limited	Australia	50	50
3GIS Properties (No 2) Pty Limited	Australia	50	50
Tovadan Pty Limited	Australia	50	50
Mondjay Pty Limited	Australia	50	50

(c) Investment classified as held for sale

Tech2 is a 60% owned subsidiary within the Group. Its immediate parent (which holds the 60% interest) is iiNet Limited, a wholly owned subsidiary of the Group. On 31 December 2020, a resolution of the directors of Tech2 was passed resolving to enter into a share buy-back deed under which Tech2 will buy back the shares owned by iiNet, subject to approval of the shareholders of Tech2. The effect of the share buy-back transaction will be that the Group will divest of its interest in Tech2. The buy-back is expected to be completed in January 2021. Refer to Note 30 for further details.

At 31 December 2020, the Group has recognised its interest in Tech2 as a disposal group classified as held for sale, as the carrying amount of its investment will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. On 31 December 2020, the Group has recognised a $9 million impairment of its investment in Tech2 in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements continued

Note 14. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for its intended use. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included as part of the cost of that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Income Statement during the financial period in which they are incurred.

Depreciation

Depreciation is provided on property, plant and equipment excluding land. Depreciation is calculated on a straight-line basis to write off the depreciable amount of each item of property, plant and equipment over its expected useful life to the Group. The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. Assets are depreciated from the date they are brought into commercial service, or in respect of internally constructed assets from the time the asset is completed and is available for commercial use. The cost of internally constructed assets includes the cost of materials, direct labour, and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The expected useful lives are as follows:

Buildings	40 years
Leasehold improvements	4 to 8 years
Network equipment and infrastructure	3 to 25 years

The depreciable amount of improvements to or on leasehold properties and leased plant and equipment is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter.

Depreciation rates and methods are reviewed at least annually and adjusted on a prospective basis as required by accounting standards.

Critical Estimates and Judgements: Useful lives of property, plant and equipment

Management judgement is required to determine the estimated useful lives of property, plant and equipment for the basis of the depreciation period over which economic benefit will be derived from the asset. The Group reviews the useful lives at the end of each reporting period, based on management's expected life of each asset class, including expected use of specific assets and other relevant factors such as any expected changes in technology.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Income Statement.

Impairment of assets

Non-financial assets other than goodwill are tested for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This includes intangible assets in the course of construction. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Income Statement unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period or when there is an indication that the impairment loss may no longer exist. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

	LAND AND BUILDINGS $m	LEASEHOLD IMPROVEMENTS $m	NETWORK EQUIPMENT AND INFRASTRUCTURE $m	ASSETS UNDER CONSTRUCTION $m	TOTAL $m
Cost					
Balance at 1 January 2020	–	102	4,609	241	4,952
Additions from business combination	43	3	1,407	38	1,491
Additions	–	–	85	484	569
Transfers	–	8	214	(347)	(125)
Write-off	–	(2)	(278)	–	(280)
Balance at 31 December 2020	43	111	6,037	416	6,607
Accumulated depreciation					
Balance at 1 January 2020	–	(72)	(3,011)	(4)	(3,087)
Depreciation	(1)	(15)	(514)	–	(530)
Write-off	–	2	266	–	268
Balance at 31 December 2020	(1)	(85)	(3,259)	(4)	(3,349)
At 31 December 2020					
Cost	43	111	6,037	416	6,607
Accumulated depreciation	(1)	(85)	(3,259)	(4)	(3,349)
Net book amount	**42**	**26**	**2,778**	**412**	**3,258**
Cost					
Balance at 1 January 2019	–	95	4,983	328	5,406
Adjustment for adoption of AASB 16	–	–	(586)	(1)	(587)
Revised balance at 1 January 2019	–	95	4,397	327	4,819
Additions	–	–	–	420	420
Transfers	–	10	346	(515)	(159)
Write-off	–	(3)	(134)	9	(128)
Balance at 31 December 2019	–	102	4,609	241	4,952
Accumulated depreciation					
Balance at 1 January 2019	–	(62)	(2,694)	(12)	(2,768)
Adjustment for adoption of AASB 16	–	–	60	–	60
Revised balance at 1 January 2019	–	(62)	(2,634)	(12)	(2,708)
Depreciation	–	(13)	(511)	17	(507)
Write-off	–	3	134	(9)	128
Balance at 31 December 2019	–	(72)	(3,011)	(4)	(3,087)
At 31 December 2019					
Cost	–	102	4,609	241	4,952
Accumulated depreciation	–	(72)	(3,011)	(4)	(3,087)
Net book amount	**–**	**30**	**1,598**	**237**	**1,865**

Notes to the Consolidated Financial Statements continued

Note 15. Right-of-use assets and lease liabilities

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has leases for various network sites, offices, retail stores and data centres. Rental contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Critical Estimates and Judgements: Determining lease term

Management judgement is required to determine the lease term for leases that include additional optional extension periods beyond the initial non-cancellable period. As a lessee, extension periods are included in the lease term in determining the lease liability if the Group is reasonably certain that the extension option will be exercised. An assessment of the likelihood of exercising renewal options, based on relevant facts and circumstances, such as historical lease durations, costs and business disruption required to replace the leased asset or relocate the site, the existence of termination penalties and the Group's future plans, is performed on initial recognition of the lease. The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

For the Group's network lease portfolio, renewal options are generally included in the lease term, as it is reasonably certain, based on the type and use of the underlying asset, that the lease will be extended. The length of the initial lease term is also considered, as the likelihood of exercising an option diminishes the longer the non-cancellable period.

For the Group's commercial lease portfolio, which includes office buildings, data centres and retail stores, renewal options are generally not included in the lease term, and is assessed against the Group's plan for its corporate and retail footprint.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and typically have an underlying value of less than $10,000AUD.

Initial measurement

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Critical Estimates and Judgements: Determining incremental borrowing rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used.

Management judgement is required to determine the incremental borrowing rate used to measure the Group's network and commercial leases. Management is of the view that interest rates implicit in the Group's leases are not readily determinable.

The incremental borrowing rate represents the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received and makes adjustments specific to the lease, e.g. term of lease.

Subsequent measurement

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

Subleases

The Group has entered into lease agreements as an intermediate lessor for various retail stores and offices. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. The net investment in each sublease is determined by discounting the rental payments expected to be received from the sublessee over the term of the sublease. The interest income associated with the discounting of the rental payments is recognised over the term of the sublease.

Site Sharing Agreements

The Group has entered into a Site Sharing Agreement for various network sites. The purpose of this agreement is to share the costs relating to telecommunication equipment on certain network sites. Under this Agreement, access to network sites is granted to the other party in return for an access fee, which is settled on a net basis each quarter.

The Group considers the core purpose of the Agreement is for the convenience of each party rather than to generate lease income. The Group accounts for the subleases arising from the exchange of access fees on a net basis, as the exchanged right-of-use assets are similar in nature, the timing of cash flows between the parties mirrors the timing of receipts/payments under the head lease agreements, and the amount of cash flows is not expected to be materially different between the exchanged right-of-use assets. The Group is in a net payment position under the Agreement, and as a result the Group recognises a right-of-use asset and lease liability for the net payment portion in accordance with AASB 16.

Impairment of assets

Refer to Note 14 for the Group's non-financial asset impairment policy.

Notes to the Consolidated Financial Statements continued

Note 15. Right-of-use assets and lease liabilities continued

	2020 $m	2019 $m
Right-of-use assets		
Commercial properties	165	200
Network properties	847	1,254
	1,012	**1,454**
Lease liabilities		
Current	92	84
Non-current	1,051	1,544
	1,143	**1,628**

Additions to the right-of-use assets during the 2020 financial year were $84 million (2019: $91 million). The merger between the Company and TPG Corporation became effective for accounting purposes on 26 June 2020 and $99 million of right of use assets and $115 million of lease liabilities were acquired on this date as a result of the merger. On the accounting acquisition date, the Group derecognised $473 million of right-of-use assets and $564 million of lease liabilities relating to the Company's access to dark fibre links, of which TPG Corporation was the counterparty. Refer to Note 12 for further details.

The Consolidated Income Statement shows the following amounts relating to leases:

	2020 $m	2019 $m
Depreciation of right-of-use assets		
Commercial properties	44	44
Network properties	107	122
	151	**166**
Interest on lease liabilities		
Interest expense (included in finance expenses)	84	98
Expense relating to short-term leases (included in other operating expenses)	13	10
Expense relating to leases of low-value assets not shown above as short-term leases (included in other operating expenses)	1	1

The total cash outflow for leases in 2020 was $207 million (2019: $215 million).

Note 16. Intangible assets

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the Consolidated Income Statement as a bargain purchase gain.

Goodwill is classified as an indefinite life intangible asset. Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently, if events or changes in circumstances indicate that it might be impaired. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Brand names

On acquisition of a subsidiary, brands of the acquired subsidiary are valued and brought to account as intangible assets. The value is calculated using the relief from royalty method. Brand names are classified as either finite or indefinite life intangible assets depending on the Group's assessment of the expected pattern of economic benefits that they will generate for the Group.

Amortisation is charged to the Consolidated Income Statement on a straight line basis over the estimated useful lives for the finite life brand names. Indefinite life brand names are not subject to amortisation and are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that it might be impaired. Indefinite life brand names are allocated to cash generating units for the purpose of impairment testing.

Computer software

Computer software comprises computer software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and are probable of producing future economic benefits are recognised as intangible assets. Direct costs include software development employee costs and directly attributable overheads. Software integral to a related item of hardware equipment is accounted for as property, plant and equipment.

Costs associated with maintaining computer software programs are recognised as an expense when they are incurred.

Internally developed software is recognised only if all of the following conditions are met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

On acquisition of a subsidiary, internally developed software and systems are valued and brought to account as intangible assets. The software is valued at its amortised replacement cost.

Amortisation is charged to the Consolidated Income Statement on a straight line basis over the estimated useful lives from the date the software is available for use.

The carrying values of these intangible assets are reviewed on a regular basis and written down to the recoverable amount where this is less than the carrying value.

Notes to the Consolidated Financial Statements continued

Note 16. Intangible assets continued

Spectrum licences

Costs associated with acquiring spectrum licences are capitalised. The amortisation of the spectrum licences commences upon the later of the readiness of the network and the spectrum licences being allocated. The spectrum licences are amortised on a straight line basis over the periods of their expected benefit. The carrying values of these intangible assets are reviewed on a regular basis and written down to the recoverable amount where this is less than the carrying value.

Contract costs

Under *AASB 15 Revenue from Contracts with Customers*, incremental costs associated with acquiring and renewing a contract that are expected to be recovered are required to be initially recognised as an asset and expensed over the expected life of a customer contract consistent with the transfer to the customer of the goods and services to which the capitalised costs relate. The carrying values of these assets are reviewed on a regular basis. Contracts costs associated with acquiring and renewing a service contract are capitalised and amortised over the life of the contract. Contract costs associated with the sale of handsets are capitalised and amortised upfront in line with transfer of handsets to the customer.

Connection costs, being costs of fulfilling orders, are capitalised and amortised over the life of the contract.

Acquired customer bases

On acquisition of a subsidiary, customer contracts and relationships of the acquired subsidiary are valued based on their expected future economic benefits (using discounted cash flow projections) and brought to account as intangible assets. The acquired customer bases are amortised to the Consolidated Income Statement on a straight line basis in line with the expected economic benefits to be derived.

Indefeasible rights of use of capacity (‘IRUs’)

Indefeasible rights of use (‘IRUs’) of acquired network capacity are brought to account as intangible assets at the present value of the future cash flows payable for the right. IRUs of acquired subsidiaries are accounted for at their fair value as at the date of acquisition. Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of the IRU contracts.

Amortisation

The expected useful lives of the intangible assets, other than goodwill and indefinite life brand names, are as follows:

Definite life brand name	1 to 5 years
Spectrum licences	12 to 15 years
Computer software	3 to 7 years
Contract costs	1 to 3 years
Customer bases	8 to 15 years
Indefeasible rights of use (IRU)	4 to 22 years

Critical Estimates and Judgements: Useful lives of intangible assets

Management judgement is required to determine the estimated useful lives of intangible assets for the basis of the amortisation period over which economic benefit will be derived from the asset. The Group reviews the useful lives at the end of each reporting period, based on management’s expected life of each asset class, including expected use of specific assets and other relevant factors such as any expected changes in technology.

	BRAND NAMES $m	SPECTRUM LICENCES $m	COMPUTER SOFTWARE $m	CONTRACT COSTS $m	CUSTOMER BASES $m	IRUS $m	GOODWILL $m	TOTAL $m
Cost								
Balance at 1 January 2020	2	1,594	906	107	–	–	2,413	5,022
Additions from business combination	423	1,094	26	11	1,689	188	6,155	9,586
Additions relating to joint venture	–	257	–	–	–	–	–	257
Additions	–	–	3	63	–	13	–	79
Transfers	–	–	125	–	–	–	–	125
Write-off	–	–	(208)	(76)	–	–	–	(284)
Balance at 31 December 2020	425	2,945	852	105	1,689	201	8,568	14,785
Accumulated amortisation								
Balance at 1 January 2020	(1)	(433)	(590)	(69)	–	–	–	(1,093)
Amortisation	–	(187)	(161)	(67)	(82)	(10)	–	(507)
Write-off	–	–	208	76	–	–	–	284
Balance at 31 December 2020	(1)	(620)	(543)	(60)	(82)	(10)	–	(1,316)
At 31 December 2020								
Cost	425	2,945	852	105	1,689	201	8,568	14,785
Accumulated amortisation	(1)	(620)	(543)	(60)	(82)	(10)	–	(1,316)
Net book amount	**424**	**2,325**	**309**	**45**	**1,607**	**191**	**8,568**	**13,469**
Cost								
Balance at 1 January 2019	2	1,594	750	138	–	–	2,413	4,897
Additions	–	–	–	68	–	–	–	68
Transfers	–	–	159	–	–	–	–	159
Write-off	–	–	(3)	(99)	–	–	–	(102)
Balance at 31 December 2019	2	1,594	906	107	–	–	2,413	5,022
Accumulated amortisation								
Balance at 1 January 2019	(1)	(318)	(430)	(97)	–	–	–	(846)
Amortisation	–	(115)	(162)	(71)	–	–	–	(348)
Transfers	–	–	(1)	–	–	–	–	(1)
Write-off	–	–	3	99	–	–	–	102
Balance at 31 December 2019	(1)	(433)	(590)	(69)	–	–	–	(1,093)
At 31 December 2019								
Cost	2	1,594	906	107	–	–	2,413	5,022
Accumulated amortisation	(1)	(433)	(590)	(69)	–	–	–	(1,093)
Net book amount	**1**	**1,161**	**316**	**38**	**–**	**–**	**2,413**	**3,929**

Notes to the Consolidated Financial Statements continued

Note 16. Intangible assets continued

Impairment of assets (definite useful live intangibles)

Refer to Note 14 for the Group's non-financial asset impairment policy.

Impairment testing for intangible assets with indefinite useful lives

Indefinite life intangible assets, such as goodwill and brand names, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows known as cash generating units ('CGUs').

Critical Estimates and Judgements: Determining the Group's cash generating units

Management judgement is required in determining the Group's CGUs. Management is of the view that the Group's telecommunications network is integrated in nature, and no single component of the network individually generates cash flows from delivering products and services. For the purposes of goodwill allocation and impairment testing, management is of the view that the manner in which operations are monitored by management best reflects the Group's CGUs.

During the financial year, there have been changes to the manner in which the Group's operations are monitored, and hence changes to the Group's identified CGUs with allocated goodwill. At 31 December 2019, which was prior to the merger with TPG Corporation, management had identified one CGU, being the TPG Telecom (then VHA) CGU. At 31 December 2020, the Group has identified the Consumer and Corporate Groups to be the lowest level at which goodwill is monitored for internal management purposes. This has resulted in a change in the allocation of pre-merger goodwill held in TPG Telecom (then VHA).

	2020			2019		
	BRAND NAMES $m	GOODWILL[1] $m	TOTAL $m	BRAND NAMES $m	GOODWILL $m	TOTAL $m
Consumer Group	326	6,449	6,775	–	–	–
Corporate Group	98	2,119	2,217	–	–	–
TPG Telecom (then VHA)	–	–	–	1	2,413	2,414
	424	**8,568**	**8,992**	**1**	**2,413**	**2,414**

1. The goodwill allocation at 31 December 2020 includes provisional goodwill of $6,155 million arising from the acquisition of TPG Corporation. Refer to Note 12 for further details.

A CGU is impaired when the recoverable amount of the CGU is lower than the carrying amount of the CGU. The recoverable amount is the higher of an asset's value-in-use and fair value less cost of disposal.

The Group uses the value-in-use method in order to assess the recoverable amount of the CGUs to which the indefinite life intangible assets have been allocated. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Critical Estimates and Judgements: Impairment of goodwill

Goodwill is not subject to amortisation and is assessed for impairment at least on an annual basis, or whenever an indication of potential impairment arises. During the financial year, management identified the impacts arising from the COVID-19 pandemic as an indicator of potential impairment.

Management judgement is required to determine the recoverable amounts of the Group's CGUs, which have been determined using a value-in-use calculation. The following key assumptions have been used in determining the recoverable amount of the CGUs with allocated goodwill:

- Cash flow projections – cash flow projections are based on five-year board approved forecasts. These includes expected customer growth rates, average revenue per user, product and pricing mix changes, direct costs to deliver telecommunication services, forecast employee headcount and wage inflation, marketing costs and other overheads, capital expenditure and spectrum. These assumptions are determined based both on an extrapolation of historical performance and future company plans.
- Discount rate – a pre-tax discount rate has been used to discount the projected cash flows of the CGUs and is based on the Group's weighted average cost of capital adjusted to reflect an estimate of specific risks assumed in the cash flow projections.
- Terminal value growth rate – a long term grow rate is applied to extrapolate a CGU's cash flows beyond the five-year forecast period. This growth rate is based on expected long-term performance in the market.

	2020		2019
	CONSUMER	CORPORATE	TPG TELECOM (THEN VHA)
Discount rate	9.27%	9.14%	9.69%
Terminal growth rate	2.5%	2.5%	2.0%

Sensitivity analysis on all of the key assumptions employed in the value-in-use calculations has been performed. From this, management has concluded that a reasonable possible change in EBITDA could cause the carrying amount of each CGU to exceed the recoverable amount. Cumulative Annual Growth Rate ('CAGR') of EBITDA would need to reduce by 1.2% in the Consumer CGU and 1.5% in the Corporate CGU for the estimated recoverable amount to be equal to the carrying amount (2019: 1.0% in the TPG Telecom (then VHA) CGU).

Due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on others and individual variables rarely change in isolation. Additionally, management can be expected to respond to movements, to mitigate downsides and take advantage of upsides, as circumstances allow. Consequently, it is impracticable to estimate the indirect impact that a change in one assumption has on other variables and, hence, to estimate the likelihood, or extent, of impairments, or reversals of impairments, under different sets of assumptions in subsequent reporting periods.

Notes to the Consolidated Financial Statements continued

Note 17. Trade and other payables

	2020 $m	2019 $m
Trade creditors and accruals	848	702
Employee benefits related payables	45	35
Other creditors	10	260
Payables to related parties	24	38
	927	**1,035**

Trade creditors

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid or payable within 30 to 180 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Employee benefits – Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits, that are expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Employee benefits – Superannuation

The Group pays contributions to defined contribution superannuation plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee benefits – Bonus

A liability for employee benefits in the form of a bonus plan is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial statements; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

The Group accrues for long-term incentives based on a number of eligible employees and expected hurdle rates being met.

Employee benefits – Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits.

Note 18. Borrowings

Borrowings are initially recognised at fair value. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities, which are not incremental costs relating to the drawdown of the facilities, are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down, otherwise recognised as prepayments and amortised on a straight-line basis over the term of the facility.

	2020 $m	2019 $m
Current		
Bank loans (unsecured)	–	4,983
Shareholder loans	–	152
Guarantee fee payable to related parties	–	118
Other	–	2
	–	**5,255**
Non-current		
Bank loans (unsecured)	4,330	1,700
Guarantee fee payable to related parties	–	41
Other	–	2
	4,330	**1,743**

Repayment of pre-merger and acquired loans

The Group's AUD1.7 billion loan, guaranteed by entities controlled by the legacy shareholders for which the Group paid a guarantee fee, was repaid on 2 July 2020 as part of the pre-merger completion debt restructuring steps.

The Group's USD3.5 billion syndicated loan facility guaranteed by entities controlled by the legacy shareholders for which the Group paid a guarantee fee, was assumed by certain shareholders on 9 July 2020 as part of the pre-merger completion debt restructuring steps.

As part of the merger, the Group acquired TPG Corporation's debt facilities of $2,389 million (including a Singapore dollar denominated facility of SGD100 million translated to AUD using the 30 June 2020 spot rate) of which $2,047 million was drawn down as at 30 June 2020. These bank loans were subsequently repaid on 14 July 2020.

The fair value of the loans approximate their carrying amounts as the interest payable is either close to current market rates or have recently been tested in the market.

Available facilities

At 31 December 2020, the Group has loan facilities of $5,250 million and a committed overdraft facility of $35 million. Total amount of undrawn borrowing facilities as at 31 December 2020 was $955 million (2019: $1,348 million).

Loan establishment fees of $27 million relating to the new loan facilities have been capitalised in prepayments and amortised over the loan period.

The Group's bank loan facilities contain undertakings to comply with financial covenants. These require that the Group operates within certain financial ratios. The financial covenants that the Group is subject to are Leverage and Interest Coverage. Additionally, the Group is required to ensure that that the Total Assets and EBITDA of the guarantors meet minimum threshold amounts of Total Assets and consolidated EBITDA of the Group.

There were no breaches of financial covenants during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements continued

Note 19. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Make good provisions

A provision has been made for the present value of anticipated future costs of restoration of leased premises. The provision includes future cost estimates associated with removing any leasehold improvements. The costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

Decommissioning costs

The Group records a provision for decommissioning costs on its network and IT. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of that particular asset. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Annual leave employee benefit obligations

Liabilities for annual leave that are expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognised in provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave and other long-term employee benefit obligations

The Group has liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

	2020 $m	2019 $m
Current		
Employee benefits	51	23
Decommissioning and make good	19	9
Other provisions	14	5
	84	**37**
Non-current		
Employee benefits	11	5
Decommissioning	53	17
Other provisions	–	–
	64	**22**

Movement in provisions (excluding employee benefits)

	DECOMMISSIONING AND MAKE GOOD $m	OTHER PROVISIONS $m	TOTAL $m
Balance at 1 January 2020	26	5	31
Acquired from business combination	41	12	53
Additional amounts expensed during the year	8	–	8
Amounts used during the year	(3)	(3)	(6)
Balance at 31 December 2020	**72**	**14**	**86**

Note 20. Other liabilities

	2020 $m	2019 $m
Current		
Government grants	21	23
Other payables	60	72
	81	**95**
Non-current		
Other payables	6	12

Notes to the Consolidated Financial Statements continued

Note 21. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Interest and dividends are classified as expenses or as distributions of profit consistent with the classification of related debt or equity instruments in the Consolidated Statement of Financial Position.

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Consolidated Entity does not have a limited amount of authorised capital. All shares rank equally with regard to the Company's residual assets.

	2020 SHARES	2019 SHARES	2020 $m	2019 $m
Ordinary shares (fully paid)				
Balance at 1 January	1,100,096,986	1,100,096,986	6,047	6,047
Share consolidation on debt restructure	(685,911,834)	–	–	–
	414,185,152	1,100,096,986	6,047	6,047
Shares issued on the Company's debt restructure	517,345,024	–	4,475	–
Shares issued on acquisition of TPG Corporation	927,811,493	–	7,877	–
Balance at 31 December	**1,859,341,669**	**1,100,096,986**	**18,399**	**6,047**

Share consolidation and shares issued on the Company's debt restructure

On 9 July 2020, the Company performed a share consolidation and issued shares to the Company's pre-merger shareholders, entities in the CKHH and Vodafone Group, so that these shareholders' ownership in the Company represented 50.1% of the Company's total issued shares on merger completion on 13 July 2020.

The value of the shares issued was $4,475 million, which equated to the Company's debt transferred out of the Group and assumed by the Company's pre-merger shareholders. Refer to Note 18 for further details on the debt restructure.

Shares issued on acquisition of TPG Corporation

On 13 July 2020, notwithstanding an effective date of 26 June 2020 for accounting purposes, the Company legally acquired TPG Corporation through the issuance of shares. One share in the Company was issued to TPG Corporation's pre-merger shareholders for every one share held in TPG Corporation. The shares issued to TPG Corporation's pre-merger shareholders represent 49.9% of the Company's total issued shares on merger completion.

The value of the shares issued was $7,877 million. Refer to Note 12 for further details.

Note 22. Reserves

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, pending subsequent recognition in the income statement as the hedged cash flows or items affecting profit or loss.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Common control reserve

The common control reserve comprise differences arising from transfers of assets and liabilities in exchange of equity interests among entities with shareholders that had jointly controlled the Company during the year.

	2020 $m	2019 $m
Cash flow hedge reserve	(1)	(1)
Foreign currency translation reserve	(1)	–
Common control reserve	3	–
	1	**(1)**
Movement in reserves		
Balance at 1 January	(1)	–
Change in value of cash flow hedges	–	(1)
Change in value foreign currency translation reserve	(1)	–
Change in value of common control reserve	3	–
Balance at 31 December	**1**	**(1)**

Note 23. Dividends

No dividends were declared or paid during the year (2019: nil).

Dividend franking account

	2020 $m	2019 $m
30 per cent franking credits available to shareholders of the Company for subsequent financial years	540	–

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment of the current tax liabilities; and
- franking credits transferred in on business combinations.

Notes to the Consolidated Financial Statements continued

Note 24. Related party transactions

(a) Parent entities

The Group was jointly controlled by the following immediate parent entities until 26 June 2020 (for accounting purposes).

NAME OF ENTITY	RELATIONSHIP WITH THE COMPANY	COUNTRY OF INCORPORATION	%
Hutchison 3G Australia Holdings Pty Limited	Immediate Australian jointly controlling parent entity	Australia	50
Hutchison Telecommunications (Australia) Ltd	Ultimate Australian jointly controlling parent entity	Australia	50
Vodafone Oceania Limited	Immediate jointly controlling parent entity	United Kingdom	50

The Group was jointly controlled by the following ultimate parent entities until 26 June 2020 (for accounting purposes).

NAME OF ENTITY	RELATIONSHIP WITH THE COMPANY	COUNTRY OF INCORPORATION	%
CK Hutchison Holdings Ltd	Ultimate jointly controlling parent entity	Cayman Islands	43.93
Vodafone Group Plc	Ultimate jointly controlling parent entity	United Kingdom	50

Subsequent to the merger with TPG Corporation, TPG Telecom Limited is the parent entity.

(b) Interests in other entities

Interests in other entities are set out in Note 13.

(c) Key management personnel

The aggregate compensation made to directors and other members of the key management personnel of the Group is set out below:

	2020 $'000	2019 $'000
Short-term employee benefits	9,466	9,305
Post-employment benefits	208	209
Long-term benefits	2,695	3,291
Termination benefits	1,366	–
	13,735	**12,805**

In July 2020, a related party of the Group was paid accrued leave entitlements and a twelve week redundancy payment upon termination of their employment with TPG Corporation. A liability for this payment was included within TPG Corporation's acquisition date liabilities.

(d) Transactions with related parties

	2020 $'000	2019 $'000
Purchases of goods and services		
Purchases of equipment	13,633	24,105
Service fee paid/payable	50,106	44,373
Roaming fee paid/payable	3,052	14,692
IOT fee paid/payable	1,849	–
Provision of services		
Service fee received/receivable	3,657	2,124
Roaming income received/receivable	2,446	5,900
IOT income received/receivable	1,393	1,065
Other transactions		
Pre-acquisition dividends paid	280,407	–
Office rental	855	–
Outsourced services	–	–
Guarantee fee paid/payable	82,026	152,366
Interest expense paid/payable	1,909	10,800

All transactions were made on normal commercial terms and conditions and at market rates.

(e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2020 $'000	2019 $'000
Current receivables		
Hutchison Telecommunications (Australia) Limited (joint parent entity until 26 June 2020)	920	298
Mobile JV Pty Limited (joint venture until 26 June 2020)	–	61
Other related parties	489	300
Swap interest receivable with other related parties	–	4,094
	1,409	**4,753**
Current payables		
Guarantee fees payable	–	118,542
Other related parties	23,755	37,739
Interest payable	–	386
	23,755	**156,667**
Non-current payables		
Guarantee fees payable	–	41,028

Notes to the Consolidated Financial Statements continued

Note 24. Related party transactions continued

(f) Loans from related parties

	2020 $'000	2019 $'000
Loans from entities within group of jointly controlled parent until 26 June 2020		
Balance at 1 January	152,000	321,529
Loans advanced	–	–
Loans repaid	(152,000)	(169,529)
Balance at 31 December	**–**	**152,000**

(g) Derivative transactions with related parties

	2020 $'000	2019 $'000
Swaps entered with related entities of CK Hutchison Holdings Limited		
Current assets	–	67,714
Non-current assets	–	–
Net interest revenue	10,089	18,608
Swaps entered with related entities of Vodafone Group Plc		
Current assets	–	64,707
Non-current assets	–	–
Net interest revenue	10,097	18,691

Up until 9 July 2020, the Group had a US$3.5 billion syndicated loan facility with a syndicate of lenders. The facility was based on the 3 month US LIBOR plus a margin. In order to protect against exchange rate movements, the Group had in place cross currency swaps to coincide with the maturity of the loan. The swaps covered 100% of the outstanding loan balance and had a fixed exchange rate and effectively swapped US Dollar debt for Australian Dollar debt. The swaps were entered into with related parties associated with the jointly controlling parent entities. On 9 July 2020, the Group's US$3.5 billion syndicated loan facility and the associated cross currency swaps were assumed by certain shareholders as part of the pre-merger completion debt restructuring steps.

Note 25. Commitments

(a) Capital commitments

Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as liabilities:

	2020 $m	2019 $m
Not later than 1 year	346	361
Later than 1 year and not later than 5 years	20	18
Later than 5 years	–	–
	366	**379**

(b) Other commitments

Commitments for payment of information technology, network support services, and sponsorships under contracts in existence at the reporting date but not recognised as liabilities:

	2020 $m	2019 $m
Not later than 1 year	108	86
Later than 1 year and not later than 5 years	96	83
Later than 5 years	72	11
	276	**180**

Note 26. Parent entity financial information

Investments in subsidiaries by the Company are accounted for at cost. The financial information for the Company has been prepared on the same basis as the consolidated financial statements.

The parent entity financial information for the year ended 31 December 2020 has been prepared on the basis that the transactions and balances of the Group (other than those of Vodafone Hutchison Finance Pty Limited, Vodafone Hutchison Receivables Pty Limited, and Vodafone Foundation Australia Pty Limited) are all recorded in the Parent Entity of the Group, being TPG Telecom Limited. Comparatives have been prepared in the same manner to enhance comparability.

(a) Summary financial information

	2020 $m	2019 $m
Financial position		
Assets		
Current assets	3,301	1,282
Non-current assets	17,253	9,253
Total assets	20,554	10,535
Liabilities		
Current liabilities	2,798	10,089
Non-current liabilities	5,348	1,580
Total liabilities	8,146	11,669
Net assets/(liabilities)	**12,408**	**(1,134)**
Equity		
Contributed equity	18,399	6,047
Cash flow hedge reserve	2	(1)
Prior year accumulated losses	(7,180)	(7,180)
Current year retained earnings	1,187	–
Total equity/(deficiency in equity)	**12,408**	**(1,134)**
Financial performance		
Profit/(loss) for the year	1,187	(284)
Total comprehensive profit/(loss) for the year	**1,183**	**(285)**

Notes to the Consolidated Financial Statements continued

Note 26. Parent entity financial information continued

(b) Guarantees entered into by the parent entity

	2020 $m	2019 $m
Secured	–	38
Unsecured	6	15
	6	**53**

(c) Capital commitments

Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as liabilities:

	2020 $m	2019 $m
Not later than 1 year	272	361
Later than 1 year and not later than 5 years	20	17
Later than 5 years	–	–
	292	**378**

(d) Other commitments

Commitments for payment of information technology, network support services, and sponsorships under contracts in existence at the reporting date but not recognised as liabilities:

	2020 $m	2019 $m
Not later than 1 year	103	86
Later than 1 year and not later than 5 years	88	83
Later than 5 years	67	11
	258	**180**

Note 27. Deed of cross guarantee

The parties to the deed of cross guarantee are those as disclosed in Note 13. Each entity that is a party to the deed of cross guarantee has guaranteed the debts of the other parties. By entering into the deed, each of the wholly-owned entities that would otherwise be subject to the requirement to prepare a financial report and director's report have been relieved from that requirement under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

Set out below is the summarised consolidated statement of profit or loss and other comprehensive income for the entities that are parties to the deed of cross guarantee.

	2020 $m	2019 $m
Revenue from contracts with customers	4,330	3,513
Other income	11	10
Cost of provision of telecommunication services	(1,374)	(696)
Cost of handsets sold	(855)	(1,101)
Employee benefits expense	(299)	(232)
Other operating expenses	(409)	(322)
Earnings before interest, tax, depreciation and amortisation	**1,404**	**1,172**
Depreciation and amortisation expense	(1,183)	(1,021)
Results from operating activities	**221**	**151**
Finance income	3	7
Finance expenses	(292)	(442)
Net financing costs	(289)	(435)
Loss before income tax	(68)	(284)
Income tax benefit/(expense)	821	–
Profit/(loss) for the year	**753**	**(284)**
Items that may subsequently be reclassified to the income statement, net of tax:		
Foreign exchange translation differences	–	–
Net gain/(loss) on cash flow hedges taken to equity	3	(1)
Items that will not subsequently be reclassified to the income statement, net of tax:		
Net change in fair value of asses measured through other comprehensive income	–	–
Other comprehensive income/(loss) for the year, net of tax	**3**	**(1)**
Total comprehensive income/(loss) for the year	**756**	**(285)**

Notes to the Consolidated Financial Statements continued

Note 27. Deed of cross guarantee continued

Set out below is the consolidated statement of financial position for the deed of cross guarantee.

	2020 $m	2019 $m
ASSETS		
Current assets		
Cash and cash equivalents	117	734
Trade and other receivables	614	391
Inventories	51	103
Derivative financial instruments	–	–
Prepayments	74	55
Total current assets	**856**	**1,283**
Non-current assets		
Trade and other receivables	109	77
Property, plant and equipment	3,195	1,865
Right-of-use assets	1,012	1,454
Intangible assets	13,359	3,929
Deferred tax assets	264	–
Prepayments	28	–
Total non-current assets	**17,967**	**7,325**
Total assets	**18,823**	**8,608**
LIABILITIES		
Current liabilities		
Trade and other payables	924	1,032
Contract liabilities	271	122
Borrowings	–	6,865
Lease liabilities	92	84
Provisions	82	25
Derivative financial instruments	1	1
Other current liabilities	80	93
Total current liabilities	**1,450**	**8,222**
Non-current liabilities		
Contract liabilities	25	–
Borrowings	4,330	2
Lease liabilities	1,051	1,544
Provisions	64	22
Other non-current liabilities	6	12
Total non-current liabilities	**5,476**	**1,580**
Total liabilities	**6,926**	**9,802**
Net assets/(liabilities)	**11,897**	**(1,194)**
EQUITY		
Contributed equity	18,399	6,047
Reserves	2	(1)
Accumulated losses	(6,504)	(7,240)
Total equity/(deficiency in equity)	**11,897**	**(1,194)**

Note 28. Financial risk management

The Group's activities are exposed to a variety of financial risks which include market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management seeks to minimise the potential adverse effects of these risks on the financial performance of the Group.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit & Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

(i) Interest rate risk

The Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Group. The Group manages its interest rate risks on its interest income by placing the cash balances on varying maturities and interest rate terms. Based on the closing cash balance, an increase in interest rates of 50 basis points on the unhedged position (mostly cash and cash equivalents) will generate a profit of $0.6 million to the profit or loss, a similar decrease in interest rates will generate a $0.6 million loss to the profit or loss.

The Group's borrowings include bank borrowings, shareholder loans and leases. The borrowings expose the Group to interest rate risk. As at 31 December 2020, approximately 21% (2019: 21%) of the Group's borrowings were at fixed rates of interest (0% of borrowings were at fixed rates, when excluding leases under AASB 16). As at 31 December 2020, assuming that the market interest rate is 50 basis points higher or lower and with no change in other variables, the annualised interest expense on borrowings would be higher or lower by $21.7 million (2019: $33.5 million).

As at the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2020			2019		
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $m	PERCENTAGE OF TOTAL LOANS %	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $m	PERCENTAGE OF TOTAL LOANS %
Bank overdrafts and bank loans	2.08	4,330	100	2.54	6,835	100
Cross currency swaps				2.72	(4,983)	
Cross currency swaps (notional principal amount)				2.73	4,844	
Net exposure to interest rate risk		4,330	100		6,696	100

Notes to the Consolidated Financial Statements continued

Note 28. Financial risk management continued

(ii) Foreign currency risk

The Group is exposed to currency risk on revenues, expenses, receivables and payables that are denominated in a currency other than its functional currency, the Australian dollar (AUD). The Group is mainly exposed to the United States Dollar (USD), Euro (EUR), Indian Rupee (INR), with minor exposures to other currencies. The following table details the Group's sensitivity to movements in the Australian dollar against relevant foreign currencies. The percentages disclosed below represent changes in spot foreign exchange rates (i.e. forward exchange points and discount factors have been kept constant). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a given percentage change in foreign exchange rates. A positive number indicates a before-tax increase in profit and equity and a negative number indicates a before-tax decrease in profit and equity.

	PROFIT/(LOSS)[1]		EQUITY[2]	
	2020 $m	2019 $m	2020 $m	2019 $m
USD impact				
10%	1	1	(2)	–
(10%)	(1)	(1)	3	–
EUR impact				
10%	–	1	–	(1)
(10%)	–	(1)	–	(1)
INR impacts				
10%	–	–	(2)	(3)
(10%)	–	–	3	4

1. Profit/(loss): this is mainly as a result of the changes in the value of forward foreign exchange contracts not designated in a hedge relationship, foreign currency investments, receivables and payables.
2. Equity: this is as a result of the changes in the value of forward foreign exchange contracts designated as cash flow hedges.

Amounts recognised in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income

During the year, the following foreign exchange related amounts were recognised in consolidated income statement and consolidated statement of comprehensive income:

	2020 $m	2019 $m
Profit or loss		
Net (loss)/gain on foreign currency derivatives	(97)	13
Exchange gain/(loss) on foreign currency borrowings	97	(13)
Other foreign exchange gain	1	–
	1	–
Other comprehensive income		
Movement in reserves	(1)	(1)

(iii) Equity price risk

The Group is exposed to equity price risk because of its investments in available-for-sale equity securities. Material investments are managed on an individual basis with the goal of maximising returns.

(b) Credit risk

Credit risk is managed on an entity basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to related parties. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

(i) Impairment of financial assets (trade receivables)

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

		CURRENT	1-30 DAYS PAST DUE	31 TO 60 DAYS PAST DUE	61 TO 90 DAYS PAST DUE	MORE THAN 91 DAYS PAST DUE	TOTAL
At 31 December 2020							
Expected loss rate	%	9.5	6.7	25.0	25.0	75.0	
Gross trade receivables	$m	169	45	8	4	20	246
Loss allowance	$m	16	3	2	1	15	37
At 31 December 2019							
Expected loss rate	%	1.7	5.3	14.3	25.0	25.0	
Gross trade receivables	$m	120	38	14	4	16	192
Loss allowance	$m	2	2	2	1	4	11

The table above covers the expected credit loss rate of trade receivables and other debtors. Collectability of receivables are reviewed on an ongoing basis. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Geographically, the Group is subject to a concentration of credit risk as predominantly all of its revenue is generated in Australia.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the support from related parties.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Notes to the Consolidated Financial Statements continued

Note 28. Financial risk management continued

Contractual maturities of financial liabilities

The contractual maturities of the Group's financial liabilities were as follows:

FINANCIAL LIABILITIES	LESS THAN 6 MONTHS $m	6-12 MONTHS $m	BETWEEN 1-2 YEARS $m	BETWEEN 2-5 YEARS $m	OVER 5 YEARS $m	TOTAL CONTRACTUAL CASH FLOWS $m	CARRYING AMOUNT OF LIABILITIES $m
At 31 December 2020							
Trade and other payables	927	–	–	–	–	927	927
Borrowings	58	49	104	4,465	–	4,676	4,330
Lease liabilities	88	86	165	429	904	1,672	1,143
	1,073	**135**	**269**	**4,894**	**904**	**7,275**	**6,400**
At 31 December 2019							
Trade and other payables	1,035	–	–	–	–	1,035	1,035
Borrowings	243	5,303	35	1,872	–	7,453	6,998
Lease liabilities	112	105	204	580	1,455	2,456	1,628
	1,390	5,408	239	2,452	1,455	10,944	9,661
Cross currency interest rate swaps	(16)	(18)	–	–	–	(34)	130
	1,374	**5,390**	**239**	**2,452**	**1,455**	**10,910**	**9,791**

(d) Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. Fair value is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of cross currency swaps is calculated as present value of estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date; and
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

The following table summarises information on how the fair values of financial assets and financial liabilities measured at fair value are determined.

DESCRIPTION	UNOBSERVABLE INPUTS
Cross currency swaps	Discounted cash flow. Future cash flows are estimated based on market forward interest rates as at the end of the reporting period and the contract interest rates, discounted at a rate that reflects the credit risk of the respective counterparties.
Forward foreign exchange contracts	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted by the observable yield curves of the respective currency.
Handset and accessories receivables	Discounted cash flow. Future cash flows are estimated based on implicit interest rate on handset receivable sale arrangements to external parties.

(e) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivative, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2020 and 31 December 2019 on a recurring basis:

	LEVEL 1 $m	LEVEL 2 $m	LEVEL 3 $m	TOTAL $m
At 31 December 2020				
Financial assets				
Handset and accessories receivables	–	–	153	153
Financial liabilities				
Forward foreign exchange contracts	–	1	–	1
At 31 December 2019				
Financial assets				
Handset and accessories receivables	–	–	115	115
Foreign currency swaps	–	130	–	130
	–	130	115	245
Financial liabilities				
Forward foreign exchange contracts	–	1	–	1

Notes to the Consolidated Financial Statements continued

Note 28. Financial risk management continued

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels during the period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2020 (2019: nil).

Valuation techniques used to determine fair values

The fair value of foreign cross currency swap contract derivatives is determined using Bloomberg valuations at the balance sheet date.

Foreign currency forward contracts 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.

The fair value of handset receivables is determined using the implicit interest rate on handset receivable sale arrangements to external parties at the balance date.

(f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board monitors return on capital, which the Group defines as profit from operating activities divided by total shareholders' equity. The Board also determines the level of dividends to be paid to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings, and the advantages and security afforded by a sound capital position.

From time to time, the Group may purchase its own shares on market for the purpose of issuing shares under employee share plans. The Group does not currently have a defined share buy-back plan.

There were no changes to the Group's capital management during the year.

The Group's net debt to equity ratio at the reporting date was as follows:

	2020 $m	2019 $m
Cash and cash equivalents	120	734
Borrowings (current)	–	(5,255)
Borrowings (non-current)	(4,330)	(1,743)
Lease liabilities (current)	(92)	(84)
Lease liabilities (non-current)	(1,051)	(1,544)
Derivative financial instruments	(1)	129
Net debt	**(5,354)**	**(7,763)**
Total equity	**11,892**	**(1,203)**
Net debt to equity ratio at 31 December	**0.45**	**(6.45)**

Note 29. Auditor's remuneration

The Group's external auditor is PricewaterhouseCoopers (PwC). In addition to the audit and review of the Group's financial reports, PwC provides other services throughout the year. This note shows the total fees to external auditors split between audit, audit related and non-audit services.

	2020 $'000	2019 $'000
Audit and other assurance services		
Audit and review of financial statements	1,819	1,106
Other statutory assurance services	25	25
Other assurance services	128	64
	1,972	**1,195**

Note 30. Events occurring after the reporting period

COVID-19 Pandemic

Since the reporting date, containment policies by the Australian Government and governments around the world remain in force to prevent the spread of COVID-19. The level of restrictions and measures to limit movement into and out of Australia, and also domestically, is ongoing, and continues to impact inbound related connections, visitor revenue and international roaming revenues. While there is prevailing uncertainty of the extent and duration of the COVID-19 pandemic, it is reasonably likely that the pandemic will continue to have an impact on the Group's operations and results in future periods.

Renegotiation of network site access arrangements

On 15 January 2021, the Company entered into an agreement with Axicom, a supplier of network site access. Under the terms of the agreement, the lease term of existing network sites has been extended for an initial period of 19 years. Network site access arrangements have been recognised as leases under AASB 16. At 31 December 2020, the right-of-use assets and lease liabilities reflect the enforceable period under the existing agreement. The signing of the agreement will give rise to an additional $267 million of lease liabilities and right-of-use assets.

Disposal of Tech2

On 1 February 2021, the Company completed the disposal of its 60% investment in Tech2. As the investment was held at fair value at 31 December 2020, there were no further accounting impacts that arose on completion.

Dividends declared

The Board of directors have declared a fully franked final FY20 dividend of 7.5 cents per share on 24 February 2021. As the final dividend was not declared or resolved to be paid by the Board of directors as at 31 December 2020, the dividend has not been provided for in the Consolidated Statement of Financial Position. The dividend has a record date of 17 March 2021 and will be paid on 14 April 2021. All dividends declared or paid were fully franked at the tax rate of 30%. The ability to utilise the franking credits is dependent upon the ability of the Company to pay dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not yet recognised as a liability is to reduce it by $60 million (2019: nil).

There has been no other matter or circumstance that has arisen after the reporting date that has significantly affected, or may significantly affect:

(i) the operations of the Company and of the Group in future financial years, or

(ii) the results of those operations in future financial years, or

(iii) the state of affairs of the Company and of the Group in future financial years.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulation 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 13 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Notes 13 and 27.

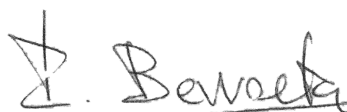
Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

David Teoh
Director

25 February 2021



Iñaki Berroeta
Director

25 February 2021

Independent Auditor's Report

Independent auditor's report

To the members of TPG Telecom Limited (formerly named Vodafone Hutchison Australia Limited)

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of TPG Telecom Limited (formerly named Vodafone Hutchison Australia Limited) (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent Auditor's Report continued

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Materiality	Audit scope
• For the purpose of our audit we used overall Group materiality of $34m, which represents approximately 2.5% of the Group's earnings before interest, tax, depreciation and amortisation (EBITDA). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group's earnings before interest, tax, depreciation and amortisation because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group operates across two operating segments, being Consumer and Corporate, with its head office functions based in Sydney, Australia. • We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the management structure of the Group, its accounting processes and controls and its industry in which it operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Revenue from contracts with customers *(Refer to note 4) $4,350m*	

Revenue from contracts with customers was a key audit matter given the:
• magnitude of the balance
• number of different revenue streams and types of variable consideration given the diversity of products and services
• complexity of the contractual arrangements in telecommunication services
 	
We have also focussed on revenue recognition as the Group uses complex manual calculations, dependent on information from multiple billing systems, to determine the timing of revenue recognition and the value of contract liabilities for the relevant financial period for each revenue stream.
	We assessed the Group's accounting policy in light of the requirements of Australian Accounting Standards and developed an understanding of the key terms of the arrangements with customers and performance obligations.
	
	Our procedures included, amongst others:
	• tested on a sample basis whether revenue had been recorded at the correct amount and in the correct period, in accordance with the Group's revenue recognition policy. This included assessing whether:
	  ○ evidence of an underlying arrangement with the customer existed
	  ○ appropriate performance obligations and consideration had been identified
	  ○ amounts allocated to the performance obligations were made with reference to their standalone selling prices, where relevant
	  ○ the timing of revenue recognition had been appropriately considered for each revenue stream in accordance with its performance obligations
	• considered and assessed the adequacy of the Group's disclosures of revenue from contracts with customers in accordance with Australian Accounting Standards.

Business combinations – acquisition of TPG Corporation *(Refer to note 12) $7,671m*	
During the year the Company merged with TPG Corporation which became effective on 26 June 2020. The merger was implemented through a Scheme of Arrangement under which the company acquired all of the shares in TPG Corporation in return for issuing shares in the company to TPG Corporation shareholders. The Scheme was approved by the Supreme Court of New South	We performed the following audit procedures, amongst others: • read the merger agreement between the Company and TPG Corporation to obtain an understanding of the transaction and the business acquired • read relevant minutes of the Board of Directors, legal correspondence and other documents

Independent Auditor's Report continued

Key audit matter	*How our audit addressed the key audit matter*

Wales on 26 June 2020 being the deemed date of effective control. For accounting purposes the company acquired TPG Corporation under AASB 3 Business Combinations.
 	
The accounting for the acquisition was a key audit matter because it was a significant transaction to the Group. In addition, the Group made complex judgements when accounting for the acquisition, including:
 	
• identifying the effective date of acquisition which is the deemed date of effective control
• estimating the purchase consideration, particularly in respect of determining the fair value of shares issued and settlement of pre-existing relationships
• determining if the pre-existing contractual relationships reflected market value at the acquisition date so that no gain or loss was recognised
• identifying all assets and liabilities of the newly acquired business and estimating the fair value of each asset and liability for initial recognition by the Group, particularly the Customer Contracts and Relationships and Brands, which included engaging a valuation expert to assist in the assignment of provisional fair values at the acquisition date.
 	
As TPG Corporation was only acquired on 26 June 2020 and given the significance of the acquisition the accounting for business combinations is provisional pending the finalisation of fair vales of the assets and liabilities acquired.
	evaluating the transaction
	
	• evaluated the Group's accounting against the requirements of accounting standards
	• assessed the appropriateness of the share price of TPG Telecom on 30 June 2020 as the most reliable measure of the fair value of the scheme consideration at the acquisition date
	• obtained an understanding of the pre-existing relationships and inspected contracts to evaluate the accounting treatment of the settlement of pre-existing relationships
	• assessed, with the assistance of our valuation experts, the work performed by the Group's valuation experts over the provisional purchase price allocation to the provisional valuation of intangibles assets at 26 June 2020 and the assets and liabilities acquired by:
	    ○ evaluating the competence and capability of management's expert
	    ○ assessing the appropriateness of the methodology adopted by the Group and its appointed expert for calculating fair value
	    ○ considering key valuation assumptions such as the discount rate and assessing inputs used such as customer numbers, revenue per customer, revenue growth rates by comparing them to historical data
	• reconciled the identified provisional fair values to the accounting records, and
	• considered and assessed the adequacy of the Group's disclosures of business combinations in accordance with Australian Accounting Standards

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill and indefinite life intangibles *(Refer to note 16) $8,992m* The Group recognises assets for goodwill and indefinite life intangibles (brand names), which are allocated to a cash generating unit (CGU). The Group has two cash generating units for goodwill which are Corporate and Consumer. Under Australian Accounting Standards, the Group is required to test the carrying value of goodwill and indefinite lived intangible assets annually for impairment, irrespective of whether there are indicators of impairment. Given the current condition and outlook of the economic environment and due to the dynamic nature of the industry in which the Group operates, there is a risk that there could be material impairment to goodwill and indefinite life intangibles. Determination as to whether or not there is an impairment relating to an asset in a CGU involves significant judgment about the future cash flows and plans for these assets and CGUs. Forecasting of future cash flows requires estimation of EBITDA growth rates, discount rates and future economic conditions including the impact of changing technologies and consumer preferences. The recoverable amount of goodwill and other indefinite life intangible assets was a key audit matter given the financial significance of the intangible assets to the consolidated statement of financial position and judgement applied by the Group in completing and concluding on the impairment assessment, the determination of the Group's CGUs and the allocation of goodwill to the CGUs.	We performed the following procedures, amongst others: • developed an understanding of the key controls associated with the identification of impairment indicators and the preparation of the discounted cash flow models used to assess the recoverable amount of the Group's CGUs (the impairment models) • evaluated the Group's methodologies and their documented basis for key assumptions utilised in the value in use (VIU) model • evaluated the Group's assessment of whether there were any indicators of asset impairment, by inspecting relevant industry and broker reports and assessed managements internal reporting and the long-range plan • tested the mathematical accuracy of the VIU model's calculations • assessed whether the allocation of the Group's goodwill and intangible assets into CGUs, which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our knowledge of the Group's operations and internal Group reporting • assessed whether the CGUs included assets, liabilities and cash flows directly attributable to each CGU and a reasonable allocation of corporate assets and overheads • considered if the VIU model used to estimate the recoverable amount of the assets is consistent with the requirements of Australian Accounting Standards • compared the key assumptions used in the VIU model to historical results, economic and industry forecasts • compared the forecast cash flows used in the VIU model to the most up-to-date budgets and

Independent Auditor's Report continued

Key audit matter	*How our audit addressed the key audit matter*

	business plans formally approved by the Board
	• evaluated the Group's historical ability to forecast future cash flows by
	  ○ comparing budgets with reported actual results for the past year, and actual cash flows for previous three years to forecast cash flows and
	  ○ evaluating the support available from the Group for significant differences in actual and forecast cash flows
	• assessed the terminal value growth rates by comparing to external information sources with the assistance of our valuation experts
	• with the assistances of our valuation experts we assessed whether the discount rate appropriately reflected the risks of the CGUs by comparing the discount rate assumptions to market data, comparable companies and industry research
	• assessed whether cash flows for periods beyond those covered by formal plans assumed a steady or declining growth rate for cash flows
	• assessed the Group's consideration of reasonable possible changes in key assumptions that would cause an impairment
	• compared market capitalisation the Group to the Group's net assets
	• considered and assessed the adequacy of the Group's disclosures of impairment of goodwill and indefinite life intangible assets in accordance with Australian Accounting Standards

Key audit matter	*How our audit addressed the key audit matter*
Recognition of deferred tax assets – initial recognition *(Refer to note 6) $819m*	
The Group has recognised an income tax benefit related to tax losses and timing differences that were previously unrecognised. We consider this to be a key audit matter due to the magnitude of the tax benefit recognised and the significant management judgement that is required to determine the recognition of deferred tax assets. Given the acquisition of TPG Corporation the Group engaged a third-party tax expert to consider the availability of tax losses to be utilised under income tax legislation. This required judgement about the application of income tax legislation. Under Australian Accounting Standards, deferred tax assets are only recognised to the extent that it is probable that sufficient taxable profit will be available in the future to utilise the benefit. This assessment requires assumptions about the generation of future taxable profits derived from management's estimate of future cash flows.	We performed the following audit procedures: • with the assistance of our tax experts we have assessed the Group's third party tax expert's advice provided in respect of the continuity of ownership test to assess the availability of tax losses as a result of the acquisition of TPG Corporation • assessed the competence and capability of management's expert • inspected the tax loss calculations prepared by management and agreed the total carried forward tax losses to the income tax return as lodged for the year ended 31 December 2019 • inspected the forecasts prepared by management to determine future taxable profits including critically assessing significant estimates and judgements in the forecasts • assessed the tax loss utilisation schedule prepared by management • obtained the allocable cost amount (ACA) calculation prepared by the third party tax expert and with the assistance of our tax experts checked the ACA calculation to assess whether the methodology is appropriate under income tax legislation and that the calculation is mathematically accurate • tested the inputs to the ACA calculation to underlying data for accuracy • considered and assessed the adequacy of the Group's disclosures of the recognition of deferred tax assets related to previously unrecognised tax losses and temporary differences in accordance with Australian Accounting Standards

Independent Auditor's Report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Chairman and CEO's Letter, Strategy and performance, Key risks, Operating and financial review and Director's report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 29 to 59 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of TPG Telecom Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

S Prakash
Partner

Sydney
25 February 2021

ASX additional information

for the year ended 31 December 2020

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The shareholding information is current as at 28 February 2021. As at that date, there were 1,859,341,669 ordinary shares held by 22,463 shareholders.

Substantial shareholders

The number of shares held by substantial shareholders and their associates, as disclosed in substantial holder notices are set out below:

Name of shareholder	NUMBER OF ORDINARY SHARES HELD	% OF ISSUED CAPITAL
CK Hutchison Holdings Limited and its subsidiaries[1]	1,186,182,662	63.80%
Vodafone Group Plc and its subsidiaries[1]	1,186,182,662	63.80%
Vodafone Hutchison (Australia) Holdings Pty Ltd[1]	1,186,182,662	63.80%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust[2]	931,530,176	50.10%
David Teoh and Vicky Teoh and their associates	318,315,608	17.12%
Washington H Soul Pattinson and Company Limited	234,396,121	12.61%
Brickworks Limited[3]	234,396,121	12.61%

1. Substantial holding for each of these substantial holders includes 13.70% from a deemed relevant interest in Shares the subject of a Voluntary Escrow Deed. None of the substantial holders have any control over that 13.70%. Substantial holding also includes 25.05% from a deemed relevant interest arising from a shareholders agreement dated 24 June 2020. For further details, see Form 604s lodged with the ASX on 15 July 2020.
2. Substantial holding arises from its interests in CK Hutchison Holdings Limited. The interests disclosed for this substantial holder are in respect of the same shares identified as being interests of CK Hutchison Holdings Limited. For further details see Form 604 lodged with the ASX on 15 July 2020.
3. Brickworks Limited's substantial holding in the company arises by virtue of its holding a 39.4% interest in Washington H Soul Pattinson and Company Limited. For further details see Form 604 lodged with the ASX on 17 July 2020.

Number of restricted securities subject to voluntary escrow

NUMBER OF RESTRICTED SECURITIES SUBJECT TO VOLUNTARY ESCROW	DATE ESCROW PERIOD ENDS
1,186,182,662 ordinary shares	12 July 2022

Distribution of equity security holders

An analysis of the number of shareholders by size of holding as at 28 February 2021 is set out below:

Number of shares held	NUMBER OF HOLDERS
1 - 1,000	12,128
1,001 - 5,000	7,375
5,001 - 10,000	1,537
10,001 - 100,000	1,300
100,001 Over	123
	22,463

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,202.

Twenty largest shareholders (as at 28 February 2021)

Name of shareholder	NUMBER OF ORDINARY SHARES HELD	% OF CAPITAL HELD
VODAFONE HUTCHISON (AUSTRALIA) HOLDINGS LIMITED	517,345,024	27.82
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	231,596,121	12.46
HUTCHISON 3G AUSTRALIA HOLDINGS PTY LIMITED	207,092,576	11.14
VODAFONE OCEANIA LIMITED	207,092,576	11.14
TSH HOLDINGS PTY LTD	110,778,498	5.96
VICTORIA HOLDINGS PTY LTD	109,154,913	5.87
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	103,916,318	5.59
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	84,336,903	4.54
DAVID TEOH	35,037,988	1.88
CITICORP NOMINEES PTY LIMITED	23,475,693	1.26
NATIONAL NOMINEES LIMITED	16,486,191	0.89
VICKY TEOH	15,722,701	0.85
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	13,662,239	0.73
VICTORIA HOLDINGS NO 3 PTY LTD	12,625,118	0.68
VICTORIA HOLDINGS NO 1 PTY LTD	9,468,839	0.51
VICTORIA HOLDINGS NO 2 PTY LTD	9,468,839	0.51
J S MILLNER HOLDINGS PTY LIMITED	6,970,199	0.37
BNP PARIBAS NOMS PTY LTD <DRP>	6,711,409	0.36
TSH HOLDINGS NO 1 PTY LTD	6,312,559	0.34
TSH HOLDINGS NO 2 PTY LTD	6,312,559	0.34
	1,733,567,263	**93.24**

Voting rights (ordinary shares)

On a show of hands every member present at a meeting in person or by proxy shall have one vote, and upon a poll each share shall have one vote.

Stock exchange

TPG Telecom Limited is listed on the Australian Stock Exchange. The home exchange is Sydney, and the ASX code is TPG.

Other information

TPG Telecom Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Principal Registered Office

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