Annexure G.2

tpg TELECOM

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Lodged with the Australian Securities Exchange ('ASX') under Listing Rule 4.3A.

The ASX Appendix 4E and Full-Year Financial Results of TPG Telecom Limited and its controlled entities for the year ended 31 December 2021.

About TPG Telecom

TPG Telecom Limited, formerly named Vodafone Hutchison Australia Limited, was listed on the Australian Securities Exchange on 30 June 2020. On 13 July 2020, this newly listed company merged with TPG Corporation Limited, formerly named TPG Telecom, to bring together the resources of two of Australia's largest telecommunications companies, creating the leading challenger full-service telecommunications provider.

TPG Telecom is home to some of Australia's most-loved brands including Vodafone, TPG, iiNet, AAPT, Internode, Lebara and felix. We own and operate nationwide mobile and fixed networks that are connecting Australia for the better.

As the second largest telecommunications company listed on the ASX, TPG Telecom has a strong challenger spirit and a commitment to delivering the best services and products to our customers. We are driving competition and choice for businesses and consumers across Australia.

Our Company

The merger brought together two highly complementary businesses. TPG Telecom has the scale and financial strength to compete more effectively in the market – with greater ability to invest and drive innovation, service and product improvements to benefit all Australians.

Our Purpose

As a full-service telecommunications company, our nationwide mobile and fixed networks are connecting Australia for the better. It's why our purpose is to build meaningful relationships and support vibrant, connected communities.

Our Values

Our four values guide how we think and behave, what we prioritise, and the experiences we create for our customers and communities every day.

Stand together
Together we are unstoppable.

Own it
We step up and own what we do.

Simple's better
We challenge ourselves to find a simpler, fresher way.

Boldly go
We are hungry, curious and brave.

Highlights

SERVICE REVENUE	EBITDA	NPAT	OPERATING FREE CASH FLOW
$4.39b	$1.73b	$110m	$596m

Chairman's Letter

Canning Fok, Chairman

Dear Shareholders

Thank you for your continued support of and investment in TPG Telecom Limited (TPG Telecom or Company). It is my pleasure to present our Annual Report for 2021.

It was a great honour for me to be appointed as Chairman in March 2021. My involvement with the company dates back more than 20 years as Chairman of Hutchison Telecommunications Australia, one of TPG Telecom's major shareholders, and later as a Director and Chairman of Vodafone Hutchison Australia, which was renamed TPG Telecom when the merger occurred on 26 June 2020.

We are approaching the second anniversary, in July 2022, of the merger of Vodafone Hutchison Australia and the original TPG. While the business of integrating the two companies has been made more challenging by the constraints created by the COVID pandemic, we have made tremendous progress.

We finished 2021 in a strengthened position, significantly advancing our key priorities, including simplifying the business, implementing our integration activities, the rolling out of our 5G network, and expanding our fixed wireless broadband service offering. We also launched our sustainability strategy and continued to receive recognition for the quality of our products and services.

As market conditions improve post COVID and we leverage the strong foundations of the merger and recent investments in our network, TPG Telecom's Board feels very confident about the outlook for the company and about what we can achieve as the headwinds we have faced reduce and we achieve our potential.

TPG Telecom is committed to its customers, people and shareholders and Directors are confident we are in a strong position to challenge and shape the telecommunications industry in Australia while delivering long-term shareholder value.

2021 financial performance

The 2021 financial results reflected the challenges of the COVID operating environment. Strong cost discipline and other merger integration synergies offset the impact on our results from the reduction in mobile customer volumes due to travel restrictions and other COVID impacts, as well as ongoing headwinds related to the transition of fixed broadband services to the NBN.

The Company's share price performance in the period was below our expectations, primarily reflecting the challenging operating conditions noted above.

Dividends

Notwithstanding the short-term challenges created by the COVID pandemic, TPG Telecom remains in a strong financial position, and delivered a strong cash flow performance in the year.

This has allowed us to offer ongoing dividend increases, paying an interim dividend in October 2021 of 8.0 cents per share and declaring a fully franked final dividend payable in April 2022 of 8.5 cents per share, up from 7.5 cents per share for the 2020 final dividend.

The Board is confident of continuing to reward shareholders with dividends consistent with our policy of paying out at least 50% of adjusted net profit after tax (NPAT), which adds back one-off restructuring costs and certain non-cash items (customer base intangible amortisation, spectrum amortisation and any non-cash tax expense) to statutory NPAT.

Board renewal

My appointment as Chairman in March followed David Teoh's decision to step back from the Company, having built the original TPG into a major challenger in the Australian telecommunications industry.

The Board is thankful to David for his contribution. We also welcomed Jack Teoh, David's son, as a Director this year, as well as Antony Moffatt, TPG Telecom's former Company Secretary and before that, General Counsel of the original TPG.

Sustainability

The Board welcomed the launch of our inaugural Sustainability Strategy 2021, recognising the increasing importance of sustainability practices to our customers and shareholders.

The strategy outlines how we intend to enhance our commitment to a responsible and sustainable business through initiatives focused on the environment, customer wellbeing, inclusion and belonging, and the digital economy.

TPG Telecom formally committed to setting a science-based target to provide a clear path to reduce carbon emissions in line with the goals of the Paris Agreement.

We also committed to powering 100% of our Australian operations with renewable energy by 2025, while our felix brand is already 100% powered by renewable electricity and certified carbon neutral.

The Company is currently working to determine its shorter-term emissions reduction target and developing a detailed roadmap to achieve net zero carbon emissions by 2050.

Conclusion and outlook

Looking ahead, the Board is confident TPG Telecom has the leadership and strategy in place to deliver long-term value for shareholders while achieving our purpose of building meaningful relationships and supporting vibrant, connected communities.

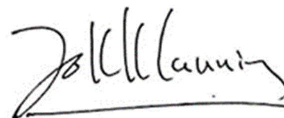
We have achieved a great deal despite the challenging market and operating conditions created by COVID and have created strong foundations for the next phase of our growth and development as a company.

As we enter 2022, we are in a strong financial position and can be optimistic about the potential for improved operating conditions at the same time as our strategy gathers momentum and the market continues to recognise the great value that telecommunications assets and services provide to the economy and to society.

We expect COVID-related restrictions impacting our mobile business to continue to lessen and we are targeting to deliver on the next stage of simplification and integration of the business, and to progress in key growth areas such as fixed wireless broadband services and services to larger business customers.

I wish to thank my fellow directors for their contributions, and Chief Executive Officer and Managing Director, Iñaki Berroeta, and his executive leadership team for their commitment and passion for the business.

Above all, I would like to thank you, our shareholders, for your support, and to recognise our TPG Telecom people for their dedication to the Company, our customers, and each other.



Canning Fok
Chairman

CEO's Report

Iñaki Berroeta, CEO & Managing Director

The merger of Vodafone Hutchison Australia and TPG Corporation established TPG Telecom Limited (TPG Telecom, the Company) as a leading, full-service telecommunications company with enormous market potential.

In 2021, we made strong progress in starting to deliver that potential while facing significant headwinds created by the COVID pandemic and other short-term pressures.

We completed the first steps of integration to unify our operations, while staying focused on delivering leading customer service, looking after our people, and strengthening our financial position.

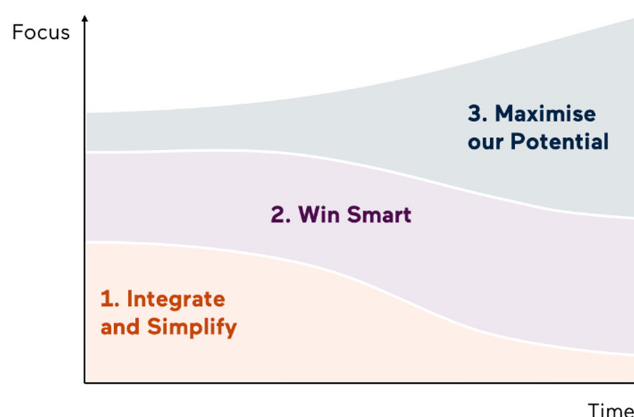
As market headwinds begin to ease, we enter the year ahead with confidence. The re-opening of Australian borders will support the return of positive momentum in Consumer mobile numbers, and we expect great enthusiasm from customers for the products and services we can offer.

For example, we have generated strong growth in subscribers to our fixed wireless broadband services – using 5G to offer an alternative to the NBN that delivers value and choice to customers while reducing wholesale service costs.

We are also offering more to larger customers, targeting $1 billion of revenue in our Enterprise segment by 2025. In our Wholesale business, the functional separation of our retail and wholesale divisions means our infrastructure can be deployed more effectively, introducing more alternatives for customers.

We are ahead of schedule in achieving our merger synergies and we expect to deliver our 2023 target of $125 million to $150 million a year earlier in 2022. We are working hard to reduce operational and organisational complexities throughout the business.

We are turning our focus to ways to drive higher utilisation, increase sharing of infrastructure and unlock value across our asset base. As we accelerate the benefits of the merger and pursue these opportunities, we have refreshed the guiding principles of our strategy to Integrate and Simplify, Win Smart and Maximise our Potential.



2021 achievements

I am proud of our achievements in 2021 and our ability to respond rapidly to market and societal changes in the COVID operating environment.

We have navigated the pandemic with agility and empathy and prioritised the health and safety of our people, customers and partners throughout.

Critically, we were able to mitigate the financial impact of challenging operating conditions by executing merger cost synergies and through disciplined financial management throughout the business.

Supporting our customers

TPG Telecom's ongoing ability to meet the needs of our customers across more than 7.2 million services in operation and be recognised for great product and services is a source of pride for our people.

While subscriber numbers were lower in mobile because of the constraints on international travel to and from Australia, we grew our fixed broadband customer base as customers embraced our fixed wireless offering.

Our family of brands also continued its industry leadership position in customer satisfaction. We were

delighted by our recognition at Canstar Blue's Telco Awards for 2021, receiving the awards for Outstanding Value in the Phone on a Plan and NBN Plans categories. And we maintained an average number of Telecommunications Industry Ombudsman complaints well below the industry average and sustaining our downward trend for reduced complaints overall.

While some customers have experienced increased hardship during the pandemic, TPG Telecom has been an active contributor to the Australian Communications and Media Authority's ongoing work on customer vulnerability. Information about how we supported our customers during the year detailed in our 2021 Sustainability Report.

Our people

Supporting the health and wellbeing of our people, we established COVID-safe working protocols and implemented a policy of granting extra leave to enable our people to access vaccinations.

A key Company focus is the experience of our employees, monitored through our Spirit Survey. In 2021, we recorded increases both in overall employee engagement and in our Values Alignment Index. These were solid improvements as we continue to seek to exceed the benchmark for high performing organisations. More information on employee engagement and wellbeing can be found in our Sustainability Report.

Operational highlights

We delivered $71 million of cost synergies in the year, just ahead of our target of $70 million, as we eliminated third-party network expenditure and reduced duplication in the organisation, creating a strong foundation to deliver further efficiencies in 2022.

Another great benefit of the merger has been the opportunity to extract value from the combined Group's assets and avoid greater capital investment.

The strength of our existing low-band mobile spectrum holdings ensured TPG Telecom did not have to participate in the Federal Government's auction of additional 850 MHz and 900 MHz spectrum in December 2021.

Avoided spectrum investment frees up capital to accelerate other investment in our network, specifically the 5G upgrade, as well as the government mandated replacement of Huawei equipment over coming years.

The collective spectrum holdings of the merged Group, combined with the large investments we are making in our 5G network – part of the largest global 5G network under the Vodafone brand – mean we now have our best-ever network.

Significantly, we converted more than 1,000 sites to 5G across our radio access network in 2021 and, with the introduction of our standalone 5G network and introduction of 700 MHz spectrum, achieved 5G coverage to 85% of the population in Australia's top 10 cities.

In December 2021, we commenced reducing organisational complexities across roles and responsibilities, streamlining our Executive Leadership Team from eleven to seven members. This change is the first step in enabling us to further simplify our organisational structure in 2022 to support a more efficient and sustainable operating model.

I was excited to welcome Giovanni Chiarelli as our new Chief Technology Officer and Grant Dempsey as our new Group Chief Financial Officer early in 2022.

Financial highlights

Our financial performance for 2021 reflects the challenges of the pandemic and our progress in simplifying the business, while gaining new customers and market share in key areas.

Consumer segment

In Consumer, revenue of $4,308 million was down 4% on the 2020 pro forma[1] result as lower mobile revenue was offset partially by increases in the fixed broadband business[2]. Earnings before interest, tax, depreciation and amortisation (EBITDA) was down 8% on 2020 pro forma to $1,211 million because of the revenue decline[3].

The lower mobile revenue was primarily driven by the ongoing impact of COVID on international travel and aggressive competitor discounting of secondary brands and in retail partner channels.

Although we have started to see a recovery over the last two to three months, mobile customer numbers were down over 2021 by 4% to 5.02 million.

The reduction in average revenue per user (ARPU) in Consumer mobile since the beginning of COVID has started to stabilise. Post-paid ARPU of $39.1 was up marginally from $38.9 in the first half of 2021 but still down from $40.7 in the second half of 2020. This decline included a reduction in interconnection rates for calls from other networks, which is largely offset in costs.

In our fixed business, we delivered strong gains in higher margin fixed wireless services – in which we reached

[1] Pro forma comparisons adjust FY20 statutory results as if the merger, which occurred in June 2020, had been effective throughout the whole of FY20.

[2] Pro forma adjustment adds $816 million to statutory FY20 Consumer revenue of $3,656 million.

[3] Pro forma adjustment adds $247 million to statutory FY20 Consumer EBITDA of $1,065 million.

80,000 subscribers – and out total customer numbers increased to 2.22 million. However, these gains were offset by the impact of transitioning legacy ADSL customers to lower margin NBN services, higher NBN wholesale costs, and the imposition of the Regional Broadband Scheme levy on non-NBN broadband customers.

Corporate segment

In Corporate, total revenue of $985 million was down 1% on 2020 pro forma, as growth in on-net fibre and NBN enterprise ethernet services were offset by the decline in legacy copper-based services[4]. EBITDA in Corporate of $492 million was up 6% due to lower operating costs[5].

Group results

At the Group level, the delivery of merger cost synergies drove operating costs lower, partially offsetting the impacts in gross margin in Consumer noted above, while disciplined financial management throughout the business resulted in a strong cash flow result despite the challenging operating conditions.

Total group revenue was $5,293 million, down 3% on 2020 pro forma[6]. Service revenue, which excludes device and installation revenue, was $4,389 million, down 4% on 2020 pro forma[7]. EBITDA of $1,731 million was down 3% on 2020 pro forma as reductions in operating costs, primarily in labour, partially mitigated revenue impacts[8].

Our cash flow result was robust. A smaller increase in working capital arising from continued disciplined financial management resulted in operating cash flow of $1,627 million, up $64 million on 2020 pro forma[9] despite the decline in EBITDA.

Investment in the business continued. Total capital expenditure on property, plant and equipment and intangibles was $831 million as we continued the 5G upgrade. Spectrum investment was greatly reduced at $91 million, compared with $204 million in 2020, reflecting the strong spectrum holdings we already have in place. Operating free cash flow was $596 million, while free cash flow before dividends improved to $410 million.

This strong result enabled us to reward shareholders with a final dividend of 8.5 cents per share, 1.0 cent per share higher than 2020, in addition to the 2021 interim dividend of 8.0 cents per share. Adjusted net profit after tax (NPAT), which backs out the impact of amortisation of spectrum holdings and acquired intangibles, as well as non-cash tax and restructuring costs, is the basis for dividend calculations. Total dividends declared for 2021 were 53% of Adjusted NPAT, a strong outcome relative to our policy of paying out at least 50%.

2022 outlook

We have entered 2022 with confidence that many of the headwinds of the past two years are lessening – and that our momentum in growth areas and delivering cost savings will make a positive impact as we target the early delivery of $125 million to $150 million of cost synergies.

In Consumer, we anticipate the impacts on mobile subscriber numbers due to the constraints to international travel will ease and are encouraged by a net increase in total subscribers since November 2021.

While the competitive environment in mobile remains robust, we are optimistic we are entering an environment in which margins can stabilise and recover as consumer uptake of 5G plans accelerates.

In fixed, our target is to more than double uptake of fixed wireless services to 160,000 subscribers, enabling consumers to access a lower cost alternative to the NBN that avoids costly NBN wholesale fees. In addition, the impact of transitioning legacy ADSL customers to the NBN will be less.

In the Corporate segment, which includes our Enterprise and Wholesale businesses, we anticipate further margin growth in 2022. We have been delighted to announce recent major customer wins, including NAB, Qantas, Master Builders Victoria and Yarra Valley Water

Noting the programs in place to accelerate upgrades to our network and technology platforms, we expect capital expenditure for the year will be approximately $1,000 million, with minimal further spectrum capex.

Strategic priorities

TPG Telecom's priorities for 2022 reflect the three guiding principles of our strategy I set out at the beginning of this report: Integrate and Simplify, Win Smart and Maximise our Potential. We currently have several initiatives under each of these.

Integrate and Simplify means creating a lean company integrating our brands, technology, infrastructure, processes, and people as one.

The delivery of merger cost synergies will continue to be a direct benefit of these efforts. We are putting in place transformation initiatives across the Company – focused on our technology architecture and our operating model

[4] Pro forma adjustment adds $302 million to statutory FY20 Corporate revenue of $690 million.

[5] Pro forma adjustment adds $133 million to statutory FY20 Corporate EBITDA of $331 million.

[6] Pro forma adjustment adds $1,118 million to statutory FY20 Group revenue of $4,346 million.

[7] Pro forma adjustment adds $1,112 million to statutory FY20 Group service revenue of $3,458 million.

[8] Pro forma adjustment adds $398 million to statutory FY20 Group EBITDA of $1,391 million.

[9] Pro forma adjustment adds $375 million to statutory FY20 Group operating cash flow of $1,188 million.

– to establish a base from which we can keep recurring operating expenditure broadly flat year-on-year. This will include rationalising IT applications.

Simplification of our brand and marketing strategy is also critical to reducing complexity and enhancing our ability to offer customers a greater number of value-adding products and services, simply and seamlessly.

Win Smart means focusing our investments where a clear infrastructure advantage, increased utilisation opportunity or valuable adjacency exists.

Leveraging our 5G investments and Vodafone's global 5G leadership as Australia recovers from the impact of COVID will be key. We intend to upgrade anther 1000-plus sites to 5G in 2022. This should create an environment in which mobile subscriber numbers and ARPU recover and enable us to build on our strong progress in converting NBN customers to fixed wireless.

There are four pillars to our strategy to grow Enterprise revenue (about 70% of Corporate revenue today) to $1 billion by 2025: developing an enterprise portfolio for small business; growing enterprise connectivity through better utilisation of our on-net broadband and NBN services; building our capabilities in network managed services and security; and enhancing our Internet of Things and mobile private networks solutions offerings.

In Wholesale, completing the functional separation will open up more opportunities to invest in our on-net fibre-to-the-basement (FTTB), hybrid fibre coaxial (HFC) and very high-speed digital subscriber line (VDSL) networks to enable growth as we look to bring more retail service providers on to the network.

Maximise our Potential means developing an efficient and scalable business model that creates a vibrant and dynamic competitor in the telco industry.

Key to delivering a sustained transformation of this kind will be the delivery of enhanced, end-to-end digitisation in both Consumer and Enterprise channels.

In addition, we are being strategic in the way we develop our infrastructure. We will we enhance the value and capability of our business by investing while also exploring opportunities to drive higher asset utilisation through greater sharing.

The pandemic has led to an increased recognition of the critical role telecommunications services play in our economy and society. This has led to increased interest in the sector from pension funds and specialist investors.

This creates opportunity for TPG Telecom to unlock greater value for the network infrastructure we own. For this reason, we are undertaking a review of whether we can release value for shareholders by divesting the passive infrastructure we own at approximately 1,250 mobile phone towers and rooftop sites to a specialist investor that can drive higher utilisation.

Execution of our sustainability strategy is key to the company maximising its potential. We are excited about the commitments we have made in customer wellbeing, environmental responsibility, inclusion and belonging, and the digital economy.

Conclusion

This is an exciting time for our industry and TPG Telecom. Having proven resilient to the challenges of COVID, we are positioned to continue to simplify our business and grow our market-share as a dynamic and integrated market leader.

While there is still more to do to unlock the full value of the business, we made excellent progress during 2021 and TPG Telecom is poised to accelerate its transformation in 2022.

Inaki Berroeta
Chief Executive Officer and Managing Director

Strategic Priorities

	INTEGRATE AND SIMPLIFY	WIN SMART	MAXIMISE OUR POTENTIAL
2021 achievements	• Realised $71m merger cost synergies • Streamlined leadership team	• Reached 80,000 fixed wireless subscribers • Relaunched Enterprise go-to-market strategy	• Delivered 1,000+ 5G sites • Commenced strategic review of passive towers infrastructure
2022 objectives	• Deliver $125-150m merger cost synergies target • Transform operating model to remove complexity • Evolve Consumer brand and marketing strategy	• Leverage recent positive momentum in mobile • Target at least 160,000 fixed wireless subscribers • Execute Enterprise growth strategy • Deliver functional separation in Wholesale	• Deliver additional 1000+ 5G sites • Enhance co-investment and infrastructure sharing models • Potential monetisation of passive towers infrastructure

Key Risks

Overview

At TPG Telecom, we recognise proactive risk management is essential for achieving our business objectives and improving outcomes for our customers, employees, and shareholders. We are committed to the ongoing development of a strategic and consistent approach to risk management underpinned by a risk aware culture.

The Board is responsible for overseeing the effectiveness of the risk management framework while the Executive Leadership Team and business units have responsibility for managing risks, including identification of risks and developing appropriate mitigation strategies. Our comprehensive risk management framework outlines our risk appetite, policies and procedures, reporting and performance and resilience activities. The enterprise risk function supports and drives consistent application of the risk management framework across the Group.

The material business risks which could impact strategy execution and operational performance are provided below. These are not in in order of priority and do not represent all the financial and non-financial risks monitored by the organisation.

Key Risks

Network capability and performance

Our customers rely 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. The COVID pandemic has highlighted the critical role that our sector plays and has reinforced the importance of resilient and reliable telecommunication services. Our networks have kept family and friends connected, allowed businesses to continue operating through remote working arrangements and facilitated ecommerce through lockdowns.

The potential of network failures caused by human error, accidental damage, power outages, extreme weather conditions, natural disasters including bushfires, and physical or cyber security breaches could cause 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 a competitive cost, our ability to provide services to customers economically and efficiently may limit profitability.

We have, and continue to, invest significantly in network capability and resilience. Our network resilience is closely and continually monitored, and we have a robust operational incident management process in place as well as a Crisis and Emergency response plan for significant incidents.

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, 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.

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

The COVID pandemic continues to present a risk to our business as migration and international travel slowly ramps up with borders reopening. International travel in particular impacts our consumer business in terms of population growth, unique brand proposition (international roaming) and revenue (from international roaming).

To mitigate the impacts from the pandemic, we are focusing our proposition development to increase appeal to the domestic market, and we are looking for new ways to offset the loss of international roaming, for example through 5G monetisation.

Key Risks continued

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. These attacks have the potential to cause significant business 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. We continue to decommission legacy systems post-merger and invest in cyber threat detection capabilities, cyber preventative controls and defensive strategies.

TPG Telecom manages a significant volume of sensitive information and our customers, employees and third parties expect the highest levels of security to protect their personal information. The legal and regulatory environment regarding information security is increasingly complex and demanding and failure to protect personal information could result in reputational damage, regulatory scrutiny and financial loss. We always seek to handle personal data with integrity and in accordance with applicable laws. We take a Privacy-By-Design approach and seek to continuously improve our controls environment. 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.

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 business critical systems are inadequately maintained, secured, and updated or are damaged due to accidents, deliberate attacks or natural disasters. These disruptions could result in impacts on our operations, reputation, customer retention, revenue, or costs.

Our Digital transformation program is aimed at increasing the resilience, stability, and performance of our information technology systems and infrastructure. The program is supported by a strong governance framework to minimise impacts to the business and ensure we deliver the required business outcomes. We have strong incident management processes, including business continuity and disaster recovery plans in place to ensure the impact of a disruption is managed appropriately.

Legal and regulatory risk

We operate in a highly regulated industry with complex and evolving legal requirements and are subject to a range of regulation from consumer service delivery through to our network security. This highly regulated environment exposes us to the risk of changes to regulatory policy and other government interventions which could impact our financial performance or the commercial viability of our operations.

We always seek to comply with all applicable legal and regulatory obligations. Through strong legal and risk management frameworks, we ensure appropriate oversight of compliance risks and obligations, and proactively monitor emerging legal and compliance issues. Additionally, a strong culture of compliance is established with policies, codes and ongoing training and awareness initiatives which ensure our people are adequately equipped to understand and manage our compliance obligations.

Health, safety and wellbeing

The health, safety and wellbeing of our employees, contractors and broader stakeholders is paramount. Through our business operations, we may expose our people to high risk working environments. To manage this risk, we maintain an effective Health and Safety Management system and continuously improve processes, including standardising systems and processes post-merger to deliver a consistent and safe employee experience.

We are committed to providing a safe and respectful environment for employees, contractors, and customers. During the COVID pandemic, we have actively monitored government health regulations and responded with safety measures including proactive employee communications, temporary office and retail store closures and COVID-safety plans at all sites. In addition, we rolled out our vaccination policy as well as a holistic employee wellbeing program to support our employees through this challenging period.

Key Risks continued

Capability and Culture

Attracting and maintaining a diverse and engaged workforce with the right skills, capabilities and experience is critical for our success. Failure to attract and retain the right talent and develop a high performing and inclusive culture could inhibit our ability to meet our strategic objectives.

We recognise the challenges of integrating two different businesses and have focussed on developing a strong unified culture to attract and retain the best people. Earlier this year we launched our new values to bring the TPG Telecom Spirit to life. In addition, we have introduced several initiatives including the inaugural employee engagement survey, hybrid work model, and leadership programs for executive and general management. Capability and skills analysis and succession planning is an ongoing focus.

We are committed to maintaining a diverse, inclusive, and flexible workplace to achieve our desired culture.

Environmental and social

A range of environmental and social risks exist which impact our business, our stakeholders and our society and we understand the importance of managing these risks well.

As an owner and operator of telecommunications infrastructure we recognise climate change presents risks to our business including damage to our infrastructure (e.g., from increases in extreme weather events and bushfires), financial risk (e.g., additional costs of regulation, potential litigation and increases in energy costs) and reputational risk (e.g., failure to meet stakeholder expectations).

To mitigate these risks, our operations teams build network resilience and redundancy against environmental risks and our subject matter experts ensure our mobile and base stations comply with international and national safety limits. We have been working on programs to reduce energy usage in our networks and have contributed further to emissions reductions through felix mobile, Australia's first telecommunications brand to be powered by 100 percent renewable energy. We recognise the importance of proactively managing climate risks and are working towards reporting against the Task Force on Climate-related Financial Disclosures (TCFD) framework in 2022.

As a large corporate, we recognise our social responsibility and the growing focus placed by our employees, customers, shareholders, and broader communities on the way we do business. This includes our conduct and response to several social issues including modern slavery, ethical advertising and sales, digital safety, reconciliation and diversity and inclusion. Failure to appropriately meet these expectations may lead to reputational damage, regulatory inquiries, or shareholder actions. We have a strong corporate governance framework that complies with legal and regulatory requirements. Additionally, our 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.

In 2021, we released our Sustainability Strategy which identifies four key areas where we are well placed to make a meaningful difference to our stakeholders, underpinned by a set of fundamental, responsible business practices. The commitments within our Sustainability Strategy can be accessed on our website www.tpgtelecom.com.au and progress on initiatives is reported in our Sustainability Report.

Sustainability at TPG Telecom

TPG Telecom is committed to conducting its business in a way that supports the needs of all stakeholders – including our customers, our people and our communities. We believe that acting as a responsible and sustainable business is fundamental to the creation and protection of long-term value.

When we developed our first Sustainability Strategy in 2021, we did so by aligning it to both our Company purpose and our corporate strategy.

We feel that our Sustainability Strategy is critical to delivering on our purpose to build meaningful relationships and support vibrant, connected communities. It outlines how we will operate our business responsibly, and make a difference for our customers, people and community, now and into the future.

Our corporate strategy aims to capitalise on our strengths and opportunities as a full-service telecommunications company through the guiding principles of Integrate and Simplify, Win Smart and Maximise our Potential. Our Sustainability Strategy complements these principles, identifying four key areas where we believe we are well-placed to make a meaningful difference for our stakeholders:

- Customer wellbeing
- Inclusion and belonging
- Environmental responsibility
- Digital economy

These are underpinned by a set of fundamental, responsible business practices. Together, these represent our framework for creating a responsible and sustainable business.

The TPG Telecom Sustainability Strategy and Sustainability Reports can be accessed on our website www.tpgtelecom.com.au.

Customer Wellbeing

Taking care of our customers as they use our products and services

We understand that to continue to grow we must do business in a way that puts our customers first – taking care of our customers as they use our products and services. That's why we're focused on responding to the diverse needs of all of our customers, as well as helping our customers to stay safe online and protecting their privacy and security.

We have been leaders in supporting vulnerable customers, whether its customers in financial hardship, domestic or family violence, or in need of special assistance for other reasons. When the Australian Communications and Media Authority (ACMA) released a consultation draft Statement of Expectations for the telecommunications industry on consumer vulnerability, we contributed to and supported the joint industry submission from the Communications Alliance and provided our own response with suggestions for improvement. Upon finalisation of the Statement of Expectations by the ACMA, we will update our own customer vulnerability policy and framework to meet or exceed the industry-wide approach and will work to continue to identify further opportunities for enhancing our services and support for customers experiencing vulnerability.

The security and privacy of our customers and their data is a top priority and we recognise it is a key risk to our business. To help combat scams and fraud, we provide regular updates regarding fraud awareness on all our customer-facing websites and use several tools and processes to minimise scams and fraud. We are also in the process of implementing standards that align to new regulation related to customer authentication. There are also ongoing initiatives in place to implement additional sophisticated technological solutions that will help prevent scams and theft using our networks.

Inclusion and belonging

Creating an inclusive business where all our people, customers and communities belong

Maximising our potential as a business requires committed focus on being an inclusive organisation where we can best understand and serve our diverse customer base, collaborate successfully and innovate in a world of increasingly fast paced change. We strive to create an environment of equality where everyone feels respected and supported to be themselves at work.

In 2021 we developed and launched our Gender Action Plan, which acts as our roadmap to improving gender equality. Our aim is to increase female representation, particularly in our leadership team, through commitments focussed on the promotion of visible female role models, building personal capability and networks, ensuring equitable recruitment processes, and monitoring key gender diversity metrics.

Sustainability at TPG Telecom continued

Additionally, we are proud to have been confirmed as a Women in STEM Decadal Plan Champion, aligning our gender equality journey with the Women in STEM Decadal Plan. Developed by the Australian Academy of Science in collaboration with the Australian Academy of Technology and Engineering, it offers a vision on building the strongest STEM workforce possible.

We remain resolute in our commitment to LGBTQI+ inclusion. Driving our commitment is our Connect: LGBTQI+ Network, made up of over 350 passionate TPG Telecom employees who work together to champion equality and create a safe community for LGBTQI+ employees, customers and their communities.

In 2021, we launched Gender Affirmation leave which provides four weeks' paid leave for employees who are on a journey to live and identify as a member of another gender, including non-binary, other than their gender assigned at birth. We are proud to be the first telco in Australia and the first employer in the Philippines to provide this benefit.

We recognise the importance of supporting better futures for all Australians through partnering with Aboriginal and Torres Strait Islander individuals, communities, and organisations. This year we launched our Reflect Reconciliation Action Plan to act as a roadmap to support us in establishing a foundational level of understanding and respect for our nation's histories and cultures across our company.

We continue to engage our people and our leaders to build understanding of how they can demonstrate respect and inclusive leadership, be respectful and inclusive of our First Nations customers, and support Aboriginal and Torres Strait Islander owned businesses through ongoing meaningful partnerships.

Environmental responsibility

Respecting and protecting the environment as we grow our business

As a major telecommunications services provider, our approach to environmental management focuses on our two most material environmental impacts – climate change and waste.

We recognise the threat of global climate change and are working towards aligning our business with the aims of the Paris Agreement. This includes reducing our emissions to help mitigate climate change, using our technologies to help reduce emissions within our wider society, understanding and building resilience to climate impacts, and being transparent in our disclosure of climate impacts, risks and opportunities.

In 2021 we formally committed to setting a science-based greenhouse gas emissions reduction target in line with net zero, across our Scope 1, Scope 2 and Scope 3 emissions footprint. We are in the process of mapping out our organisational emissions footprint, which will then enable us to develop shorter-term emissions reduction targets, as well as a 2050 net zero target that will be validated by the Science Based Targets initiative.

We recognise that climate change is a key risk to our company and we have committed to adopting the Taskforce for Climate Related Financial Disclosure recommendations to develop and report on our climate risk strategy and management.

Our felix mobile brand has continued to grow, powered by 100% renewable electricity and certified carbon neutral by Climate Active. It has been responsible for more than 188,000 trees planted since its launch and has been recognised by industry awards for its work, including receiving the ProductReview.com.au Mobile Phone Service Providers Award and the Sustainability award at the 2021 ACOMM awards.

We also aim to be responsible product stewards by reducing the environmental impact of our products over their life. That's why we are focused on working with our suppliers to reduce packaging waste, increasing resource recoverability and working with industry partners on solutions for management of e-waste.

Throughout the year, we continued our collaboration with the MobileMuster program to reduce e-waste by collecting unwanted mobile phones and accessories in our retail stores for recycling. In 2022 we will work with MobileMuster to expand the scope of items eligible for collection to include devices such as modems, routers, smart home technology and wearables.

Sustainability at TPG Telecom continued

Digital economy

Helping to create a vibrant digital future which benefits everybody

A productive and innovative digital economy is important to support continued improvements in quality of life and living standards for everyone. We recognise that we have a fundamental role to play in helping to create Australia's digital economy. This includes building and maintaining the required networks, as well as investing in innovation so that business and consumers can get the most from next generation connectivity.

We have put a strong focus on accelerating the uptake of narrowband Internet of Things (NB-IoT) and 5G-enabled technologies by building awareness of the benefits across existing industries and optimising use of IoT customer devices across our own business.

Our NB-IoT network is designed to work with a wide range of IoT device manufacturers to help in creating efficiencies for end users like energy use, water use and operational productivity. We intend to further explore the potential of our networks in enabling natural resource efficiency, emissions reductions and a transition to a more sustainable society.

Through the TPG Telecom Foundation (formerly Vodafone Foundation Australia), we support the use of technology to create opportunities to improve the health, wellbeing and education of Australian communities in need. In 2021, the Foundation partnered with the Garvan Institute of Medical Research and Infoxchange, through grants and in-kind support, on projects focused on improving the lives of Australian communities.

In 2021, we also partnered with Catalyser, a social technology company, to launch a digital TPG Telecom Giving platform for employees to manage their volunteering, fundraising and micro donations. This is intended to increase opportunities for seamless employee engagement and better reporting, both internally and externally to our stakeholders.

Responsible business

A set of fundamental, responsible business practices

Underpinning our Sustainability Strategy is a set of fundamental, responsible business practices that guide how we interact with our entire value chain. Key aspects of these practices include:

- Ensuring a strong risk culture and internal governance framework;
- Enhancing our approach to managing modern slavery and human rights risk in our suppliers and our own operations;
- Considering the environmental impacts of our operations and those of our suppliers and customers;
- Supporting Australian small businesses by committing to making payments within 20 business days; and
- Maintaining a safe and healthy workplace for our employees and others.

Sustainability governance

We recognise that, for our Sustainability Strategy to be successfully integrated throughout our business, a strong governance approach must be in place.

Our highest level of responsibility for sustainability sits with the TPG Telecom Board, which has oversight of strategy, business performance and risk management, including in relation to sustainability. The TPG Telecom Audit and Risk Committee oversees disclosure by TPG Telecom relating to its economic, environmental, and social sustainability risks and how it manages those risks. The TPG Telecom Governance, Remuneration and Nomination Committee oversees corporate governance.

Further information, including a more detailed review of the progress against our Sustainability Strategy and commitments can be found in our 2021 Sustainability Report.

Operating and Financial Review (OFR)

1. Introduction and business overview

TPG Telecom and its controlled entities (the Group) is a provider of telecommunications services to consumers, business, enterprise, government and wholesale customers in Australia. The Group markets its services through multiple well-known brands including Vodafone, TPG, iiNet, AAPT, Internode, Lebara and felix.

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. TPG has more than 5,000 employees across Australia and the Philippines and is also supported by outsourced service centres in India and South Africa.

The Group was established through the merger of Vodafone Hutchison Australia (VHA), which changed its name to TPG Telecom Limited as part of the merger, and TPG Corporation (which had previously been known as TPG Telecom Limited) in June 2020.

This operating and financial review provides commentary as to the financial performance and position of the Company it should be read in conjunction with the CEO’s Report.

2. Composition of reported results for the year ended 31 December 2021

The year ended 31 December 2021 reflects the first year reporting a full 12 months as a Group post the merger of the Company and TPG Corporation.

As a result of the structure and timing of the merger, the comparative balances of the Group, namely the Consolidated Income and Cash Flow Statements for the year ended 31 December 2020, consists of 12 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).

3. Analysis of reported results for the year ended 31 December 2021

Whilst acknowledging the limitations described above of comparing the reported results of 2021 and 2020 due to the timing and impacts of the merger, the following sections provide an overview of the reported results.

Operating and Financial Review continued

3.1 Consolidated Income Statement Overview

A comparison of the Group's 2021 and 2020 consolidated income statement is affected by the fact that 2021 includes a full year contribution from TPG Corporation compared to a six month and four-day contribution from TPG Corporation in 2020.

A condensed version of the income statement is set out below, supported by commentary that highlights some key points.

	NOTES	2021 $m	2020 $m	change $m
Revenue				
Service revenue		4,389	3,458	931
Handset and hardware revenue		904	888	16
Total revenue		**5,293**	**4,346**	**947**
Other income		45	15	30
Cost of telecommunication services		(1,966)	(1,370)	(596)
Cost of handsets and hardware sold		(891)	(880)	(11)
Employee benefits expense		(377)	(328)	(49)
Other operating expenses		(373)	(392)	19
EBITDA	1	**1,731**	**1,391**	**340**
Depreciation and amortisation	2	(1,423)	(1,188)	(235)
Operating profit		**308**	**203**	**105**
Net financing costs	3	(149)	(289)	140
Profit/(Loss) before tax		**159**	**(86)**	**245**
Income tax (expense)/benefit	4	(49)	820	(869)
Profit after tax		**110**	**734**	**(624)**
Attributable to:				
Owners of the Company		110	741	(631)
Non-controlling interest		-	(7)	7
Earnings per share (cents)		**6**	**64**	**(58)**

Operating and Financial Review continued

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

The Group's EBITDA for the year was $1,731 million, $340 million higher than 2020. Service revenue, cost of telecommunication services and employee benefits expense all increased substantially due to a full 12 months of operations as a merged company compared with 2020.

Handset and hardware revenue and the associated cost of devices sold decreased slightly because of the ongoing impact on sales volumes of international travel restrictions imposed by the federal and state government following the COVID pandemic. Note that balances for handsets in 2020 were not significantly impacted from the merger as TPG Corporation did not sell mobile handsets.

2. Depreciation and amortisation

Depreciation and amortisation expense increased by $235 million in 2021. The increase was a result of 12 months of depreciation and amortisation as a merged group compared to 2020. In addition, the Group acquired additional property, plant and equipment of $980 million, right-of-use assets of $124 million and intangible assets of $267 million, which contributed to the increase in depreciation and amortisation expense for the year.

3. Net financing costs

Net financing costs decreased by $140 million in 2021. The decrease was primarily due to:

(a) 12 months of interest on a lower borrowings balance throughout 2021 compared with 2020. The $289 million of net financing expenses for 2020 included six months of interest incurred on the higher level of borrowings that existed pre-merger completion; and

(b) the Group entering a three-year $500 million bilateral revolving facility in March 2021 at a reduced margin. In June 2021, the Group also signed an amendment and extension agreement, which reduced the margin of, and extended by one year, the Group's $4,750 million loan facility.

4. Income tax expense

The movement in the Group's income tax expense primarily related to a $820 million accounting credit to income tax expense recognised in the Group's 2020 income statement. This movement arose because of 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 financial and tax accounting.

Prior to the merger, 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 did not meet the accounting criteria necessary for recognition of deferred tax assets.

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

The deferred tax asset will unwind as the Company continues to utilise these tax losses and temporary timing differences. Income tax expense for 2021 was $49 million.

3.2 Consolidated Balance Sheet Overview

Set out below is a condensed version of the Group's balance sheet as at 31 December 2021, summarised in a manner to highlight key movements.

	NOTES	2021 $m	2020 $m	change $m
Cash and cash equivalents		202	120	82
Trade and other receivables		476	431	45
Assets held for sale		-	2	(2)
Other current assets		155	130	25
Total current assets		**833**	**683**	**150**
Property, plant and equipment	1	3,422	3,258	164
Right-of-use assets	2	1,294	1,012	282
Spectrum licences	3	2,251	2,325	(74)
Other intangible assets	4	10,893	11,144	(251)
Deferred tax assets		262	264	(2)
Other non-current assets		231	138	93
Total non-current assets		**18,353**	**18,141**	**212**
Trade and other payables	5	1,118	927	191
Lease liabilities		61	92	(31)
Other current liabilities		488	437	51
Total current liabilities		**1,667**	**1,456**	**211**
Borrowings		4,290	4,330	(40)
Lease liabilities	2	1,359	1,051	308
Other non-current liabilities		152	95	57
Total non-current liabilities		**5,801**	**5,476**	**325**
Net assets		**11,718**	**11,892**	**(174)**
Contributed equity		18,399	18,399	-
Reserves and accumulated losses		(6,681)	(6,507)	(174)
Total equity		**11,718**	**11,892**	**(174)**

Operating and Financial Review continued

1. Property, plant and equipment

Property, plant and equipment at 31 December 2021 was $3,422 million, an increase of $164 million compared to 31 December 2020, arising from net additions of network and infrastructure equipment and assets under construction of $980 million, less transfers out of $173 million, retirements of $168 million and depreciation expense of $476 million (net of retirements).

2. Right-of-use assets and lease liabilities

Right-of-use assets and liabilities increased by $282 million and $277 million respectively. This was primarily due to:

(a) additional leases entered into during the year of $124 million, less terminations of $15 million; and

(b) the Group successfully renegotiating its network site access arrangement with Axicom. As a result of the renegotiation, these leases were remeasured increasing right of use assets by $315 million, offset by $141 million of depreciation expense.

Lease liabilities increased due to new leases adopted and remeasurements during the year, offset by lease payments.

3. Spectrum licences

The net book value of spectrum licences held by the Group at 31 December 2021 was $2,251 million, a decrease of $74 million compared with 31 December 2020. During the year, the Group acquired 5G spectrum holdings in the 3.6 GHz band from Dense Air Limited for $84 million and sold its 2.6 GHz spectrum band licenses to Dense Air Networks Australia Pty Limited for $15 million. The Group was also successful in securing holdings in the 26 GHz (millimetre wave) band auction held by the federal government for $110 million. The Group intends to pay for the spectrum in five equal annual instalments of $22 million, the first of which was made in June 2021.

The decrease in spectrum licences was primarily due to amortisation expense of $254 million (net of write-offs) recognised during the year.

4. Other intangible assets

Excluding spectrum licences, other intangible assets decreased in the year by $251 million to $10,893 million, due to software licences, contract costs and indefeasible right of use assets acquired of $147 million, reduction in goodwill of $53 million following the finalisation of purchase price accounting associated with the 2020 merger, and amortisation expense of $345 million (net of write-offs).

5. Trade and other payables

Trade and other payables increased by $191 million to $1,118 million due to increased capital and inventory creditors at the end of the year.

3.3 Consolidated Cash Flow Statement Overview

A comparison of the Group's 2021 and 2020 cash flow statements is affected by the following:

(a) a full year contribution in 2021 from TPG Corporation compared to a six month and four-day contribution from TPG Corporation in 2020; 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.

	NOTES	2021 $m	2020 $m	Change $m
Operating cash flow	1	1,627	1,188	439
Capital expenditure	2	(831)	(612)	(219)
Spectrum payments	3	(91)	(204)	113
Net cash acquired through the merger	4	-	99	(99)
Disposal of subsidiary (net of cash disposed)	5	-	(379)	379
Cash reclassified within assets held for sale		-	(7)	7
Transaction costs re merger		-	(37)	37
Loan repayment from Tech2		2	-	2
Net cash flow before financing activities		**707**	**48**	**659**
Net (repayment)/drawdown of borrowings		(40)	186	(226)
Lease repayments		(139)	(130)	(9)
Net finance costs paid	6	(158)	(239)	81
Pre-acquisition dividends paid to TPG Corporation shareholders	7	-	(479)	479
Dividends paid	8	(288)	-	(288)
Net cash flow		**82**	**(614)**	**696**

Operating and Financial Review continued

1. Operating cash flow

Operating cash flow of $1,627 million was $439 million higher in 2021 than in 2020, reflecting the contribution of only six months and four days from the businesses of TPG Corporation in 2020.

2. Capital expenditure ('Capex')

Capex comprises payments for property, plant and equipment and for intangible assets (excluding spectrum payments). Capex for 2021 of $831 million was $219 million higher than for 2020. The increased capex primarily represents investment in the Group's mobile and fixed telecommunications network infrastructure and business support systems.

3. Spectrum payments

During the year, the Group made payments totalling $91 million for the acquisition of spectrum licences, comprising of:

(a) the $84 million payment for Dense Air Limited's 3.6 GHz spectrum offset by $15 million receipt from Dense Air Networks Australia Pty Limited for the sale of 2.6 GHz spectrum; and

(b) the payment of the first instalment of $22 million for the 26 GHz (millimetre wave) band spectrum acquired at auction.

4. Net cash acquired through merger

This represents the cash held by TPG Corporation at the merger effective date of 26 June 2020.

5. Disposal of subsidiary (net of cash disposed)

During 2020, 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 to achieve the required level of debt assumption and repay all associated borrowing costs.

6. Net finance costs paid

Net finance costs paid decreased in 2021 primarily as a result of the Group's reduced debt post-merger, coupled with lower average interest rates in 2021 compared with 2020.

7. 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 agreed to bring into the merged Group.

8. Dividends paid

During 2021, the Company paid a fully franked final FY20 dividend of $139 million (7.5 cents per fully paid share) on 14 April 2021 and a fully franked interim FY21 dividend of $149 million (8.0 cents per fully paid share) on 13 October 2021.

Operating and Financial Review continued

3.4 Segments

TPG Telecom reports results in two operating segments: Consumer and Corporate.

Consumer comprises the provision of fixed and mobile services to consumer customers under the Vodafone, TPG, iiNet, Internode, Lebara and Felix brands.

Corporate comprises the provision of fixed and mobile services and other managed services to enterprise, wholesale, government, small business and small office/home office customers served under the TPG Telecom, Vodafone, TPG, iiNet, Internode and AAPT brands.

The segments remained consistent for the year ended 31 December 2021.

Results by operating segment are set out below:

	CONSUMER $m	CORPORATE $m	UNALLOCATED $m	TOTAL $m
For the year ended 31 December 2021				
Revenue from contracts with customers	4,308	985	-	5,293
Other income	-	18	27	45
Cost of provision of telecommunication services	(1,691)	(272)	(3)	(1,966)
Cost of handsets and hardware sold	(802)	(89)	-	(891)
Employee benefits expense	(268)	(109)	-	(377)
Other operating expenses	(336)	(41)	4	(373)
Results from segment activities	**1,211**	**492**	**28**	**1,731**

The 2021 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.

3.5 Customer numbers

Group mobile subscribers

At 31 December 2021, the Group had 5.02 million mobile customers, down from 5.25 million at 31 December 2020. Postpaid and prepaid mobile customers decreased by 105,000 and 116,000 respectively. The rate of decline was materially slower than in 2020, but continued to be attributable to the effect of the COVID pandemic on the number of international visitors and temporary visa holders in Australia, which have historically been an important customer segment for the Vodafone brand. In addition, customer numbers have been impacted by aggressive competitor discounting via secondary brands and retail channels.

Group broadband subscribers

At 31 December 2021, the Group had 2.22 million fixed broadband subscribers, up from 2.17 million at 31 December 2020. This reflected a 75,000 increase in fixed wireless subscribers, a 34,000 increase in NBN subscribers (net of migrations to fixed wireless) and 4,000 increase in subscribers on TPG's proprietary on-net wholesale networks. These increases were partially offset by a 63,000 reduction in legacy ADSL customers.

Directors' Report

The Directors of TPG Telecom Limited present their report, together with the Financial Report of the consolidated entity for the financial year ended 31 December 2021 (the financial year) 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 financial year are set out below:

Current

The following are the Directors who held office at 31 December 2021.

Fok Kin Ning, Canning *Chairman*	Fok Kin Ning, Canning has been a Director and Chairman of TPG Telecom since 2001 and March 2021 respectively. 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 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 HK Electric Investments Limited since 2013. He has also been an Executive Director and Deputy Chairman of CK Infrastructure Holdings Limited since 1997, a Director of Cenovus Energy Inc. since January 2021 and Deputy President of the Board of Commissioners of PT Indosat Tbk since January 2022. He was a Co-Chairman from 2000 to 2020 and was a Director from 2000 to March 2021 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. **Directorships of other listed companies in the past three years:** Hutchison Telecommunications (Australia) Limited -1999 to current. **Special Responsibilities:** Chairman of the Board from 26 March 2021.
Iñaki Berroeta *Chief Executive Officer and Managing Director*	Iñaki Berroeta is the CEO and Managing Director of TPG Telecom and was CEO of Vodafone Hutchison Australia from 2014 to 2020. A 25-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:** Chief Executive Officer and Managing Director

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. Mr Klotz 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 until 1 September 2021.
Diego Massidda *Non-Executive Director*	Diego Massidda is CEO of Vodafone Partner Markets and Carrier Services, and a Director of Vodafone Idea Limited and 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, Mr Massidda 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. Mr Massidda holds a degree in Civil Engineering from the Università di Cagliari, Italy, and a Master's 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 brings to the Board broad corporate, investment, portfolio and asset management experience gained across diverse sectors including telecommunications, mining, manufacturing, health, finance, energy industrial and property investment in Australia and overseas. Mr Millner has over 30 years' experience as a Company Director with an extensive understanding of governance and compliance, reporting, media and investor relations. Mr Millner holds directorships of the following listed companies: Apex Healthcare Berhad (Malaysia), Brickworks Limited, BKI Investment Company Limited, Milton Corporation Limited, New Hope Corporation Limited, Washington H. Soul Pattinson and Company Limited and Tuas Limited. He was also a former director of Australian Pharmaceutical Industries Limited. Mr Millner is a Fellow of the Australian Institute of Company Directors. Mr Millner's appointment to the Board commenced on 13 July 2020. **Directorship of other listed companies in the past three years** Brickworks Limited – 1997 to current, Washington H. Soul Pattinson and Co. Ltd – 1984 to current, New Hope Corporation Ltd – 1995 to current, BKI Investment Company Ltd – 2003 to current, Milton Corporation Limited – 1998 to current, Tuas Limited – 2020 to current, Australian Pharmaceutical Industries Ltd – 2000 to July 2020.

Antony Moffatt
Non-Executive Director

Antony Moffatt (Tony) is a lawyer with over 30 years' experience, practising in corporate, commercial and telecommunications law. After five years as a senior lawyer in an international law firm in Singapore, Mr Moffatt became General Counsel and Company Secretary for a start-up telecommunications business which was acquired by SP Telemedia Limited in 2005. He was then appointed General Counsel for the company formerly named TPG Telecom Limited (ASX:TPM) in 2008 until its merger with Vodafone Hutchison Australia Pty Ltd in 2020. In August 2020, Mr Moffatt became Company Secretary for the merged group. In addition, Mr Moffatt was Company Secretary for a large privately owned Australian winery from 2004 to 2008 and was from time to time a director on a variety of TPG Telecom Limited subsidiaries and Comms Alliance. Mr Moffatt was a member of the key management personnel of TPG Telecom Limited (ASX:TPM) and played a significant role in its development, including the many corporate and large commercial transactions undertaken by that company. He is the Company Secretary for Tuas Limited.

Mr Moffatt holds a Bachelor of Arts and Laws from the University of New South Wales.

Mr Moffatt's appointment to the Board commenced on 26 March 2021.

Dr Helen Nugent AC
Non-Executive Director

Dr Nugent is Chairman of Ausgrid 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); and 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 National Disability Insurance Agency and 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; Chairman of the National Portrait Gallery of Australia; and Deputy Chairman of Opera Australia.

Dr Nugent is a Companion of the Order of Australia (AC) and is a recipient of a Centenary Medal, as well as an Honorary Doctorate in Business from the University of Queensland and an Honorary Doctorate from Bond University.

Dr Nugent holds a Bachelor of Arts (Hons) and Doctorate of Philosophy from the University of Queensland; and a MBA (Distinction) from the Harvard Business School.

Dr Nugent joined the board of TPG Telecom as a non-executive director in July 2020.

Directorship of other listed companies in the past three years

Insurance Australia Group (IAG) Limited – December 2016 to current

Special Responsibilities: Senior Independent Director, 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 HK Electric Investments Limited since 2015 and a Director of Cenovus Energy Inc. since January 2021. He has also been a Member of the Board of Commissioners of PT Indosat Tbk since January 2022. Mr Sixt was a Director of Husky Energy Inc. (delisted on 5 January 2021 following its combination with Cenovus Energy Inc.) from 2000 to March 2021. 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. **Directorship of other listed companies in the past three years** Hutchison Telecommunications (Australia) Limited - 1998 to current **Special Responsibilities:** Member of the Governance Remuneration and Nomination Committee and member of the Audit and Risk Committee from 1 September 2021.
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, Board member and the NSW Division Director 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. **Directorship of other listed companies in the past three years** Aristocrat Leisure Limited – July 2016 to current, WiseTech Global Limited – June 2020 to current, Healius Limited – August 2012 to October 2020 and Adelaide Brighton Limited – April 2011 to October 2019. **Special Responsibilities:** Chairman of the Audit and Risk Committee and Member of the Governance Remuneration and Nomination Committee
Jack Teoh *Non-Executive Director*	Mr Teoh is a businessman involved in a range of private companies, with particular experience in finance and technology. Mr Teoh has been a director of Tuas Limited (ASX: TUA) since July 2020, and Total Forms Pty Ltd, a private software business. Mr Teoh holds a Bachelor of Commerce from the University of New South Wales. Mr Teoh's appointment to the Board commenced on 26 March 2021. **Directorship of other listed companies in the past three years** Tuas Limited - July 2020 to current

Directors' Report continued

Former Directors

The following persons were Directors of the Company during the financial year until the dates specified below:

NAME	ROLE	FINAL DATE AS DIRECTOR
David Teoh	Chairman of the Board	25 March 2021
Shane Teoh	Non-Executive Director	25 March 2021

Company Secretary

Mr Trent Czinner was appointed Company Secretary of the Company on 26 March 2021. Trent holds a Bachelor of Law and Administration from the University of Newcastle, was admitted as a Solicitor in New South Wales in 1995 and has a Master of Business Administration from the Australian Graduate School of Management. Trent is also a Certified member of the Governance Institute of Australia.

Mr Antony Moffatt was Company Secretary of the Company during the financial year until 25 March 2021.

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

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
C Fok	10	11	–	–	–	–
I Berroeta	11	11	–	–	–	–
P Klotz	11	11	3	3	–	–
D Massidda	10	11	–	–	6	6
R Millner	11	11	–	–	–	–
A Moffatt#	8	8	–	–	–	–
H Nugent	11	11	4	4	6	6
F Sixt	10	11	1	1	6	6
A Tansey	11	11	4	4	6	6
J Teoh#	8	8	–	–	–	–
D Teoh*	3	3	–	–	3	3
S Teoh*	3	3	–	–	–	–

NOTE:
A: Number of meetings attended by the Director.
B: Number of meetings held to which the Director was eligible to attend as a member.
#Appointed to the Board effective 26 March 2021
*Resigned from the Board effective 25 March 2021

Directors' Report continued

Principal activities

The principal activity of the Group is the provision of telecommunications services to consumers, business, enterprise, government and wholesale customers in Australia. There was no significant change in the nature of this activity during the financial year.

Significant changes in the state of affairs

In the opinion of the Directors, aside from matters disclosed in the Operating and Financial Review ('OFR') section of the Annual Report and the Financial Report, there have been no significant changes to the state of affairs of the Company during the financial year. Impacts to TPG Telecom due to the COVID pandemic are outlined in the OFR section of the Annual Report, where applicable.

Review of operations

The OFR set out on page 16 to 23 provides details relating to the Company's operations and results for the financial year.

Dividends

TPG Telecom aims to pay in each year a dividend of at least 50% of the Group's net profit after tax, adding back one-off restructuring costs and certain non-cash items ('Adjusted NPAT').

On 20 August 2021, the Directors declared an interim fully franked dividend for the half year ended 30 June 2021 of 8 cents per share. The interim dividend had a record date of 15 September 2021 and was paid on 13 October 2021.

On 24 February 2022, the Directors declared a fully franked final 2021 dividend of 8.5 cents per share. The dividend has a record date of 16 March 2022 and will be paid on 13 April 2022. This represents 27% of the Group's Adjusted NPAT for FY21.

Further information regarding FY21 dividends is set out in Note 23 and Note 31 of the Annual Report.

TPG Telecom does not operate a Dividend Reinvestment Plan.

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, the Directors are not aware of any matter or circumstance that has arisen after the reporting date that, in their opinion, 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 Board of Directors and management of TPG Telecom recognise the importance of, and are committed to, achieving high corporate governance standards. Our key Corporate Governance materials including policies, code of conduct and Board and Board Committee Charters, can be found in the Corporate Governance section of our website within the Investor Relation section. In accordance with the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations, the Company's Corporate Governance Statement, as approved by the Board, is published and available on the TPG Telecom website at https://www.tpgtelecom.com.au/investor-relations.

Directors' Report continued

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 2021 Sustainability Report, which is available online at https://www.tpgtelecom.com.au/investor-relations.

More information on TPG Telecom's approach to Sustainability is provided in the Sustainability and Risk sections of the Annual Report.

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 Work Health and Safety (WHS)

TPG Telecom manages varied levels of inherent risk within its work health and safety management systems. These risks are both direct and indirect in nature and are not limited to but include inappropriate behaviour to our retail employees, mobile and fixed network 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 two years the Company has faced new challenges in supporting its employees and customers through the COVID pandemic and the ongoing consolidation of the Company's safety management systems with those of TPG Corporation. The Company will continue to evolve its approach to WHS in 2022 as it further embeds 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.

Directors' Report continued

Auditor indemnity

The Company has agreed to reimburse its auditors, PricewaterhouseCoopers ('PwC'), for any liability (including reasonable legal costs) incurred by PwC with connection with any claim by a third party arising from the Company's breach of the audit agreement between the Company and PwC. 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, PwC, the Company's auditor, has been engaged to perform 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 30 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 71.

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 indicate.

Remuneration Report

Executive Summary

This is the second Remuneration Report of TPG Telecom Limited ("TPG Telecom", "the Company"), following the merger between Vodafone Hutchison Australia (VHA) and TPG Corporation on 26 June 2020. It is also the first report since the Company transitioned to a single remuneration approach in a publicly listed environment, notwithstanding that legacy VHA Long Term Incentive Schemes remain on foot.

This Remuneration Report sets out how the remuneration approach, proposed in last year's report, has been implemented in FY21 and will be applied in FY22 for both Executive KMP and Non-Executive Directors. More specifically, the report demonstrates how the Company's remuneration approach supports the short and longer-term alignment of the Company's performance for the benefit of shareholders.

The Past Year

2021 was a challenging year for our stakeholders: not just for our shareholders, but also for our customers, the communities in which we operate, and our employees. At a time of significant market volatility, our firm focus has been on responding to COVID-19's evolving challenges, while integrating the two businesses, and creating a platform for future growth.

While keeping our customers and employees safe has been a priority, we also delivered on the promised first phase of merger synergies, and built for the future by launching our 5G Fixed Wireless and accelerating our 5G roll-out.

These are specific examples of our three higher level articulated strategic priorities, which have acted as a rallying call for enhancing the merged company's customer and employee experience and improving returns for shareholders. Those priorities are to:

- **Integrate and simplify:** by creating a lean company that integrates our brands, technology, infrastructure, processes and people;
- **Win smart:** by focusing on growth investments with a clear infrastructure, underutilization, or adjacency advantage; and
- **Maximise our potential:** by developing an efficient and scalable business model to create a vibrant and dynamic competitor in the telco sector.

These priorities are underpinned by our strongly held values which have been developed with significant input from our employees: Stand together; own it; simple's better; and boldly go.

Merging and unifying two companies—both of whom have a proud and distinctive culture—will take time. But significant progress is being made, as can be seen in staff survey results—called the Spirit of TPG—which is one of the metrics in our Balanced Scorecard for the Short Term Incentive (STI) Plan. This is encouraging.

At the same time, our strategic commitment to creating a simplified and integrated business, designed to deliver better outcomes for customers and shareholders resulted, in 2021, in significant changes in the Executive Team. While a real positive for the business longer-term, changes in the Executive team composition have created complexity for our remuneration reporting. Only two executives, one of whom is the CEO—Mr Iñaki Berroeta—were Executive KMP for the entire year. Four Executives ceased being KMP; while three others became KMP. Two of those, namely the Group Executives for Consumer and for Enterprise and Government were external hires, while a long-standing senior executive served as Interim CFO until a new external CFO joined the Company on 1 February 2022.

The remuneration approach outlined in the 2020 Remuneration Report was implemented in 2021, with minimal change.

Directors’ Report continued

Remuneration Report continued

Fixed remuneration continued to be defined 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 the employee, and internal market relativities. In late 2020, the peer group for existing and newly appointed KMP was set as ASX 11-50 companies. Given market volatility, including in the Company’s share price, in 2021, further benchmark remuneration analysis undertaken against the ASX 21-60 peer group, confirmed the appropriateness of Executive KMP fixed remuneration. No increases for fixed remuneration were recommended for existing KMP for 2021, although new Executive KMP were subsequently hired.

From January 2021, a new **Short Term Incentive** (STI) approach, aligned to TPG Telecom’s strategic priorities, came into operation. Subject to Group financial and risk gateways, and an individual behavioural gateway, Group and individual metrics for Executive KMP were aligned with the Group’s strategic priorities and budget. Service Revenue, EBITDA, and Operating Free Cash Flow (FCF), constituted half of the overall scorecard, while customer and staff measures represented 20 percent, and individual performance measures made up the balancing 30 percent. Based on that scorecard, and subject to Board discretion—which was not exercised—the CEO was eligible to earn up to 100 percent of base salary at target, and 150 percent at maximum. The equivalent for Other Executive KMP was 65 percent at target and 100 percent at maximum, with the exception of the Interim CFO, with 50% of base salary at target and up to 60% of base salary at maximum.

Overall, the Group balanced scorecard was assessed as being 65.86 percent of maximum or just below at target performance. That result occurred in the following way: Operating FCF saw outperformance; EBITDA and the TPG and iiNet Net Promoter Score (NPS) came in between target and maximum; Service Revenue and the employee Spirit Index came in between threshold and target, while the Vodafone NPS came in below threshold with a target that required it to maintain and increase its leading position throughout each month of the year.

When combined with an assessment of individual KPI’s, the Board recommended an STI award for the CEO of $1,834,361. In 2021 this will be paid 60 percent in cash ($1,100,617) and 40 percent in Deferred Share Rights (DSRs) ($733,745). Shareholder approval for the DSRs will be sought at the 2022 Annual General Meeting. If approved, shares will be purchased on market.

STI outcomes for the Executive KMP reflect not just the Group and Individual performance, but also the length of time they were KMP and other factors such as their resignation or provisions relating to redundancy.

A new **Long Term Incentive** (LTI) Plan also came into operation in 2021. Under this Scheme, the CEO is 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, with the exception of the Interim CFO, with 30% of base salary at target and up to 36% of base salary at maximum.

Performance is to be tested over three years against two equally weighted performance hurdles: Operating FCF, and relative total shareholder return (TSR) against a nominated peer group of ASX 100 companies (excluding energy, financial, materials and real estate companies). The number of Performance Rights issued (reflecting the value allocated) is determined by the face value of the volume weighted average share price (VWAP) of a TPG Telecom ordinary share over the five days following the announcement of the annual results and before the grant date. In 2021 this was from 26 February 2021 to 4 March 2021.

Remuneration Report continued

Malus conditions 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.

At the May 2021 AGM, shareholder approval was obtained for a grant of 408,088 Performance Rights valued at $2,775,000 for the CEO, which are subject to the terms outlined above.

In addition, the 2019 and 2020 VHA Long Term Incentive (LTI) Plan continued to operate for former VHA executives employed at the start of 2020. This legacy Scheme, which operates over three years, 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 approved the performance outcomes for the remaining 50% of the 2019 LTI Plan, as well as for the first half of 2020. The Remuneration Report provides full disclosure of remuneration outcomes under those Plans.

Executive KMP need also 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.

Going Forward

2022 is a critical year in TPG Telecom's evolution to more fully realise the benefits of the merger through integration and simplification, while maximising our assets and laying the foundations to deliver sustainable growth and improving returns for shareholders.

To ensure momentum is built and consistency is maintained, few changes are contemplated in the Company's 2022 remuneration structure. These envisaged changes are outlined below.

- While market volatility remains, including in TPG Telecom's share price, remuneration will continue to be benchmarked against both the ASX 11-50 and the ASX 21-60 peer groups. Specific analysis will be undertaken during the year.
- Base remuneration increases of 2 percent will be made to two members of the Executive KMP, reflecting changes in their roles, while having reference to the benchmarks outlined above.
- A limited number of STI enhancements will be made:
  - The STI percent deferred into DSR's will be increased to 45 percent in 2022, and 50 percent in 2023.
  - The metrics in the balanced scorecard will be adjusted:
    - Service revenue will be increased from 15% to 20%
    - EBITDA will be increased from 20% to 25%
    - The individual performance weighting will be reduced from 30% to 20%.
- The Board is considering the introduction of an Environmental, Social and Governance (ESG) measure linked to an emissions target for the STI and/or LTI plans in 2023. An ESG measure was discussed for 2022 and it was considered premature until the scientific baseline is accepted upon which to set the emissions reduction target.
- No changes will be made in 2022 to the LTI plan.

Directors’ Report continued

Remuneration Report continued

Non-Executive Directors Governance and Remuneration

Mr Canning Fok, who served as a Non-Executive Director for the full year, was appointed Chairman on 26 March 2021, following the resignation of Mr David Teoh. Mr Antony Moffatt and Mr Jack Teoh commenced as Non-Executive Directors on the same day and were elected by shareholders at the May Annual General Meeting. All other Non-Executive Directors held office for the entire year, including Dr Helen Nugent AC and Ms Arlene Tansey, who are classified as Independent Non-Executive Directors. Dr Nugent was also appointed as Senior Independent Director.

The governance responsibilities of the Non-Executive Directors have been clearly defined and are exercised in a way that preserves their independence from management in relation to remuneration. Management and Non-Executive Director conflicts of interest are rigorously enforced. 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 Chairman is eligible to receive an annual fee for his service of $450,000. In 2021, the Chairman of the Audit and Risk Committee (ARC) and the Governance, Remuneration and Nominations Committee (GRNC), both of whom are independent directors, respectively received fees of $50,000 and $40,000 a year for those roles; while Non-Executive Directors (other than the Board Chairman) are eligible to receive an annual base fee of $165,000.

Following a review of Non-Executive Directors fees, the Board has determined that the Chairman and Member fees for the GRNC should be aligned with those of the ARC. This means that in 2022, the Chairman of the GRNC will receive a fee of $50,000 and each Member will receive a fee of $25,000.

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 share price at the time of any purchase of shares.

Remuneration Report continued

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1. Overview

This is the first full year of the operation of TPG Telecom Limited ('TPG Telecom', 'the Company') following the merger between Vodafone Hutchison Australia (VHA) and TPG Corporation on 26 June 2020. It is also the first full year of the operation of the new remuneration approach, which was foreshadowed in last year's Remuneration Report.

This Report shows that the new remuneration approach supports short and longer term alignment of the Company's performance for the benefit of shareholders in a publicly listed environment in the following ways:

- The new remuneration approach, implemented for executives from 1 January 2021, seeks to align the interests of executives and the performance of the Company. (See Section 3)
- Executive remuneration outcomes for 2021 demonstrate that alignment, while LTI outcomes for grants made prior to the merger in 2020 reflect VHA's legacy approach. (See Section 4)
- Non-Executive Directors have exercised effective oversight of executive remuneration. (See Section 5)
- Non-Executive Directors are remunerated in ways that support the retention of their independence and their commitment to performance for shareholders. (See Section 6)

Each of these conclusions is outlined in the following sections of this report.

Remuneration Report continued

2. Key Management Personnel (KMP)

KMP have authority and responsibility for planning, directing and controlling the activities of TPG Telecom, directly or indirectly, the organisation's operating activities, and its profit and loss. This includes Non-Executive Directors. However, while Non-Executive Directors are classified as KMP, they are not Executives.

The full list of Executive KMP is reported as follows:

EXECUTIVE KMP	ROLE	TERM AS KMP[1]
Iñaki Berroeta	Chief Executive Officer	Full year
Ana Bordeianu	Group Executive Customer Operations and Shared Services	Full year
Kieren Cooney	Group Executive Consumer	Commenced 8 March 2021
Jonathan Rutherford	Group Executive Enterprise & Government	Commenced 27 July 2021
Sean Crowley	Interim Chief Financial Officer[2]	Commenced 1 November 2021
Elizabeth Aris	Group Executive Enterprise & Government	Ceased 23 March 2021
Stephen Banfield	Group Chief Financial Officer	Ceased 29 October 2021
Craig Levy	Group Executive New Business Development	Ceased 17 December 2021
Daniel Lloyd	Group Executive Wholesale	Ceased 17 December 2021

1. If an Executive did not serve as KMP for the full year, unless stated otherwise all remuneration information disclosed in this report is from the date the Executive commenced as KMP to the date they ceased as KMP.
2. Grant Dempsey has been appointed as Group Chief Financial Officer commencing 1 February 2022.

The full list of Non-Executive Directors is reported as follows:

NON-EXECUTIVE KMP	ROLE	TERM AS KMP
Canning Fok	Non-Executive Director and Chairman	Full year Chairman from 26 March 2021
Pierre Klotz	Non-Executive Director	Full year
Diego Massidda	Non-Executive Director	Full year
Robert Millner	Non-Executive Director	Full year
Helen Nugent	Independent Non-Executive Director & Senior Independent Director	Full year
Frank Sixt	Non-Executive Director	Full year
Arlene Tansey	Independent Non-Executive Director	Full year
Antony Moffatt	Non-Executive Director	Commenced 26 March 2021
Jack Teoh	Non-Executive Director	Commenced 26 March 2021
David Teoh	Non-Executive Director and Chairman	Ceased 25 March 2021
Shane Teoh	Non-Executive Director	Ceased 25 March 2021

Directors' Report continued

Remuneration Report continued

3. 2021 Remuneration Approach

The new remuneration approach, fully implemented from 1 January 2021, seeks to align the interests of executives and the performance of the Company for the benefit of shareholders.

The new remuneration arrangements seek to align TPG Telecom's purpose, strategic priorities, and remuneration principles.

Remuneration Report continued

3.1 The Remuneration Structure

The remuneration structure has three elements, namely Fixed Remuneration, Short Term Incentives and Long Term Incentives, along with a minimum shareholding requirement.

Our remuneration structure overview

REMUNERATION ELEMENT	
Fixed remuneration	Benchmarked to the median of the relevant ASX peer group, which is reviewed annually.
Short term incentive (STI)	Annual performance assessment of Group financial, non-financial and individual performance. Delivered in cash and share rights (DSRs) deferred over one and two years.
Long term incentive (LTI)	Assessed over a three year period based on Group financial performance and a market performance hurdle. Granted as share Performance Rights and subject to hurdles.

Further information on each remuneration component is described below.

3.2 Fixed Remuneration

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 the employee, and internal market relativities. The external market data consists of median benchmarks for similar roles in ASX peer organisations of comparable size. In late 2020, the peer group was set for existing and newly appointed KMP as the ASX 11-50 peer group. During the course of 2021, further analysis was undertaken of the relevant ASX peer group that resulted in fixed remuneration also being verified against the ASX 21-60 peer group. Comparative analysis is undertaken annually.

Fixed remuneration is comprised of base salary plus superannuation.

3.3 Short Term Incentive 2021

STI is awarded for annual Company and individual performance in line with the achievement of TPG Telecom's strategic priorities. In this way, it aligns the interests of KMP with that of Company performance for the benefit of shareholders.

The key STI elements for TPG Telecom in 2021 were as follows:

ELEMENT	DESCRIPTION
Gateway	An STI allocation to Executives will only be paid after the following considerations are taken into account: **Assessed at a group level:** • **Financial:** minimum financial performance aligned with shareholder interests is achieved. The benchmark is set at the beginning of the performance year by the Board, following input from the GRNC, having discretion at the end of the year as to whether it is to be exercised. • **Risk:** appropriate management of financial, operational and reputational risks in the generation of returns is assessed by the Board, following input from the GRNC, 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 are assessed by the Board at the end of the financial year, with input from management, subject to the management of conflicts of interest.

Remuneration Report continued

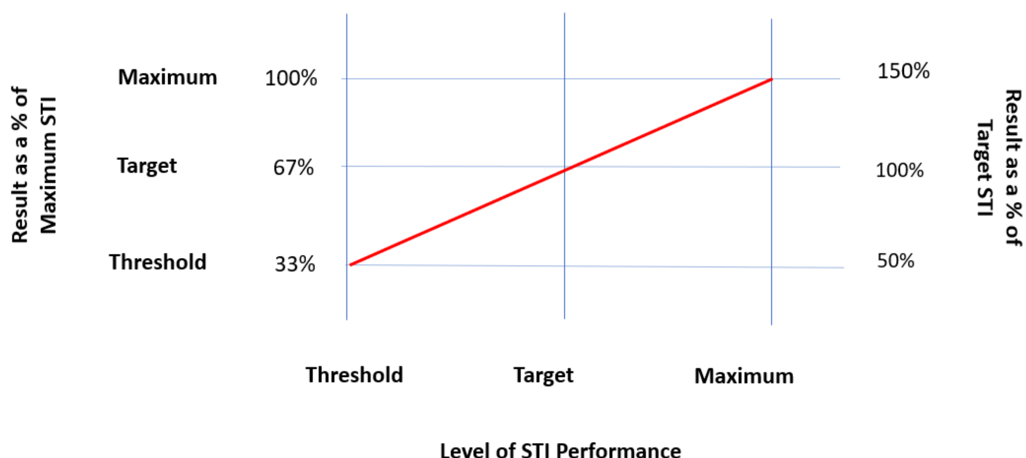
ELEMENT	DESCRIPTION
STI opportunity	The CEO is eligible to earn STI equivalent of up to 100% of base salary at target and up to 150% of base salary at maximum. Other Executive KMP are eligible to earn the STI equivalent of up to 65% of base salary at target and up to 100% of base salary at maximum, with the exception of the Interim CFO with 50% of base salary at target and up to 60% of base salary at maximum. The target STI opportunity has been set taking into account the aggregate STI and LTI remuneration against the total target remuneration levels for the median of the relevant ASX peer group. The maximum STI opportunity has been determined with reference to total target remuneration levels at the 75th percentile of the relevant ASX peer group.
Funding	The size of the STI pool is determined based on the specific outcomes of the STI scorecard measures, capped by the maximum available to an individual Executive KMP.
Performance measures	Performance STI outcomes are assessed against a balanced scorecard developed to support the Company's strategic priorities. The table below outlines the type of performance measures that were used in 2021 and their weighting at target (not at maximum).

PERFORMANCE MEASURE	SCORECARD WEIGHTING
Total Service Revenue	15%
Operating Free Cash Flow (FCF)	15%
EBITDA (unadjusted)	20%
Customer experience	10%
Employee outcomes	10%
Individual performance achievement	30%
TOTAL	**100%**

Additional information on the specific Company performance measures is provided in Section 4.2.

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

Remuneration Report continued

ELEMENT	DESCRIPTION
Balanced Scorecard Operation	The performance measures in the balanced scorecard are reviewed at year end against three levels of performance – threshold, target and maximum with a pro rata being applied in between each level. **Threshold** – the minimum level of performance which will result in the payment of any STI in relation to the performance measure. No STI payment will be made with respect to the performance measure if the threshold performance level is not achieved. **Target** – represents performance which meets the target for the performance measure based on the annual target set by the Board. **Maximum** – represents performance which exceeds the target and delivers superior outcomes. The application of the three levels of performance is shown below. 
How performance is evaluated	The Board approves the details of the balanced scorecard at the start of the year. At year end, the GRNC makes a recommendation to the Board on whether the financial or risk gateways have been triggered. At year end, the balanced scorecard is reviewed by the GRNC and proposed to the Board, based on financial and other number calculations, having been reviewed by the auditors. 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, after the behavioural gateway has been reviewed. The CEO makes a proposal to the GRNC for recommendation to the Board on the performance of each individual Other Executive KMP against the Group's scorecard and their individual goals, after the behavioural gateway has been reviewed. Any STI outcomes for the balanced scorecard and for the CEO or Other Executive KMP are subject to overriding Board discretion and rigorous management of conflicts of interest.

Directors’ Report continued

Remuneration Report continued

<table>
<tr><th>ELEMENT</th><th>DESCRIPTION</th></tr>
<tr><td>Instruments</td><td>STI is awarded in cash and Deferred Share Rights (DSRs). DSRs are rights over TPG Telecom ordinary shares. DSRs are granted at no cost to the Executive KMP and no dividend is payable on any unexercised DSRs. Shares are typically purchased on market.

A transition to a desired 50% equity deferral will occur over the next two years 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 awards for the next two years. This applies to all Executive KMP.
<table>
<tr><th>YEAR</th><th>CASH COMPONENT</th><th>DSR COMPONENT</th></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>
</table></td></tr>
<tr><td>Performance period</td><td>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>The cash component of the STI is to be paid in February following the end of the financial year.

DSRs vest equally in two tranches. The first tranche will vest in March one year after the end of the financial year and the second tranche will vest in March two years after the end of the financial year. Vesting of each tranche is subject to continued employment, subject to the cessation of employment provisions outlined below.</td></tr>
<tr><td>Number of DSRs issued</td><td>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.

For DSR’s awarded as part of STI for the FY 2020, the calculated five day VWAP for the period 26 February 2021 to 4 March 2021 inclusive was $6.80. This value was used for the DSRs issued to the CEO in May 2021 following shareholder approval of his STI for 2020 performance. DSR’s reflecting 2021 STI outcomes will be calculated from 25 February 2022 to 3 March 2022 inclusive.</td></tr>
<tr><td>Exercise</td><td>Exercise of DSRs is automatic on vesting and there is no exercise price.</td></tr>
<tr><td>Hedging of DSRs</td><td>Executives cannot enter into any arrangements that limit the economic risk of unvested DSRs.</td></tr>
<tr><td>Malus conditions</td><td>In cases where an Executive KMP acts fraudulently or dishonestly or is in breach of his or her obligations to TPG Telecom, any eligibility for STI or unvested rights will lapse.</td></tr>
</table>

Directors' Report continued

Remuneration Report continued

ELEMENT	DESCRIPTION
Cessation of employment	STI will be forfeited if an Executive KMP resigns before the payment date subject to special circumstances outlined below. Unvested DSRs will also be forfeited if the Executive KMP resigns before the vesting date, subject to the special circumstances outlined below. 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 that have been allocated may be retained on cessation of employment, subject to the existing terms and conditions of the award. This process will only apply if the Executive KMP is employed at the date of DSRs being allocated by the Board.
Change of control	DSRs will be subject to the existing terms and conditions of the award and the exercise of Board discretion.

3.4 Long Term Incentive 2021

LTI supports longer-term alignment between each Executive KMP and the return experienced by TPG Telecom shareholders both directly and indirectly through the Company's performance. LTI considers both Company performance and share plan performance relative to the external market. These elements have applied since the beginning of 2021.

ELEMENT	DESCRIPTION
LTI opportunity	The target LTI opportunity has been determined by reference to the median of the ASX 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 the LTI equivalent of up to 100% of base salary at target and up to 150% of base salary at maximum. The Board makes a recommendation to shareholders on the CEO's LTI allocation for approval at the Annual General Meeting. Other Executive KMP are eligible to earn the LTI equivalent of up to 65% of base salary at target and up to 100% of base salary at maximum. The GRNC makes a recommendation to the Board on the LTI allocation for Other Executive KMP, with the exception of the Interim CFO with 30% of base salary at target and up to 36% of base salary at maximum.

Remuneration Report continued

<table>
<tr><th>ELEMENT</th><th>DESCRIPTION</th></tr>
<tr><td>Performance measures and vesting period</td><td>Performance under the LTI will be tested against two equally weighted measures linked to:
• Operating FCF measured as Operating cash flow less capex, finance lease repayments and finance lease interest (within financing costs). No adjustment is made for spectrum, loan repayments and dividends; and
• Total Shareholder Return (TSR) relative to a peer group of ASX 100 listed organisations (which excludes the Energy, Financial, Materials, and Real Estate sectors).
Performance under the LTI will be tested over a three year period, as outlined in the table below.
<table><tr><th>PERFORMANCE MEASURE</th><th>WEIGHTING</th></tr><tr><td>Relative TSR</td><td>50%</td></tr><tr><td>Operating FCF</td><td>50%</td></tr></table>If the performance hurdles are met, vesting may only occur at the end of the three year performance period.</td></tr>
<tr><td>How is performance evaluated</td><td>Vesting schedules for the LTI performance measures are included in the table below.
Relative TSR vesting schedule<table><tr><th>RELATIVE TSR PERFORMANCE
Following the 3 year Performance Period % ranking with peer group</th><th>VESTING
% of granted Performance Rights that vest</th></tr><tr><td>Equal to or less than the 50th percentile</td><td>0%</td></tr><tr><td>Between the 50.1 percentile and 75th percentile</td><td>Straight-line pro rata vesting between 50.1% and 100%</td></tr><tr><td>Equal to the 75th percentile or above</td><td>100%</td></tr></table>Operating FCF vesting schedule<table><tr><th>OPERATING FCF PERFORMANCE
Performance period % of 3 year cumulative target</th><th>VESTING
% of granted Performance Rights that vest</th></tr><tr><td>Less than 80% of the cumulative Operating FCF target is achieved</td><td>0%</td></tr><tr><td>80% of the cumulative Operating FCF target is achieved</td><td>50%</td></tr><tr><td>Between 80% and 110% of the cumulative Operating FCF target is achieved</td><td>Straight-line pro rata vesting between 50% and 100%</td></tr><tr><td>110% or more of the cumulative Operating FCF target is achieved</td><td>100%</td></tr></table></td></tr>
<tr><td>Instrument</td><td>LTI is granted in Performance Rights that entitle participants to a fully paid ordinary share in TPG Telecom, subject to meeting the performance hurdles. Performance Rights are granted at no cost to the participant. No dividend is payable on unexercised rights. Shares are typically purchased on market.</td></tr>
</table>

Remuneration Report continued

ELEMENT	DESCRIPTION
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 which, for the 2022 allocation will be from 25 February 2022. This value will also be used for the LTIs granted to the CEO in May 2022, which will be subject to shareholder approval at the Annual General Meeting.
Exercise	Exercise of Performance Rights is automatic on vesting and there is no exercise price.
Hedging	Executives cannot enter into any arrangements to 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 (including performance hurdles) and Board discretion.
Change of control	Performance Rights will be subject to the existing terms and conditions of the award and Board discretion.

There are also LTI Plans on foot that were outstanding at the time of the merger that related to VHA. These are described in section 4.5.

3.5 Minimum Shareholding Requirements

To further align the interests of the Executive with shareholders, 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%. The GRNC annually reviews the extent to which Executive KMP are complying with or making progress towards complying with this requirement.

In addition, the Board has adopted a share trading policy to ensure Executives comply with, and are perceived as complying with, insider trading laws, and their dealing in TPG Telecom shares. The policy requires Executives to only trade within defined windows, document all shareholdings, as well as to provide the Company with written acknowledgement of any trades. A breach of policy will be regarded seriously by the Board and may constitute a breach of the law, and as such may lead to action being taken against the Executive, up to and including termination.

Progress towards reaching the minimum shareholding requirement for Executive KMP is monitored and reviewed on an annual basis. Compliance with minimum shareholding requirements is subject at all times to conformance with the share trading policy and insider trading provisions of the Corporations Act 2001.

Directors’ Report continued

Remuneration Report continued

3.6 Total Target and Maximum Remuneration 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 peer organisations. In late 2020, the peer group was set for existing and newly appointed KMP as the ASX 11-50 peer group. During the course of 2021, further analysis was undertaken as to the relevant ASX peer group that resulted in target remuneration also being verified against the ASX 21-60 peer group. No change was required as a result of this analysis. The maximum was set at the 75th percentile of total target remuneration for comparable roles in the ASX peer organisations.

The table below details 2021 Total Target remuneration by reward element for those Executive KMP who held that role for all or part of 2021. This table assumes the Executive was in the role for the entire year. This was only the case for Mr Berroeta and Ms Bordeianu.

Total Target Remuneration for Executive KMP

EXECUTIVE KMP	BASE SALARY[1] $	STI TARGET % OF BASE SALARY	STI TARGET $	% STI DEFERRED	LTI TARGET % OF BASE SALARY	LTI TARGET $	TOTAL TARGET REMUNERATION[3] $
Iñaki Berroeta	1,850,000	100%	1,850,000	40%	100%	1,850,000	5,550,000
Ana Bordeianu	700,000	65%	455,000	40%	65%	455,000	1,610,000
Kieren Cooney	900,000	65%	585,000	40%	65%	585,000	2,070,000
Sean Crowley	580,000	50%[2]	290,000	40%	30%[2]	174,000	1,044,000
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
Jonathan Rutherford	700,000	65%	455,000	40%	65%	455,000	1,610,000
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

1. Statutory superannuation is not included in the calculation of incentives.
2. Represents the target STI and LTI percentages for an Executive General Manager role. While operating as Interim CFO, S Crowley remains an Executive General Manager.
3. Excluding statutory superannuation.

Remuneration Report continued

The table below details 2021 Total Maximum remuneration by reward element for those Executive KMP who held that role for all or part of 2021. This table assumes the Executive was in the role for the entire year. This was only the case for Mr Berroeta and Ms Bordeianu.

Total Maximum Remuneration for Executive KMP

EXECUTIVE KMP	BASE SALARY[1] $	STI MAXIMUM % OF BASE SALARY	STI MAXIMUM $	% STI DEFERRED IN 2021	LTI MAXIMUM % OF BASE SALARY	LTI MAXIMUM $	TOTAL MAXIMUM REMUNERATION[3] $
Iñaki Berroeta	1,850,000	150%	2,775,000	40%	150%	2,775,000	7,400,000
Ana Bordeianu	700,000	100%	700,000	40%	100%	700,000	2,100,000
Kieren Cooney	900,000	100%	900,000	40%	100%	900,000	2,700,000
Sean Crowley	580,000	60%[2]	348,000	40%	36%[2]	208,800	1,136,800
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
Jonathan Rutherford	700,000	100%	700,000	40%	100%	700,000	2,100,000
Elizabeth Aris	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

1. Statutory superannuation is not included in the calculation of incentives.
2. Represents the maximum STI and LTI percentages for an Executive General Manager role. While operating as Interim CFO, S Crowley remains an Executive General Manager.
3. Excluding statutory superannuation.

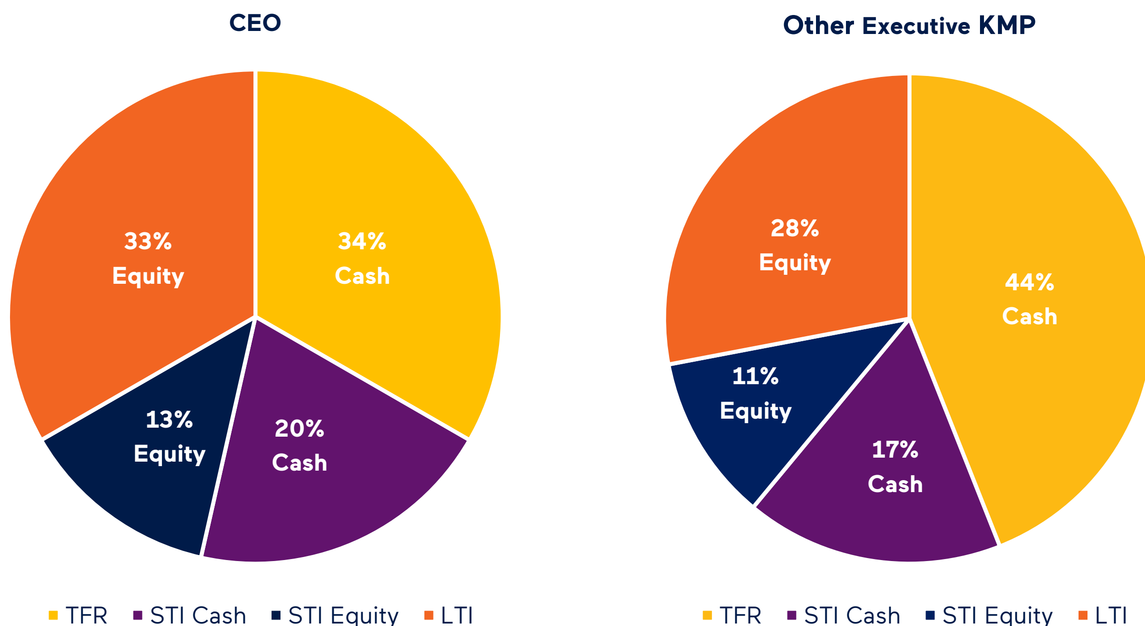
3.7 Remuneration Mix at Target for 2021

The target remuneration mix has been structured to align remuneration for the 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, short term incentive cash and equity components and long term incentive. Total Fixed Remuneration (TFR) includes base salary and statutory superannuation.

Directors’ Report continued

Remuneration Report continued

Remuneration Mix at Target



The chart below outlines the vesting timeframes for the TPG Telecom remuneration approach over which each remuneration element operates as at the end of 2021. This does not include legacy VHA LTI arrangements.

Vesting Timeframe

	JAN 2021	JAN 2022	JAN 2023	JAN 2024
Fixed Remuneration	Performance period (1 year) Salary paid during the year			
Short Term Incentive	Performance period (1 year) 60% paid in cash 40% deferred into share rights (DSRs)	50% vests after 1 year 50% vest after 2 years		
Long Term Incentive	Performance period (3 years) Performance Rights vest subject to performance hurdles being met			
	Financial Year 1	Financial Year 2	Financial Year 3	Financial Year 4

Remuneration Report continued

4. Executive Remuneration Outcomes: 2021

Executive remuneration outcomes for 2021 demonstrate alignment with Company performance for the benefit of shareholders, while LTI outcomes for grants made prior to the merger in 2020 reflect VHA's legacy approach.

4.1 Fixed Remuneration

Fixed remuneration outcomes for 2021 reflect the principles outlined in 3.2 above, along with the period for which an executive served as Executive KMP.

EXECUTIVE KMP	ROLE	TERM AS KMP	ACTUAL FIXED REMUNERATION (INCLUDING SUPERANNUATION)[1,2] $
Iñaki Berroeta	Chief Executive Officer	Full year	1,872,631
Ana Bordeianu	Group Executive Customer Operations and Shared Services	Full year	723,131[3]
Kieren Cooney	Group Executive Consumer	Commenced 8 March 2021	759,891
Sean Crowley	Interim Chief Financial Officer	Commenced 1 November 2021	100,871
Craig Levy	Group Executive New Business Development	Ceased 17 December 2021	694,886
Daniel Lloyd	Group Executive Wholesale	Ceased 17 December 2021	598,721
Jonathan Rutherford	Group Executive Enterprise & Government	Commenced 27 July 2021	314,739
Elizabeth Aris	Group Executive Enterprise & Government	Ceased 23 March 2021	162,134
Stephen Banfield	Group Chief Financial Officer	Ceased 29 October 2021	639,119

1. For the relevant term as Executive KMP as per the dates detailed in the above table.
2. For executive KMP employed for part of the year, superannuation amounts have been pro-rated based on number of days employed. The pro-rata calculation is based on statutory superannuation cap amounts for the periods of 1 January 2021 to 30 June 2021 and from 1 July 2021 to 31 December. For executive KMP employed for the full year, the annual statutory cap of $22,631 has been disclosed.
3. Includes an additional $500 superannuation payment related to TPG Telecom's Super Bump program where all female employees with over 12 months tenure are provided an additional $500 superannuation annually.

Consideration was given to external market comparisons for similar roles in peer ASX organisations and also internal relativities within the Executive team. As previously approved by the Board, the remuneration approach is Total Target remuneration for Executive KMP to be set at or below the median of the ASX 11-50 peer group.

Because of changes in the organisations within the ASX 11-50 peer group benchmark due to market volatility and movements in TPG's share price, the Company's market position had moved to 40 on the ASX as at October 2021. As a result, analysis was undertaken of remuneration against the ASX 21-60 peer group.

For 2022, based on the above market benchmark analysis as well as increased size and scope of their roles, the Board, on the recommendation of the GRNC, determined to award a 2% base salary increase for Ana Bordeianu and Jonathan Rutherford. No increase was proposed for the CEO or any Other Executive KMP.

The effective date for the fixed remuneration recommendations will be 1 March 2022, which is consistent with the rest of the organisation. The effective date for the purpose of calculating STI and LTI is 1 January 2022.

The Board will conduct a further review of Executive KMP remuneration during 2022, consistent with its ongoing practice.

Remuneration Report continued

4.2 STI Outcomes 2021

Business performance metrics reflect key drivers of shareholder returns and were set to support the Company's strategic priorities based on the annual budget and other strategic priorities as approved by the Board.

Prior to assessing performance on the STI measures and determining final STI award outcomes, the TPG Telecom Board assessed that neither the Group financial or risk gateways had been triggered. This followed input from and a rigorous review by the GRNC.

The Board, following input from the GRNC, reviewed and assessed that the CEO had met the behavioural gateway to the STI Plan. The GRNC, following input from the CEO, reviewed and assessed that each Executive KMP had met the behavioural gateway to the STI Plan.

MEASURE AND WEIGHTING AT TARGET	DESCRIPTION	THRESHOLD	TARGET	MAXIMUM[1]
Total Service Revenue (15%)	Measures recurring revenue generated from the provision of telecommunication services excluding hardware revenue	$4,139m	$4,589m[2]	$5,059m
Operating FCF (15%)	Measures Operating cash flow less capex, finance lease repayments and finance lease interest (within financing costs). No adjustment has been made for spectrum, loan repayments and dividends.	$388m	$485m	$582m
EBITDA (unadjusted) (20%)	Measures the profit TPG Telecom makes after operating costs.	$1,546m	$1,718m	$1,890m
Customer NPS Vodafone Brand Mobile (5%)	Measures the number of months of the year that the target ranking has been achieved.	Lead position for 66.7% of the year	Lead position for 75% of the year	Lead position for 100% of year and increase gap to competitors
Customer NPS TPG & iiNet Brands Fixed (5%)	The customer measures are tested independently of each other.	Lead position of 1 & 2 for 66.7% of the year	Lead position of 1 & 2 for 75% of the year	Lead position of 1 & 2 for 100% of year and increase average gap to competitors
Employee Experience - Values Alignment Index (10%)	Index score based on 16 values based statements contained within the TPG culture survey	+3 from baseline (of 72)	+5 from baseline (of 72)	+ 7 from baseline (of 72)
Individual (30%)	Measures aligned to Strategic Pillars			

1. STI capped at 150% of target payout for maximum performance achievement.
2. The Total Service Revenue target excludes Tech2. The threshold, target and maximum for Service Revenue was adjusted to reflect the divestment of Tech2 in December 2020, which was in the original measurement.

Remuneration Report continued

The result achieved for each business performance metric was assessed and expressed as a percentage of the performance outcome against Target.

MEASURE AND WEIGHTING AT TARGET (TOTAL WEIGHTING 70%)	COMMENTARY	OUTCOME	PERFORMANCE OUTCOME AGAINST TARGET	PERFORMANCE OUTCOME ACHIEVEMENT
Total Service Revenue (15%)	Total Service Revenue was less than target as a result of greater than anticipated ongoing impact of COVID.	$4,389m	95.64%[1]	Between Threshold and Target
Operating FCF (15%)	Strong cash flow performance was achieved through working capital optimisation.	$596m	122.89%	Greater than Maximum
EBITDA (unadjusted) (20%)	The EBITDA result was driven by effective cost discipline which offset lower performance in Total Service Revenue.	$1,731m	100.76%	Between Target and Maximum
Customer NPS Vodafone Brand Mobile (5%)	Result was below threshold driven by a decline in the perception of value advantage offered by Vodafone relative to competitors.	6 out of 12 months	50.00%	Below Threshold
Customer NPS TPG & iiNet Brands Fixed (5%)	The TPG NPS results were steady in 2021. iiNet sustained positive growth throughout the year, ending 2021 in 1st position against competitors.	11 out of 12 months	91.67%	Between Target and Maximum
Employee Experience - Values Alignment Index (10%)	An improvement was recorded in the scores for all 16 questions in the Index. The most significant improvement opportunity is in the area of simplification.	76	98.70%	Between Threshold and Target

1. The threshold, target and maximum for Service Revenue was adjusted to reflect the divestment of Tech2 in December 2020, which was in the original measurement.

Remuneration Report continued

The performance outcome achievement for each of the 2021 Business Performance measures, is converted to a STI Payment % based on the scale in the following table.

PERFORMANCE OUTCOME ACHIEVEMENT	STI PAYMENT % VS TARGET
Below Threshold	0%
Threshold	50%
Between Threshold and Target	Pro-rated 50% - 100%
Target	100%
Between Target and Maximum	Pro-rated 100%-150%
Greater than Maximum	150%

The STI Payment percent of each 2021 Business Performance measure and the weighted STI Payment percent is detailed in the following table.

MEASURES	WEIGHTED STI PAYMENT % AT TARGET (70% TOTAL)	WEIGHTED STI PAYMENT % AT MAXIMUM (105% TOTAL)	PERFORMANCE OUTCOME ACHIEVEMENT	STI PAYMENT % VS TARGET	WEIGHTED ACTUAL STI PAYMENT %	ACTUAL PAYMENT AS % OF MAXIMUM
Total Service Revenue[1]	15.00%	22.50%	Between Threshold and Target	78.21%	11.73%	52.1%
Operating FCF	15.00%	22.50%	Greater than Maximum	150.00%	22.50%	100%
EBITDA (unadjusted)	20.00%	30.00%	Between Target and Maximum	103.78%	20.76%	69.2%
Customer NPS Vodafone Brand Mobile	5.00%	7.50%	Below Threshold	0.00%	0.00%	0%
Customer NPS TPG & iiNet Brands Fixed	5.00%	7.50%	Between Target and Maximum	133.33%	6.67%	88.9%
Employee Experience - Values Alignment Index	10.00%	15.00%	Between Threshold and Target	75%	7.5%	50%
			Total Weighted STI Payment %		**69.15%** out of 70% at Target	**65.86%**

1. The threshold, target and maximum for Service Revenue was adjusted to reflect the divestment of Tech2 in December 2020, which was in the original measurement.

Remuneration Report continued

For the purposes of calculating the STI outcome, the Board, following input from the GRNC, approved the Business Performance component of the STI payment as 69.15% out of 70% at target, representing an outcome of 98.79% or 65.86% of maximum.

Assessments were also undertaken for each individual. The CEO's performance was assessed against individual specific goals approved by the Board, which reflected the following strategic pillars:

- Financial performance;
- Creating the conditions for a high performing organisation;
- Creating long term value; and
- Digital and IT transformation

The GRNC, following input from the CEO, reviewed and assessed each Executive KMP's performance relative to their individual goals. The individual component represents 30% of the total STI payment. The value of the deferred component of the award will be subject to the share price at vesting.

Actual STI outcomes, for both Group and individual performance, were affected by other factors. Elizabeth Aris and Stephen Banfield were not eligible for STI because they had resigned during the year. Craig Levy and Daniel Lloyd received pro-rated cash STI payments and were not eligible for DSRs because they would not be employed by the Company at the time the DSRs were issued in March 2022 (Craig Levy left the Company on 17 December 2021. Dan Lloyd stepped down as KMP but remains employed until 17 February 2022). In the case of Kieren Cooney, Jonathan Rutherford and Sean Crowley, their actual STI (both cash and DSRs) has been pro-rated to reflect the period for which they were Executive KMP.

The table below shows the 2021 STI payment for Executives who were KMP for all or part of 2021, split into cash at 60% and deferred amounts at 40% as well as the total amount. It also reflects the Executive KMP STI given their period of appointment.

EXECUTIVE KMP	2021 STI CASH ACTUAL[1]	2021 STI DEFERRED ACTUAL[2]	TOTAL 2021 STI ACTUAL
Iñaki Berroeta	1,100,617	733,744	1,834,361
Ana Bordeianu	270,692	180,462	451,154
Kieren Cooney[3]	285,101	190,067	475,168
Sean Crowley[4]	28,834	19,222	48,056
Craig Levy	262,529[5]	-[6]	262,529
Daniel Lloyd[7]	223,122	-[6]	223,122
Jonathan Rutherford[8]	117,176	78,118	195,294
Elizabeth Aris[9]	-	-	-
Stephen Banfield[10]	-	-	-

1. 2021 STI Cash is paid to the Executive as a gross payment in February 2022.
2. 2021 STI Deferred is granted in March 2022 to the Executive in DSRs over TPG Telecom ordinary shares deferred over one and two years.
3. STI pro-rated based on term as KMP from 8 March 2021 to 31 December 2021.
4. STI pro-rated based on term as KMP from 1 November 2021 to 31 December 2021.
5. STI payment included as part of redundancy package. Payment based on Target STI pro-rated from 1 January 2021 to 17 December 2021.
6. Not eligible for DSRs because they were not employed at the time of issue of DSRs in March 2022.
7. STI target pro-rated based on term as KMP from 1 January 2021 to 17 December 2021.
8. STI target pro-rated based on term as KMP from 27 July 2021 to 31 December 2021.
9. No STI award was made given employment ended in June 2021 due to resignation.
10. No STI award was made given employment ended in October 2021 due to resignation.

Remuneration Report continued

For Executives who were KMP as at 31 December 2021, the table below shows their potential 2022 STI at Target and at Maximum as well as the percentage of cash and deferred equity to be potentially allocated for STI awards.

EXECUTIVE KMP	2022 STI TARGET $	2022 STI MAXIMUM $	2022 STI CASH %	2022 STI DEFERRED %
Iñaki Berroeta	1,850,000	2,775,000	55%	45%
Ana Bordeianu	464,100	696,150	55%	45%
Kieren Cooney	585,000	877,500	55%	45%
Sean Crowley	290,000	348,000	55%	45%
Jonathan Rutherford	464,100	696,150	55%	45%

The allocation of STI will reflect business performance metrics against the 2022 STI scorecard. The key elements are outlined below and reflect key drivers of shareholder returns that have been set to support the Company's strategic priorities based on the annual budget and other strategic priorities as approved by the Board.

MEASURE	DESCRIPTION	WEIGHTING
Total Service Revenue	Measures recurring revenue generated from the provision of telecommunication services excluding hardware revenue.	20%
Operating FCF	Measures Operating cash flow less capex, finance lease repayments and finance lease interest (within financing costs). No adjustment will be made for spectrum, loan repayments and dividends.	15%
EBITDA (unadjusted)	Measures the profit TPG Telecom makes after operating costs. The TPG Telecom Board reserves the right to use its discretion to adjust for abnormal items	25%
Customer Experience	Customer NPS ranking relative to peers	10%
Employee Experience	Measures alignment with TPG Telecom values based on 16 values questions contained within the TPG culture survey	10%
Individual performance achievement	Aligned to specific Strategic Priorities	20%
TOTAL		**100%**

All targets are subject to Board discretion. The exercise of any discretion will be reported to shareholders.

4.3 LTI Grants 2021

Under the TPG Telecom LTI plan which became effective on 1 January 2021, the first LTI allocation was made to Executives at the start of 2021. Each allocation of Performance Rights is granted at the start of the performance period with performance tested over a three year period against two equally weighted performance hurdles: namely Operating FCF, and relative shareholder return (TSR) against a nominated peer group of ASX listed companies that excludes energy, financial, materials and real estate sectors.

The number of Performance Rights issued (reflecting the value allocated) was 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. The VWAP for the 2021 LTI grant of Performance Rights was approved by the Board at $6.80 per performance right. The calculation used to determine the number of Performance Rights at grant for each Executive KMP was to divide their maximum LTI dollar package value by the Board approved VWAP share price. In the case of the CEO, shareholder approval was sought and obtained at the May 2021 Annual General Meeting.

Remuneration Report continued

The table below details the number of Performance Rights granted under the 2021 LTI plan based on the 2021 LTI maximums and the grant price at the time of allocation for those Executive KMP who held that role for all or part of 2021. This table assumes the Executive was in the role for the entire year. This was only the case for Mr Berroeta and Ms Bordeianu. LTIs are subject to performance hurdles and have no value unless those hurdles are met.

EXECUTIVE KMP	POTENTIAL MAXIMUM 2021 LTI %	POTENTIAL MAXIMUM 2021 LTI ($)	SHARE PRICE AT ALLOCATION ($)	NUMBER OF 2021 LTI PERFORMANCE RIGHTS ALLOCATED[1]
Iñaki Berroeta	150%	2,775,000	6.80	408,088[2]
Ana Bordeianu	100%	700,000	6.80	102,941
Kieren Cooney	100%	900,000[3]	6.80	132,352
Sean Crowley	36%	208,800	6.80	30,705
Craig Levy	100%	700,000	6.80	102,941
Daniel Lloyd	100%	600,000	6.80	88,235
Jonathan Rutherford	100%	303,014[4]	6.80	44,560
Elizabeth Aris	100%	700,000	-	0[5]
Stephen Banfield	100%	750,000	-	0[5]

1. Refer to Section 3.4 for how LTI performance is evaluated.
2. The CEO received shareholder approval for the LTI grant at the 6 May 2021 Annual General Meeting.
3. The Board exercised discretion to grant the full Performance Rights allocation to Kieren Cooney as part of his compensation for his forfeited LTI from his previous employer.
4. LTI figure pro-rated based on commencement of employment from 27 July 2021 to 31 December 2021.
5. LTI grant forfeited on resignation.

Malus conditions will apply to each grant 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. This occurred in the case of Craig Levy and Daniel Lloyd.

The table below shows the LTI Maximums for Executives who were Executive KMP as at 31 December 2021, proposed to be granted in March 2022.

EXECUTIVE KMP	2022 LTI MAXIMUM %	2022 LTI MAXIMUM
Iñaki Berroeta	150%	2,775,000
Ana Bordeianu	100%	714,000
Kieren Cooney	100%	900,000
Sean Crowley	36%	208,800
Jonathan Rutherford	100%	714,000

No grant for 2022 will be made to Craig Levy, Daniel Lloyd, Elizabeth Aris and Stephen Banfield.

Shareholder approval for the LTI grant to the CEO will be sought at the 2022 Annual General Meeting.

Remuneration Report continued

4.4 LTI Outcomes 2021 for the 2021 TPG Telecom LTI Allocation

Performance under the 2021 LTI will be tested over a three year period against two equally weighted measures linked to:

PERFORMANCE MEASURE	WEIGHTING
Relative TSR	50%
Operating FCF	50%

The performance for Relative TSR will be assessed at the end of the 3 year performance period relative to a peer group of ASX 100 listed organisations set at the commencement of the LTI Plan (which excludes the Energy, Financial, Materials, and Real Estate sectors).

The three year target for Operating FCF is set at the commencement of the LTI Plan. The performance for the first year of the 2021 LTI Plan against target is shown below.

MEASURE	DESCRIPTION	TARGET $	PERFORMANCE OUTCOME $
Operating FCF	Measures Operating cash flow less capex, finance lease repayments and finance lease interest (within financing costs). No adjustment has been made for spectrum, loan repayments and dividends.	485m	596m

4.5 LTI Outcomes 2021 for 2019 and 2020 VHA LTI Allocations

The existing VHA LTI Plans that were in place for former VHA Executives were retained following the merger on 26th June 2020. None were in existence for TPG Corporation. Two of the retained VHA LTI Plans remain on-foot, namely 50% of the 2019 LTI plan and the full 2020 LTI Plan. Prior to the merger implementation, the VHA Remuneration Committee decided to accelerate the 2018 LTI Plan in full for the remaining period to 31 December 2020. Payment of the 2018 LTI Plan was made to eligible Executive KMP in July 2020 and reported in the 2020 TPG Telecom Remuneration Report.

Under the legacy VHA LTI scheme, performance is tested annually against two equally weighted independent tranches. One tranche is subject to meeting Operating FCF performance targets and the other 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. In special circumstances (including redundancy, retirement, death or total and permanent disability or as otherwise agreed), a pro rata payment may be awarded on termination. Performance of the LTI plans is assessed annually over a three year period.

The performance periods for the VHA LTI Plans that remain outstanding are detailed below.

LTI GRANT	PERFORMANCE PERIOD START DATE	PERFORMANCE PERIOD END DATE
2019 LTI	1 January 2019	31 December 2021
2020 LTI	1 January 2020	31 December 2022

Prior to the merger implementation, the VHA Remuneration Committee approved the level of business performance in relation to the 2019 VHA plan. The approved business performance was applied to the 2020 and 2021 performance years of the plan. For the 1H 2020 performance year of the 2019 LTI Scheme, performance was based on the 1H 2020 VHA Operating FCF outcome. For the 2H 2020 and the 2021 performance year, the VHA Remuneration Committee, prior to the merger, approved performance at 100% achievement of target.

Remuneration Report continued

In addition to the 2019 LTI Plan, an LTI scheme was put in place at the beginning of 2020 for former VHA KMP, which will vest (subject to performance hurdles) on 31 December 2022 to be paid in February 2023.

For the 2020 performance year of the 2020 LTI Plan, the VHA Remuneration Committee, prior to merger implementation, determined the performance outcome for 1H 2020 at 125% of the VHA Operating FCF target. A subsequent recommendation and decision made by the GRNC and the TPG Telecom Board was made in relation to 2H 2020 performance at 75% of the TPG Telecom Operating FCF target.

For the 2021 performance year, Operating FCF performance was approved by the TPG Telecom Board at 125% of the TPG Telecom Operating FCF target of $485m. The final performance year will be assessed at the completion of 2022.

The table below details the performance outcome for the 2019 LTI Plan and performance to date on the 2020 LTI Plan.

LTI GRANT	PERFORMANCE PERIOD START DATE	PERFORMANCE PERIOD END DATE	PERFORMANCE YEAR 1	PERFORMANCE YEAR 2	PERFORMANCE YEAR 3	OUTCOME %
2019 LTI	1 January 2019	31 December 2021	122.5%	112.5%[1]	100%[2]	111.67%
2020 LTI	1 January 2020	31 December 2022	99.9%[3]	125%[4]	-	

1. Performance for 1H 2020 of the 2020 LTI grant as approved by the VHA Remuneration Committee prior to merger at 125% of target. 2H 2020 was approved by the TPG Telecom Board at 100% of target. The remaining 50% of the 2019 LTI year 2 tranche and 100% of the year 3 tranche are payable in February 2022.
2. Performance Year 3 of the 2019 LTI grant was approved by the VHA Remuneration Committee prior to merger at 100% of target.
3. Performance for 1H 2020 of the 2020 LTI grant was approved by the VHA Remuneration Committee prior to merger at 125% of target. 2H 2020 was approved by the TPG Telecom Board at 75% of target.
4. The performance target is based on the performance target set for the OFCF measure of $485m, which is the same as for the STI Operating FCF measure.

As a result of the approved 2019 LTI plan outcome, LTI payments will be made to Executive KMP in February 2022 as follows. The payments will be reflected in the Actual Cash remuneration for these Executive KMP in the 2022 Remuneration Report.

EXECUTIVE KMP	2019 LTI PAYMENT[1]
Iñaki Berroeta	499,608
Ana Bordeianu	157,500
Sean Crowley	23,397[2]
Daniel Lloyd	170,228[3]

1. The remaining 50% of the 2019 LTI year 2 tranche and 100% of the year 3 tranche are payable in February 2022.
2. Figures pro-rated based on term as KMP from 1 November 2021 to 31 December 2021
3. Figures pro-rated based on term as KMP from 1 January 2021 to 17 December 2021

The 2020 VHA LTI plan remains outstanding and will be paid out in February 2023, subject to meeting performance targets for Year 3 for 50% and being employment at the time of payment for the other 50%. These targets and actual performance will be disclosed in the 2023 Remuneration Report.

Remuneration Report continued

4.6 Total Remuneration Outcomes 2021

The table below details actual remuneration allocated to Executives (both in cash and the face value of equity) for 2021 for Executive KMP who held that role for all or part of 2021. This reflects both their tenure with the Company and/or the period for which they were Executive KMP. The 2021 LTI allocation will only have value if the specified hurdles are met.

EXECUTIVE KMP	2021 FIXED REMUNERATION[1] $	RETENTION $	SIGN-ON[3] $	TERMIN-ATION[4] $	2021 SHORT TERM INCENTIVE ACTUAL $	2021 LTI GRANT ALLOCATED VALUE $	2021 ACTUAL TOTAL REMUNERATION ALLOCATED $
Iñaki Berroeta	1,872,631	370,000[2]	-	-	1,834,361	2,775,000	6,851,992
Ana Bordeianu	723,131[5]	-	-	-	451,154	700,000	1,874,285
Kieren Cooney[6]	759,891	-	969,366	-	475,168	900,000	3,104,425
Sean Crowley[7]	100,871	21,726	-	-	48,056	34,895	205,548
Craig Levy[8]	694,886	-	-	525,000	262,529[9]	673,151	2,155,566
Daniel Lloyd[10]	598,721	-	-	-	223,122[11]	576,986	1,398,829
Jonathan Rutherford[12]	314,739	-	-	-	195,294	303,014	813,047
Elizabeth Aris[13]	162,134	-	-	175,000	-	-	337,134
Stephen Banfield[14]	639,119	-	-	-	-	-	639,119

1. For executive KMP employed for part of the year, superannuation amounts have been pro-rated based on number of days employed. The pro-rata calculation is based on statutory superannuation cap amounts for the periods of 1 January 2021 to 30 June 2021 and from 1 July 2021 to 31 December. For executive KMP employed for the full year, the annual statutory cap of $22,631 has been disclosed.
2. Represents 4 tranches of the CEO's contracted retention payment with the final tranche due January 2022, as per the CEO's 2020 contract.
3. Represents the payment to Kieren Cooney to compensate for his forfeited STI and LTI as a result of his resignation from his previous employer. It mirrors the timing and amount of his retention payments from his previous employer. Future payments will occur in September 2022 and September 2023.
4. Payment for Craig Levy relates to contractual notice period of $350,000 and contractual severance provisions of $175,000. Payment for Elizabeth Aris relates to contractual notice period of $175,000.
5. Includes an additional $500 superannuation payment related to TPG Telecom's Super Bump program where all female employees with over 12 months tenure are provided an additional $500 superannuation annually.
6. Fixed Remuneration and STI Actual figures pro-rated based on term as KMP from 8 March 2021.
7. Fixed Remuneration, Retention payment, STI Actual and LTI Grant Allocated figures pro-rated based on term as KMP from 1 November 2021 to 31 December 2021.
8. Fixed Remuneration, STI Actual and LTI Grant Allocated figures pro-rated based on term as KMP from 1 January 2021 to 17 December 2021.
9. STI payment made in line with redundancy package. Payment based on Target STI prorated from 1 January 2021 to 17 December 2021 as this was approved before company performance results were determined. STI figure excludes the value of the DSR component forfeited due to not being employed at the time of issue of DSRs.
10. There will be a payment for Dan Lloyd relating to contractual notice period of $200,000 and contractual severance of $150,000. This will be paid after 17 February 2022. This differs from Appendix 2, Executive Statutory Remuneration, which conforms to the accounting standards.
11. STI figure excludes the value of the DSR component forfeited due to not being employed at the time of issue of DSRs in March 2022.
12. Fixed Remuneration, STI Actual and LTI Grant Allocated figures pro-rated based on term as KMP from 27 July 2021 to 31 December 2021.
13. Figures pro-rated based on term as KMP from 1 January 2021 to 23 March 2021.
14. Figures pro-rated based on term as KMP from 1 January 2021 to 29 October 2021.

Directors' Report continued

Remuneration Report continued

The below table details Actual cash remuneration received by Executive KMP who held that role for all or part of 2021.

EXECUTIVE KMP	2021 FIXED REMUNERATION[1] $	RETENTION $	SIGN-ON[3] $	TERMINATION[4] $	2021 SHORT TERM INCENTIVE ACTUAL CASH $	2021 ACTUAL CASH TOTAL REMUNERATION[5] $
Iñaki Berroeta	1,872,631	370,000[2]	-	-	1,100,617	3,343,248
Ana Bordeianu	723,131[6]	-	-	-	270,692	993,823
Kieren Cooney[7]	759,891	-	969,366	-	285,101	2,014,358
Sean Crowley[8]	100,871	21,726	-	-	28,834	151,431
Craig Levy[9]	694,886	-	-	525,000	262,529[10]	1,482,415
Daniel Lloyd[9,11]	598,721	-	-	-	223,122	821,843
Jonathan Rutherford[12]	314,739	-	-	-	117,176	431,915
Elizabeth Aris[13]	162,134	-	-	175,000	-	337,134
Stephen Banfield[14]	639,119	-	-	-	-	639,119

1. For executive KMP employed for part of the year, superannuation amounts have been pro-rated based on number of days employed. The pro-rata calculation is based on statutory superannuation cap amounts for the periods of 1 January 2021 to 30 June 2021 and from 1 July 2021 to 31 December. For executive KMP employed for the full year, the annual statutory cap of $22,631 has been disclosed.
2. Represents 4 tranches of the CEO's contracted retention payment with the final tranche paid in January 2022, as per the CEO's 2020 contract.
3. Represents the payment to Kieren Cooney to compensate for his forfeited STI and LTI as a result of his resignation from his previous employer. It mirrors the timing and amount of his retention payments from his previous employer. Future payments will occur in September 2022 and September 2023.
4. Payment for Craig Levy relates to contractual notice period of $350,000 and contractual severance provisions of $175,000. Payment for Elizabeth Aris relates to contractual notice period of $175,000.
5. The 2021 Actual Cash Total Remuneration does not include the 2019 Cash LTI payment as this will be paid February 2022 and disclosed in the 2022 Remuneration report
6. Includes an additional $500 superannuation payment related to TPG Telecom's Super Bump program where all female employees with over 12 months tenure are provided an additional $500 superannuation annually.
7. Figures pro-rated based on term as KMP from 8 March 2021.
8. Figures pro-rated based on term as KMP from 1 November 2021 to 31 December 2021
9. Figures pro-rated based on term as KMP from 1 January 2021 to 17 December 2021
10. STI payment calculated in accordance with redundancy package. Payment based on Target STI prorated from 1 January 2021 to 17 December 2021 as this was approved before company performance results were determined. STI figure excludes the value of the DSR component forfeited due to not being employed at the time of issue of DSRs in March 2022.
11. There will be a payment for Dan Lloyd relating to contractual notice period of $200,000 and contractual severance of $150,000. This will be paid after 17 February 2022. This differs from Appendix 2, Executive Statutory Remuneration, which conforms to the accounting standards.
12. Figures pro-rated based on term as KMP from 27 July 2021 to 31 December 2021
13. Figures pro-rated based on term as KMP from 1 January 2021 to 23 March 2021
14. Figures pro-rated based on term as KMP from 1 January 2021 to 29 October 2021

Directors' Report continued

Remuneration Report continued

4.7 Alignment with Shareholder interests

This section of the Remuneration Report provides an overview of the alignment of the Company's performance for FY21 with remuneration outcomes for Executive KMP.

The table below is a statutory reporting requirement. However only 2021 is meaningful as it is the only year that reflects the performance of the merged Company.

FINANCIAL[1]	2017	2018	2019	2020	2021
Service revenue[2]	2,437	2,391	2,271	3,295	4,389
EBITDA[3]	972	1,102	1,178	1,391	1,731
Operating FCF[4]	495	564	568	361	596
Dividend Paid				N/A	288
Share Price[5]				7.22	5.89
NPAT				734	110

1. Historic performance from 2017 to 2019 relates to TPG Telecom (then VHA) and not to the merged entity. 2020 includes a full 12 months of results for VHA and 6 months and 4 days of contribution from 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 revenue such as hardware 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 is Operating cash flow less capex, finance lease repayments and finance lease interest (within financing costs). No adjustment has been made for spectrum, loan repayments and dividends.
5. Represents the closing share price as at 31 December.

Directors' Report continued

Remuneration Report continued

5. Remuneration Governance

5.1 Governance responsibilities have been clearly defined.

The Board of Directors of TPG Telecom has oversight of TPG Telecom's remuneration arrangements, and is accountable for remuneration as well as related policies and processes.

The GRNC undertakes detailed work on remuneration and reports to the full Board through both formal minutes and a verbal report provided to the Board by the Chairman of the GRNC.

The responsibilities of the Board and the GRNC, as defined in the Board and GRNC Charters, are as follows:

AREA	APPROVED BY BOARD ON RECOMMENDATION OF GRNC	ROLE OF GRNC
Executive remuneration	• 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 • Assessment of performance against STI Group financial and risk gateways and individual behavioural gateways • Gender outcomes to avoid gender or other bias • Minimum shareholding policy	In addition to making recommendations to the Board, the GRNC undertakes the following: • Reviews remuneration policies to ensure they reflect: – ASX position and complexity of roles – risks involved – time demands – relevant industry and related benchmarks • Assesses performance against gateways and STI performance against metrics • 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
Non-Executive Director remuneration	• Remuneration policies • Remuneration fees (subject to the aggregate cap) as approved by shareholders • Minimum shareholding policy	• Monitors conformance with minimum shareholding requirement

Remuneration Report continued

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

The GRNC consists of four 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.

NON-EXECUTIVE KMP	ROLE	TERM AS KMP
Helen Nugent	Independent Non-Executive Director, Senior Independent Director and GRNC Chairman	Full year
Arlene Tansey	Independent Non-Executive Director and Audit & Risk Committee Chairman	Full year
Diego Massidda	Non-Executive Director	Full year
Frank Sixt	Non-Executive Director	Full year
David Teoh	Non-Executive Director and Chairman	To 25 March 2021

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.

In 2021, the GRNC met six times. Director's attendance at the meetings is set out in the Directors' report. Over that period, the GRNC 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 evolved and merger integration proceeded.

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

The GRNC and Board meets without the CEO in attendance to evaluate his performance.

5.4 The Board reached its own decision on benchmark information.

Benchmark data was sought from independent third party, Aon Hewitt, on peer group remuneration practices and levels as well as on the LTI peer group. This data was considered in detail by the GRNC as input to its recommendations and decision-making and in determining the relevant ASX peer group.

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

Remuneration Report continued

6. Non-Executive Director Remuneration

Non-Executive Directors are remunerated in ways that support the retention of their independence and their commitment to performance for shareholders.

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

The maximum aggregate fee pool available for Non-Executive Directors is $2.5 million. Non-Executive Director fees were determined with reference to the median of the relevant ASX peer group of companies.

The table below outlines the fees (inclusive of superannuation) paid to Independent Non-Executive Directors in 2021.

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

Following a review in late 2021, the Board approved the alignment of the Board Committee fees for the ARC and GRNC. This reflects the role and responsibilities of the GRNC Chairman and the scope of the GRNC to cover governance, remuneration and nominations.

The table below outlines the fees (inclusive of superannuation) that will be paid to Independent Non-Executive Directors for the 2022 financial year.

ROLE	BOARD $	AUDIT AND RISK COMMITTEE $	GOVERNANCE, REMUNERATION AND NOMINATION COMMITTEE $
Chair	450,000	50,000	50,000
Member	165,000	25,000	25,000

In making this decision, conflict of interest considerations were assiduously managed.

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.

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

To align the interests of the Board with that of 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 to 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 requirement is reviewed annually. This requirement does 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 is calculated as the higher of the purchase price or current market price. Non-Executive Directors are required to seek approval of the GRNC prior to advising the Company Secretary of the purchase price at the time of purchase. The GRNC annually monitors conformance of NEDs with this policy.

In addition, the Board has adopted a share trading policy to ensure Non-Executive Directors comply with insider trading laws and their trading of TPG Telecom shares. The policy requires Non-Executive Directors to only trade within defined windows, document all shareholdings, as well as provide the Company with written acknowledgement of any trades. A breach of policy is regarded seriously by the Board and may constitute a breach of the law, and as such lead to appropriate action being taken against the Non-Executive Director.

Remuneration Report continued

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[1]
Employee notice period	6 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

1. As Interim CFO Sean Crowley had a mutual notice period of 3 months; entitlement to severance of 3 months base salary or statutory entitlement whichever is greater; and a 3 month restraint and non-solicitation period.

The table below sets out the CEO's remuneration package from 1 July 2021.

CEO	BASE SALARY $	SUPER-ANNUATION[1] $	TOTAL FIXED REMUNER-ATION $	RETENTION PAYMENT[2] $	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	23,568	1,873,568	555,000	Up to 100%	Up to 150%	Up to 100%	Up to 150%

1. Superannuation reflects the amount payable up to the statutory superannuation cap which came into effect from 1 July 2021.
2. 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.

Directors' Report continued

Remuneration Report continued

2. Executive Statutory Remuneration

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

		SHORT TERM BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER PAYMENTS	LONG TERM BENEFITS	PAYMENTS TO BE SETTLED			
Name	**Year**	**Base Cash salary [1]**	**STI Cash[2]**	**Non-monetary benefits[3]**	**Super-annuation[4]**	**Termination / Retention / Sign-on Payments**	**Long Service Leave**	**STI to be settled in Equity[5]**	**LTI to be settled in Cash and Equity[6, 7]**	**Total**	**Performance related remuneration (%)**
I Berroeta	2021	1,850,000	1,100,617	15,335	22,631	370,000[8]	30,808	68,389	1,080,099	4,537,879	50%
	2020	1,663,750	1,099,109[9]	18,040	21,348	92,500	77,111	372,022[9]	1,107,980	4,451,860	58%
A Bordeianu	2021	700,000	270,692	36,027	23,131[10]	-	13,660[11]	62,915	374,280	1,480,705	48%
	2020	612,474	335,681	20,463	21,848	-	-	-	364,875	1,355,341	52%
K Cooney	2021[12]	737,260	285,101	12,562	22,631	969,366[13]	-	66,264	123,419	2,216,603	21%
	2020	-	-	-	-	-	-	-	-	-	-
C Levy	2021[14]	673,151	262,529	14,747	21,735	755,945[15]	14,517	-	92,312	1,834,936	19%
	2020[16]	263,889	108,333	5,587	10,847	-	4,345	-	-	393,001	28%
D Lloyd	2021[17]	576,986	223,122	14,747	21,735	538,230[18]	9,995	-	305,841[18]	1,690,656	31%
	2020	551,176	359,265	14,927	21,348	77,115	25,778	-	382,877	1,432,486	52%
J Rutherford	2021[19]	303,014	117,176	17,163	11,725	-	-	15,177	33,333	497,588	33%
	2020	-	-	-	-	-	-	-	-	-	-
S Crowley	2021[20]	96,932	28,834	2,563	3,939	21,726[21]	1,614	6,701	38,897	201,206	38%
	2020	327,782	169,094	-	15,925	-	7,962	-	159,305	680,068	48%
E Aris	2021[22]	157,260	-	3,235	4,874	175,000[23]	-	-	-	340,369	0%
	2020	58,333	-	1,264	5,424	-	-	-	-	65,021	0%
S Banfield	2021[24]	620,548	-	12,688	18,571	-	7,917	-	-	659,724	0%
	2020[25]	282,738	89,583	5,587	10,847	-	4,655	-	-	393,410	23%
T Czinner	2021	-	-	-	-	-	-	-	-	-	-
	2020	325,011	220,734	9,340	15,925	-	6,932	-	210,338	788,280	55%
V Hicks	2021	-	-	-	-	-	-	-	-	-	-
	2020	305,819	169,698	10,969	16,425	-	7,613	-	221,651	732,175	53%
R James	2021	-	-	-	-	-	-	-	-	-	-
	2020	351,551	206,384	9,340	15,450	-	-	-	90,333	673,058	44%
B McIntosh	2021	-	-	-	-	-	-	-	-	-	-
	2020	76,915	(19,198)	1,835	4,871	496,991	1,683	-	11,961	575,058	(1%)
K Millroy	2021	-	-	-	-	-	-	-	-	-	-
	2020	59,871	(17,546)	-	4,452	497,490	975	-	8,353	553,595	(2%)
Total	**2021**	**5,715,151**	**2,288,071**	**129,066**	**150,972**	**2,830,267**	**78,511**	**219,446**	**2,048,181**	**13,459,666**	**34%**
	2020	**4,879,309**	**2,721,136**	**97,352**	**164,710**	**1,164,096**	**137,054**	**372,022**	**2,557,673**	**12,093,353**	**47%**

1. Base cash salary includes base salary and annual leave.
2. STI Cash includes actual STI amounts relating to the 2021 STI Plan performance year, and adjustments to the accruals for the 2020 STI Plan after the final payment.
3. Non monetary benefits include car parking and novated car leases. For two KMP executives, this also included relocation and permanent residency related expenses (inclusive of any relevant fringe benefits tax), related to health insurance, tax support, relocation costs and permanent residency application costs.
4. For executive KMP employed for part of the year, superannuation amounts have been pro-rated based on number of days employed. The pro-rata calculation is based on statutory superannuation cap amounts for the periods of 1 January 2021 to 30 June 2021 (pro-rated value $10,758) and from 1 July 2021 to 31 December (pro-rated $11,881). For executive KMP employed for the full year, the annual statutory cap of $22,631 has been disclosed.

Remuneration Report continued

5. For Equity settled STI, 50% of the deferred shared rights (DSRs) will vest after one year, with the remainder vesting after two years, both subject to relevant forfeiture conditions. The fair value of the rights is determined based on the market price of the company's shares at year-end, with an adjustment made to take into account the vesting period and expected dividends during that period that will not be received by the KMPs.
6. LTI Cash includes the accrued or paid amounts during the year relating to the 2021 performance year for the 2020 VHA LTI Plan Award and the final payment of the 2019 LTI Plan Award. The payments for the 2019 VHA LTI Plan Award will be reflected in the Actual Cash remuneration for these Executive KMP in the 2022 Remuneration Report.
7. Performance share rights (PSRs) for 2021, subject to meeting hurdles, will vest on 31 March 2024. The total number of PSRs to be allocated was calculated based on the five-day VWAP of $6.80 over the period 26 February 2021 to 4 March 2021. The fair value of these rights was determined for the grant dates of 6 May 2021 and 24 September 2021 using: i) the Monte-Carlo model for the relative total shareholder return (TSR) hurdle and ii) the Black-Scholes model for the Operating Free Cash Flow (FCF) hurdle.
   TSR hurdle – The Monte-Carlo model which incorporates the impact of performance hurdles and the vesting scale on the value of the PSRs was used. This pricing model takes into account factors such as the Company's share price at the date of grant, volatility of the underlying shares, the risk-free rate of return, expected dividend yield and the likelihood that vesting conditions will be met. The accounting valuation of rights issued is allocated equally over the vesting period.
   Operating FCF hurdle – The Black-Scholes model was used to determine the fair value of PSRs. This pricing model takes into account factors such as the Company's share price at the date of grant, the risk-free rate of return, expected dividend yield and time to maturity. The accounting valuation of rights issued is allocated over the vesting period so as to take into account the expected level of vesting over the performance period.
8. The CEO's Other Payments include four retention payments of $92,500 each with the last payment due for payment in January 2022.
9. The CEO's 2020 STI DSR award of $372,022 has been moved out of the STI Cash and disclosed in the 2020 DSR to be settled in equity to reflect an incorrect categorisation in the 2020 annual report.
10. Includes an additional $500 superannuation payment related to TPG Telecom's Super Bump program where all female employees with over 12 months tenure are provided an additional $500 superannuation annually.
11. Includes a $2,000 service award payment based on tenure with the Company.
12. Represents remuneration received as KMP from 8 March 2021.
13. Represents the payment to Kieren Cooney to compensate for his forfeited STI and LTI as a result of his resignation from his previous employer. It mirrors the timing and amount of his retention payments from his previous employer. Future payments will occur in September 2022 and September 2023.
14. Represents remuneration received as KMP until 17 December 2021.
15. Other Payments include redundancy payments related to the contractual notice period ($350,000), contractual severance provisions ($175,000) and on-foot 2021 LTI Plan equity to be settled in 2024.
16. Represents remuneration received as KMP from 17 August 2020 to 31 December 2020.
17. Represents remuneration received as KMP until 17 December 2021.
18. Other Payments include redundancy payments to be paid in February 2022 related to the contractual notice period ($200,000), contractual severance provisions ($150,000) and 2021 LTI Plan equity to be settled in 2024 which remains on foot but which under accounting standards needs to be fully recognised in this statutory remuneration report. The LTI to be settled in cash and equity also includes payments to be made in February 2022 as part of the VHA legacy LTI scheme.
19. Represents remuneration received as KMP from 27 July 2021.
20. Represents remuneration received as KMP from 1 November 2021.
21. Other Payments include a retention payment of $130,000 pro-rated for the term as KMP.
22. Represents remuneration received as KMP until 23 March 2021.
23. Other Payments include a Termination payment related to the contractual notice period
24. Represents remuneration received as KMP until 29 October 2021.
25. Represents remuneration received as KMP from 17 August 2020 to 31 December 2020.

Remuneration Report continued

3. Non-Executive Director Statutory Remuneration

Details of remuneration for Non-Executive Directors are 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	NON-MONETARY BENEFITS	SUPERANNUATION	TERMINATION BENEFITS	TOTAL
C Fok	2021[1]	382,880	-	-	-	382,880
	2020	85,478	-	-	-	85,478
P Klotz	2021	181,667	-	-	-	181,667
	2020	95,150	-	-	-	95,150
D Massidda	2021	185,000	-	-	-	185,000
	2020	92,801	-	-	-	92,801
R Millner	2021	150,340	-	14,660	-	165,000
	2020	70,975	-	6,743	-	77,718
A Moffatt	2021[2]	114,855	-	11,286	-	126,141
	2020	-	-	-	-	-
Dr H Nugent AC	2021	209,564	-	20,436	-	230,000
	2020	98,935	-	9,399	-	108,334
F Sixt	2021	193,333	-	-	-	193,333
	2020	90,724	-	-	-	90,724
A Tansey	2021	214,120	-	20,880	-	235,000
	2020	101,085	-	9,603	-	110,688
J Teoh	2021[3]	114,855	-	11,286	-	126,141
	2020	-	-	-	-	-
D Teoh	2021[4]	98,780		9,384		108,164
	2020	210,530	-	10,847	371,538	592,915
S Teoh	2021[5]	34,678		3,294		37,972
	2020	70,975	-	6,743		77,718
Total	**2021**	**1,880,072**	**-**	**91,226**	**-**	**1,971,298**
	2020	**916,653**	**-**	**43,335**	**371,538**	**1,331,526**

1. Canning Fok was appointed as Chairman on 26 March 2021.
2. Antony Moffatt was appointed as a Non-Executive Director on 26 March 2021.
3. Jack Teoh was appointed as a Non-Executive Director on 26 March 2021.
4. David Teoh was a Non-Executive Director and Chairman for the period 1 January 2021 to 25 March 2021.
5. Shane Teoh was a Non-Executive Director for the period 1 January 2021 to 25 March 2021.

Remuneration Report continued

4. Equity Movements

The table below provides movements in equity during the financial year for Non-Executive Directors and Executives who were KMP for all or part of 2021. The numbers in the table reflect equity holdings and movements only for the period the Non-Executive Director or Executive was KMP.

NAME	HOLDING AT START OF TERM AS KMP	GRANTED AS REMUNERATION	PURCHASED / (SOLD)	BALANCE AT END OF TERM AS KMP
Canning Fok	-	-	-	-
Pierre Klotz	-	-	-	-
Diego Massidda	-	-	-	-
Robert Millner	8,373,058	-	200,000	8,573,058
Antony Moffatt[1]	611,269	-	-	611,269
Dr Helen Nugent AC	11,000	-	-	11,000
Frank Sixt	-	-	-	-
Arlene Tansey	20,000	-	-	20,000
David Teoh[2]	318,315,608	-		318,315,608
Jack Teoh[3]	133,258	-	-	133,258
Shane Teoh[4]	133,258	-	-	133,258
Iñaki Berroeta	-	-	116,000	116,000
Elizabeth Aris[5]	-	-	-	-
Stephen Banfield[6]	338,300	-	(38,300)	300,000
Ana Bordeianu	-	-	-	-
Kieren Cooney[7]	-	-	-	-
Sean Crowley[8]	-	-	-	-
Craig Levy[9]	317,600	-	(57,600)	260,000
Daniel Lloyd[10]	-	-	-	-
Jonathan Rutherford[11]	-	-	-	-

1. Antony Moffatt was appointed as a Non-Executive Director on 26 March 2021.
2. David Teoh was a Non-Executive Director and Chairman for the period 1 January 2021 to 25 March 2021.
3. Jack Teoh was appointed as a Non-Executive Director on 26 March 2021.
4. Shane Teoh was a Non-Executive Director for the period 1 January 2021 to 25 March 2021.
5. Elizabeth Aris was KMP for the period 1 January 2021 to 23 March 2021.
6. Stephen Banfield was KMP for the period 1 January 2021 to 29 October 2021.
7. Kieren Cooney was appointed KMP on 8 March 2021.
8. Sean Crowley was KMP (Interim CFO) for the period 1 November 2021 to 31 January 2022.
9. Craig Levy was KMP for the period 1 January 2021 to 17 December 2021.
10. Daniel Lloyd was KMP for the period 1 January 2021 to 17 December 2021.
11. Jonathan Rutherford was appointed KMP on 27 July 2021.

Directors' Report continued

Remuneration Report continued

5. Additional Statutory Information

Terms and conditions of the share-based payment arrangements

Terms and conditions of each grant of Share Rights in a current or future reporting period are as follows:

GRANT DATE	VESTING DATE	EXPIRY DATE	FAIR VALUE PER SHARE RIGHT AT GRANT DATE	NUMBER OF SHARE RIGHTS AT GRANT DATE	% VESTED
STI Deferred Share Rights					
6 May 2021	31 March 2022	31 March 2023	$4.80	27,355	50%
6 May 2021	31 March 2023	31 March 2024	$4.80	27,354	0%

GRANT DATE	VESTING DATE	EXPIRY DATE	HURDLE	FAIR VALUE PER SHARE RIGHT AT GRANT DATE	NUMBER OF SHARE RIGHTS AT GRANT DATE	% VESTED
LTI Performance Share Rights						
6 May 2021	31 March 2024	31 March 2025	Operating FCF	$4.80	381,162	0%
6 May 2021	31 March 2024	31 March 2025	rTSR	$1.26	381,159	0%
24 September 2021	31 March 2024	31 March 2025	Operating FCF	$6.54	73,751	0%
24 September 2021	31 March 2024	31 March 2025	rTSR	$2.73	73,750	0%

Reconciliation of shares rights and ordinary shares held by KMP

The table below shows how many share rights were granted, vested and forfeited during the year.

NAME & YEAR OF GRANT	BALANCE AT START OF YEAR (NUMBER)	GRANTED DURING YEAR (NUMBER)	VESTED (NUMBER)	VESTED (%)	FORFEITED (NUMBER)	FORFEITED (%)	BALANCE AT END OF THE YEAR (UNVESTED) (NUMBER)
I Berroeta							
2021	-	54,709	27,355	50%	-	-	27,354
2021	-	408,088	-	-	-	-	408,088
E Aris							
2021	-	-	-	-	-	-	-
A Bordeianu							
2021	-	102,941	-	-	-	-	102,941
S Banfield							
2021	-	110,294	-	-	110,294	100%	-
K Cooney							
2021	-	132,352	-	-	-	-	132,352
S Crowley							
2021	-	30,705	-	-	-	-	30,705
C Levy							
2021	-	102,941	-	-	-	-	102,941
D Lloyd							
2021	-	88,235	-	-	-	-	88,235
J Rutherford							
2021	-	44,560	-	-	-	-	44,560

Directors’ Report continued

Remuneration Report continued

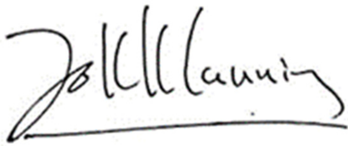
6. Related Party Transactions

During 2021 the Group rented office premises from companies related to a former Director of the Company, David Teoh. The total rent charged for the period served as KMP, from 1 January 2021 to 25 March 2021, was $396,503.

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 24 February 2022.



Fok Kin Ning, Canning

Chairman

24 February 2022

Iñaki Berroeta

Chief Executive Officer and Managing Director

24 February 2022

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of TPG Telecom Limited for the year ended 31 December 2021, 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 and the entities it controlled during the period.

S Prakash
Partner
PricewaterhouseCoopers

Sydney
24 February 2022

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Financial Report

About this report

The financial report covers the group consisting of TPG Telecom Limited 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 24 to 70.

The financial report was authorised for issue by the Directors on 24 February 2022. The Directors has the power to amend and reissue the financial report.

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Consolidated Income Statement

for the year ended 31 December 2021

	NOTES	2021 $m	2020 $m
Revenue from contracts with customers	4	5,293	4,346
Other income	5	45	15
Cost of provision of telecommunication services		(1,966)	(1,370)
Cost of handsets and hardware sold		(891)	(880)
Employee benefits expense	5	(377)	(328)
Other operating expenses	5	(373)	(392)
Earnings before interest, tax, depreciation and amortisation		**1,731**	**1,391**
Depreciation and amortisation expense	5	(1,423)	(1,188)
Results from operating activities		**308**	**203**
Finance income	5	1	3
Finance expenses	5	(150)	(292)
Net financing costs		(149)	(289)
Profit/(loss) before income tax		**159**	**(86)**
Income tax (expense)/benefit	6	(49)	820
Profit for the year		**110**	**734**
Attributable to:			
Owners of the Company		110	741
Non-controlling interests		-	(7)
		110	734

		CPS	CPS
Earnings per share for profit attributable to owners of the Company			
Basic and diluted earnings per share	7	6	64

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 2021

	2021 $m	2020 $m
Profit for the year	**110**	734
Other comprehensive income		
Items that may subsequently be reclassified to the income statement, net of tax:		
Net gain on cash flow hedges taken to equity	1	2
Other comprehensive income for the year, net of tax	**1**	**2**
Total comprehensive income for the year	**111**	**736**
Attributable to:		
Owners of the Company	111	743
Non-controlling interests	-	(7)
	111	736

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 2021

	NOTES	2021 $m	2020 $m
ASSETS			
Current assets			
Cash and cash equivalents	8	202	120
Trade and other receivables	9	476	431
Inventories	10	95	51
Prepayments		60	79
Assets held for sale		-	2
Total current assets		**833**	**683**
Non-current assets			
Trade and other receivables	9	204	110
Property, plant and equipment	14	3,422	3,258
Right-of-use assets	15	1,294	1,012
Intangible assets	16	13,144	13,469
Deferred tax assets	6	262	264
Prepayments		27	28
Total non-current assets		**18,353**	**18,141**
Total assets		**19,186**	**18,824**
LIABILITIES			
Current liabilities			
Trade and other payables	17	1,118	927
Contract liabilities	4	281	271
Lease liabilities	15	61	92
Provisions	19	108	84
Derivative financial instruments		-	1
Other current liabilities	20	99	81
Total current liabilities		**1,667**	**1,456**
Non-current liabilities			
Contract liabilities	4	17	25
Borrowings	18	4,290	4,330
Lease liabilities	15	1,359	1,051
Provisions	19	62	64
Other non-current liabilities	20	73	6
Total non-current liabilities		**5,801**	**5,476**
Total liabilities		**7,468**	**6,932**
Net assets		**11,718**	**11,892**
EQUITY			
Contributed equity	21	18,399	18,399
Reserves	22	5	1
Accumulated losses		(6,686)	(6,508)
Equity attributable to owners of the Company		**11,718**	**11,892**
Total equity		**11,718**	**11,892**

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 2021

		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 2021		18,399	1	(6,508)	11,892	-	11,892
Profit for the year		-	-	110	110	-	110
Other comprehensive income, net of tax	22	-	1	-	1	-	1
Share-based payments	25	-	3	-	3	-	3
Dividends paid	23	-	-	(288)	(288)	-	(288)
Balance at 31 December 2021		**18,399**	**5**	**(6,686)**	**11,718**	**-**	**11,718**
Balance at 1 January 2020		6,047	(1)	(7,249)	(1,203)	–	(1,203)
Non-controlling interest acquired	12	–	–	–	–	7	7
Profit for the year		–	–	741	741	(7)	734
Other comprehensive income, net of tax	22	–	2	–	2	–	2
Share-based payments	25	-	-	-	-	-	-
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**

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 2021

	NOTES	2021 $m	2020 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		5,684	4,814
Payments to suppliers and employees (inclusive of GST)		(4,098)	(3,641)
		1,586	1,173
Other revenue	5	45	15
Income taxes paid		(4)	-
Net cash generated from operating activities	8(b)	**1,627**	**1,188**
Cash flows from investing activities			
Net cash acquired as a result of merger	12	-	99
Payments for property, plant and equipment		(606)	(411)
Payments for spectrum licenses		(106)	(132)
Receipts on sale of spectrum licenses		15	-
Payments for intangible assets		(225)	(273)
Disposal of subsidiary (net of cash disposed)	13	-	(379)
Cash reclassified to assets held for sale	13	-	(7)
Loan repayment from Tech2		2	-
Transaction costs relating to merger		-	(37)
Net cash outflows from investing activities		**(920)**	**(1,140)**
Cash flows from financing activities			
Proceeds from borrowings		1,420	4,780
Repayment of borrowings		(1,460)	(4,594)
Repayment of principal element of leases		(139)	(130)
Finance costs paid		(158)	(241)
Interest received		-	2
Dividends paid		(288)	-
Pre-acquisition dividends paid to TPG Corporation shareholders	12	-	(479)
Net cash outflows from financing activities		**(625)**	**(662)**
Net increase/(decrease) in cash and cash equivalents		**82**	**(614)**
Cash and cash equivalents at 1 January		120	734
Cash and cash equivalents at 31 December	8	**202**	**120**

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 2021 (referred to throughout this report as '2021'), 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 27.

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) in 2020

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 2021, the Group had a deficiency of net current assets of $834 million (2020: a deficiency of $773 million). The Group is satisfied that it will be able to meet all its obligations as and when they fall due, due to its history of generating positive operating cash flows, its current cash reserves, and available debt facilities.

Note 2. Basis of preparation continued

(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.

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.

Notes to the Consolidated Financial Statements continued

Note 2. Basis of preparation continued

(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 Legislative Instrument 2016/191*, relating to the 'rounding off' of amounts in the financial statements. Amounts in the consolidated financial statements and Directors' report have been rounded off in accordance with the instrument to the nearest million dollars, or in certain cases, the nearest dollar.

(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.

In April 2021, the International Accounting Standards Board released an IFRIC interpretation of IAS 38 with regard to costs incurred in the configuration or customisation of a cloud computing arrangement. This decision does not have a material impact on the Group's capital and operating expenditure associated with cloud computing arrangements as at 31 December 2021.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 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.

Notes to the Consolidated Financial Statements continued

Note 2. Basis of preparation continued

(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 Pandemic

During the year to 31 December 2021, the COVID pandemic persisted 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, which have impacted the Group's financial performance during the year. 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 impacts on the business has not identified any significant impacts on the Group's 31 December 2021 asset values, or significant risks giving rise to additional liabilities to be recognised at 31 December 2021. 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 29).

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

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.

In light of the ongoing integration activities between the Company and TPG Corporation, the senior management team adopted revised reporting segments since 2020, being the Consumer and Corporate segments, to reflect how the Group is managed.

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 in 2020 • Impairment of Tech2 in 2020 • Certain head office costs.

	CONSUMER $m	CORPORATE $m	UNALLOCATED $m	TOTAL $m
For the year ended 31 December 2021				
Revenue from contracts with customers	4,308	985	-	5,293
Other income	-	18	27	45
Cost of provision of telecommunication services	(1,691)	(272)	(3)	(1,966)
Cost of handsets and hardware sold	(802)	(89)	-	(891)
Employee benefits expense	(268)	(109)	-	(377)
Other operating expenses	(336)	(41)	4	(373)
Results from segment activities	**1,211**	**492**	**28**	**1,731**
For the year ended 31 December 2020				
Revenue from contracts with customers	3,656	690	–	4,346
Other income	–	4	11	15
Cost of provision of telecommunication services	(1,195)	(175)	–	(1,370)
Cost of handsets and hardware sold	(803)	(77)	–	(880)
Employee benefits expense	(258)	(68)	(2)	(328)
Other operating expenses	(305)	(43)	(44)	(392)
Results from segment activities	**1,095**	**331**	**(35)**	**1,391**

Notes to the Consolidated Financial Statements continued

Note 3. Segment reporting continued

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

	2021 $m	2020 $m
Total segment results	1,731	1,391
Depreciation and amortisation expense	(1,423)	(1,188)
Results from operating activities	**308**	**203**
Net financing costs	(149)	(289)
Profit / (loss) before income tax	**159**	**(86)**

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:

	2021 $m	2020 $m
Australia	18,085	17,847
Other	268	294
	18,353	**18,141**

'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, device replacement services 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 device replacement services and content services is recognised on a net basis when the Group acts as agent. Revenue from telecommunication services is 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.

Hardware revenue

Revenue from the sale of handsets, modems and accessories is recognised at a point in time when the handsets, modems 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.

Notes to the Consolidated Financial Statements continued

Note 4. Revenue from contracts with customers continued

(a) Major product categories

		CONSUMER		CORPORATE		TOTAL	
	TIMING OF REVENUE RECOGNITION	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Mobile – Postpaid	Over time	1,323	1,459	238	237	1,561	1,696
Mobile – Prepaid	Over time	439	444	-	-	439	444
Fixed	Over time	1,708	895	141	92	1,849	987
Data and Internet	Over time	-	-	502	247	502	247
Other service revenue	Over time	27	44	11	40	38	84
Handsets, accessories and hardware revenue	Point in time	811	814	93	74	904	888
		4,308	3,656	**985**	690	**5,293**	4,346

(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.

	2021 $m	2020 $m
Contract liabilities	298	296

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 $258 million (2020: $118 million).

Note 5. Other profit and loss items

(a) Other income

	2021 $m	2020 $m
Grant income	13	10
Gain on sale of spectrum	7	-
Other income	25	5
	45	**15**

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 the Consolidated Income Statement on a straight-line basis over the expected lives of the related assets.

Notes to the Consolidated Financial Statements continued

Note 5. Other profit and loss items continued

Gain on sale of spectrum

On 2 August 2021, the Group's wholly owned subsidiary, TPG Internet Pty Ltd, sold its 2.6 GHz spectrum band licenses to Dense Air Networks Australia Pty Limited.

The 2.6 GHz spectrum band licenses were sold at a total consideration of $15 million on 9 September 2021 (gain on sale of $7 million recognised) being the date that conditions precedent were satisfied.

	2021 $m	2020 $m
(b) Employee benefits expense		
Superannuation expense	33	23
Other employee benefits expense	344	305
	377	**328**
(c) Other operating expenses		
Advertising and promotion expenses	110	85
Consulting and outsourced services costs	130	115
IT and facilities expenses	36	23
Transaction costs associated with the merger	(4)	36
Administration and other expenses	101	133
	373	**392**
(d) Depreciation and amortisation expense		
Depreciation of property, plant and equipment	615	529
Depreciation of right-of-use assets	141	152
Amortisation of intangible assets	667	507
	1,423	**1,188**
(e) Net financing costs		
Finance income		
Interest income	(1)	(3)
Finance expenses		
Amortisation of borrowing costs	9	13
Interest and finance charges for borrowings and lease liabilities	141	279
	149	**289**

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.

For tax purposes, 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	2021 $m	2020 $m
(a) Income tax expense			
Current tax			
Current tax expense on profit for the period		48	8
Adjustments for current tax in respect of prior periods		1	-
Total current tax expense		**49**	**8**
Deferred tax			
(Increase) in deferred tax assets	6(d)	(20)	(792)
Increase / (decrease) in deferred tax liabilities	6(d)	22	(34)
Adjustments for deferred tax of prior periods		(2)	(2)
Total deferred tax expense/(benefit)		**-**	**(828)**
Income tax expense/(benefit)		**49**	**(820)**

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

	2021 $m	2020 $m
Profit/ (loss) from operations before income tax	159	(86)
Income tax expense/ (benefit) using the Australian tax rate of 30% (2020: 30%)	48	(26)
Tax effect of amounts which are (not deductible)/taxable in calculating taxable income:		
Non-deductible expenses	-	13
Tax losses incurred during the year, not recognised	-	-
Initial recognition of deferred tax assets	-	(819)
Other	1	12
Income tax expense/(benefit)	**49**	**(820)**

Note 6. Income tax continued

c) Tax losses

	2021 $m	2020 $m
Unused tax losses for which no deferred tax asset has been recognised	-	-
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	2,275
Potential tax benefit at 30% (2020: 30%)	683	683

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.

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 2021, $477 million (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.

	2021 $m	2020 $m
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Employee benefits	20	19
Deferred revenue	13	15
Property, plant and equipment	163	134
Provisions and accruals	58	72
Lease liabilities	416	336
Tax losses	477	590
Other	15	21
Copyright	45	-
Total deferred tax assets	1,207	1,187
Set off tax liabilities pursuant to set-off provisions	(945)	(923)
Net deferred tax assets	**262**	**264**

Notes to the Consolidated Financial Statements continued

Note 6. Income tax continued

MOVEMENTS	EMPLOYEE BENEFITS $m	DEFERRED REVENUE $m	PROPERTY, PLANT AND EQUIPMENT $m	PROVISIONS AND ACCRUALS $m	LEASE LIABILITIES $m	TAX LOSSES $m	OTHER $m	COPYRIGHT $m	TOTAL $m
At 1 January 2021 (Charged)/ credited	19	15	134	72	336	590	21	-	1,187
- Addition from business combination	-	-	-	(3)	-	-	-	48	45
- to profit or loss	1	(2)	29	(11)	80	(113)	(6)	(3)	(25)
At 31 December 2021	**20**	**13**	**163**	**58**	**416**	**477**	**15**	**45**	**1,207**

MOVEMENTS	EMPLOYEE DEFERRED BENEFITS $m	REVENUE $m	PROPERTY, PLANT AND EQUIPMENT $m	PROVISIONS AND ACCRUALS LIABILITIES $m	LEASE $m	TAX LOSSES $m	OTHER $m	UNREALISED FOREIGN EXCHANGE MOVEMENTS $m	TEMPORARY DIFFERENCES NOT RECOGNISED $m	TOTAL $m
At 1 January 2020 (Charged)/ credited	8	7	143	50	316	–	5	64	(302)	291
- 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**

Notes to the Consolidated Financial Statements continued

Note 6. Income tax continued

	2021 $m	2020 $m
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Right-of-use assets	374	298
Intangible assets	564	612
Other	7	13
	945	923
Set off tax liabilities pursuant to set-off provisions	(945)	(923)
Net deferred tax liabilities	-	–

MOVEMENTS	RIGHT-OF-USE ASSETS $m	INTANGIBLE ASSETS $m	OTHER $m	TOTAL $m
At 1 January 2021	298	612	13	923
(Charged)/credited				
- to profit or loss	76	(48)	(6)	22
At 31 December 2021	**374**	**564**	**7**	**945**

MOVEMENTS	RIGHT-OF-USE ASSETS $m	INTANGIBLE ASSETS $m	OTHER $m	TOTAL $m
At 1 January 2020	298	-	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	31 DEC 2021	31 DEC 2020
Basic and diluted earnings per share	cents	**6**	64
Profit attributable to the owners of the Company used in calculating basic and diluted earnings per share	$m	**110**	741
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	number	**1,859,341,669**	1,156,505,986

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 for 31 December 2020 has been retrospectively adjusted for the share consolidation on the Company's debt restructure. Refer to Note 21 for further details.

Notes to the Consolidated Financial Statements continued

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 2021, $3 million of the cash and cash equivalents balance held by the Group were subject to restrictions and therefore not available for general use by other entities within the Group (2020: nil). These deposits represent funds collected on behalf of a third party that has purchased various handset receivable contracts.

(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 prepared based on the direct method, as it provides more relevant information for the users of the financial report.

The reconciliation of net operating cash flows has been disclosed in the below table.

	2021 $m	2020 $m
Cash flows from operating activities		
Profit for the year after income tax	110	734
Adjustments for:		
Depreciation and amortisation expense	1,423	1,188
Net financing costs	149	289
Gain on sale of spectrum	(7)	-
Transaction costs relating to merger	-	36
Impairment expense	-	10
	1,675	**2,257**
Movements in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(139)	45
(Increase)/decrease in inventories	(44)	59
Decrease/(increase) in prepayments	19	(3)
Decrease/(increase) in deferred tax assets	2	(845)
Increase/(decrease) in trade and other payables	3	(290)
Increase/(decrease) in contract liabilities	4	(17)
Increase/(decrease) in other liabilities	84	(20)
Increase in provisions	23	2
	(48)	**(1,069)**
Net cash generated from operating activities	**1,627**	**1,188**

Notes to the Consolidated Financial Statements continued

Note 8. Cash and cash equivalents continued

(c) Non-cash investing and financing activities

	2021 $m	2020 $m
Acquisition of right-of-use assets	124	84
Partial settlement of business combination through issuance of shares	-	7,877

(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.

	2021 $m	2020 $m
Cash and cash equivalents	202	120
Borrowings (non-current)	(4,290)	(4,330)
Lease liabilities (current)	(61)	(92)
Lease liabilities (non-current)	(1,359)	(1,051)
Derivative financial instruments	-	(1)
	(5,508)	**(5,354)**
Cash and cash equivalents	202	120
Gross debt (fixed interest rates)	(1,420)	(1,143)
Gross debt (variable interest rates)	(4,290)	(4,330)
Derivative financial instruments	-	(1)
	(5,508)	**(5,354)**

	CASH AND CASH EQUIVALENTS $m	LEASE LIABILITIES $m	BORROWINGS $m	DERIVATIVE FINANCIAL INSTRUMENTS $m	TOTAL $m
Net debt at 1 January 2021	120	(1,143)	(4,330)	(1)	(5,354)
Cash flows	82	200	-	-	282
Lease acquisitions	-	(124)	-	-	(124)
Interest unwinding	-	(61)	-	-	(61)
Lease revaluations and terminations	-	(292)	-	-	(292)
Foreign exchange adjustments	-	-	-	1	1
Proceeds from borrowings	-	-	(1,420)	-	(1,420)
Repayment of borrowings	-	-	1,460	-	1,460
Net debt at 31 December 2021	**202**	**(1,420)**	**(4,290)**	**-**	**(5,508)**

Notes to the Consolidated Financial Statements continued

Note 8. Cash and cash equivalents continued

	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)**

(e) Guarantees

	2021 $m	2020 $m
Secured guarantees	-	-
Unsecured guarantees	18	13

The Group has provided bankers' guarantees to support various commercial and regulatory obligations of $18 million (2020:$13 million).

Notes to the Consolidated Financial Statements continued

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. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. 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 is 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 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 cost of handsets sold 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 2021, $130 million of its unsold handset receivables
(2020: $153 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

	2021 $m	2020 $m
Current		
Trade receivables	204	246
Less: expected credit loss allowance	(20)	(37)
	184	209
Handset and accessories receivables	214	157
Accrued revenue	46	35
Receivable from related parties	1	1
Other receivables	31	29
	476	**431**
Non-current		
Handset and accessories receivables	199	104
Other receivables	5	6
	204	**110**

(a) Movement in provision for impairment of trade receivables

	2021 $m	2020 $m
Balance at 1 January	**(37)**	**(11)**
Acquired provision from business combination	-	(29)
Provision for impairment recognised during the year	(15)	(18)
Change in estimate	-	3
Receivables written off during the year	32	18
Balance at 31 December	**(20)**	**(37)**

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.

This included a thorough assessment of COVID 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 pandemic. This assessment led to no additional provision for impairment of receivables estimate, that is, the $1 million provision recognised in 2020 continues to be reflected in the Consolidated Statement of Financial Position.

Note 9. Trade and other receivables continued

(b) Handset and accessories receivables

	2021 $m	2020 $m
Handset and accessories receivables	473	333
Estimated future adjustments to unbilled revenue	(60)	(72)
	413	261
Handset receivables sale expense	**32**	**31**

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 2021, this included an assessment of COVID impacts on the aforementioned loss risk factors. Based on the assessment, management has decreased the provision required on handset receivables primarily due to decreased risk for waivers and other commercial risks. No other significant impacts were identified that resulted in a change in the recognition of variable consideration of hardware revenue during the financial year (2020: nil).

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.

	2021 $m	2020 $m
Finished goods at net realisable value	95	51

Inventories expensed in the Consolidated Income Statement during the year ended 31 December 2021 amounted to $806 million (2020: $807 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.

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.

	2021 $m	2020 $m
Current assets		
Forward foreign exchange contracts	-	–
	-	**–**
Current liabilities		
Forward foreign exchange contracts	-	1

Note 11. Derivative financial instruments continued

(a) 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 hardware, 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, Indian Rupee, South African Rand and Philippine Peso.

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 in 2020

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 brought 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.

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.

Note 12. Business combinations continued

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 year ended 31 December 2020. 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. The Company was listed on the ASX on a deferred settlement basis on 30 June 2020 and commenced trading on an ordinary settlement basis on 14 July 2020. Management 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 assessed that the TPG Telecom quoted share price on 30 June 2020 represented 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 to fair values attributable to separately identifiable assets and liabilities acquired, including customer relationships and brands. The determination of fair values requires 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 disclosed at 31 December 2020. In accordance with AASB 3 Business Combinations, the Group had a maximum of 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. Management completed this exercise within the first half of the year and the table below now reflects the final fair value of the acquired assets and liabilities and the resulting value of goodwill arising from the merger.

Note 12. Business combinations continued

	Provisional $m	Final $m	Movement $m
Cash and cash equivalents	99	99	-
Trade and other receivables[1]	124	123	(1)
Inventories	7	7	-
Deferred tax liabilities[2]	(557)	(511)	46
Other assets	25	25	-
Property, plant and equipment	1,491	1,491	-
Right-of-use assets	99	99	-
Intangible assets	3,431	3,431	-
Trade and other payables[1]	(272)	(264)	8
Contract liabilities	(194)	(194)	-
Borrowings	(2,047)	(2,047)	-
Lease liabilities	(115)	(115)	-
Provisions	(89)	(89)	-
	2,002	2,055	53
Assets classified as held for distribution	512	512	-
Acquired pre-acquisition dividends payable	(991)	(991)	-
Net identifiable assets acquired	1,523	1,576	53
Less: Non-controlling interests acquired	(7)	(7)	-
Add: goodwill	6,155	6,102	(53)
Purchase consideration	**7,671**	**7,671**	**-**

1. Decrease of $1 million in trade and other receivables and $8 million in trade and other payables represent adjustments to reflect the best estimate of accruals and provisions required on acquisition date.
2. Decrease of $46 million in deferred tax liabilities relating to additional temporary differences on copyright within brand names.

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 2021.

			EQUITY HOLDINGS	
NAME OF ENTITY	NOTES	COUNTRY OF INCORPORATION	2021 %	2020 %
Vodafone Hutchison Finance Pty Limited ('VHF')	1	Australia	-	-
Vodafone Hutchison Spectrum Pty Limited	4	Australia	100	100
Vodafone Hutchison Receivables Pty Limited	4	Australia	100	100
H3GA Properties (No. 3) Pty Limited	7	Australia	100	100
Vodafone Foundation Australia Pty Limited	7	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	100
AAPT Limited	3,4	Australia	100	100
ACN 088 889 230 Pty Ltd	3,4	Australia	100	100
ACN 139 798 404 Pty Ltd	3,4	Australia	100	100
Adam Internet Holdings Pty Ltd	3,4	Australia	100	100
Adam Internet Pty Ltd	3,4	Australia	100	100
Agile Pty Ltd	3,4	Australia	100	100
Alchemyit Pty Ltd	3,7	Australia	100	100
Blue Call Pty Ltd	3,4	Australia	100	100
Cable Licence Holdings Pty Ltd	3,4	Australia	100	100
Chariot Pty Ltd	3,4	Australia	100	100
Chime Communications Pty Ltd	3,4	Australia	100	100
Connect Internet Solutions Pty Limited	3,4	Australia	100	100
Connect West Pty Ltd	3,4	Australia	100	100
3.6 GHZ Spectrum Pty Ltd (formerly Dense Air Australia Pty Limited)	4,6	Australia	100	-
Destra Communications Pty Ltd	3	Australia	100	100
Digiplus Contracts Pty Ltd	3,4	Australia	100	100
Digiplus Holdings Pty Ltd	3,4	Australia	100	100
Digiplus Investments Pty Ltd	3,4	Australia	100	100
Digiplus Pty Ltd	3,4	Australia	100	100
FTTB Wholesale Pty Ltd	3,4	Australia	100	100
Gizmo Corporation Pty Ltd	3,5	Australia	-	60
Hosteddesktop.com Pty Ltd	3,7	Australia	100	100
iHug Pty Ltd	3,4	Australia	100	100
iiNet (New Zealand) AKL Ltd	3,4	New Zealand	100	100
iiNet (OzEmail) Pty Ltd	3,4	Australia	100	100
iiNet Labs Pty Ltd	3,4	Australia	100	100

Notes to the Consolidated Financial Statements continued

Note 13. Interests in other entities continued

(a) Subsidiaries continued

NAME OF ENTITY	NOTES	COUNTRY OF INCORPORATION	EQUITY HOLDINGS 2021 %	2020 %
iiNet Limited	3,4	Australia	100	100
Internode Pty Ltd	3,4	Australia	100	100
Intrapower Pty Ltd	3,4	Australia	100	100
Intrapower Terrestrial Pty Ltd	3,4	Australia	100	100
IP Group Pty Ltd	3,4	Australia	100	100
IP Service Xchange Pty Ltd	3,7	Australia	100	100
Jiva pty ltd	3,4	Australia	100	100
Kooee Communications Pty Ltd	3,4	Australia	100	100
Kooee Mobile Pty Ltd	3,4	Australia	100	100
Kooee Pty Ltd	3,4	Australia	100	100
Mercury Connect Pty Ltd	3,7	Australia	100	100
Neighbourhood Cable Unit Trust	3	Australia	100	100
Netspace Online Systems Pty Ltd	3,4	Australia	100	100
Numillar IPS Pty Ltd	3,7	Australia	88.57	88.57
Orchid Cybertech Services Incorporated	3	Philippines	99.99	99.99
Orchid Human Resources Pty Ltd	3,4	Australia	100	100
PIPE International (Australia) Pty Ltd	3,4	Australia	100	100
PIPE Networks Pty Ltd	3,4	Australia	100	100
PIPE Transmission Pty Ltd	3,4	Australia	100	100
PowerTel Limited	3,4	Australia	100	100
PPC 1 (US) Incorporated	3	USA	100	100
PPC 1 Limited	3	Bermuda	100	100
Request Broadband Pty Ltd	3,4	Australia	100	100
Soul Communications Pty Ltd	3,4	Australia	100	100
Soul Contracts Pty Ltd	3,4	Australia	100	100
Soul Pattinson Telecommunications Pty Ltd	3,4	Australia	100	100
SPT Telecommunications Pty Ltd	3,4	Australia	100	100
SPTCom Pty Ltd	3,4	Australia	100	100
Telecom Enterprises Australia Pty Limited	3,4	Australia	100	100
Telecom New Zealand Australia Pty Limited	3,4	Australia	100	100
TPG (NZ) Pty Ltd	3,4	New Zealand	100	100
TPG Corporation Limited	3,4	Australia	100	100
TPG Energy Pty Ltd	3,4	Australia	100	100
TPG Finance Pty Limited	4	Australia	100	-
TPG Holdings Pty Ltd	3,4	Australia	100	100
TPG Internet Pty Ltd	3,4	Australia	100	100
TPG JV Company Pty Ltd	3,4	Australia	100	100

Notes to the Consolidated Financial Statements continued

Note 13. Interests in other entities continued

(a) Subsidiaries continued

			EQUITY HOLDINGS	
NAME OF ENTITY	NOTES	COUNTRY OF INCORPORATION	2021 %	2020 %
TPG Network Pty Ltd	3,4	Australia	100	100
TransACT Broadcasting Pty Ltd	3,4	Australia	100	100
TransACT Capital Communications Pty Ltd	3,4	Australia	100	100
TransACT Communications Pty Ltd	3,4	Australia	100	100
TransACT Victoria Communications Pty Ltd	3,4	Australia	100	100
TransACT Victoria Holdings Pty Ltd	3,4	Australia	100	100
Transflicks Pty Ltd	3,4	Australia	100	100
Trusted Cloud Pty Ltd	3,4	Australia	100	100
Trusted Cloud Solutions Pty Ltd	3,7	Australia	100	100
Value Added Network Pty Ltd	3,4	Australia	100	100
Virtual Desktop Pty Ltd	3,4	Australia	100	100
VtalkVoip Pty Ltd	3,7	Australia	100	100
Westnet Pty Ltd	3,4	Australia	100	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	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 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 26 June 2020 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.
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 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 2021, there were no further accounting impacts that arose on completion.
6. On 9 September 2021, the Company completed the transaction announced on 2 August 2021 in which a wholly owned subsidiary of the Company acquired all of the shares of 3.6GHz Spectrum Pty Ltd (formerly Dense Air Australia Pty Limited) from Dense Air Limited.
7. These companies are exempt from financial reporting requirements and do not form part of the deed of cross guarantee and are recognised as a small proprietary company.

Note 13. Interests in other entities continued

(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 HOLDINGS	
NAME OF ENTITY	COUNTRY OF INCORPORATION	2021 %	2020 %
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

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.

Note 14. Property, plant and equipment continued

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. 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.

Note 14. Property, plant and equipment continued

	LAND AND BUILDINGS $m	LEASEHOLD IMPROVEMENTS $m	NETWORK EQUIPMENT AND INFRASTRUCTURE $m	ASSETS UNDER CONSTRUCTION $m	TOTAL $m
Cost					
Balance at 1 January 2021	43	111	6,037	416	6,607
Additions	-	5	100[1]	875	980
Transfers	-	-	444	(617)	(173)[2]
Write-off	-	-	(168)[1]	-	(168)
Balance at 31 December 2021	43	116	6,413	674	7,246
Accumulated depreciation					
Balance at 1 January 2021	(1)	(85)	(3,259)	(4)	(3,349)
Depreciation	(3)	(14)	(569)	(29)	(615)
Write-off	-	-	140	-	140
Balance at 31 December 2021	(4)	(99)	(3,688)	(33)	(3,824)
At 31 December 2021					
Cost	43	116	6,413	674	7,246
Accumulated depreciation	(4)	(99)	(3,688)	(33)	(3,824)
Net book amount	**39**	**17**	**2,725**	**641**	**3,422**

1. The write-off and additions include $24 million of network equipment for 3G and 4G Huawei equipment that were accounted for as asset swaps.
2. The transfer balance of $173 million was transferred as additions to intangibles for $132 million and $41 million to right of use asset for leases.

	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**

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 if 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.

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 $10,000.

Notes to the Consolidated Financial Statements continued

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

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.

Notes to the Consolidated Financial Statements continued

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

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 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

	2021 $m	2020 $m
Right-of-use assets		
Commercial properties	194	165
Network properties	1,100	847
	1,294	**1,012**
Lease liabilities		
Current	61	92
Non-current	1,359	1,051
	1,420	**1,143**

(a) Additions to the right-of-use assets during the 2021 financial year were $124 million (2020: $84 million) and includes transfers from assets under construction of $41 million.

The increase in right-of-use assets and lease liabilities during the year included lease remeasurements arising from the renegotiation of its network site access arrangement with Axicom. Under the terms of the agreement, the lease term of existing network sites was extended for a period of 19 years.

(b) 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.

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

	2021 $m	2020 $m
Depreciation of right-of-use assets		
Commercial properties	34	44
Network properties	107	107
	141	**151**
Interest on lease liabilities		
Interest expense (included in finance expenses)	61	84
Expense relating to short-term leases (included in other operating expenses)	11	13
Expense relating to leases of low-value assets not shown above as short-term leases (included in other operating expenses)	-	1

The total cash outflow for leases in 2021 was $200 million (2020: $207 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	11 to 20 years
Computer software	3 to 7 years
Contract costs	1 to 3 years
Customer bases	8 to 15 years
Indefeasible rights of use (IRUs)	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.

Notes to the Consolidated Financial Statements continued

Note 16. Intangible assets continued

	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 2021	425	2,945	852	105	1,689	201	8,568	14,785
Additions from business combination	-	-	-	-	-	-	(53)	(53)
Additions	-	195	6	66	-	-	-	267
Transfers	-	-	131	-	-	1	-	132
Write-off/Disposal	-	(15)	(1)	(56)	-	-	-	(72)
Balance at 31 December 2021	425	3,125	988	115	1,689	202	8,515	15,059
Accumulated amortisation								
Balance at 1 January 2021	(1)	(620)	(543)	(60)	(82)	(10)	-	(1,316)
Amortisation	-	(261)	(161)	(65)	(160)	(20)	-	(667)
Write-off/Disposal	-	7	1	60	-	-	-	68
Balance at 31 December 2021	(1)	(874)	(703)	(65)	(242)	(30)	-	(1,915)
At 31 December 2021								
Cost	425	3,125	988	115	1,689	202	8,515	15,059
Accumulated amortisation	(1)	(874)	(703)	(65)	(242)	(30)	-	(1,915)
Net book amount	**424**	**2,251**	**285**	**50**	**1,447**	**172**	**8,515**	**13,144**
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**

Note 16. Intangible assets continued

(a) On 15 July 2021, the Group, through its wholly owned subsidiary, Mobile JV Pty Limited, was successful in securing holdings in all available licence areas in the 26 GHz (millimetre wave) band auction for $110 million. The licence was issued to the Group on 29 June 2021 and commences from 15 July 2021 for a period of 15 years. The Group will pay for the spectrum in five equal annual instalments of $22 million, with the first payment made in June 2021. At 31 December 2021, the Group has recorded the remaining liability of $88 million in other liabilities.

(b) On 2 August 2021, the Group entered into a Share Sale Agreement to acquire 5G spectrum holdings in the 3.6 GHz band from Dense Air Limited. The transaction involved a wholly owned subsidiary, Mobile JV Pty Ltd, acquiring all the shares of Dense Air Australia Pty Limited, which holds the 3.6 GHz spectrum licenses acquired at auction in 2018 from Dense Air Limited.

The transaction, under the accounting standards, was an asset acquisition as Dense Air Australia Pty Limited did not have the inputs, processes and outputs necessary to take the form of a business.

The shares under the Share Sale Agreement were transferred at a total purchase price of $84 million. The date that conditions precedent were satisfied was 9 September 2021 and is considered the date of ownership for accounting purposes.

Furthermore, the Group's wholly owned subsidiary, TPG Internet Pty Ltd, sold its 2.6 GHz spectrum band licenses to Dense Air Networks Australia Pty Limited.

The 2.6 GHz spectrum band licenses were sold at a total consideration of $15 million on 9 September 2021 (gain on sale of $7 million recognised) being the date that conditions precedent were satisfied.

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 no changes to the manner in which the Group's operations are monitored. The Group has identified the Consumer and Corporate Groups to be the lowest level at which goodwill is monitored for internal management purposes.

	2021			2020		
	BRAND NAMES $m	GOODWILL $m	TOTAL $m	BRAND NAMES $m	GOODWILL $m	TOTAL $m
Consumer Group	326	6,386	6,712	326	6,449	6,775
Corporate Group	98	2,129	2,227	98	2,119	2,217
	424	**8,515**	**8,939**	**424**	**8,568**	**8,992**

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.

Note 16. Intangible assets continued

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 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 include EBITDA related assumptions (such as expected customer subscriber 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. The customer growth rate and average revenue per user assumptions also rely on separate assumptions about the timing of the eventual relaxation of current international travel restrictions.
- 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 growth 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.

	31 DECEMBER 2021		31 DECEMBER 2020	
	Consumer	Corporate	Consumer	Corporate
Discount rate (pre-tax)	8.90%	9.21%	9.27%	9.14%
Discount rate (post-tax)	7.20%	7.60%	7.63%	7.63%
Terminal growth rate	2.5%	2.5%	2.5%	2.5%

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 the post-tax discount rate, terminal growth rate or the compound annual growth rate (CAGR) of EBITDA could cause the carrying amount of the consumer CGU to exceed the recoverable amount.

Included in the table below is a sensitivity analysis of the recoverable amounts of the CGUs and, where applicable, the impairment charge considering reasonable possible change scenarios relating to key assumptions at 31 December 2021.

	CONSUMER			CORPORATE		
	Post-tax discount rate	Terminal growth rate	EBITDA CAGR	Post-tax discount rate	Terminal growth rate	EBITDA CAGR
	+0.5%	-0.5%	-1%	+0.5%	-0.5%	-1%
Change in recoverable amount ($m)	(1,261)	(1,077)	(348)	(496)	(424)	(129)
Headroom/(Impairment) ($m)	(785)	(600)	128	386	458	754

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.

Note 17. Trade and other payables

	2021 $m	2020 $m
Trade creditors and accruals	1,045	848
Employee benefits related payables	44	45
Other creditors	24	10
Payables to related parties	5	24
	1,118	**927**

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 7 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 - STI

A liability for employee benefits in the form of a STI 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 STI 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 net of transaction costs incurred. 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.

	2021 $m	2020 $m
Current		
Bank loans (unsecured)	-	-
	-	**-**
Non-current		
Bank loans (unsecured)	4,290	4,330
	4,290	**4,330**

Refinancing activities during the year

In March 2021, the Group refinanced $500 million of its existing $5,250 million loan facility. Loan establishment fees of $2 million arising from the refinancing have been capitalised in prepayments and will be amortised over the new loan period. Existing loan establishment fees of $1 million relating to the original facility (now reduced to a $4,750 million facility) were expensed immediately upon the refinancing during the period.

In June 2021, the Group entered into an agreement to reduce the margin of, and extend by one year, its $4,750 million loan facility. Loan establishment fees of $5 million relating to the amendment and extension of the loan facility have been capitalised in prepayments and will be amortised over the revised loan period. Existing loan establishment fees of $19 million unamortised at the date of the amendment relating to the original facility will be amortised over the revised loan period.

Available facilities

At 31 December 2021, the Group has total loan facilities of $5,250 million and a committed overdraft facility of $35 million (2020: $35 million). Total amount of undrawn borrowing facilities as at 31 December 2021 was $995 million (2020: $955 million).

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 2021.

The fair value of the loans approximate their carrying amounts since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

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.

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. 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.

Note 19. Provisions continued

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.

	2021 $m	2020 $m
Current		
Employee benefits	55	51
Decommissioning and make good	27	19
Other provisions	26	14
	108	**84**
Non-current		
Employee benefits	8	11
Decommissioning and make good	54	53
	62	**64**

Movement in provisions (excluding employee benefits)

	DECOMMISSIONING AND MAKE GOOD $m	OTHER PROVISIONS $m	TOTAL $m
Balance at 1 January 2021	72	14	86
Additional amounts recognised during the year	16	34	50
Amounts used during the year	(7)	(22)	(29)
Balance at 31 December 2021	**81**	**26**	**107**

Notes to the Consolidated Financial Statements continued

Note 20. Other liabilities

	2021 $m	2020 $m
Current		
Government grants	27	21
Other payables	72	60
	99	**81**
Non-current		
Other payables	73	6

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.

	2021 SHARES	2020 SHARES	2021 $m	2020 $m
Ordinary shares (fully paid)				
Balance at 1 January	1,859,341,669	1,100,096,986	18,399	6,047
Share consolidation on debt restructure	-	(685,911,834)	-	-
	1,859,341,669	414,185,152	**18,399**	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**	1,859,341,669	**18,399**	18,399

Notes to the Consolidated Financial Statements continued

Note 21. Contributed equity continued

	UNITS	31 DEC 2021	31 DEC 2020
Basic and diluted earnings per share	cents	**6**	64
Profit attributable to the owners of the Company used in calculating basic and diluted earnings per share	$m	**110**	741
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	number	**1,859,341,669**	1,156,505,986

Share consolidation and shares issued on the Company's debt restructure in 2020

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.

Shares issued on acquisition of TPG Corporation in 2020

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.

Notes to the Consolidated Financial Statements continued

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 comprises 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.

	2021 $m	2020 $m
Cash flow hedge reserve	-	(1)
Foreign currency translation reserve	(1)	(1)
Common control reserve	3	3
Share-based payments reserve	3	-
	5	**1**
Movement in reserves		
Balance at 1 January	1	(1)
Change in value of cash flow hedge reserve	1	-
Change in value foreign currency translation reserve	-	(1)
Change in value of common control reserve	-	3
Recognition of share-based payments reserve	3	-
Balance at 31 December	**5**	**1**

Note 23. Dividends

During the year ended 31 December 2021, the following dividends were paid:

- fully franked final FY20 dividend of $139 million (7.5 cents per fully paid share) was paid on 14 April 2021 (2020: nil);
- fully franked interim FY21 dividend of $149 million (8.0 cents per fully paid share) was paid on 13 October 2021 (2020:nil).

Subsequent to year end, on 24 February 2022, the Board of directors have declared a fully franked final FY21 dividend of 8.5 cents per share. As the final dividend was not declared or resolved to be paid by the Board as at 31 December 2021, the dividend has not been provided for in the Consolidated Statement of Financial Position. The final FY21 dividend has a record date of 16 March 2022 will be paid on 13 April 2022.

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

Dividend franking account

	2021 $m	2020 $m
30 per cent franking credits available to shareholders of the Company for subsequent financial years	417	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.

Note 24. Related party transactions

(a) Parent entities

TPG Telecom Limited is the ultimate parent entity of the Group (since 26 June 2020).

For the year ended 31 December 2020, 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	50.00
Hutchison Telecommunications (Australia) Ltd	Ultimate Australian jointly controlling parent entity	Australia	50.00
Vodafone Oceania Limited	Immediate jointly controlling parent entity	United Kingdom	50.00

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	50.00

Note 24. Related party transactions continued

(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:

	2021 $'000	2020 $'000
Short-term employee benefits	11,373	8,784
Post-employment benefits	242	208
Long-term benefits	79	137
Termination benefits	1,469	1,366
Share-based payments	2,268	2,930
	15,431	**13,425**

(d) Transactions with related parties

	2021 $'000	2020 $'000
Purchases of goods and services		
Purchases of equipment	26,124	13,633
Service fee paid/payable	44,931	50,106
Roaming fee paid/payable	2,810	3,052
IOT fee paid/payable	3,390	1,849
Provision of services		
Service fee received/receivable	1,679	3,657
Roaming income received/receivable	1,111	2,446
IOT income received/receivable	3,204	1,393
Other transactions		
Pre-acquisition dividends paid	-	280,407
Office rental	1,723	855
Guarantee fee paid/payable	-	82,026
Interest expense paid/payable	-	1,909

All transactions were made on normal commercial terms and conditions and at market rates.

Note 24. Related party transactions continued

(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:

	2021 $'000	2020 $'000
Current receivables		
Hutchison Telecommunications (Australia) Limited (joint parent entity until 26 June 2020)	147	920
Other related parties	200	489
	347	**1,409**
Current payables		
Other related parties	5,045	23,755
	5,045	**23,755**

(f) Derivative transactions with related parties

	2021 $'000	2020 $'000
Swaps entered with related entities of CK Hutchison Holdings Limited		
Net interest revenue	-	10,089
Swaps entered with related entities of Vodafone Group Plc		
Net interest revenue	-	10,097

Note 25. Share-based payments

Share-based compensation benefits are provided to executives and eligible employees via the short-term incentive (STI) and long-term incentive (LTI) schemes.

The fair value of shares granted to employees for nil consideration is recognised as an expense over the relevant service period, being the year to which the STI and LTI relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on non-market vesting conditions (i.e. achievement of performance conditions that are based on the Group's operations and total share return for LTI). The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture.

The Group has in place Deferred Share Rights and Performance Rights plans as detailed in the Remuneration Report in the 2021 Annual Report.

Shares required to meet the Deferred Share Rights and Performance Rights obligation will be acquired by an employee share trust on market and are held as treasury shares until such time as they become vested. No shares were acquired on market during the period while the trust was being established, however, shares will be acquired in the next period.

Note 25. Share-based payments continued

Performance Rights - LTI

Under the LTI scheme, the CEO and executives are granted a LTI amount in the form of rights to shares of the Company. The rights are granted in the first year, and subject to the achievement of the LTI scheme performance conditions, will vest after three years from the grant date. They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executives do not receive any dividends and are not entitled to vote in relation to the Performance Rights during the vesting period. If any executive ceases to be employed by the Group within this period, the rights will be forfeited, except in special circumstances (including redundancy, retirement, death or total and permanent disability or as otherwise agreed by the Board).

The number of rights granted or outstanding during the year ended 31 December 2021 are set out below.

	31 DECEMBER 2021 NUMBER OF RIGHTS	31 DECEMBER 2020 NUMBER OF RIGHTS
At 1 January	-	-
Granted during the year – LTI 2021-2023	1,270,701	-
Granted during the year – STI 2020	54,709	-
Vested during the year	-	-
Forfeited during the year – LTI 2021-2023	(110,294)	-
At 31 December	**1,215,116**	**-**

All awards granted during the year have a $0 exercise price

The number of rights to be granted is determined based on the value of the LTI amount or the achieved STI divided by the weighted average price at which the Company's shares are traded over the five days following announcement of the annual results.

GRANT DATE	PLAN	EXPIRY DATE	HURDLE	FAIR VALUE PER PERFORMANCE SHARE RIGHT AT GRANT DATE	SHARE PRICE	VESTING DATE
6-May-21	LTI 2021-2023	31-Mar-25	OFCF	$4.80	$5.24	31-Mar-24
6-May-21	LTI 2021-2023	31-Mar-25	TSR	$1.26	$5.24	31-Mar-24
24-Sep-21	LTI 2021-2023	31-Mar-25	OFCF	$6.54	$6.91	31-Mar-24
24-Sep-21	LTI 2021-2023	31-Mar-25	TSR	$2.73	$6.91	31-Mar-24

Weighted average remaining contractual life of all performance share rights outstanding at end of period is 2.25 years.

At 31 December 2021, an estimate of how many rights is likely to vest based on the continuous employment and financial performance conditions has been updated. Grant dates were also revised in this update. The fair value of the number of rights expected to vest has been expensed in proportion to how far through the vesting period the rights are at that date. The amount expensed in the year was $2,817,000 (31 December 2020: nil).

Note 25. Share-based payments continued

The accounting valuation represents the independent valuation of each tranche of Performance Share Rights at their respective grant dates. The valuations have been performed using Total Shareholder Return ('TSR') and Operating Free Cash Flow ('OFCF'). Performance Share Rights with a market vesting condition (for example, TSR) incorporates the likelihood that the vesting condition will be met. The accounting valuation of Performance Share Rights with a non-market vesting condition (for example, OFCF) does not take into account the likelihood that the vesting condition will be met.

TSR hurdle – The Monte-Carlo model which incorporates the impact of performance hurdles and the vesting scale on the value of the PSRs was used. This pricing model takes into account factors such as the Company's share price at the date of grant, volatility of the underlying shares, the risk-free rate of return, expected dividend yield and the likelihood that vesting conditions will be met. The accounting valuation of rights issued is allocated equally over the vesting period.

Operating FCF hurdle – The Black-Scholes model was used to determine the fair value of PSRs. This pricing model takes into account factors such as the Company's share price at the date of grant, the risk-free rate of return, expected dividend yield and time to maturity. The accounting valuation of rights issued is allocated over the vesting period so as to take into account the expected level of vesting over the performance period.

The model inputs for performance share rights granted during the year ended 31 December 2021 included:

GRANT DATE	6-MAY-21	24-SEP-21
Share price as at Grant Date	$5.24	$6.91
Share price at Performance Start Date (30-day VWAP)	$7.49	$7.49
Risk-free rate	0.23%	0.10%
Dividend yield	3.33%	2.43%
Effective life	2.65	2.27
Exercise price	Nil	Nil
TPG volatility	30%	30%

The expected price volatility is based on the historic volatility (based on the remaining life of the performance share rights), adjusted for any expected changes to future volatility due to publicly available information.

Deferred Share Rights – STI

A 2021 STI scheme has been established for executives and eligible employees. Under the newly established STI scheme, executives and eligible employees receive 60% of the annual STI achieved in cash, and 40% in the form of rights to shares of the Company. To date, allocation of Deferred Share Rights has only occurred for the CEO in relation to the 2020 performance year as approved by the shareholders at the AGM on 6 May 2021. The rights are granted in the following year, with 50% of the Deferred Share Rights vesting after one year from the grant date, and the remaining 50% of the Deferred Share Rights vesting after two years from the grant date. They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executives and eligible employees do not receive any dividends and are not entitled to vote in relation to the Deferred Share Rights during the vesting period. If any executive or eligible employee ceases to be employed by the Group within this period, the rights will be forfeited, except in special circumstances (including redundancy, retirement, death or total and permanent disability or as otherwise agreed by the Board).

Notes to the Consolidated Financial Statements continued

Note 25. Share-based payments continued

The fair value of the Deferred Share Rights at grant date for the 2021 STI plan was estimated at $5.43 by taking the market price of the company's shares less the present value of expected dividends that will not be received by the executives on their rights during the vesting period. The fair value of the Deferred Share Rights at grant date for the 2020 STI plan was $4.80.

GRANT DATE	PLAN	VESTING DATE	EXPIRY DATE	FAIR VALUE PER SHARE RIGHT AT GRANT DATE	NUMBER OF SHARE RIGHTS AT GRANT DATE
6-May-21	STI 2020	31-Mar-22	31-Mar-23	$4.80	27,355
6-May-21	STI 2020	31-Mar-23	31-Mar-24	$4.80	27,354

Weighted average remaining contractual life of all performance share rights outstanding at end of period is 0.75 years.

The fair value of the Deferred Share Rights at grant date was estimated as in the above table by taking the market price of the company's shares on that date less the present value of expected dividends that will not be received by the executives on their rights during the two-year vesting period.

Note 26. Commitments

(a) Capital commitments

Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as liabilities:

	2021 $m	2020 $m
Not later than 1 year	313	346
Later than 1 year and not later than 5 years	6	20
Later than 5 years	4	-
	323	**366**

(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:

	2021 $m	2020 $m
Not later than 1 year	121	108
Later than 1 year and not later than 5 years	63	96
Later than 5 years	34	72
	218	**276**

Note 27. 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 2021 has been prepared on the basis that the transactions and balances of the Group are all recorded in the Parent Entity of the Group, being TPG Telecom Limited.

TPG Telecom Limited and its wholly-owned subsidiary Australian controlled entities have implemented the tax consolidation legislation.

The head entity, TPG Telecom Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, TPG Telecom Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate TPG Telecom Limited for any current tax payable assumed and are compensated by TPG Telecom Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to TPG Telecom Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

(a) Summary financial information

	2021 $m	2020 $m
Financial position		
Assets		
Current assets	2,178	3,301
Non-current assets	16,465	17,253
Total assets	18,643	20,554
Current liabilities	1,416	2,798
Non-current liabilities	4,542	5,348
Total liabilities	5,958	8,146
Net assets	**12,685**	**12,408**
Equity		
Contributed equity	18,399	18,399
Cash flow hedge reserve	3	2
Pre-merger accumulated losses	(7,389)	(7,389)
Post-merger retained earnings	1,672	1,396
Total equity	**12,685**	**12,408**
Financial performance		
Profit for the year	564	1,187
Total comprehensive profit for the year	**565**	**1,183**

Notes to the Consolidated Financial Statements continued

Note 27. Parent entity financial information continued

(b) Guarantees entered into by the parent entity

	2021 $m	2020 $m
Unsecured	10	6
	10	**6**

(c) Capital commitments

Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as liabilities:

	2021 $m	2020 $m
Not later than 1 year	313	272
Later than 1 year and not later than 5 years	6	20
Later than 5 years	4	-
	323	**292**

(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:

	2021 $m	2020 $m
Not later than 1 year	121	103
Later than 1 year and not later than 5 years	63	88
Later than 5 years	34	67
	218	**258**

Note 28. 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.

	2021 $m	2020 $m
Revenue from contracts with customers	5,274	4,322
Other income	45	15
Cost of provision of telecommunication services	(1,963)	(1,351)
Cost of handsets and hardware sold	(891)	(881)
Employee benefits expense	(360)	(299)
Other operating expenses	(370)	(402)
Earnings before interest, tax, depreciation and amortisation	**1,735**	**1,404**
Depreciation and amortisation expense	(1,417)	(1,183)
Results from operating activities	**318**	**221**
Finance income	1	3
Finance expenses	(150)	(292)
Net financing costs	(149)	(289)
Profit/(loss) before income tax	169	(68)
Income tax (expense)/benefit	(49)	821
Profit for the year	**120**	**753**
Items that may subsequently be reclassified to the income statement, net of tax:		
Foreign exchange translation differences	-	-
Net gain on cash flow hedges taken to equity	1	3
Items that will not subsequently be reclassified to the income statement, net of tax:		
Net change in fair value of assets measured through other comprehensive income	-	-
Other comprehensive income for the year, net of tax	**1**	**3**
Total comprehensive income for the year	**121**	**756**

Notes to the Consolidated Financial Statements continued

Note 28. Deed of cross guarantee continued

Set out below is the consolidated statement of financial position for the deed of cross guarantee.

	2021 $m	2020 $m
ASSETS		
Current assets		
Cash and cash equivalents	200	117
Trade and other receivables	461	614
Inventories	95	51
Derivative financial instruments	-	-
Prepayments	58	74
Total current assets	**814**	**856**
Non-current assets		
Trade and other receivables	203	109
Property, plant and equipment	3,311	3,195
Right-of-use assets	1,294	1,012
Intangible assets	13,075	13,359
Deferred tax assets	262	264
Prepayments	27	28
Total non-current assets	**18,172**	**17,967**
Total assets	**18,986**	**18,823**
LIABILITIES		
Current liabilities		
Trade and other payables	909	924
Contract liabilities	281	271
Borrowings	-	-
Lease liabilities	61	92
Provisions	108	82
Derivative financial instruments	-	1
Other current liabilities	99	80
Total current liabilities	**1,458**	**1,450**
Non-current liabilities		
Contract liabilities	17	25
Borrowings	4,290	4,330
Lease liabilities	1,359	1,051
Provisions	62	64
Other non-current liabilities	73	6
Total non-current liabilities	**5,801**	**5,476**
Total liabilities	**7,259**	**6,926**
Net assets	**11,727**	**11,897**
EQUITY		
Contributed equity	18,399	18,399
Reserves	5	2
Accumulated losses	(6,677)	(6,504)
Total equity	**11,727**	**11,897**

Notes to the Consolidated Financial Statements continued

Note 29. 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 $1.0 million to the profit or loss, a similar decrease in interest rates will generate a $1.0 million loss to the profit or loss.

The Group's borrowings include bank borrowings and leases. The borrowings expose the Group to interest rate risk. As at 31 December 2021, approximately 25% (2020: 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 2021, 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 $21.5 million (2020: $21.7 million).

As at the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2021			2020		
	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	1.43	4,290	100	2.08	4,330	100
Net exposure to interest rate risk	-	4,290	100	-	4,330	100

Note 29. 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), Philippine Peso (PHP), South African Rand (ZAR), 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]	
	2021 $m	2020 $m	2021 $m	2020 $m
USD impact				
10%	1	(1)	(2)	(2)
(10%)	(1)	1	3	3
INR impacts				
10%	-	-	(2)	(2)
(10%)	-	-	3	3
PHP impacts				
10%	-	-	(1)	-
(10%)	-	-	1	-

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:

	2021 $m	2020 $m
Profit or loss		
Net loss on foreign currency derivatives	-	(97)
Exchange gain on foreign currency borrowings	-	97
Other foreign exchange (loss)/gain	(1)	1
	(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.

Notes to the Consolidated Financial Statements continued

Note 29. Financial risk management continued

(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 2021							
Expected loss rate	%	5.8	9.0	23.0	37.9	79.3	
Gross trade receivables	$m	151	38	6	2	7	204
Loss allowance	$m	9	3	1	1	6	20
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

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 29. 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 2021							
Trade and other payables	1,118	-	-	-	-	1,118	1,118
Borrowings	34	39	75	4,383	-	4,531	4,290
Lease liabilities	87	83	162	427	1,280	2,039	1,420
	1,239	**122**	**237**	**4,810**	**1,280**	**7,688**	**6,828**
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

(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 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
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.

Note 29. Financial risk management continued

(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 2021 and 31 December 2020 on a recurring basis:

	LEVEL 1 $m	LEVEL 2 $m	LEVEL 3 $m	TOTAL $m
At 31 December 2021				
Financial assets				
Handset and accessories receivables	-	-	130	130
Financial liabilities				
Forward foreign exchange contracts	-	-	-	-
At 31 December 2020				
Financial assets				
Handset and accessories receivables	-	-	153	153
Financial liabilities				
Forward foreign exchange contracts	-	1	-	1

Note 29. 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 2021 (2020: 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:

	2021 $m	2020 $m
Cash and cash equivalents	202	120
Borrowings (current)	-	–
Borrowings (non-current)	(4,290)	(4,330)
Lease liabilities (current)	(61)	(92)
Lease liabilities (non-current)	(1,359)	(1,051)
Derivative financial instruments	-	(1)
Net debt	**(5,508)**	**(5,354)**
Total equity	**11,718**	**11,892**
Net debt to equity ratio at 31 December	**0.47**	**0.45**

Notes to the Consolidated Financial Statements continued

Note 30. 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.

	2021 $’000	2020 $’000
Audit and other assurance services		
Audit and review of financial statements*	2,138	2,228
Other statutory assurance services	17	25
Other assurance services	56	128
	2,211	**2,381**

*The comparative has been updated for additional prior period audit fee expensed during the current period.

Note 31. Events occurring after the reporting period

Other than the below mentioned matters, there have 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.

COVID Pandemic

Since the reporting date, the COVID pandemic continues to persist and containment policies by the Australian Government and governments around the world remain in force to prevent the spread of COVID. 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 pandemic, it is reasonably likely that the pandemic will continue to have an impact on the Group’s operations and results in future periods.

Tower sale

The strategic review of the Towers portfolio announced on 20 August 2021 is nearing completion as TPG continues to assess market conditions, potential bidder appetite and the relative strategic benefits of retaining or divesting the assets. While the benefits of retaining and divesting are still being assessed, TPG anticipates any potential sale process from the strategic review would occur and complete during FY22.

Notes to the Consolidated Financial Statements continued

Note 31. Events occurring after the reporting period continued

Announcement of regional MOCN agreement with Telstra

On 21 February 2022 TPG announced a regional Multi-Operator Core Network (MOCN) agreement with Telstra (ASX: TLS) which will provide TPG Telecom group's subscribers with 4G and 5G coverage for data, calls and messaging from over 3,700 Telstra sites in regional and rural Australia.

The network sharing agreement will significantly expand TPG Telecom's mobile network footprint through an increase in regional sites.

Under the terms of the arrangements:

- TPG Telecom will have access to over 3,700 Telstra 4G and 5G mobile sites in regional Australia, with customer traffic to continue to be managed through TPG Telecom's core network.
- TPG Telecom will provide Telstra with access to some of its existing 4G and 5G spectrum to use in the regional network.

The MOCN is expected to be available to TPG customers by the end of the year.

TPG Telecom will continue to operate its own 3G, 4G and 5G networks to cover metropolitan areas. After the regional MOCN is operational, TPG Telecom will decommission its remaining regional mobile sites, reducing environmental impact, energy consumption, operating costs and future capex. The decommissioning is expected to take up to two years to complete from operational implementation.

Subject to finalisation of the ACCC approval, TPG Telecom will recognise one-off, non-cash accounting impacts in its 2022 financial results arising from the decommissioning of sites as follows: the recognition of onerous lease related charges of up to $150 million, and a write-down to the value of network infrastructure assets of up to $75 million. In addition, site decommissioning costs are expected to be up to $50 million.

Dividends declared

The Board of directors have declared a fully franked final FY21 dividend of 8.5 cents per share on 24 February 2022. As the final dividend was not declared or resolved to be paid by the Board of directors as at 31 December 2021, the dividend has not been provided for in the Consolidated Statement of Financial Position. The dividend has a record date of 16 March 2022 and will be paid on 13 April 2022. 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 $68 million (2020: nil).

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 2021 and of its performance for the financial year ended on that date, and

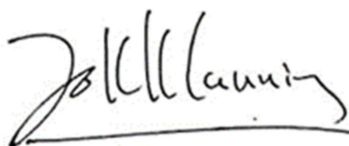
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(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 28.

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.



Fok Kin Ning, Canning
Chairman

24 February 2022

Iñaki Berroeta
Chief Executive Officer and Managing Director

24 February 2022

Independent Auditor's Report

Independent auditor's report

To the members of TPG Telecom Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of TPG Telecom 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 2021 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 2021
- 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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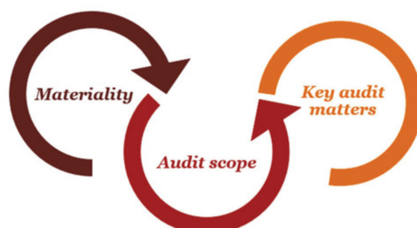
Independent Auditor's Report continued

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 $43m, 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 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) $5,293m*	

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:
	• testing 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
	
	We assessed the adequacy of the Group's disclosures of revenue from contracts with customers in accordance with Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill and indefinite life intangible assets *(Refer to note 16) $8,939m* The Group recognises assets for goodwill and indefinite life intangible assets (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 assess the carrying value of goodwill and indefinite lived intangible assets annually for impairment, irrespective of whether there are indicators of impairment. 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, terminal growth rate, and discount rates. The Group, in accordance with accounting standards, has prepared a value-in-use model (VIU) for impairment purposes. Given the sensitivity of the VIU model to reasonable possible changes in key assumptions, there is a risk that there could be material impairment to goodwill and indefinite life intangible assets. The carrying value of goodwill and other indefinite life intangible assets was a key audit matter given their financial significance to the consolidated statement of financial position and the judgement applied by the Group in completing and concluding on the impairment assessment.	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 VIU model) • evaluated the Group's methodologies and their documented basis for significant 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 assessing the Group's 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 significant assumptions used in the VIU model to historical results, economic and industry forecasts

Key audit matter	How our audit addressed the key audit matter

	• compared the forecast cash flows used in the VIU model to the most up-to-date budgets and 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 the 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 PwC valuation experts
	• with the assistance of PwC 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 significant assumptions that would cause an impairment
	• compared market capitalisation of the Group to the Group's net assets
	
	Assessed the reasonableness of the Group's disclosures of impairment of goodwill and indefinite life intangible assets in accordance with Australian Accounting Standards.

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 2021, but does not include the financial report and our auditor's report thereon.

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.

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 32 to 70 of the directors' report for the year ended 31 December 2021.

In our opinion, the remuneration report of TPG Telecom Limited for the year ended 31 December 2021 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
24 February 2022

ASX Additional Information
for the year ended 31 December 2021

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 8 February 2022. As at that date, there were 1,859,341,669 ordinary shares held by 23,343 shareholders.

Substantial shareholders

The number of shares in which the substantial shareholders and their associates have disclosed a Relevant Interest pursuant to the Corporations Act 2001 Section 671B are listed below.

NAME OF SHAREHOLDER	NUMBER OF ORDINARY SHARES IN WHICH A RELEVANT INTEREST IS 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	264,121,325	14.21%
Washington H Soul Pattinson and Company Limited	234,396,121	12.61%
Brickworks Limited[3]	234,396,121	12.61%

* Relevant Interest as defined in the Corporations Act 2001 Sections 608 and 609, and provided in the above-referenced notices.

1. Substantial holding for each of these substantial holders includes 13.70% from a deemed relevant interest in shares of David Teoh and Vicky Teoh and their associates which are 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 8 February 2022 is set out below:

NUMBER OF SHARES HELD	NUMBER OF HOLDERS	UNITS	% UNITS
1 - 1,000	12,632	5,105,499	0.27
1,001 - 5,000	7,741	18,905,879	1.02
5,001 - 10,000	1,570	11,498,466	0.62
10,001 - 100,000	1,281	30,988,687	1.67
100,001 Over	119	1,792,843,138	96.42
	23,343	**1,859,341,669**	**100.00**

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,519.

Unquoted equity securities

As at 8 February 2022, the number of unquoted equity securities is:

Performance Rights	1,160,407	13 holders
Deferred Share Rights	54,709	1 holder

ASX additional information continued

Twenty largest shareholders (as at 8 February 2022)

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	207,596,121	11.17
HUTCHISON 3G AUSTRALIA HOLDINGS PTY LIMITED	207,092,576	11.14
VODAFONE OCEANIA LIMITED	207,092,576	11.14
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	132,615,978	7.13
TSH HOLDINGS PTY LTD	110,778,498	5.96
VICTORIA HOLDINGS PTY LTD	109,154,913	5.87
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	71,769,789	3.86
CITICORP NOMINEES PTY LIMITED	57,366,756	3.09
NATIONAL NOMINEES LIMITED	27,079,950	1.46
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	18,124,761	0.97
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
BNP PARIBAS NOMS PTY LTD <DRP>	9,246,110	0.50
J S MILLNER HOLDINGS PTY LIMITED	7,120,199	0.38
TSH HOLDINGS NO 1 PTY LTD	6,312,559	0.34
TSH HOLDINGS NO 2 PTY LTD	6,312,559	0.34
FARJOY PTY LTD	6,254,236	0.34
BKI INVESTMENT COMPANY LIMITED	5,511,066	0.30
	1,738,336,467	**93.29**

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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Telephone: 133121

Email: investor.relations@tpgtelecom.com.au

Website: www.tpgtelecom.com.au

Share Registry

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Telephone:
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www.investorcentre.com/au

A large font version of this annual report will be published on TPG Telecom's website and made available to shareholders on request