Financial Report

For the year ended 31 December 2017

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These financial statements cover the consolidated financial statements for the group consisting of Hutchison Telecommunications (Australia) Limited and its controlled entities. The financial statements are presented in Australian dollars.

Hutchison Telecommunications (Australia) Limited 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

The financial statements were authorised for issue by the Directors on 26 February 2018. The Company has the power to amend and reissue the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Revenue	2	6,164	5,807
Other operating items		(1,222)	(1,246)
Share of net losses of a joint venture accounted for using the equity method	6	(42,499)	(68,014)
Loss before income tax		(37,557)	(63,453)
Income tax expense	3	–	–
Loss for the year	11	(37,557)	(63,453)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Changes in the fair value of cash flow hedges (share of joint venture)		(207)	413
Other comprehensive income (loss) for the year, net of tax	11	(207)	413
Total comprehensive loss for the year attributable to members of Hutchison Telecommunications (Australia) Limited		(37,764)	(63,040)

	Notes	Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	20	(0.28)	(0.47)
Diluted earnings per share	20	(0.28)	(0.47)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	8,884	4,469
Loans and receivables	5	145,558	48,906
Other receivables		9	6
Total Current Assets		154,451	53,381
Non-current Assets			
Loans and receivables	5	91,000	–
Investment accounted for using the equity method	6	167,008	209,714
Total Non-current Assets		258,008	209,714
Total Assets		412,459	263,095
LIABILITIES			
Current Liabilities			
Payables	8	242	277
Other financial liabilities	9	324,025	136,862
Total Current Liabilities		324,267	137,139
Total Liabilities		324,267	137,139
Net Assets		88,192	125,956
EQUITY			
Contributed equity	10	4,204,488	4,204,488
Reserves	11	70,650	70,857
Accumulated losses	11	(4,186,946)	(4,149,389)
Total Equity		88,192	125,956

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 2017

		Attributable to members of Hutchison Telecommunications (Australia) Limited					
	Notes	Contributed equity $'000	Capital Redemption Reserve $'000	Cash flow Hedging Reserve $'000	Share-based Payments Reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2016		4,204,488	54,887	(323)	15,880	(4,085,936)	188,996
Loss for the year		–	–	–	–	(63,453)	(63,453)
Share of joint venture's changes in the fair value of cash flow hedges		–	–	413	–	–	413
Total comprehensive loss for the year	11	–	–	413	–	(63,453)	(63,040)
Balance at 31 December 2016		4,204,488	54,887	90	15,880	(4,149,389)	125,956
Balance at 1 January 2017		4,204,488	54,887	90	15,880	(4,149,389)	125,956
Loss for the year		–	–	–	–	(37,557)	(37,557)
Share of joint venture's changes in the fair value of cash flow hedges		–	–	(207)	–	–	(207)
Total comprehensive income (loss) for the year	11	–	–	(207)	–	(37,557)	(37,764)
Balance at 31 December 2017		4,204,488	54,887	(117)	15,880	(4,186,946)	88,192

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 2017

	Notes	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Payments to suppliers and employees (inclusive of GST)		(1,258)	(1,226)
Interest received		5,673	5,377
Net cash inflows from operating activities	19	4,415	4,151
Cash Flows from Investing Activities			
Repayment of loans from joint venture		12,837	100,000
Net cash inflows from investing activities		12,837	100,000
Cash Flows from Financing Activities			
Repayment of borrowings – entity within the CKHH Group		(12,837)	(105,000)
Net cash outflows from financing activities		(12,837)	(105,000)
Net increase (decrease) in cash and cash equivalents		4,415	(849)
Cash and cash equivalents at 1 January		4,469	5,318
Cash and cash equivalents at 31 December	4	8,884	4,469

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

Notes to the Financial Statements

for the Financial Year Ended 31 December 2017

Note 1 Summary of Significant Accounting Policies

Hutchison Telecommunications (Australia) Limited (the "Company" or "Parent Entity") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company and its subsidiaries (the "Group" or "Consolidated Entity" or "HTAL") are described in the Directors' Report. The financial statements were authorised and issued by the board on the 26th of February 2018.

Vodafone Hutchison Australia Pty Limited or "VHA" is a joint venture in which HTAL has a 50% shareholding.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, and comply with other requirements of the law. The accounting policies adopted are consistent with those of the previous financial year.

For financial reporting purposes the Company is considered a "for-profit" entity.

Statement of compliance

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards ("IFRS").

As a consequence of the financial reporting relief provided by ASIC Class Order 10/654, 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 23.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Principles of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(ii) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has under the relevant contract. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method, after initially being recognised at cost in the consolidated balance sheet.

The results and net assets of joint ventures are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under AASB 5, *Non-current assets held for sale and discontinued operations*. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

(iii) Equity method

Under the equity method of accounting, the 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 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 and estimates of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Consolidated Entity'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 Hutchison Telecommunications (Australia) Limited's functional and presentation currency.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised as described below:

Interest income

Interest income is recognised using the effective interest method.

(e) Income tax

The current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Consolidated Entity's liability for current tax is calculated using Australian tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 1 Summary of Significant Accounting Policies continued

(e) Income tax continued

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 assets are recognised for deductible temporary difference and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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 statement of financial position 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 statement of financial position 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.

Tax is charged or credited to the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is also recognised directly in equity.

Hutchison Telecommunications (Australia) Limited and its wholly owned Australian subsidiaries have not implemented the tax consolidation legislation.

(f) Impairment of assets

The investment in the joint venture is tested for impairment annually and when there is an indication that it may be impaired. Other assets are tested for impairment whenever there is any indication that the carrying value of these assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Such impairment loss is recognised in the statement of profit or loss and other comprehensive income.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(h) Other receivables

Other receivables are initially recognised at amortised cost, less any provision for impairment.

(i) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate 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 fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Entity designates certain derivatives as; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Consolidated Entity documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss and other comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income within other income or other expenses.

Amounts accumulated in equity are recycled in the statement of profit or loss and other comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss and other comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss and other comprehensive income.

Note 1 Summary of Significant Accounting Policies continued

(j) Going concern

As at 31 December 2017, the Consolidated Entity has a deficiency of net current assets of $170 million (2016: net current assets deficiency of $84 million). Included in the Consolidated Entity's current liabilities is an amount of $324 million (2016: $137 million) which relates to an interest free financing facility provided from a subsidiary of the ultimate parent entity, CK Hutchison Holdings Limited ("CKHH"), which is repayable on demand. The Consolidated Entity has unused financing facilities of $1,276 million at 31 December 2017. CKHH has confirmed its current intention is to provide sufficient financial support to enable the Consolidated Entity to meet its financial obligations as and when they fall due for a minimum period of twelve months from the date of signing these financial statements. Consequently, the Directors have prepared the financial statements on a going concern basis.

(k) Goodwill

Goodwill is initially measured as the excess of 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) over the fair value of the net 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 statement of profit or loss and other comprehensive income as a bargain purchase gain.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates/joint ventures is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if, events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(l) Payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid or payable within 30 days of recognition.

(m) Employee benefits

(i) Wages and salaries, and leave provisions

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

(ii) Retirement benefits

Retirement benefits are delivered under the Retail Employees Superannuation Trust, although employees have an option to choose other funds. This fund is a defined contribution fund and is based on employer and employee contributions made to the fund.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(n) Contributed equity

Ordinary shares are classified as equity. Refer to note 10 for further information.

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.

(o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to ordinary equity holders of the Consolidated Entity; and
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 1 Summary of Significant Accounting Policies continued

(p) 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 the 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 within other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(q) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision maker. Operating segments that meet the quantitative criteria as prescribed by AASB 8 *Operating Segments* are reported separately. Refer to note 18 for details of the Consolidated Entity's operating segment, being investment in telecommunication services.

(r) Critical accounting estimates and assumptions

The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

(i) Impairment of investments in controlled entities and joint venture

In accordance with the Consolidated Entity's accounting policy, the investments in controlled entities and the joint venture are periodically tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the Company's investment in controlled entities, and the recoverable amount of the Consolidated Entity's investment in its joint venture are determined as the higher of the fair value less cost of disposal or value in use methodology. The underlying calculation is based on the approved business plan for VHA. VHA uses a weighted average cost of capital ("WACC") methodology to compute its discount rate, with reference to external and internal data and risk assessment. VHA compares this WACC to external market data of a selection of peer companies, and is satisfied that the WACC for VHA is in the range that a market participant would apply. These calculations require the use of estimates and assumptions.

A discounted cash flow calculation is undertaken on the approved business plan. A discount cash flow calculation based on VHA four year financial plan extrapolated to five years was prepared. A terminal value is calculated on the cash flows. The cash flows are then discounted using a suitable discount rate consistent with recent internal assessments of the Consolidated Entity's weighted average cost of capital. The resulting net present value is compared to the balance of the Consolidated Entity's equity accounted for investment in a joint venture. HTAL's share of VHA value in use is in excess of the investment book value.

The Directors believe that the carrying values of the Consolidated Entity's investment in joint venture as at 31 December 2017 is appropriate and are not aware of any events or changes since the year end which may potentially impair the carrying values of the Consolidated Entity's investment in joint venture as at the statement of financial position date.

(ii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of taxable profits generated in the foreseeable future together with future tax planning strategies. As the Consolidated Entity continues to make losses no deferred tax assets have been recognized.

(iii) Joint venture accounting adjustments

Depreciation of operating assets constitutes a substantial operating cost for the joint venture. The cost of fixed assets is charged as a depreciation expense over the estimated useful lives of the respective assets using the straight-line method and this is reflected in the "share of net losses of a joint venture accounted for using the equity method" in HTAL's consolidated statement of profit or loss and other comprehensive income. The Directors are of the view that the estimated useful lives of network assets within the joint venture should be extended to reflect the experience of the Group. Accordingly, adjustments to the useful lives of assets have been made when the Group's 50% interest in the joint venture VHA is incorporated into the Group's consolidated financial statements. This is to reflect the use of the Group's fixed assets useful lives.

(s) Rounding of amounts to nearest thousand dollars

The Consolidated Entity is of a kind referred to *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar or cent.

Note 1 Summary of Significant Accounting Policies continued

(t) Parent entity financial information

The financial information for the parent entity disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries and joint venture entities are accounted for at cost in the financial statements of HTAL.

(u) New accounting standards and interpretations

Accounting standards issued and mandatorily effective in the current year

The Consolidated Entity has adopted all of the new and revised effective/applicable standards, amendments and interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to the Consolidated Entity's operations and mandatory for annual periods beginning on or after 1 January 2017. These are:

- AASB 2016–1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses;
- AASB 2016–2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107; and
- AASB 2017–2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014–2016 Cycle.

The adoption of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Consolidated Entity's financial statements.

Accounting standards issued and effective from 1 January 2018 which will impact the joint venture:

AASB 9 – Financial Instruments, effective for the Group from 1 January 2018. This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Management has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The majority of the Group's receivables are currently classified as loans and receivables and measured at amortised cost. The Group does not expect the new guidance under AASB 9 to result in any significant change on the classification and measurement of its financial assets as these financial assets meet the conditions for classification at amortised cost under AASB 9. Hence there will be no change to the accounting for these assets.

There will be no impact on the Group's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost. Management has performed an assessment of the impact of AASB 9 on the measurement of expected credit losses on adoption. The Group assessed historic, current and forecast information to estimate an expected credit loss for each class of receivable. Based on this assessment, the impact is not expected to be material.

AASB 9 introduces changes to hedge effectiveness and eligibility requirements to align more closely with an entity's risk management framework. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group's current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9. Management therefore assessed there would be no material impact on hedged amounts reported with the adoption AASB 9.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

AASB 15 – Revenue from Contracts with Customers, is effective for the Group from 1 January 2018. AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard will replace AASB 118 which covers principles to record revenues from contracts for the sale of goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Under AASB 15, revenue is recognised at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify contracts with customers
2. Identify the separate performance obligations
3. Determine the transaction price of the contract
4. Allocate the transaction price to each of the performance obligations; and
5. Recognise revenue as each performance obligation is satisfied.

The adoption of the new standard has the following impact on the Group's financial statements:

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 1 Summary of Significant Accounting Policies continued

(u) New accounting standards and interpretations continued

The investment accounted for using the equity method will be impacted by $2.1 million being 50% of the joint venture values. The impact is a reduction in the investment in joint venture of $2.1 million and an increase in the accumulated losses. AASB 15 impacts on the joint venture VHA are as follows:

- Accounting for Handset Receivables – AASB 15 requires that the total consideration received must be allocated to hardware and service components based on relative stand-alone selling prices rather than based on revenue measurement principles from previous guidance. This will result in higher amounts being allocated to the handset, of which revenue is recognised when the goods have been dispatched to the customer, instead of service revenue which is recognised monthly over the contract term. Hence, an estimated increase of $18.0 million in Trade and Other Receivables as of 1 January 2018 and a corresponding decrease in accumulated losses will be recognised.
- Accounting for contract costs – in 2017, the Group expensed subscriber acquisition costs related to commissions paid to dealers when a customer renewed their contract. These costs to retain a contract are required under AASB 15 to be initially recognised as an asset and expensed over the life of a customer contract consistent with the transfer of the goods or services to which the capitalised costs relate to the customer. The Group was not required to allocate commissions between the handset and service component per previous guidance. However, with the adoption of AASB 15, capitalised commission related to the handset component would be expensed. In total, this will result in an estimated decrease of $8.9 million in contract costs as of 1 January 2018 and a corresponding increase in accumulated losses.
- Accounting for Contract Liabilities – For certain customer contracts higher amounts will be allocated to the service component under AASB 15 based on relative stand-alone selling prices and result in delayed recognition of a portion of the revenue. The Group estimates that Contract Liabilities will increase by approximately $13.3 million, with a corresponding increase in accumulated losses on 1 January 2018.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Accounting standards issued but not yet effective

AASB 16 – Leases, is effective for HTAL from 1 January 2019 with early adoption permitted alongside the new revenue standard. The investment accounted for using the equity method will be impacted by 50% of the impact on the joint venture VHA.

The new standard will require the majority of operating leases to be accounted for on the balance sheet as the distinction between an operating and finance lease is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

As the joint venture has a large number of operating leases it is expected that the new standard will have a significant impact on the financial statements of the joint venture, for example, operating expenses will reduce as rental expenses are removed and replaced with interest expense and depreciation. This will impact key metrics such as EBITDA for VHA.

The standard will affect primarily the accounting for the joint venture's operating leases. As at the reporting date, the joint venture's non-cancellable operating lease commitments is $1,553.7 million, see note 6. The joint venture's estimates that an insignificant portion of these commitments relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

The joint venture has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the joint venture's profit or loss and classification of cash flows going forward.

HTAL does not intend to adopt the standard before its effective date. HTAL and the joint venture intend to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

Note 2 Revenue

	2017 $'000	2016 $'000
Other revenue		
Interest	6,164	5,807

Note 3 Income tax

	2017 $'000	2016 $'000
(a) Income tax expense		
Deferred tax	–	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from operations before income tax expense	(37,557)	(63,453)
Tax at the Australian tax rate of 30% (2016: 30%)	(11,267)	(19,036)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of losses of a joint venture	12,750	20,404
	1,483	1,368
Deferred tax on temporary difference not recognised	(11)	2
Previously unrecognised tax losses now recouped to reduce current tax expense	(1,472)	(1,370)
Income tax expense	–	–
(c) Unrecognised tax losses		
Opening balance	179,229	183,797
Tax losses utilised during completion of income tax return	–	–
Tax losses recouped to reduce current tax expense	(4,907)	(4,568)
Unused tax losses for which no deferred tax assets have been recognised	174,322	179,229
Potential tax benefit @ 30%	52,297	53,769

All unused tax losses were incurred by Australian entities.

This benefit for tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and 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.

(d) Recognised deferred tax assets

There are no recognised deferred tax assets at 31 December 2017 and 31 December 2016.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 4 Current assets – Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	8,884	4,469

Note 5 Loans and receivables

	2017 $'000	2016 $'000
Total current	145,558	48,906
Total non-current	91,000	–
Receivable from a joint venture (note 16)	236,558	48,906

Receivable from a joint venture

Weighted average interest on the loans and receivables from a joint venture of $236.6 million is charged at a rate of 4.10% p.a. during the year. The working capital facility is unsecured.

At 31 December 2016, the receivable from a joint venture of $48.9 million included the working capital facility of $36.1 million and the shareholders loan of $12.8 million. During 2017, the shareholders loan was repaid and terminated. Weighted average interest on the working capital facility was charged at 4.44% p.a. and the shareholders loan was charged at a fixed rate of 8% p.a. in 2016.

Further information relating to receivable from a joint venture is set out in note 16.

(a) Fair value

The carrying values of the current and non-current receivables are at cost and approximate to their fair value.

(b) Foreign currency and interest rate risk

The carrying amounts of the Consolidated Entity's current and non-current receivables and financial assets are denominated in the following currencies:

	2017 $'000	2016 $'000
Australian dollars	236,558	48,906
	236,558	48,906

For an analysis of the sensitivity of other financial assets to interest rate risk refer to note 21.

(c) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The receivable is current with no indication of impairment. The Consolidated Entity does not hold any collateral as security. Refer to note 21 for more information on the risk management policy of the Consolidated Entity.

Note 6 Non-current assets – Investment accounted for using the equity method

	2017 $'000	2016 $'000
Interest in a joint venture	167,008	209,714

As at 31 December 2017 and 31 December 2016, HTAL has only one joint venture, Vodafone Hutchison Australia Pty Limited. The Consolidated Entity has a 50% interest in VHA, which is resident in Australia and the principal activity of which is providing telecommunications services.

The Consolidated Entity's interest in VHA is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its Australian Accounting Standards financial statements and a reconciliation to the carrying amount of the investment in the consolidated financial statements are set out below:

	2017 $'000	2016 $'000
Current assets	1,124,321	2,129,475
Non-current assets	7,391,341	5,883,456
Current liabilities	(1,777,061)	(6,460,885)
Non-current liabilities	(7,531,448)	(2,166,636)
Net Assets / (Liabilities)	(792,847)	(614,590)
Proportion of the Consolidated Entity's ownership	50%	50%
Share of the joint venture's net assets	(396,424)	(307,295)
Goodwill	165,321	165,321
Joint venture accounting adjustments	398,111	351,688
Carrying amount of the investment	167,008	209,714

The carrying value of HTAL's investment in VHA is predicated on the ongoing financial support from both of VHA's shareholders. At 31 December 2017, HTAL's share of VHA's net current assets deficiency is $326.4 million (2016: net current assets deficiency of $2,165.7 million). The decrease is mainly driven by reclassification of VHA's Syndicated Bifurcated Facility from current liabilities to non-current liabilities as the facility was renewed in the 2017 financial year. Both of VHA's ultimate shareholders, CKHH and Vodafone Group Plc have confirmed their current intention to jointly provide financial support to enable VHA to meet its financial obligations as and when they fall due for a minimum period of twelve months from the date of signing the VHA financial statements.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 6 Non-current assets – Investment accounted for using the equity method continued

Summarised statement of profit or loss and other comprehensive income of VHA

	2017 $'000	2016 $'000
Revenues	3,457,931	3,345,174
Expenses	(3,635,775)	(3,586,936)
Loss before income tax	(177,844)	(241,762)
Income tax expense	–	–
Loss for the year	(177,844)	(241,762)
Other comprehensive loss		
Changes in the fair value of cash flow hedges, net of tax	(413)	826
Total comprehensive loss	(178,257)	(240,936)
50% share of VHA's loss for the year	(88,922)	(120,881)
Joint venture accounting adjustments	46,423	52,867
Share of joint venture's loss	(42,499)	(68,014)
VHA's financial statements include the following specific items:		
Cash and cash equivalents	356,210	271,129
Current financial liabilities	500,232	5,385,142
Non-current financial liabilities	7,423,075	2,050,058
Depreciation and amortisation^	797,107	793,464
Interest income	4,186	4,435
Finance costs	356,723	364,846

^ Depreciation and amortisation under HTAL accounting estimates are $704.3 million for year ended 31 December 2017 (2016: $687.7 million). The differences are primarily related to differences in the estimated economic useful lives of property, plant and equipment.

	2017 $'000	2016 $'000
Reconciliation of interest in a joint venture		
Investment brought forward	209,714	277,315
Loss for the year	(42,499)	(68,014)
Share of change in fair value of cash flow hedges, net of tax	(207)	413
Interest in a joint venture at 31 December	167,008	209,714
VHA's commitments		
Operating leases	1,553,654	1,260,650
Other commitments	265,316	352,759
Capital commitments	508,572	326,532
VHA's contingent liabilities	114,792	60,887

Note 6 Non-current assets – Investment accounted for using the equity method continued

VHA's other commitments are for payment of information technology and network support services under contracts in existence at the reporting date but not recognised as liabilities.

VHA's contingent liabilities are guarantees which are cash backed.

The consolidated financial statements incorporates the assets, liabilities and results of the following joint venture in accordance with the accounting policy described in note 1(b):

Name of entity	Country of Incorporation	Class of Shares	Equity Holding* 2017 %	Equity Holding* 2016 %
Vodafone Hutchison Australia Pty Limited** (formerly Hutchison 3G Australia Pty Limited)	Australia	Ordinary	50	50

* The proportion of ownership interest is equal to the proportion of voting power held.

** The ownership of this joint venture is through Hutchison 3G Australia Holdings Pty Limited.

Note 7 Controlled entities

The consolidated financial statements incorporates the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1(b):

Name of controlled entity	Country of Incorporation	Class of Shares	Equity Holding* 2017 %	Equity Holding* 2016 %
Lindian Pty Limited**	Australia	Ordinary	100	100
Hutchison 3G Australia Holdings Pty Limited***	Australia	Ordinary	100	100

* The proportion of ownership interest is equal to the proportion of voting power held.

** Lindian Pty Limited was deregistered during 2017.

*** This entity has been granted relief from the necessity to prepare financial reports in accordance with instrument 2016/914 issued by the Australian Securities and Investments Commission.

Note 8 Current liabilities – Payables

	2017 $'000	2016 $'000
Other creditors	168	215
Payables to joint venture (note 16)	74	62
	242	277

Payables to a joint venture

Further information relating to payables to a joint venture is set out in note 16.

The carrying amounts of the Consolidated Entity's other payables are denominated in Australian Dollars:

	2017 $'000	2016 $'000
Australian Dollars	242	277
	242	277

Liquidity risk

A summarised analysis of the Consolidated Entity's sensitivity of payables to liquidity rate risk can be found in note 21.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 9 Current liabilities – Other financial liabilities

	2017 $'000	2016 $'000
Loan from an entity within the CKHH Group (note 16)	324,025	136,862

Loan from an entity within the CKHH Group

Further information relating to the loan from an entity within the CKHH Group is set out in note 16. The loan from an entity within the CKHH Group is an interest free financing facility and is repayable on demand.

Financing arrangements

Unrestricted access was available at the statement of financial position date to the following lines of credit:

	2017 $'000	2016 $'000
Other financial liabilities		
Total facilities from an entity within the CKHH Group	1,600,000	1,600,000
Used at the statement of financial position date	(324,025)	(136,862)
Unused at the statement of financial position date	1,275,975	1,463,138

Note 10 Contributed equity

	2017 Shares	2016 Shares	2017 $'000	2016 $'000
Share capital				
Ordinary shares (fully paid)	13,572,508,577	13,572,508,577	4,204,488	4,204,488

(a) Share capital

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.

(b) Movement in ordinary shares

There has been no movement in the number of shares issued during the years ended 31 December 2017 and 31 December 2016.

(c) Options

There are no options outstanding as at the statement of financial position date.

(d) Capital risk management

The Consolidated Entity's primary objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk.

The Consolidated Entity defines capital as total equity attributable to shareholders of the Group, comprising issued share capital and reserves, as shown in the consolidated statement of financial position. The Consolidated Entity actively and regularly reviews and manages its capital structure to ensure capital and shareholder returns, taking into consideration the future capital requirements of the Consolidated Entity and capital efficiency, projected operating cash flows and projected capital expenditures.

The Consolidated Entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'Total equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2017 and 31 December 2016 were as follows:

	2017	2016
Gearing ratio	78%	51%

Note 11 Reserves and accumulated losses

	2017 $'000	2016 $'000
(a) Reserves		
Capital reserve	54,887	54,887
Share of hedging reserve – cash flow hedges	(117)	90
Share-based payments reserve	15,880	15,880
	70,650	70,857
Movements:		
Capital reserve		
There has been no movement in the capital reserve during the year.		
Share of hedging reserve – cash flow hedges		
Balance at 1 January	90	(323)
Hedging movement, net of tax	(207)	413
Balance at 31 December	(117)	90
Share-based payments reserve		
There has been no movement in the share-based payments reserve during the year.		
(b) Accumulated losses		
Accumulated losses at 1 January	(4,149,389)	(4,085,936)
Loss attributable to the members of Hutchison Telecommunications (Australia) Limited	(37,557)	(63,453)
Accumulated losses at 31 December	(4,186,946)	(4,149,389)

(c) Nature and purpose of reserves

Capital reserve

The capital reserve relates to the surplus arising on initial consolidation of a 19.9% stake in Hutchison 3G Australia Holdings Pty Limited.

Hedging reserve – cash flow hedges

The hedging reserve is used to record gains and losses on a hedging instrument in a joint venture cash flow hedge that are recognised directly in equity, as described in note 1(i)(ii).

Amounts are recognised in the statement of profit or loss and other comprehensive income when the associated hedged transaction affects profit or loss.

Share-based payments reserve

The share-based payments reserve is used to:

(i) recognise the grant date fair value of options issued to employees but not exercised; and

(ii) recognise the fair value of the 850 MHz spectrum licence assigned from Telecom New Zealand ("TCNZ"). The fair value was determined by reference to the fair value of the option granted to TCNZ in exchange for the spectrum licence.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 12 Director and key management personnel compensation

(a) Director and key management personnel compensation

	2017 $	2016 $
Short term employee benefits	109,500	109,500

Other key management personnel (excluding Directors) were transferred to VHA on merger.

(b) Loans to key management personnel and other transactions with key management personnel

There were no loans made to Directors of the Company, including their personally-related entities, during the years ended 31 December 2017 and 31 December 2016. There were no other transactions with the Directors of the Company for the years ended 31 December 2017 and 31 December 2016.

Note 13 Remuneration of auditors

	2017 $	2016 $
PricewaterhouseCoopers Australia		
Assurance services		
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	103,500	107,000
Total remuneration for assurance services	103,500	107,000
Total auditors remuneration	103,500	107,000

It is the Consolidated Entity's policy to employ the auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity are important. These assignments are principally tax, compliance and advice. It is the Consolidated Entity's policy to seek competitive tenders for all major consulting projects.

Note 14 Contingencies

Details and estimates of maximum amounts of contingent liabilities as at 31 December 2017 are as follows:

	2017 $'000	2016 $'000
Guarantees		
Unsecured guarantees in respect of leases	–	–

No material losses are anticipated in respect of any of the above contingent liabilities.

The Directors are not aware of any other material contingent liabilities existing at the reporting date.

Note 15 Commitments

There were no commitments contracted for by HTAL or its controlled entities not recognised as liabilities, payable at 31 December 2017 and 31 December 2016. Commitments for the joint venture are disclosed in note 6.

Note 16 Related party transactions

(a) Parent entities

The holding company and parent entity is Hutchison Telecommunications (Amsterdam) B.V. which, at 31 December 2017, owns approximately 88% of the issued ordinary shares of Hutchison Telecommunications (Australia) Limited. The ultimate parent entity is CK Hutchison Holdings Limited (incorporated in Cayman Islands).

(b) Directors

The names of persons who were Directors of the Company at any time during the financial year are as follows: FOK Kin Ning, Canning; Barry ROBERTS-THOMSON; Justin Herbert GARDENER; LAI Kai Ming, Dominic; John Michael SCANLON; Frank John SIXT; Ronald Joseph SPITHILL and WOO Chiu Man, Cliff.

Mrs Chow Woo Mo Fong, Susan retired as director with effect from 1 August 2016.

Mr Woo Chiu Man, Cliff was appointed as director with effect from 1 August 2016 and continues in office at the date of this report.

Ms Tang Wing Yee, Angeline was appointed as Alternate Director to Mrs Chow Woo Mo Fong, Susan with effect from 29 April 2016 until the retirement of Mrs Chow Woo Mo Fong, Susan on 1 August 2016.

(c) Key management personnel compensation

Disclosures relating to key management personnel compensation are set out in note 12.

(d) Transactions with related parties

During the year, the following transactions occurred with related parties:

	2017 $'000	2016 $'000
Loans to related parties		
Advanced to joint venture	(200,000)	–
Repayments from joint venture	12,837	100,000
Loans from related parties		
Advanced from an entity within the CKHH Group	200,000	–
Repayments to an entity within the CKHH Group	(12,837)	105,000
Interest revenue		
Joint venture	6,073	5,701
Operating expenses		
Joint venture	485	485

Advances to the joint venture represent funds advanced under the terms of an agreement with the joint venture. The funds advanced from an entity within the CKHH Group are on an interest free basis under the agreement.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 16 Related party transactions continued

(e) Transactions of joint venture with related parties within the CKHH Group

During the year, the following transactions occurred with related parties:

	2017 $'000	2016 $'000
Purchases of goods and services		
Service fee paid/payable to other related parties	2,756	3,216
Roaming fee paid/payable to other related parties	(1,138)	(1,381)
Internet of things fee paid/payable to other related parties	759	176
Provision of services		
Service fee received/receivable from other related parties	1,040	1,045
Roaming income received/receivable from other related parties	1,734	1,397
Other transactions		
Guarantee fee paid/payable	74,919	77,305
Interest expenses paid / payable	6,073	7,097

(f) Outstanding balances

The following balances are outstanding at the statement of financial position date in relation to transactions with related parties:

	2017 $'000	2016 $'000
Current financial assets		
Joint venture (note 5)	145,558	48,906
Non-current financial assets		
Joint venture (note 5)	91,000	–
Payables		
Joint venture (note 8)	74	62
Current liabilities – Other financial liabilities		
Entity within the CKHH Group (note 9)	324,025	136,862

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Note 16 Related party transactions continued

(g) Outstanding balances of joint venture with related parties within the CKHH Group

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2017 $'000	2016 $'000
Current receivable		
Hutchison Telecommunications (Australia) Limited	74	62
Current payable		
CKHH Group	–	210,368
Interest payable to entities within jointly controlled parents' group	832	657
Non-current payable (accrued guarantee fee)		
CKHH Group	384,123	98,835
Interest payable to entities within jointly controlled parents' group	4,674	4,674
Swaps entered with CKHH Group		
Current assets	–	569,925
Current liabilities	551	7,170
Non-current assets	372,880	–
Interest expenses	11,625	22,273

(h) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except interest on some loans between the parties that are interest free. All of these loans have been disclosed.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 17 Deed of cross guarantee

During the year ended 31 December 2007, the Company, Hutchison 3G Australia Holdings Pty Limited ("H3GAH") and Hutchison 3G Australia Pty Limited ("H3GA") entered into a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed of cross guarantee, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Instrument 2016/785 issued by the Australian Securities and Investments Commission.

On 10 June 2009, the Company announced that the merger of its subsidiary H3GA with Vodafone Australia Limited had completed. H3GA has been renamed VHA. As a result the parties to the deed of cross guarantee are now the Company and H3GAH.

(a) Closed Group consolidated statement of profit or loss and other comprehensive income and a summary of movements in the Closed Group consolidated retained earnings

HTAL and H3GAH represented a 'Closed Group' for the purposes of the Class Order. As there are no other parties to the deed of cross guarantee that are controlled by HTAL, H3GAH also represents the 'Extended Closed Group'.

Set out below is the Closed Group consolidated statement of profit or loss and other comprehensive income and a summary of movements in the Closed Group consolidated accumulated losses for the years ended 31 December 2017 and 31 December 2016.

	2017 $'000	2016 $'000
Statement of profit or loss and other comprehensive income		
Revenue	6,164	5,807
Other operating expenses	(1,222)	(1,246)
Income before income tax	4,942	4,561
Income tax expense	–	–
Income for the year	4,942	4,561
Share of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	(4,081,698)	(4,086,259)
Income for the year	4,942	4,561
Accumulated losses at the end of the financial year	(4,076,756)	(4,081,698)

Note 17 Deed of cross guarantee continued

(b) Statement of financial position

Set out below is a statement of financial position as at 31 December 2017 of the Closed Group consisting of H3GAH and HTAL.

	2017 $'000	2016 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	8,884	4,469
Loans and receivable	145,558	48,906
Trade receivables	9	6
Total Current Assets	154,451	53,381
Non-current Assets		
Loans and receivable	91,000	–
Other financial assets	277,315	277,315
Total Non-current Assets	368,315	277,315
Total Assets	522,766	330,696
LIABILITIES		
Current Liabilities		
Payables	242	277
Other financial liabilities	324,025	136,862
Total Current Liabilities	324,267	137,139
Total Liabilities	324,267	137,139
Net Assets	198,499	193,557
EQUITY		
Contributed equity	4,204,488	4,204,488
Reserves	70,767	70,767
Accumulated losses	(4,076,756)	(4,081,698)
Total Equity	198,499	193,557

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 18 Segment reporting

The Consolidated Entity has identified its operating segment based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

In 2017, the Consolidated Entity continued to invest in an operator within the telecommunications industry.

The chief operating decision maker of the Consolidated Entity receives information to manage its operations and investment based on one operating segment, an investor in an operator of telecommunications services. As such, the Consolidated Entity believes it is appropriate that there is one operating segment, investment in telecommunications services.

Key financial information used by the chief operating decision maker of the Consolidated Entity when evaluating the investment in telecommunications services operating segment includes:

	2017 $'000	2016 $'000
HTAL's share of the following items of VHA*		
Total Revenue	1,728,966	1,672,587
Net Losses	42,499	68,014

Further information reviewed by the chief operating decision maker with regards to the performance of the Consolidated Entity's investment in VHA is disclosed in note 6.

* after joint venture accounting adjustments

Note 19 Reconciliation of loss after income tax to net cash inflows from operating activities

	Notes	2017 $'000	2016 $'000
Loss after income tax		(37,557)	(63,453)
Share of losses of joint venture partnership accounted for using equity method	6	42,499	68,014
Change in operating assets and liabilities			
Increase in other financial assets		(492)	(430)
Decrease / Increase in payables		(35)	20
Net cash inflows from operating activities		4,415	4,151

	2017 $'000	2016 $'000
Net debt reconciliation		
Cash and cash equivalents	8,884	4,469
Borrowings	(324,025)	(136,862)
Net debt	(315,141)	(132,393)
Cash and cash equivalents	8,884	4,469
Gross debt	(324,025)	(136,862)
Net debt	(315,141)	(132,393)

	Cash $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 January 2017	4,469	(12,837)	(124,025)	(132,393)
Cash flows	4,415	12,837	–	17,252
Other loans (non-cash) from shareholder	–	–	(200,000)	(200,000)
Net debt as at 31 December 2017	8,884	–	(324,025)	(315,141)

Note 20 Earnings per share

	2017 Cents	2016 Cents
(a) Basic earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity	(0.28)	(0.47)
(b) Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity	(0.28)	(0.47)

	Consolidated	
	2017 $'000	2016 $'000
(c) Earnings used in calculating earnings per share		
Basic earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	(37,557)	(63,453)
Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	(37,557)	(63,453)

	Consolidated	
	2017 Number	2016 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	13,572,508,577	13,572,508,577
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	13,572,508,577	13,572,508,577

There were no (2016: nil) options outstanding at 31 December 2017 that are anti-dilutive and accordingly there was no impact on the earnings per share calculation for the year ended 31 December 2017.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 21 Financial risk management

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. It is the Consolidated Entity's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

Risk management is carried out by the management of HTAL under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Consolidated Entity's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

For the presentation of market risks (including interest rate risk, exchange rate risk and market price risk), AASB 7 *"Financial instruments: disclosures"* requires disclosure of a sensitivity analysis for each type of market risk that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the reporting date on profit or loss and total equity.

The effect that is disclosed in the following sections assumes that (a) a hypothetical change of the relevant risk variable had occurred at the reporting date and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of market risk does not reflect inter-dependencies between risk variables.

The preparation and presentation of the sensitivity analysis on market risk is solely for compliance with AASB 7 disclosure requirements in respect of financial instruments. The sensitivity analysis measures changes in the fair value and/or cash flows of the Group's financial instruments from hypothetical instantaneous changes in one risk variable (e.g. interest rate), the amount so generated from the sensitivity analysis are what-if forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

(i) Interest risk

The Consolidated Entity's main interest rate risk arises from cash balances and other financial assets.

(ii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Consolidated Entity's financial assets to interest rate risk.

		Interest rate risk			
		-1%		+1%	
31/12/2017	Carrying amount $'000	Post-tax loss $'000	Other equity $'000	Post-tax loss $'000	Other equity $'000
Financial assets					
Cash and cash equivalents	8,884	(89)	–	89	–
Loans and receivable	236,557	(2,366)	–	2,366	–
Total increase (decrease)	245,441	(2,455)	–	2,455	–

		Interest rate risk			
		-1%		+1%	
31/12/2016	Carrying amount $'000	Post-tax loss $'000	Other equity $'000	Post-tax loss $'000	Other equity $'000
Financial assets					
Cash and cash equivalents	4,469	(45)	–	45	–
Loans and receivable	48,906	(361)	–	361	–
Total increase (decrease)	53,375	(406)	–	406	–

Note 21 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. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Credit risk further arises in relation to financial guarantees given to certain parties (see note 14 for details). Such guarantees are only provided in exceptional circumstances and are subject to board approval.

Credit risk further arises from loans and receivables from the joint venture VHA. The recoverability of the loan and receivable is supported by a letter of support from CK Hutchison Holdings Limited and from Vodafone Group Plc.

(c) Liquidity risk

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 Consolidated Entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group maintains 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.

The table below analyses the Consolidated Entity's financial assets and liabilities relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

31/12/2017	Weighted average interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Cash and cash equivalents	1.8%	8,884	–	–	–	8,884
Loans and receivables	6.7%	145,558	91,000	–	–	236,558
Payables	–	(242)	–	–	–	(242)
Other financial liabilities	–	(324,025)	–	–	–	(324,025)
Total		(169,825)	91,000	–	–	(78,825)

31/12/2016	Weighted average interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Cash and cash equivalents	2.1%	4,469	–	–	–	4,469
Loans and receivables	4.8%	48,906	–	–	–	48,906
Payables	–	(277)	–	–	–	(277)
Other financial liabilities	–	(136,862)	–	–	–	(136,862)
Total		(83,764)	–	–	–	(83,764)

Note 22 Events occurring after the reporting date

There has been no other matter or circumstance that has arisen subsequent to the reporting date that has significantly affected, or may significantly affect:

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

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

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

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 23 Parent entity disclosures

(a) Summary financial information

	2017 $'000	2016 $'000
Financial position		
ASSETS		
Current Assets	154,451	53,381
Non-current Assets	368,315	277,315
Total Assets	522,766	330,696
LIABILITIES		
Current Liabilities	324,267	137,139
Total Liabilities	324,267	137,139
Net Assets	198,499	193,557
EQUITY		
Contributed equity	4,204,488	4,204,488
Reserves	15,880	15,880
Accumulated losses	(4,021,869)	(4,026,811)
Total Equity	198,499	193,557
Financial performance		
Loss for the year	4,942	4,561
Total comprehensive loss for the year	4,942	4,561

(b) Commitments

Operating leases

There were no commitments contracted for by HTAL but not recognised as liabilities, payable at 31 December 2017 and 31 December 2016.

The Directors of the Parent Entity are not aware of any other material contingent liabilities existing at the reporting date.

As at 31 December 2017, the Parent Entity has a deficiency of net current assets of $170 million (2016: deficiency of net current assets of $84 million). Included in the Parent Entity's current liabilities is an amount of $324 million (2016: $137 million) which relates to an interest free financing facility provided from a subsidiary of the ultimate parent entity, CKHH, which is repayable on demand. The Parent Entity has unused financing facilities of $1,276 million at 31 December 2017. CKHH has confirmed its current intention to provide sufficient financial support to enable the Parent Entity to meet its financial obligations as and when they fall due. This undertaking is provided for a minimum period of twelve months from the date of signing these financial statements. Consequently, the Directors have prepared the financial statements on a going concern basis.

(c) HTAL's investment in H3GAH

	2017 $'000	2016 $'000
Investment in H3GAH		
Investment at cost	3,664,655	3,664,655
Prior year Impairment recognised to date	3,387,340	3,387,340
Value of investment	277,315	277,315

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 23 to 50 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that Hutchison Telecommunications (Australia) Limited 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 17 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 note 17.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer of Vodafone Hutchison Australia Pty Limited required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Director
26 February 2018

Director
26 February 2018

Independent Auditor's Report

Independent auditor's report

To the members of Hutchison Telecommunications (Australia) Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Hutchison Telecommunications (Australia) Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 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 2017
- 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 statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

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.

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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 geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $7.8 million, which represents approximately 5% of the Group's loss before tax (based on an average of the current year and preceding four years).
- 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 loss before tax because, in our view, it is a benchmark against which the performance of the Group is most commonly measured. Due to fluctuations in profit and loss from year to year, we chose a five year average.
- We utilized a 5% threshold based on our professional judgment, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Company's Directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group's business activities are predominantly conducted through its 50% joint venture investment in Vodafone Hutchison Australia Pty Limited (VHA), a telecommunications service provider operating in Australia. The Group's share of the results of VHA are included in the Group's financial report as described in Note 1(b).
- We focussed our audit on the financial information of VHA as well as conducting procedures over the remaining balances of the Group in order to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group financial report as a whole.

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.

Independent Auditor's Report continued

Key audit matter	How our audit addressed the key audit matter
Estimate of useful life of network assets of VHA Depreciation of network assets constitutes a substantial operating cost for the joint venture. The cost of those assets is charged as a depreciation expense over the estimated useful lives of the respective assets (using the straight-line method) and this is reflected in the "share of net losses of a joint venture accounted for using the equity method" in the Group's consolidated statement of profit or loss and other comprehensive income. The Directors have formed a judgement that the useful lives of certain network assets are different (usually longer) to the useful lives used to calculate depreciation charges by VHA. Accordingly, adjustments to the useful lives of assets are made when the Group's 50% interest in the joint venture VHA is incorporated into the Group's consolidated financial report each year. This is to reflect the application of the Group's network assets useful lives accounting policy being up to 20 years for certain categories as described in Note 1(r) (iii) of the financial statements. The Directors' estimate of the useful lives of network assets was a key audit matter as it requires the Directors' to exercise significant judgement to make a collective assessment on the likely future use of the network assets based on historical experience with similar assets and the potential impact of anticipated technological changes on existing assets. The estimation is impacted by company-specific factors along with broader industry considerations which results in useful lives of identical types of assets differing from company to company.	We tested the accuracy of the calculation for the adjustment to useful lives by a re-performance of depreciation calculations on a sample basis. We discussed the adjustments with management and the Directors, who explained that the rationale for making the adjustments was to reflect a longer useful life of these assets, consistent with the experience of the Group and Hutchison Whampoa Limited as the controlling entity and their assessment of the impact of anticipated technology developments. We evaluated the assessment of the useful life of network assets. In particular, we: • considered the Group's view of the impact of technological developments on existing assets. We noted that the introduction of new generation communication standards such as 4G/LTE did not necessarily result in a complete obsolescence of the existing 3G network assets as they remain integral to ensuring the operational effectiveness of the telecommunications network and that this was likely to occur again with the introduction of new generation technology. • considered the nature of the telecommunications industry where there are varying practices with regards to useful lives adopted by operators. We compared the estimate of useful lives against other telecommunication operators in Australia and overseas, and the Australian Taxation Office which suggested useful lives of between 8 – 25 years. We noted that the Group's estimate of useful life of these assets is within this range.

Recoverable amount of investment in joint venture

As explained in Note 1(b) of the financial report HTAL holds a 50% investment in a joint venture, VHA, a telecommunications service provider in Australia. As at 31 December 2017, the carrying value of the investment accounted for using the equity method of accounting amounted to $167 million.

An impairment assessment was prepared by the Directors using a value in use model (the Model) to estimate the recoverable amount of the investment. The Model was based on estimated future cash flows from the VHA investment discounted to present value. The forecast cash flows of VHA reflect the Group's view of its current underlying and future financial performance. The proportionate share of forecasted cash flows is considered to be the most appropriate basis to value HTAL's investment in VHA.

Considering whether the carrying amount of the investment in the joint venture in VHA is recoverable was a key audit matter due to the size of the balance and the level of judgement by Directors in determining the key assumptions in the Model. The continuing losses arising from HTAL's interest in VHA also gave rise to a higher risk of impairment of the investment. The areas that were most judgmental were the key assumptions used in the model being the long term revenue and market share growth rates.

We tested the key assumptions and mathematical accuracy of the Directors' future cash flow forecasts. In particular, we compared the cash flow forecasts with VHA's historical performance and we assessed their consistency with VHA's strategic, operational and financial plans. In order to assess the Group's ability to make reliable forecasts, we compared the current year actual results to the FY17 approved budget included in the prior year model and considered if any of the forecasts included assumptions that, with hindsight, had been optimistic. We found that actual performance was materially consistent with forecast performance.

We challenged the key assumptions made with respect to long term growth within the impairment assessment. Specifically:

- We considered the terminal value growth rates against our internally developed range of benchmarks which were based on observable industry data and found that the long term growth rate assumption of 2.7% is marginally higher than the RBA mid-point long term inflation target of 2.5% but consistent when measured against other companies within the sector where an average range of 2.7% has been observed.

- We stress tested the long term revenue and market share growth rates within the Model by making adjustments to the EBITDA margin rates used in the model within a reasonably foreseeable range. In this stress testing of the Model where the above adjustments were made, we found that no impairment would be required.

- The discount rate used by management in the Model is consistent with local market conditions based on our audit work performed over the inputs of the discount rate.

Independent Auditor's Report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, including the Ownership Structure, VHA Key Operational Highlights 2017, Financial Summary, Chairman's message, Board of Directors, Corporate Governance, Director's Report, Shareholder Information and Corporate Directory, 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 identified above 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, 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 *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:
http://www.auasb.gov.au/auditors_responsibilities/ar1.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 17 to 19 of the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2017 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

Rosalie Wilkie
Partner

Sydney
26 February 2018