Hutchison Telecoms

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ASX Market Announcements

Australian Securities Exchange

Date 24 February 2012

Subject: Preliminary Final 2011 Annual Results

Please find attached the Company's results for the year to 31 December 2011 in the form of Appendix 4E.

The Annual General Meeting of the Company will be held at 10 am on 3 May 2012.

Yours faithfully

Louise Sexton
Company Secretary

Hutchison Telecommunications (Australia) Limited

Appendix 4E

Preliminary final report

for the year ended 31 December 2011

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ASX Appendix 4E

Preliminary final report

31 December 2011

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Lodged with the ASX under Listing Rule 4.3A.

This preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2010 and any public announcements made by Hutchison Telecommunications (Australia) Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Results for announcement to the market

Hutchison Telecommunications (Australia) Limited ("HTAL") reports a $167.7 million loss for the year ended 31 December 2011, compared with a profit of $73.4 million last year. HTAL's share of Vodafone Hutchison Australia Pty Limited's ("VHA") net loss included in HTAL's results for the period was $175.4 million for the year ended 31 December 2011 compared with a net profit of $43.1 million last year.

HTAL's revenue from ordinary activities represents interest income received on loans to VHA. VHA reduced its loan from HTAL, and, as a result, HTAL's revenue from ordinary activities in the year ended 31 December 2011 declined from $22.3 million last year to $10.8 million.

		$ '000
Revenue from ordinary activities	↓ 51.9%	10,753
Loss from ordinary activities after tax attributable to members	↓ 328.3%	(167,683)
Net loss for the year attributable to members	↓ 328.3%	(167,683)

Dividends / distributions	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Record date for determining entitlements to the dividend	**n/a**

Review of financial and operating results

Review of HTAL's results

HTAL accounts for its investment in VHA using the equity method of accounting. Under this method, revenue from VHA's ordinary activities is not included in HTAL's consolidated revenues from ordinary activities.

HTAL reports a $167.7 million loss for the year ended 31 December 2011, compared with a profit of $73.4 million last year. The VHA results (including revenue and operating costs) are included in the "share of net (losses) / profits of joint ventures accounted for using the equity method" in HTAL's statement of comprehensive income.

HTAL's revenue from ordinary activities represents interest income received on loans to VHA. The external refinancing that VHA secured in June 2010 resulted in a reduction in its loan from HTAL, and, as a result, HTAL's revenue from ordinary activities for the year ended 31 December 2011 declined 51.9% to $10.8 million.

No dividend was declared or paid by HTAL during the year.

Review of VHA's operating performance attributable to HTAL

This section outlines the operating performance of VHA attributable to HTAL. References to VHA financial results reflect the 50% share of VHA attributable to HTAL. References to customer metrics reflect the total customer base of VHA.

VHA full-year operating performance metrics

During the past year, VHA's operational and financial performance was adversely impacted by the network and customer service issues that affected some customers at the end of 2010 and the early part of 2011. VHA took decisive and immediate action to address these problems by accelerating its investment in building and upgrading the Vodafone network and introducing new customer service initiatives.

The full year impact of the issues and recovery program, combined with the intensely competitive mobile market, flowed through to the VHA financial and operational results for the year ended 31 December 2011.

For the 12 months ended 31 December 2011, VHA's customer base[1] declined 554,000 to 7.0 million (including MVNOs). In the six months to 31 December 2011, the rate of decline in the customer base slowed by more than half to 179,000 compared to a decline of 375,000 in the six months to 30 June 2011. The postpaid customer base (including MVNOs) grew 16,000 in the six months to 31 December 2011, an improvement on the first half.

Monthly postpaid handset churn remained around 2.0% for the six months ended 31 December 2011, which contributed to the slower growth in the customer base.

Average revenue per user (ARPU[2]) declined 5.0% year-on-year to $51.34 reflecting the competitive pricing pressures and higher level of customer credits in the first half in response to the network and customer service issues.

Usage across all products continued to increase, and as a result, interconnection costs increased and operating margin as a percentage of service revenue decreased 2.9 percentage points to 73.9% for the year ended 31 December 2011.

[1] Customers reflect VHA's active services in operation at the end of the reporting period – including wholesale customers (MVNOs).
[2] ARPU represents a rolling 12 month average service revenue per user per month at the end of the period across postpaid and prepaid customers.

The shift to smartphones continued, with more than half of VHA's total handset base now using a smartphone which is an increase of 10 percentage points for the year. The number of customers using data on their handset increased 24.2% in the year to 2.7 million at 31 December 2011. The total number of customers (including MBB) using 3G services increased by 0.5 million in the year to 3.5 million at 31 December 2011.

VHA's operating expenditure declined marginally to $1,184.1 million for the year ended 31 December 2011. The result was achieved through continued control over customer investment costs and importantly, ongoing achievement of the cost synergies from the merger of the '**3**' and Vodafone businesses.

Customer acquisition cost per unit improved 6.9% for the year, falling from $145 in the corresponding period last year to $135 at 31 December 2011 reflecting the mix of plans and customers handset instalment payments.

The decline in the VHA customer base, ongoing ARPU challenges and accelerated network investment levels resulted in the following movements in HTAL's share of VHA's key financial metrics for the year ended 31 December 2011, with:

- customer service revenue decreasing 7.1% year-on-year to $2,044.2 million;
- operating margin decreasing 10.7% year-on-year to $1,510.2 million;
- earnings before interest, tax and depreciation (EBITDA) decreasing 34.3% year-on-year to $312.7 million; and
- capital expenditure increasing 24.0% year-on-year to $373.8 million.

Network update

The Vodafone network plans were accelerated during the year and VHA has invested $1 billion[3] in the network that is delivering better indoor coverage and faster downloads. The key elements of the network improvement plans include:

- Rolling out a new 3G 850MHz network to improve in-building coverage and capacity;
- Upgrading the existing 2G and 3G network to provide more coverage and capacity;
- Replacing network equipment across all sites and installing equipment ready for 4G;
- Building new sites to increase coverage; and
- Upgrading the core network and transmission network.

Today, 1,040 sites are live on the new 3G 850MHz network and a total of 1,500 3G 850MHz sites are expected to be live across the Vodafone network by the middle of 2012.

The network equipment replacement program has been completed across 4,114 sites and the replacement program has been completed in Western Australia, the ACT and the Northern Territory. By the end of quarter three 2012, all required sites are expected to have been replaced with the new Radio Access Network (RAN) equipment.

The expansion of coverage is well underway with new sites being progressively added, the core network consolidation is three-quarters complete and we are making good progress on the upgrade of the transmission network.

The combination of the benefits from utilisation of the 850MHz low band spectrum, the network upgrade project and the rapidly expanding equipment replacement program means the network performance metrics have improved across a range of measures, including speed and coverage.

[3] Network capital expenditure from time of merger in June 2009 to end of 2011.

Customer service update

VHA has developed and implemented a number of new initiatives during the year designed to provide customers with a wider range of service options in response to their changing service preferences. These initiatives include:

- Call-back service for customers when wait times are longer than three minutes, customers can also book a call back at a time convenient to them;
- First point resolution for retail staff, including concierge service for service related enquiries and immediate handset swaps in store for eligible handsets;
- An online interactive support channel (eCare) allowing customers to ask us questions on their PC, tablet or on their mobile, with ‘how to’ and troubleshooting guides;
- An app, called My Vodafone, providing customers an easy way to access and change their account information; and
- Strong social media presence via Twitter, Facebook and Vodafone’s Community eForum.

Integration update

The program to fully integrate ’**3**’ and Vodafone is running well, with the merger synergy savings exceeding the net present value (NPV) target of $2 billion announced at the time of the merger.

With 90% of the integration projects now complete and 85% of the integration savings delivered, a number of milestones were achieved during the year ended 31 December 2011. The retail store consolidation is complete and the program to refit the store footprint is largely complete. The consolidation of the radio access network, core network and transmission are well underway with completion expected in 2012. Also, a new single vendor for IT managed services was appointed.

Refinancing

In December 2011, VHA finalised a refinancing arrangement with a consortium of local and international banks including an extended loan facility of $1.7 billion.

The loan facility will help fund the investment in spectrum licence renewal and continued investment in the roll-out of Vodafone's new 3G 850MHz and 4G-ready mobile network. Some of the facility has been used to repay part of the initial debt, which reduces the amount requiring refinancing during 2013.

The facility is for a period of 5 years and is guaranteed by VHA’s shareholders. This demonstrates the support VHA has from its shareholders and the confidence they have in the VHA business and its strategy to return the business to growth. It also demonstrates the confidence financial institutions have in VHA locally, despite the challenging financial markets.

VHA outlook

As the network and customer service initiatives were rolled out during the year, key network and customer service metrics showed the operational turnaround was underway in the second half of 2011. VHA expects the operational turnaround to continue with further improvements anticipated during 2012.

In 2012, as the network performance continues to improve, VHA will focus on steadily growing its customer base. VHA expects the mobile market to remain highly competitive with significant pressure on ARPU's as customers take up new plans. However, as the full benefits of the investment in the network and customer service are not expected to fully flow through to the financial results until after 2012, we are moving quickly to further restructure the cost base by consolidating functions through the simplification of the organisation structure, creating a more efficient go-to-market approach. All other costs have also been reviewed and continue to be tightened. VHA also expects the integration program to deliver further savings in 2012.

2011 was a significant year for capital expenditure as VHA accelerated its investment in the network. In 2012, VHA will continue its focus on improving the quality and performance of the Vodafone network with the completion of the current network roll-out and upgrade program. VHA expects capital expenditure to remain high as it completes the network upgrade and continues with the integration and roll-out of the Vodafone 3G 850MHz and 4G-ready network.

VHA intends to renew its licences for 850MHz, 1800MHz and 2100MHz spectrum bands progressively over the next few years for a further period of 15 years each. VHA will also prepare to participate in the Digital Dividend spectrum auctions.

VHA has commenced trial activity to develop fixed line services on the National Broadband Network (NBN) and will consider options for commercial launch, with NBN Co's network and operational capability expected to grow significantly over 2012.

VHA will further expand fibre to base stations, including possible opportunities offered by NBN Co, using more of our own fibre and by entering into agreements to use other partners' fibre. The agreement with Pipe and Next Gen Networks to provide more capacity and network backhaul, including dark fibre in metro areas to VHA base stations is ahead of schedule.

VHA played an important role in the development of a comprehensive revision of the Telecommunications Consumer Protections Code that is currently being assessed for registration by the Australian Communication and Media Authority (ACMA). VHA will work with the ACMA and consumer groups to ensure that the optimal result is achieved.

HTAL remains confident VHA has the right strategy to return to growth. 2012 will be an important year for completing the network upgrade, introducing new service initiatives, attracting valuable customers and delivering the remaining integration program projects. It will be a year focused on strengthening confidence in the network, customer service and the brand overall.

VHA financial and operating metrics[4]

Note - the items in the table below represent the 50% share of VHA attributable to HTAL, unless otherwise stated

	2011	2010	YoY change
Total revenue ($ m)	2,296.8	2,410.9	(4.7%)
Service revenue ($ m)	2,044.2	2,201.4	(7.1%)
Operating margin ($ m)	1,510.2	1,690.6	(10.7%)
EBITDAR ($ m)	326.1	501.2	(34.9%)
EBITDA ($ m)	312.7	475.8	(34.3%)
Capital expenditure ($ m)	373.8	301.5	24.0%
The items below represent totals for VHA			
Operating margin as a % of service revenue	73.9%	76.8%	(2.9pp)
Operating expenditure as a % of service revenue	57.9%	56.0%	1.9pp
Capital expenditure as a % of service revenue	18.3%	13.7%	4.6pp
Customer acquisition cost per unit	$135	$145	6.9%
Mobile customers ('000)	7,022	7,576	(7.3%)
• 3G services – mobile broadband ('000)	819	855	(4.2%)
• 3G services – handset ('000)	2,668	2,149	24.2%
Customer growth ('000)	(554)	681	(181.4%)
Postpaid % (excl MVNO)	63.1%	59.4%	3.7pp
Prepaid % (excl MVNO)	36.9%	40.6%	(3.7pp)
ARPU	$51.34	$54.02	(5.0%)
ARPU voice	$30.03	$32.28	(7.0%)
ARPU non-voice	$21.31	$21.74	(2.0%)

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[4] **Service revenue** excludes revenue related to the sale of handsets and mobile broadband devices.
EBITDA represents service revenue less interconnect cost and running operating expenditure plus capitalised incremental direct acquisition and retention costs in accordance with AIFRS. Interest income has been reclassified to finance cost.
EBITDAR represents EBITDA excluding one-off restructuring costs associated with the merger.
Capital expenditure includes the share of capital expenditure in VHA and VHA's share of capital expenditure in its jointly controlled entities.
Customer acquisition cost per unit represents the average direct costs of acquiring each new customer for the period.
3G services – mobile broadband includes mobile broadband cards, USB modems, Netconnect Cards and embedded broadband SIMs.
3G services – handset includes customers with billed 3G services on handset.
Operating margin is service revenue less interconnect and variable content costs.
Operating expenditure includes other direct costs of provision of telecommunication services, employee benefits expense, advertising and promotion expenses, net of other income and share of profits of jointly controlled entities and partnership accounted for using the equity method (3GIS) and excludes one-off restructuring costs associated with the merger.
Postpaid and prepaid % bases exclude MVNO customers.
ARPU excludes ARPUs from MVNOs.

Consolidated statement of comprehensive income
For the year ended 31 December 2011

	2011 $'000	2010 $'000
Revenue	**10,753**	22,343
Advertising and promotion expenses	**(71)**	(121)
Other operating expenses	**(15)**	(1,352)
Finance costs	**(152)**	(111)
Share of net (losses) / profits of joint ventures accounted for using the equity method	**(175,415)**	43,103
(Loss) / profit before income tax	**(164,900)**	63,862
Income tax (expense) / credit	**(2,783)**	9,580
(Loss) / profit for the year	**(167,683)**	73,442
Other comprehensive (loss) / income		
Changes in the fair value of cash flow hedges (share of joint venture)	**(17,185)**	6,010
Income tax credit / (expense) relating to components of other comprehensive income	**5,184**	(1,803)
Other comprehensive (loss) / income for the year, net of tax	**(12,001)**	4,207
Total comprehensive (loss) / income for the year attributable to members of Hutchison Telecommunications (Australia) Limited	**(179,684)**	77,649

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

Consolidated statement of financial position
As at 31 December 2011

	2011 $'000	2010 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	**11,578**	5,317
Receivables	**-**	2,299
Other financial assets	**-**	1,394
Other	**157**	163
Total Current Assets	**11,735**	9,173
Non-Current Assets		
Other financial assets	**232,342**	74,870
Investment accounted for using the equity method	**1,413,545**	1,600,961
Deferred tax assets	**6,797**	9,580
Total Non-Current Assets	**1,652,684**	1,685,411
Total Assets	**1,664,419**	1,694,584
LIABILITIES		
Current Liabilities		
Payables	**23,212**	23,677
Other financial liabilities	**367,838**	217,838
Total Current Liabilities	**391,050**	241,515
Total Liabilities	**391,050**	241,515
Net Assets	**1,273,369**	1,453,069
EQUITY		
Contributed equity	**4,204,488**	4,204,488
Reserves	**62,973**	74,990
Accumulated losses	**(2,994,092)**	(2,826,409)
Total Equity	**1,273,369**	1,453,069

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 2011

	Attributable to members of Hutchison Telecommunications (Australia) Limited					
		Reserves				
	Contributed equity	Capital Redemption	Cash flow hedges	Share-based payments	Retained profits/ (losses)	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2010	**4,204,488**	**54,887**	**-**	**15,954**	**(2,899,851)**	**1,375,478**
Profit for the year	-	-	-	-	73,442	73,442
Share of joint venture's changes in the fair value of cash flow hedges	-	-	6,010	-	-	6,010
Income tax expense relating to components of other comprehensive income	-	-	(1,803)	-	-	(1,803)
Total comprehensive income for the year	**-**	**-**	**4,207**	-	**73,442**	**77,649**
Transactions with members in their capacity as members:						
Employee share options - value of employee services	-	-	-	(58)	-	(58)
Subtotal	**-**	**-**	**-**	**(58)**	**-**	**(58)**
Balance at 31 December 2010	**4,204,488**	**54,887**	**4,207**	**15,896**	**(2,826,409)**	**1,453,069**
Balance at 1 January 2011	**4,204,488**	**54,887**	**4,207**	**15,896**	**(2,826,409)**	**1,453,069**
Loss for the year	-	-	-	-	(167,683)	(167,683)
Share of joint venture's changes in the fair value of cash flow hedges	-	-	(17,185)	-	-	(17,185)
Income tax credit relating to components of other comprehensive income	-	-	5,184	-	-	5,184
Total comprehensive loss for the year	**-**	**-**	**(12,001)**	-	**(167,683)**	**(179,684)**
Transactions with members in their capacity as members:						
Employee share options - value of employee services	-	-	-	(16)	-	(16)
Subtotal	**-**	**-**	**-**	**(16)**	**-**	**(16)**
Balance at 31 December 2011	**4,204,488**	**54,887**	**(7,794)**	**15,880**	**(2,994,092)**	**1,273,369**

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 2011

	2011 $'000	2010 $'000
Cash Flows from Operating Activities		
Payments to suppliers and employees (inclusive of GST)	**(1,519)**	(496)
Interest received	**3,675**	861
Rental income	**-**	15
Finance costs paid	**(126)**	(126)
Net cash inflows from operating activities	**2,030**	254
Cash Flows from Investing Activities		
Loans to jointly controlled entities	**(149,000)**	-
Proceeds of loan from jointly controlled entities	**932**	71,321
Proceeds of loan from an entity within the HWL Group	**2,299**	-
Net cash (outflows) / inflows from investing activities	**(145,769)**	71,321
Cash Flows from Financing Activities		
Proceeds from borrowings – entity within the HWL Group	**150,000**	-
Repayment of borrowings – entity within the HWL Group	**-**	(69,116)
Net cash inflows / (outflows) from financing activities	**150,000**	(69,116)
Net increase in cash and cash equivalents	**6,261**	2,459
Cash and cash equivalents at 1 January	**5,317**	2,858
Cash and cash equivalents at 31 December	**11,578**	5,317

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

Notes to the consolidated financial statements
For the year ended 31 December 2011

Note 1 – Summary of significant accounting policies

Hutchison Telecommunications (Australia) Limited (the “Company”) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The Consolidated Entity consists of the Company and its subsidiaries (the “Group” or Consolidated Entity” or “HTAL”) made up to 31 December 2011.

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 preliminary financial statements have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

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 Orders 10/654 and 10/655 the consolidated financial statements are presented without parent entity financial statements.

Going concern disclosures

As at 31 December 2011, the Consolidated Entity has a deficiency of net current assets of $379 million (2010: $232 million). Included in the Consolidated Entity’s current liabilities is an amount of $368 million (2010: $218 million) which relates to an interest free financing facility provided from the ultimate parent entity, Hutchison Whampoa Limited (“HWL”), which is repayable on demand. The Consolidated Entity has unused financing facilities of $1,232 million at 31 December 2011. HWL has confirmed its current intention to provide sufficient financial support to enable the Consolidated 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.

Historical cost convention

These preliminary financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) which are stated at fair value, as explained in the significant accounting policies set out below.

Critical accounting estimates

The preparation of preliminary financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires the Group to exercise its judgment in the process of applying the Consolidated Entity’s accounting policies.

(b) Principles of consolidation

The consolidated preliminary financial statements include the financial statements of Hutchison Telecommunications (Australia) Limited and its subsidiaries made up to 31 December 2011.

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated Entity has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity (refer to note 1(f)).

The effects of all transactions between entities in the Consolidated Entity are eliminated. If a member of the Consolidated Entity uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Investments in controlled entities in the Company are accounted for at cost. Investments in joint ventures are accounted for as set out in note 1(g).

(c) Foreign currency translation

(i) 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.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges.

(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 for the major business activities as follows:

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(e) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences 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 and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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

(f) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, which is limited to one year from date of acquisition, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Refer to note 1(n) for the accounting policy on goodwill arising from a business combination.

(g) Joint ventures

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

(i) Jointly controlled entity

A jointly controlled entity is a joint venture which involves the establishment of a separate entity. The Consolidated Entity's interest in the joint venture entity is accounted for in the consolidated financial statements using the equity method of accounting. Under this method the share of the profits or losses of the entity is recognised in the profit or loss, and the share of the movements in reserves is recognised in reserves in the statement of financial position.

Profits or losses on transactions establishing the joint venture entity and transactions with the joint venture are eliminated to the extent of the Consolidated Entity's ownership interest until such time as they are realised by the joint venture entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(ii) Jointly controlled assets

The proportionate interests in the assets, liabilities, income and expenses of a jointly controlled asset have been incorporated in the financial statements under the appropriate headings.

(h) Impairment of assets

Goodwill is not subject to amortisation and 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.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within bank borrowings in current liabilities on the statement of financial position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the profit or loss.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the profit or loss.

(k) 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 profit or loss, 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 profit or loss within other income or other expenses.

Amounts accumulated in equity are recycled in the profit or loss 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 profit or loss. 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 profit or loss.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of forward exchange contracts is determined using forward exchange market rates at the statement of financial position date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

(m) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(n) Goodwill and intangible assets

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

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates/jointly controlled entity 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.

(o) 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.

(p) Interest bearing liabilities

Fixed rate loans are initially recognised at fair value, net of transaction costs incurred. Floating rate loans are initially recognised at cost, net of transaction costs incurred. Fixed and floating rate loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the liability using the effective interest method.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- certain exchange differences arising from foreign currency borrowings.

(r) Employee benefits

(i) Wages and salaries, and annual leave

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

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Bonus plan

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

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

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

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the HTAL Employee Option Plan.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

Share options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the HTAL Executive Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at the grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(v) 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.

Contributions are recognised as an expense as they become payable.

(s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) 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
- 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.

(u) 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 with 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.

(v) Operating segments

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* are reported separately.

(w) Rounding of amounts to nearest thousand dollars

The Consolidated Entity is of a kind referred to in Class Order 98/100 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 Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar or cent.

(x) New accounting standards and interpretations

Australian Accounting Standards that have recently been amended but are not yet effective and have not been early adopted by the Consolidated Entity are outlined in the table below:

Reference	Affected Standard(s)	Application date of standard*	Application date for Consolidated Entity
AASB 9	AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	1 January 2013
AASB 10	Consolidated Financial Statements	1 January 2013	1 January 2013
AASB 11	Joint Arrangements	1 January 2013	1 January 2013
AASB 12	Disclosure of Interests in Other Entities	1 January 2013	1 January 2013
AASB 13	Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013	1 January 2013
AASB 119	Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 and AASB 2011-11 Amendments to AASB 119 arising from Reduced Disclosure Requirements	1 January 2013	1 January 2013
AASB 127	Separate Financial Statements	1 January 2013	1 January 2013
AASB 128	Investments in Associates and Joint Ventures	1 January 2013	1 January 2013
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	1 January 2012
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	1 January 2013
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax : Recovery of Underlying Assets	1 January 2012	1 January 2012
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement standards	1 January 2013	1 January 2013

AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012	1 January 2013

* Application date of the standard is for the reporting periods beginning on or after the date shown in the above table.

The adoption of the standards and amendments listed above in future periods is not expected to result in substantial changes to the Group's accounting policies.

Note 2 – Earnings per share

	2011 Cents	**2010 Cents**
(a) Basic earnings per share		
(Loss) / profit attributable to the ordinary equity holders of the Consolidated Entity	**(1.24)**	0.54
(b) Diluted earnings per share		
(Loss) / profit attributable to the ordinary equity holders of the Consolidated Entity	**(1.24)**	0.54

(c) Earnings used in calculating earnings per share

	2011 $'000	**2010 $'000**
Basic earnings per share		
(Loss) / profit attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	**(167,683)**	73,442
Diluted earnings per share		
(Loss) / profit attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	**(167,683)**	73,442

(d) Weighted average number of shares used as the denominator

	2011 Number	**2010 Number**
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 23,075,000 (2010: 23,450,000) options outstanding at 31 December 2011 that are anti-dilutive and accordingly have no impact on the earnings per share calculation for the year ended 31 December 2011.

Note 3 – Operating segment

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 2011 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 telecommunication services. As such, the Consolidated Entity believes it is appropriate that there is one operating segment, investment in telecommunication services.

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

HTAL's share of VHA	**2011 $m**	**2010 $m**
Total Revenue	**2,297**	2,411
Operating Margin	**1,510**	1,691
EBITDA	**313**	476

Supplementary appendix 4E information

Additional dividend/distribution information
Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2011 are as follows:

Dividends/distributions declared or paid	N/A
Dividend/distribution reinvestment plans	N/A

Accumulated Losses

	2011 $'000	2010 $'000
Accumulated losses at 1 January	**(2,826,409)**	(2,899,851)
Net (loss) / profit attributable to the members of Hutchison Telecommunications (Australia) Limited	**(167,683)**	73,442
Accumulated losses at 31 December	**(2,994,092)**	(2,826,409)

NTA Backing

	2011	2010
Net tangible asset backing per ordinary share	$0.09	$0.11

Controlled entities acquired or disposed of
There was no acquisition nor disposal of controlled entities during the year ended 31 December 2011.

Associates and Joint Venture entities

Jointly controlled entity
HTAL owns a 50% interest in a joint venture with Vodafone Group Plc named Vodafone Hutchison Australia Pty Limited ("VHA"). The interest in VHA, held by a controlled entity Hutchison 3G Australia Holdings Limited ("H3GAH"), is accounted for in the consolidated financial statements using the equity method.

The aggregate share of losses from VHA for the year ended 31 December 2011 is $175,415,000 (2010: $43,103,000 share of profits).

Information relating to the jointly controlled entity is set-out below:

	2011 $'000	2010 $'000
Interest in a jointly controlled entity	**1,413,545**	1,600,961
Share of the jointly controlled entity's assets and liabilities under jointly controlled entity's accounting policies		
Current assets	**513,111**	557,543
Non-current assets^	**3,092,234**	3,108,599
Total assets	**3,605,345**	3,666,142
Current liabilities	**808,332**	607,978
Non-current liabilities	**1,632,948**	1,659,751
Total liabilities	**2,441,280**	2,267,729
Net assets	**1,164,065**	1,398,413

^ HTAL's share of VHA's non-current assets under HTAL accounting policies is $3,228 million at 31 December 2011 (2010 : $3,204 million). The differences in accounting policies are primarily related to difference in the economic useful lives of property, plant and equipment.

	2011 $'000	2010 $'000
Share of the jointly controlled entity's revenue, expenses and results		
Revenues	**2,296,854**	2,410,901
Expenses	**(2,472,269)**	(2,367,798)
(Loss) / profit for the period	**(175,415)**	43,103
Share of the jointly controlled entity's commitments		
Lease commitments	**540,880**	417,054
Other commitments	**383,863**	39,323
Capital commitments	**225,908**	246,661
	1,150,651	703,038
Contingent liabilities relating to the jointly controlled entity	**15,766**	22,468
Reconciliation of interest in a jointly controlled entity		
Investment b/f	**1,600,961**	1,553,651
(Loss) / profit for the year	**(175,415)**	43,103
Share of changes in fair value of cash flow hedges, net of tax	**(12,001)**	4,207
Interest in jointly controlled entity at 31 December	**1,413,545**	1,600,961

Foreign Accounting standards

For foreign entities only, details of the accounting standards used in compiling the report e.g. International Accounting Standards

N/A

Audit

This report is based on accounts which have been audited. The audit report, which is unqualified, will be made available with the Company's financial report.