Hutchison Telecommunications (Australia) Limited
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ASX Market Announcements

Australian Securities Exchange

Date 25 February 2013

Subject: Preliminary Final 2012 Annual Results

Please find attached the Company's results for the year to 31 December 2012 in the form of Appendix 4E.

The Annual General Meeting of the Company will be held at 10 am on 2 May 2013.

Yours faithfully

Louise Sexton
Company Secretary

Hutchison Telecommunications (Australia) Limited

Appendix 4E

Preliminary final report

for the year ended 31 December 2012

Hutchison Telecommunications (Australia) Limited

ABN 15 003 677 227

ASX Appendix 4E

Preliminary final report

31 December 2012

Contents

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 2011 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 $393.5 million loss for the year ended 31 December 2012, compared with a loss of $167.7 million in the prior year. HTAL's share of Vodafone Hutchison Australia Pty Limited's ("VHA") net loss included in HTAL's results for the period was $408.8 million for the year ended 31 December 2012 compared with a net loss of $175.4 million in 2011.

HTAL's revenue from ordinary activities represents interest income received on loans to VHA. VHA increased its loan from HTAL, and, as a result, HTAL's revenue from ordinary activities in the year ended 31 December 2012 increased from $10.8 million in 2011 to $19.0 million.

		$ '000
Revenue from ordinary activities	↑ 77.0%	19,030
Loss from ordinary activities after tax attributable to members	↑ 134.7%	(393,507)
Net loss for the year attributable to members	↑ 134.7%	(393,507)

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 $393.5 million loss for the year ended 31 December 2012, compared with a $167.7 million loss in the prior year. The VHA results (including revenue and operating costs) are included in the "share of net losses of joint ventures accounted for using the equity method" in HTAL's consolidated statement of comprehensive income.

HTAL's revenue from ordinary activities represents interest income received on loans to VHA. HTAL's revenue from ordinary activities for the year ended 31 December 2012 increased 77.0% to $19.0 million as a result of an increased loan from HTAL to VHA.

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

VHA Performance

In this review of VHA's performance attributable to HTAL, references to VHA financial results reflect the 50% share of VHA attributable to HTAL and references to customer metrics reflect the total customer base of VHA.

During the past year, the mobile telecommunications industry in Australia has continued to see a shift from traditional voice and text services to the widespread take up of smartphones and a resulting increased use of data services. With this comes a change in subscriber behaviour as consumers become more comfortable accessing online services via a mobile device. To address these needs and its weak brand perception, VHA continued its accelerated investment in building and upgrading the Vodafone network and introducing new customer service initiatives. The focus of the network investment has continued to be voice and data performance, resiliency and coverage.

While VHA continues to address the issues that underlie its brand perception in an intensely competitive mobile market, VHA's results for the year ended 31 December 2012 reflect the continued impact of these issues. For the 12 months ended 31 December 2012, VHA's customer base[1] declined 443,000 to 6.6 million (including Mobile Virtual Network Operators or "MVNOs").

This resulted in the following movements in HTAL's share of VHA's key financial metrics for the year ended 31 December 2012:

- customer service revenue decreased 16.8% year-on-year to $1,701.4 million; and
- earnings before interest, tax and depreciation ("EBITDA")[2] decreased 43.3% year-on-year to $177.3 million.

In 2012, VHA increased network transmission speed and capacity with an internet ready IP architecture; launched Vodafone 3G+ (DC-HSPA+) protocols and replaced all radio equipment in the network with the latest technology on the market.

[1] Customers reflect VHA's active services in operation at the end of the reporting period – including wholesale customers (MVNOs).

[2] Non-AIFRS disclosure under RG230.

As a result of network and service improvements during 2012, VHA's network now provides customers:

- Increased download speeds of up to 8 megabytes per second on 60 per cent of the Vodafone Network;
- Improved 3G data session and call set-up rates that now reach Vodafone Group's benchmark levels; and
- Dropped calls reduced by one third in metro areas.

VHA has also improved first-call customer care resolution rates by almost one-third in the company's call centres; and reduced Telecommunication Industry Ombudsman complaints by 37%.

Significant progress has been made to consolidate the business and brands in market. VHA has closed the **3** network and announced plans to close down the **3** and Crazy John's brands in 2013.

Outlook

VHA has reviewed and restructured its operations in 2012 to establish a more efficient cost structure, resulting in a reduction in its retail footprint, moving to operate under one brand and reassessing appropriate staffing levels. However, the turnaround these changes are designed to support will take time to flow through to its results. The next 12 months are expected to remain challenging.

VHA has announced plans to introduce 4G or Long Term Evolution ("LTE") capability to its network during 2013 as part of its continued network investment, and will see benefits to its network costs from its expanded network joint venture, announced during 2012.

VHA has $1,600.0 million of borrowings due for repayment in June 2013. VHA is currently in discussions with its financiers regarding the refinancing of this loan. Both of VHA's ultimate shareholders, Hutchison Whampoa Limited and Vodafone Group Plc, continue to provide support as needed to enable funding of VHA's business plan including the network investment.

HTAL is committed to its investment in VHA, and despite the operating challenges facing VHA, continues to support the strategy to return VHA to growth and profitability in the future.

VHA financial and operating metrics

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

	2012	2011	YoY change
Total revenue ($ m)	2,049.0	2,296.8	(10.8%)
Service revenue[3] ($ m)	1,701.4	2,044.2	(16.8%)
EBITDA[4] ($ m)	177.3	312.7	(43.3%)
Share of net loss of VHA ($ m)	(408.8)	(175.4)	133.1%
The items below represent totals for VHA			
Mobile customers ('000)	6,579	7,022	(6.3%)
Customer growth ('000)	(443)	(554)	(20.0%)
Postpaid %[5] (excl MVNO)	62.9%	63.1%	(0.2pp)
Prepaid %[6] (excl MVNO)	37.1%	36.9%	0.2pp

[3] **Service revenue** excludes revenue related to the sale of handsets and mobile broadband devices.

[4] **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. (Non-AIFRS disclosure under RG230)

[5] **Postpaid %** base exclude MVNO customers and pp represents percentage points.

[6] **Prepaid %** base exclude MVNO customers and pp represents percentage points.

Consolidated statement of comprehensive income
For the year ended 31 December 2012

	2012 $'000	2011 $'000
Revenue	**19,030**	10,753
Advertising and promotion expenses	**(54)**	(71)
Other operating expenses	**(1,124)**	(15)
Finance costs	**(105)**	(152)
Share of net losses of joint ventures accounted for using the equity method	**(408,775)**	(175,415)
Loss before income tax	**(391,028)**	(164,900)
Income tax expense	**(2,479)**	(2,783)
Loss for the year	**(393,507)**	(167,683)
Other comprehensive income / (loss)		
Changes in the fair value of cash flow hedges (share of joint venture)	**4,493**	(17,185)
Income tax credit relating to components of other comprehensive income	**-**	5,184
Other comprehensive income / (loss) for the year, net of tax	**4,493**	(12,001)
Total comprehensive loss for the year attributable to members of Hutchison Telecommunications (Australia) Limited	**(389,014)**	(179,684)

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 2012

	2012 $'000	2011 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	**10,891**	11,578
Other	**157**	157
Total Current Assets	**11,048**	11,735
Non-current Assets		
Other financial assets	**465,347**	232,342
Investment accounted for using the equity method	**1,009,263**	1,413,545
Deferred tax assets	**4,318**	6,797
Total Non-current Assets	**1,478,928**	1,652,684
Total Assets	**1,489,976**	1,664,419
LIABILITIES		
Current Liabilities		
Payables	**22,783**	23,212
Other financial liabilities	**582,838**	367,838
Total Current Liabilities	**605,621**	391,050
Total Liabilities	**605,621**	391,050
Net Assets	**884,355**	1,273,369
EQUITY		
Contributed equity	**4,204,488**	4,204,488
Reserves	**67,466**	62,973
Accumulated losses	**(3,387,599)**	(2,994,092)
Total Equity	**884,355**	1,273,369

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 2012

Attributable to members of Hutchison Telecommunications (Australia) Limited

		Reserves				
	Contributed equity $'000	**Capital Redemption $'000**	**Cash flow Hedging $'000**	**Share-based payments $'000**	**Accumulated losses $'000**	**Total equity $'000**
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 / (loss)	-	-	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 and 1 January 2012	**4,204,488**	**54,887**	**(7,794)**	**15,880**	**(2,994,092)**	**1,273,369**
Loss for the year	-	-	-	-	(393,507)	(393,507)
Share of joint venture's changes in the fair value of cash flow hedges	-	-	4,493	-	-	4,493
Income tax credit relating to components of other comprehensive income / (loss)	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	4,493	-	(393,507)	(389,014)
Transactions with members in their capacity as members:						
Employee share options – value of employee services	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Balance at 31 December 2012	**4,204,488**	**54,887**	**(3,301)**	**15,880**	**(3,387,599)**	**884,355**

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 2012

	2012 **$'000**	2011 $'000
Cash Flows from Operating Activities		
Payments to suppliers and employees (inclusive of GST)	**(1,586)**	(1,519)
Interest received	**10,968**	3,675
Finance costs paid	**(69)**	(126)
Net cash inflows from operating activities	**9,313**	2,030
Cash Flows from Investing Activities		
Loans to jointly controlled entities	**(225,000)**	(149,000)
Proceeds of loans from jointly controlled entities	**-**	932
Proceeds of loans from an entity within the HWL Group	**-**	2,299
Net cash outflows from investing activities	**(225,000)**	(145,769)
Cash Flows from Financing Activities		
Proceeds from borrowings - entities within the HWL Group	**215,000**	150,000
Net cash inflows from financing activities	**215,000**	150,000
Net (decrease)/increase in cash and cash equivalents	**(687)**	6,261
Cash and cash equivalents at 1 January	**11,578**	5,317
Cash and cash equivalents at 31 December	**10,891**	11,578

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 2012

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 2012.

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 2012, the Consolidated Entity has a deficiency of net current assets of $595 million (2011: $379 million). Included in the Consolidated Entity's current liabilities is an amount of $583 million (2011: $368 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 $1,017 million at 31 December 2012. 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 for a minimum period of twelve months from the date of signing the 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 2012.

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 statement of comprehensive income, 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 the statement of comprehensive income 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 statement of comprehensive income, 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.

The parent entity recognises its investment in the joint venture at cost less accumulated impairment losses.

(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 statement of comprehensive income.

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 statement of comprehensive income 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 statement of comprehensive income.

(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 statement of 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 comprehensive income within other income or other expenses.

Amounts accumulated in equity are recycled in the statement of 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 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 comprehensive income.

(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 statement of comprehensive income as a bargain purchase gain.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates/jointly controlled entities 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 statement of comprehensive income 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 were 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 over the period during which 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 Employee 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 2015	1 January 2015
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 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	1 January 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	1 January 2014
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement standards	1 January 2013	1 January 2013

(x) New Accounting standards and interpretations (continued)

AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012	1 January 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013	1 January 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	1 January 2014
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	1 January 2013	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

	2012 Cents	2011 Cents
(a) Basic earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity	**(2.90)**	(1.24)
(b) Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity	**(2.90)**	(1.24)

(c) Earnings used in calculating earnings per share	**2012 $’000**	2011 $’000
Basic earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	**(393,507)**	(167,683)
Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	**(393,507)**	(167,683)

(d) Weighted average number of shares used as the denominator	**2012 Number**	2011 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 300,000 (2011: 23,075,000) options outstanding at 31 December 2012 that are anti-dilutive and accordingly have no impact on the earnings per share calculation for the year ended 31 December 2012.

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 2012 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	**2012 $m**	**2011 $m**
Total Revenue	**2,049**	2,297
EBITDA	**177**	313

Supplementary Appendix 4E information

Additional dividend/distribution information

Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2012 are as follows:

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

Accumulated Losses

	2012 $'000	2011 $'000
Accumulated losses at 1 January	**(2,994,092)**	(2,826,409)
Net loss attributable to the members of Hutchison Telecommunications (Australia) Limited	**(393,507)**	(167,683)
Accumulated losses at 31 December	**(3,387,599)**	(2,994,092)

NTA Backing

	2012	2011
Net tangible asset backing per ordinary share	**$0.07**	$0.09

Controlled entities acquired or disposed of

The following controlled entities were deregistered on 11 January 2012:

Bell Organisation Pty Limited
Bell Paging Pty Limited
Bell Communications Pty Limited
Erlington Pty Limited
Hutchison Telephone Pty Limited
HTL Facilities Pty Limited

All the above entities were dormant and their disposal had no impact to the financial statements for year ended 31 December 2012.

There was no acquisition of controlled entities during the year ended 31 December 2012.

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 Pty 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 2012 is $408.8 million (2011: $175.4 million share of losses).

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

	2012 $'000	2011 $'000
Interest in a jointly controlled entity	**1,009,263**	1,413,545
Share of the jointly controlled entity's assets and liabilities under jointly controlled entity's accounting policies		
Current assets	**648,420**	513,111
Non-current assets ^	**3,050,966**	3,092,234
Total assets	**3,699,386**	3,605,345
Current liabilities	**1,963,940**	808,332
Non-current liabilities	**1,016,560**	1,632,948
Total liabilities	**2,980,500**	2,441,280
Net assets	**718,886**	1,164,065

^ HTAL's share of VHA's non-current assets under HTAL accounting policies is $3,221 million at 31 December 2012 (2011: $3,228 million). The differences in accounting policies are primarily related to differences in the economic useful lives of property, plant and equipment.

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 2012, VHA has $1,600 million in borrowings repayable in June 2013, which has been classified within current liabilities. This results in HTAL's share of VHA's net current asset deficiency being $1,316 million (2011: $295 million). One of VHA's ultimate shareholders, Hutchison Whampoa Limited, and one of its direct shareholders, Vodafone Oceania Limited, have confirmed their current intention to 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.

	2012 $'000	2011 $'000
Share of the jointly controlled entity's revenue, expenses and results		
Revenues	**2,048,998**	2,296,854
Expenses	**(2,457,773)**	(2,472,269)
Loss for the year	**(408,775)**	(175,415)
Reconciliation of interest in a jointly controlled entity		
Investment brought forward	**1,413,545**	1,600,961
Loss for the year	**(408,775)**	(175,415)
Share of change in fair value of cash flow hedges, net of tax	**4,493**	(12,001)
Interest in a jointly controlled entity at 31 December	**1,009,263**	1,413,545
Share of the jointly controlled entity's commitments		
Lease commitments	**642,937**	540,880
Capital commitments	**145,401**	225,908
Other commitments	**300,140**	383,863
	1,088,478	1,150,651
Contingent liabilities relating to the jointly controlled entity	**13,321**	15,766

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.