Hutchison Telecommunications (Australia) Limited
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ASX Market Announcements

Australian Securities Exchange

Date: 26 February 2018

Subject: Preliminary Final 2017 Annual Results

Please find attached the Company's results for the year to 31 December 2017 in the form of Appendix 4E, together with the audit report referred to in the Appendix 4E.

The Annual General Meeting of the Company will be held at 10 am on 2 May 2018.

Yours faithfully

Louise Sexton
Company Secretary

Hutchison Telecommunications (Australia) Limited

Appendix 4E

Preliminary final report

for the year ended 31 December 2017

Hutchison Telecommunications (Australia) Limited

ABN 15 003 677 227

ASX Appendix 4E

Preliminary final report

31 December 2017

Contents

Lodged with the ASX under Listing Rule 4.3A.

These preliminary financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2016 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 $37.6 million loss for the year ended 31 December 2017, compared with a loss of $63.5 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 year was $42.5 million for the year ended 31 December 2017 compared with a net loss of $68.0 million in 2016.

HTAL's revenue from ordinary activities represents interest income received on loans to VHA. HTAL's revenue from ordinary activities increased from $5.8 million in 2016 to $6.2 million for the year ended 31 December 2017.

			$ '000
Revenue from ordinary activities	↑	6%	6,164
Loss from ordinary activities after tax attributable to members	↑	41%	(37,557)
Net loss for the year attributable to members	↑	41%	(37,557)

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 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's loss for the year ended 31 December 2017 reduced to $37.6 million, a $25.9 million improvement from the prior year. The VHA results (including revenue and operating costs) are included in the "share of net losses of a joint venture accounted for using the equity method" in HTAL's consolidated statement of profit or loss and other comprehensive income.

HTAL's revenue from ordinary activities represents interest income received on loans to VHA. HTAL recorded revenue from operating activities of $6.2 million, increased from $5.8 million in 2016 as a result of increased shareholder loans provided to VHA.

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

VHA Performance

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

In 2017, VHA achieved another year of solid financial growth, while maintaining and enhancing its strong mobile network, launching fixed broadband services, adding to its range of competitive mobile products, and further strengthening customer sentiment.

With strong support from HTAL and its joint shareholder Vodafone Group Plc, VHA has again performed well in an increasingly competitive environment, reinforcing VHA's place in the market as a challenger and customer champion.

Key achievements and highlights:

- Continued significant investment in network and technology;
- Further growth in customer numbers, EBITDA and revenue;
- Launched fixed broadband services via the National Broadband Network;
- Ended 2017 with leading Net Promoter Score among Mobile Network Operators;
- Brought innovative post-paid and pre-paid mobile services products to market;
- Continued growth in roaming revenue;
- Continued focus on Enterprise segment;
- Vodafone Foundation DreamLab app launched on iOS, expanded globally; and
- Improved loss position.

2017 financial results

VHA produced a solid financial performance in 2017. It continued to take a sustainable approach to pricing, while encouraging customer retention and new customer growth through innovative products which offer value and generous inclusions to consumers.

On the back of customer growth, HTAL's share of VHA total revenue increased 3.4% to $1,729 million.

In an increasingly competitive market, gross ARPU remained steady at $45.80, a decrease of 0.2%.

HTAL's share of VHA's EBITDA increased 6.5% to $485.9 million for the full year, driven by revenue growth and commercial optimisation.

Operating free cash flow also continued to increase, driven by the increase in EBITDA.

The loss position continued to improve with HTAL's share of VHA net loss declining 37.5% to $42.5 million, driven by the increase in EBITDA.

Further customer growth, strengthening of consumer sentiment
VHA achieved further growth in its customer base during 2017, with the addition of 246,000 customers, and continued to see positive customer sentiment strengthen. Total network customers increased 4.4% to 5.81 million on the back of a 27.9% rise in wholesale and partner customers, 1.0% lift in postpaid customers, and 3.5% growth in prepaid customers.

In a sign of strong brand health, VHA ended 2017 with the leading Net Promoter Score (NPS) among the Mobile Network Operators. VHA's NPS, which measures how likely customers are to recommend VHA products and services to others, increased a further two points throughout 2017. VHA's NPS performance is driven by customer perceptions of network performance and reliability, trustworthiness, customer control over spend, and value for money.

VHA also recorded the lowest rate of customer complaints to the Telecommunications Industry Ombudsman of the major telecommunications companies throughout 2017. In the December quarter, VHA's complaints ratio was 44% lower than the industry average.

Investing in a network for the future
In 2017, VHA's total network and technology spend totalled almost $2 billion. VHA's significant, on-going investment in metropolitan and regional areas drove continued growth and expansion of its network as customer data usage continued to grow, increasing 38.8% from 2016 to 258 million terabytes in 2017. VHA built 347 new sites and upgraded over 1,600 existing sites across the country. This included the construction of 23 new sites as part of the Australian Government's Mobile Black Spot Program.

The VHA mobile network also continued to be recognised for its high performance in various independent network testing. The P3 Public Benchmark networking tests, Ookla Speedtest data and Open Source State of the Network report showed VHA's network performance continues to improve, with VHA leading in several categories and locations.

In December 2017, VHA acquired licences for three lots of additional spectrum at a spectrum auction held by the Australian Communications and Media Authority. VHA invested $7.2 million in licences for 2 x 10 MHz of spectrum in the 2100 MHz band in both Hobart and Darwin, and 2 x 5MHz in the 1800 MHz band in regional Western Australia. The new holdings will enable VHA to further improve its network for customers in these areas.

VHA successfully conducted Australia's first demonstration of Massive MIMO (Multiple Input Multiple Output) using FDD (Frequency Duplex Division) spectrum bands, also known as 4.9G. The demonstration achieved cell throughput speeds of 717Mbps across eight devices and is a significant step for the network in the lead-up to 5G.

Changing the fixed broadband game
In December 2017, VHA entered the fixed broadband market, launching Vodafone nbn™. In a strategic business move, Vodafone nbn™ will complement VHA's mobile network and deliver a converged internet experience to meet growing consumer demand for continuous connectivity.

To differentiate itself in the market and provide a superior customer experience, VHA announced a number of unique initiatives as part of its fixed broadband offering, including Vodafone Wi-Fi Hub™ Modem featuring 4G Back Up At Sign-Up, customers are provided with the modem which allows them to connect to the VHA 4G mobile network until NBN is installed. The modem also automatically switches to mobile in the event the NBN connection fails.

VHA also carries out speeds checks at customers' premises after connection to ensure they are not paying for a speed which is not achievable, and allows plan changes at no extra cost once per billing cycle.

Vodafone nbn™ is initially available online, over the phone or in 78 stores across Sydney, Canberra, Melbourne, Geelong and Newcastle.

VHA continues customer focus
In an increasingly competitive environment, VHA continued to challenge the market by introducing new competitive offers and innovative products.

VHA revolutionised the post-paid category in Australia by introducing new Red Plans which separate handset costs from plan costs. In line with VHA's purpose, which is to give customers the freedom and choice to connect the way they want, VHA's no lock-in contracts allow customers to pay off their devices over 12, 24 or 36 months, interest-free.

In response to customer feedback, VHA became the first mobile provider to introduce 35-day recharge periods. This initiative led to customer base growth in the pre-paid segment.

VHA also expanded its popular $5 Roaming product, which allows customers to use their plan inclusions in over 55 countries for an extra $5 per day, to eight new destinations. The new destinations are: Israel, Taiwan, Chile, Sri Lanka, Nauru, Jersey, Guernsey and Isle of Man.

VHA's roaming revenue increased 19% from 2016 to 2017.

VHA also added new features to enhance the customer experience. Vodafone Wi-Fi Calling allows Vodafone customers to make and receive calls, MMS and SMS from their compatible smartphone over an accessible Wi-Fi network. While Vodafone NumberSync enables customers to share their mobile services plan and phone number with their compatible iPhone and Apple Watch Series 3 (GPS + Cellular).

Sponsorship
In 2017, VHA engaged with the Australian community through a strong roster of targeted, relevant sponsorships. Through prominent branding at popular sporting events and association with popular sporting codes, the sponsorships promote the Vodafone brand to new audiences.

Re-entering into a relationship with Supercars, VHA assumed the role of naming rights partner for the Porsche safety, course and medical cars, complementing its Official Telco Partner status of the 2017 Supercars Championship. VHA took on the role of naming rights partner of the Vodafone Gold Coast 600, a weekend-long motor sports event attended by almost 200,000 fans.

In a major four-year deal with Super Rugby, VHA secured competition naming rights until 2020, and back-of-jersey sponsorship of the Australian women's XV side, the Wallaroos.

VHA also entered into a three-year sponsorship agreement with cricket's Big Bash League and Women's Big Bash League Adelaide Strikers.

A focus on small and medium businesses
VHA accelerated its Enterprise strategy in 2017, building on its award-winning offerings for small and medium sized business customers. VHA signed major business customers across a variety of industries including food and beverage, global logistics, and finance. In August, VHA won the Canstar Blue award for Most Satisfied Customers – Small Business Mobile Phone Providers 2017.

VHA launches Australia's first Narrowband Internet of Things network
In October 2017, VHA launched Australia's first Narrowband Internet of Things (NB-IoT) network in Melbourne, Victoria, with plans to expand the network into other areas in 2018. The key benefits of NB-IoT include extended coverage over large areas, even when devices are underground or deep within buildings, and greater power efficiency so devices can run on batteries for ten years or longer on a single charge.

Leveraging Vodafone's global position as a leader in IoT services and technologies, NB-IoT will enable the wireless connection millions of devices with low bandwidth requirements, opening up opportunities for industries including utilities, smart cities and health.

Committed to a fairer telco playing field

Throughout 2017, VHA accelerated its telecommunications policy and regulatory reform to improve access and reliability for all Australians, particularly those in regional, rural and remote areas. The Australian mobile market is unique internationally, and is characterised by an extreme geography and a dominant incumbent which has benefited significantly from a legacy fixed network and significant ongoing government and industry funding and subsidies. This has resulted in a mobile monopoly in regional Australia of over 1.4 million square kilometres, which has flow-on effects in other areas.

In December 2017, VHA welcomed the Australian Government's announcement that the Universal Service Obligation (USO), which currently sees $297 million per year in taxpayer and industry funding provided to the incumbent for its copper and payphone services, will be wound up by 2020. This follows resolute calls for reform from VHA and other parties over recent years.

Despite the Australian Competition and Consumer Commission's decision in October 2017 to not regulate domestic roaming, VHA maintains the current market distortion still needs to be addressed. VHA remains committed to the objectives of its agenda to achieve improved outcomes for Australian telecommunications customers.

Vodafone Foundation's Dreamlab app launches on iOS, goes global

In October 2017 the Vodafone Foundation released a DreamLab app for Apple's iOS devices. DreamLab uses the processing power of idle smartphones to help the Garvan Institute of Medical Research speed up vital cancer research. Since Dreamlab was first launched on Android devices in 2015, it has crunched over 25 million calculations and is currently nearing completion of its first research project to find safer and more effective treatments for cancer patients.

Following its success in Australia, DreamLab has been chosen as the Global Vodafone Foundation's flagship program and will be rolled out to several markets in Europe and the Middle East in 2018.

Outlook

VHA is well-positioned to continue its financial and customer growth, building on momentum of recent years. Despite an increasingly competitive market and significant barriers to competition in regional areas, VHA has established a reputation for its strong mobile network and as a customer champion both in the product and regulatory spaces.

In 2018, VHA will continue to invest heavily in growing and enhancing its business, with a focus on its mobile network, fixed broadband services, Internet of Things technology, 5G and Enterprise. VHA will continue its preparations for 5G with the final stages of its fibre transmission rollout, by evolving and building capability in its network, and through further technology trials.

VHA will also continue to expand its 4G network through its own investment and as part of the Australian Government's Mobile Black Spot Program, and confirm a significant increase in mobile coverage as part of its joint venture agreement with a third party.

The convergence of fixed and mobile internet services will be a key area as VHA expands its fixed broadband business, offering Vodafone nbn™ to more homes and businesses. VHA will also continue the digitisation of the company to create a more agile organisation and an enhanced customer experience.

Just as it has done over recent years with propositions such as $5 Roaming, no lock-in postpaid handset contracts and 35-day prepaid expiry periods, VHA will continue to introduce new products which offer generous inclusions for customers to meet growing demand for services and deliver a financial return.

VHA remains committed to its policy and regulatory agenda to bring increased competition and choice to regional Australian customers. It will continue to put forward constructive ideas to government and other decision-makers about policy and regulatory reform to achieve maximum benefits for consumers.

The Australian Communications and Media Authority has indicated it intends to bring licences for the 3.6GHz spectrum band to market via auction in 2018. This is to be followed by auctions in 2019 for 850-900MHz, 26GHz and 1.5GHz band licences in 2019. VHA is engaged in a sustained initiative to optimise its position in the spectrum allocation process.

VHA has raised concerns about 5G spectrum availability given that other countries have identified far larger quantities of 5G spectrum than are likely to be available in Australia. VHA will continue to advocate strongly for sufficient spectrum to be made available at the right time to ensure consumers receive the full benefits of a competitive 5G environment.

HTAL remains committed to its investment in VHA, and will continue to support VHA's growth in the future.

VHA financial and operating metrics

	2017	2016	YoY change
The items below represent the 50% share of VHA attributable to HTAL			
Total revenue ($m)	1,729.0	1,672.6	3.4%
Gross service revenue[1] ($m)	1,453.8	1,417.9	2.5%
Net service revenue[2] ($m)	1,218.5	1,181.3	3.1%
EBITDA ($m)	485.9	456.1	6.5%
Share of net loss of VHA[3] ($m)	(42.5)	(68.0)	37.5%
The items below represent totals for VHA			
- Postpaid customers (’000)	3,388	3,354	1.0%
- Prepaid customers (’000)	1,709	1,652	3.5%
VHA customers subtotal (’000)	5,097	5,006	1.8%
- MVNO customers (’000)	711	556	27.9%
Total network customers (’000)	5,808	5,562	4.4%
Gross ARPU[4] ($)	45.80	45.87	(0.2%)
Net ARPU[5] ($)	38.03	37.97	0.2%

[1] **Gross service revenue** represents total monthly amount billed to the customer excluding any handset/device charges, plus incoming mobile termination revenue.

[2] **Net service revenue** represents gross service revenue excluding amounts attributable to a handset/device in postpaid contract bundled plans. The amount attributable to a handset/device is based on the price differential between a contract bundled plan and a comparable SIM-only plan at the time of acquisition or re-sign.

[3] Reconciliation for the **Share of net loss of VHA** is set out on page 27.

[4] **Gross ARPU** represents a rolling 12 month average gross service revenue per user per month at the end of the period excluding MVNOs.

[5] **Net ARPU** represents a rolling 12 month average net service revenue per user per month at the end of the period excluding MVNOs.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

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

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

Consolidated statement of financial position
As at 31 December 2017

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

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

Consolidated statement of changes in equity
For the year ended 31 December 2017

Attributable to members of Hutchison Telecommunications (Australia) Limited

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

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

Consolidated statement of cash flows
For the year ended 31 December 2017

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

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 2017

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 Securities Exchange. The Consolidated Entity consists of the Company and its subsidiaries (the "Group" or "Consolidated Entity" or "HTAL") made up to 31 December 2017. The financial statements were authorized and issued by the board on the 26th of February 2018.

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

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

(a) Basis of preparation

These preliminary financial statements for the year ended 31 December 2017 has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, and comply with other requirements of the law.

These financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by the Company, during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year.

For financial reporting purposes the Consolidated Entity is considered a 'for-profit' entity.

Statement of compliance

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

As a consequence of the financial reporting relief provided by ASIC Class Order 10/654, the consolidated financial statements are presented without parent entity financial statements.

Historical cost convention

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

(b) Principles of consolidation

(i) Subsidiaries

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

(ii) Joint arrangements

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

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

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

(iii) Equity method

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

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

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

(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.

(d) Revenue recognition

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

Interest income

Interest income is recognised using the effective interest method.

(e) Income tax

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

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

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

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

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

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

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

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

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

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

(f) Impairment of assets

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

(g) Cash and cash equivalents

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

(h) Other receivables

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

(i) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Entity designates certain derivatives as; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

(j) Going concern

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

(k) Goodwill

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the net identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the statement of profit or loss and other comprehensive income as a bargain purchase gain.

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

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

(l) Payables

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

(m) Employee benefits

(i) Wages and salaries, and leave provisions

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

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

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

(ii) Retirement benefits

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

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

(n) Contributed equity

Ordinary shares are classified as equity.

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

(o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to ordinary equity holders of the Consolidated Entity;
- 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.

(p) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within other receivables or payables in the statement of financial position.

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

(q) Segment reporting

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

Operating segments have been identified based on the information provided to the chief operating decision maker. Operating segments that meet the quantitative criteria as prescribed by *AASB 8 Operating Segments* are reported separately.

(r) Critical accounting estimates and assumptions

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

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

In accordance with the Consolidated Entity's accounting policy, the investments in controlled entities and the joint venture are periodically tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the Company's investment in controlled entities, and the recoverable amount of the Consolidated Entity's investment in its joint venture are determined as the higher of the fair value less cost of disposal or value in use methodology. The underlying calculation is based on the approved business plan for VHA. VHA uses a weighted average cost of capital

('WACC') methodology to compute its discount rate, with reference to external and internal data and risk assessment. VHA compares this WACC to external market data of a selection of peer companies, and is satisfied that the WACC for VHA is in the range that a market participant would apply. These calculations require the use of estimates and assumptions.

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

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

(ii) Recovery of deferred tax assets

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

(iii) Joint venture accounting adjustments

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

(s) Rounding of amounts to nearest thousand dollars

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

(t) Parent entity financial information

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

(u) New accounting standards and interpretations

Accounting standards issued and mandatorily effective in the current year

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

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

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

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

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

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

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

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

The derecognition rules have been transferred from AASB 139 and have not been changed.

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

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

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

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

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

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

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

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

• Accounting for Handset Receivables - AASB 15 requires that the total consideration received must be allocated to hardware and service components based on relative stand-alone selling prices rather than based on revenue measurement principles from previous guidance. This will result in higher amounts being allocated to the handset, of which revenue is recognised when the goods have been dispatched to the customer, instead of service revenue which is recognised monthly over the contract term. Hence, an estimated increase of $18.0 million in Trade and Other Receivables as of 1 January 2018 and a corresponding decrease in accumulated losses will be recognised.

• Accounting for certain incremental costs in obtaining a contract – in 2017, the Group expensed subscriber acquisition costs related to commissions paid to dealers when a customer signed-up or renewed their contract. These costs to retain a contract are required under AASB 15 to be initially recognised as an asset and expensed over the life of a customer contract consistent with the transfer of the goods or services to which the capitalised costs relate to the customer. The Group was not required to allocate commissions between the handset and service component per previous guidance. However, with the adoption of AASB 15, capitalised commission related to the handset component would be expensed. In total, this will result in an estimated decrease of $8.9 million in Contract Costs as of 1 January 2018 and a corresponding increase in accumulated losses.

• Accounting for Contract Liabilities – For certain customer contracts higher amounts will be allocated to the service component under AASB 15 based on relative stand-alone selling prices and result in delayed recognition of a portion of the revenue. The Group estimates that Contract Liabilities will increase by approximately $13.3 million, with a corresponding increase in accumulated losses on 1 January 2018.

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

Accounting standards issued but not yet effective

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

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

The accounting for lessors will not significantly change.

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

The standard will affect primarily the accounting for the joint venture's operating leases. As at the reporting date, the joint venture non-cancellable operating lease commitments is $1,553.7 million, see supplementary Appendix 4E information. The joint venture estimates that an insignificant portion of these commitments relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

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

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

Note 2 – Earnings per share

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

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

(d) Weighted average number of shares used as the denominator	2017 Number	2016 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 no (2016: nil) options outstanding at 31 December 2017 that are anti-dilutive and accordingly there was no impact on the earnings per share calculation for the year ended 31 December 2017.

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

The chief operating decision maker of the Consolidated Entity receives information to manage its operations and investment based on one operating segment, an investor in an operator of 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 the following items of VHA*	2017 $'000	2016 $'000
Total Revenue	1,728,966	1,672,587
Net Losses	42,499	68,014

Further information reviewed by the chief operating decision maker with regards to the performance of the Consolidated Entity's investment in VHA is disclosed on page 26.

* after joint venture accounting adjustments

Supplementary Appendix 4E information

Additional dividend/distribution information

Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2017 are as follows:

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

Accumulated Losses

	2017 $'000	2016 $'000
Accumulated losses at 1 January	(4,149,389)	(4,085,936)
Loss attributable to the member of Hutchison Telecommunications (Australia) Limited	(37,557)	(63,453)
Accumulated losses at 31 December	(4,186,946)	(4,149,389)

Net Tangible Assets Backing

	2017	2016
Net tangible assets backing per ordinary share	$0.01	$0.01

Controlled entities acquired or disposed of

There was no acquisition of controlled entities during the year ended 31 December 2017.

Associates and Joint Venture entities

Joint Venture

HTAL owns a 50% interest in a joint venture with Vodafone Group Plc named Vodafone Hutchison Australia Pty Limited ("VHA"), which is involved in providing telecommunication services in Australia. The interest in VHA is 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 2017 is $42.5 million (2016: $68.0 million share of losses).

Summarised financial information of the joint venture, based on its Australian Accounting Standards financial statements and a reconciliation to the carrying amount of the investment in the consolidated financial statements are set out below:

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

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

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

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

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

Information relating to the joint venture is set out below:

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

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

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

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.

Independent auditor's report

To the members of Hutchison Telecommunications (Australia) Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2017
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $7.8 million, which represents approximately 5% of the Group's loss before tax (based on an average of the current year and preceding four years).
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group loss before tax because, in our view, it is a benchmark against which the performance of the Group is most commonly measured. Due to fluctuations in profit and loss from year to year, we chose a five year average.
- We utilized a 5% threshold based on our professional judgment, noting it is within the range of commonly acceptable thresholds.

Audit Scope

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

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

Recoverable amount of investment in joint venture

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

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

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

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

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

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, including the Ownership Structure, VHA Key Operational Highlights 2017, Financial Summary, Chairman's message, Board of Directors, Corporate Governance, Director's Report, Shareholder Information and Corporate Directory, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 7 to 11 of the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Rosalie Wilkie
Partner

Sydney
26 February 2018