Hutchison Telecommunications
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ASX Market Announcements

Australian Securities Exchange

Date: 27 February 2019

Subject: Preliminary Final 2018 Annual Results

Please find attached the Company's results for the year to 31 December 2018 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 2019.

Yours faithfully

Louise Sexton
Company Secretary

Hutchison Telecommunications (Australia) Limited

Appendix 4E

Preliminary final report

for the year ended 31 December 2018

Hutchison Telecommunications (Australia) Limited

ABN 15 003 677 227

ASX Appendix 4E

Preliminary final report

31 December 2018

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 2018 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 $4.5 million profit for the year ended 31 December 2018, compared with a loss of $37.6 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 $5.0 million for the year ended 31 December 2018 compared with a net loss of $42.5 million in 2017.
HTAL's revenue from ordinary activities represents interest income received on loans to VHA and increased from $6.2 million in 2017 to $10.6 million for the year ended 31 December 2018. The significant growth in revenue is primarily driven by a full 12 months of interest on the June 2017 drawdown of $200 million and an additional March 2018 drawdown of $40 million. However, this will be a non-recurring uplift as the overall loan balance has been reduced with a loan repayment of $115 million during December 2018.

	Dec 18 $'000	Dec 17 $'000	Movement $'000	Movement %
Revenue from ordinary activities	10,619	6,164	4,455	72.3%
Profit / (loss) from ordinary activities after tax attributable to members	4,475	(37,557)	42,032	111.9%
Net profit / (loss) for the year attributable to members	4,475	(37,557)	42,032	111.9%

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.

In 2018, VHA achieved modest financial growth in an intense competitive environment and despite the need for ongoing significant investment to maintain, enhance and evolve its networks, products and customer service.

With strong support from CK Hutchison Holdings Limited and its joint shareholder Vodafone Group Plc, VHA has again produced a stable financial performance, while maintaining its position as a price leader and achieving market-leading customer sentiment.

Key 2018 achievements and highlights:

- Reached six million mobile customers;
- Full launch of fixed broadband services on the National Broadband Network;
- Continued significant investment in network and technology, including evolution to 5G;
- Introduced Australia's first widely-available endless data plans;
- Expanded $5 Roaming to more than 80 countries;
- Leading Net Promoter Score (NPS) and lowest rate of customer complaints to the Telecommunications Industry Ombudsman of the Mobile Network Operators;
- Announced proposed merger with TPG Telecom Ltd ("TPG Telecom") to become a leading full-service telecommunications company in Australia and a more effective challenger to the dominant carriers in the market; and
- Acquired 5G spectrum through Mobile JV Pty Ltd, its spectrum joint venture with TPG Telecom.

2018 financial results

VHA's 2018 financial performance was in line with expectations, given aggressive competition among the major Mobile Network Operators over recent years and increased capital investments required to maintain and evolve mobile telecommunications networks.

HTAL's share of VHA total revenue increased 5.5% to $1,823.4 million from $1,729.0 million, driven by growth in VHA's customer base and higher device sales. In a direct year on year comparison, without the AASB 15 accounting change, HTAL's share of VHA total reported revenue would have been $1,845.7 million, a 6.8% increase.

HTAL's share of VHA's EBITDA increased 13.4% YoY to $551.1 million from $485.9 million, driven by revenue growth, expenditure optimisation and non-recurring benefits of $33.5 million. In a direct year on year comparison, without the AASB 15 accounting change, HTAL's share of VHA total reported EBITDA would have been $543.5 million, an 11.8% increase.

In a year on year comparison using previous year calculation methodology, VHA ARPU (Average Revenue Per User) was $37.45, a decrease of 2.0% YoY from $38.23 due to ongoing competition among the major Mobile Network Operators and increased inclusions on VHA mobile plans. In the first half of 2018, non-Vodafone branded partners Kogan and Lebara were re-classified from MVNO to Pre-paid. With the inclusion of Kogan and Lebara customers, VHA ARPU on this basis was $35.52, a decrease of 4.4% YoY from $37.16.

The loss position improved with HTAL's share of VHA net loss declining 88.2% to $5.0 million, driven by the improvement in VHA's EBITDA partially offset by an increase in depreciation and amortisation expense.

VHA and TPG Telecom propose merger of equals

VHA and TPG Telecom Limited announced a merger of equals transaction in August 2018 to establish Australia's leading full-service challenger telecommunications provider. The merger is subject to regulatory approvals, and will provide the new merged group with increased financial strength and scale to compete more effectively, and drive innovation, service and product improvements to Australian customers. HTAL and Vodafone Group Plc, as VHA shareholders, will each own 25.05% of the new merged group with TPG Telecom shareholders owning the remaining 49.9%.

VHA reaches 6 million mobile customers, achieves leading customer sentiment

VHA passed the 6 million mobile customer mark in 2018, with the addition of 211,000 customers. Total mobile network customers increased 3.6% to 6.02 million, driven by 6.1% growth in prepaid customers, a 2.0% lift in postpaid customers and a 5.3% increase in wholesale and partner customers.

VHA also had 33,000 fixed broadband customers following the full launch of Vodafone nbn™ services in April 2018.

VHA continued to achieve strong customer sentiment, recording the leading Net Promoter Score (NPS) among the Mobile Network Operators throughout 2018. VHA's NPS performance is driven by customer perceptions of network performance and reliability, trustworthiness, customer control over spend, and value for money.

VHA again recorded the lowest rate of customer complaints to the Telecommunications Industry Ombudsman of the major telecommunications companies throughout 2018. In the December 2018 quarter, VHA's complaints ratio was 50% lower than the industry average and less than half that of the major Mobile Network Operators.

National 5G spectrum acquisition builds on VHA's future network plans

In December 2018, Mobile JV Pty Ltd, the 50:50 joint venture company of VHA and TPG Telecom acquired substantial spectrum holdings in all available metropolitan and regional areas in the 3.6GHz band, for $263 million. VHA has the right to use half of the spectrum licences acquired by Mobile JV Pty Ltd. This builds on VHA's work over recent years to prepare for 5G, with projects including the virtualisation of its core network, fibre transmission rollout and detailed infrastructure planning.

Mobile JV Pty Ltd is an ongoing joint venture and will not terminate if the merger between VHA and TPG Telecom does not proceed.

Expanding and enhancing the VHA mobile network

In 2018, VHA's total network and technology spend was approximately $1.3 billion, including the construction of more than 180 new sites and upgrade of over 850 existing sites across Australia. This included the construction of 22 new sites as part of the Australian Government's Mobile Black Spot Program. VHA's significant network investment in metropolitan and regional areas helped support growing customer data usage, which increased 45% from 2017 to more than 360 million gigabytes in 2018.

The VHA mobile network also continued to be recognised for its strong performance. In May 2018, VHA was awarded Best Mobile Operator at the telecommunications industry CommsDay Edison Awards. The OpenSignal Mobile Network update report showed VHA's network performance continues to improve, with VHA performing strongly in 4G download speed, 4G latency and overall download speeds. The P3 Public Benchmark networking test recognised improvements across all aspects of VHA's network performance in the five major cities.

In May 2018, VHA successfully launched its first 4.9G site in Parramatta, in Sydney's western suburbs. This was the first of five sites to be launched that will act as trial locations to deliver a higher quality network experience in the lead up to the introduction of 5G.

In September 2018, VHA announced a successful trial of its self-install mobile coverage solution – the Vodafone Regional Coverage Hub. The device delivers 4G voice and data services, and Internet of Things (IoT) connectivity, in locations where commercial networks are not traditionally deployed, or where coverage is patchy or unavailable.

VHA entry into fixed broadband

In April 2018, VHA officially launched Vodafone nbn™, following a soft launch in Sydney, Melbourne, Canberra, Newcastle and Geelong in December 2017. In a strategic move to complement its mobile network and offer customers a converged internet experience, using the National Broadband Network (NBN), VHA has grown the availability of its fixed network to other major Australian cities, expanded its fixed retail distribution footprint and added content access and enhanced features.

Like its mobile offering, Vodafone nbn™ focuses on the customer experience with Instant Connect and 4G Back-Up allowing customers to access the internet via VHA's 4G mobile network prior to NBN installation and in the event of a fault. These features have been well received by customers and some of them have been implemented by VHA's competitors in response.

VHA continues significant investment in customers

VHA continues to focus heavily in retaining existing customers and acquiring new customers, introducing new competitive offers and innovative products.

In May 2018, VHA introduced Australia's first widely available endless mobile data plans. Known as Red Plus, the plans offer customers protection against excess data use charges by providing between 50 and 120 gigabytes per month at the maximum data speed available on the VHA network, followed by endless data at streaming speeds of 1.5Mbps.

VHA's $5 Roaming continues to be a key driver of postpaid customer connections and retentions. In November 2018, VHA launched $5 Roaming to an additional 11 destinations, making the product available in more than 80 countries. $5 Roaming remains the most competitive offering of its kind in the Australian market.

VHA strengthens Enterprise business

VHA continued its Enterprise strategy in 2018, building on its award-winning offerings for small and medium sized business customers. VHA signed major business customers across a variety of industries including travel, global logistics, and finance.

VHA extended its endless data offerings with the introduction of Business Advance mobile plans – Australia's first plans with endless data for small or medium businesses (SMBs).

In August, VHA won the Canstar Blue award for Most Satisfied Customers – Small Business Mobile Phone Providers for the second year in a row.

DreamLab goes global

In 2018, Vodafone Foundation continued to help improve the health and wellbeing of Australians through its technology-driven partnerships with the Garvan Institute of Medical Research and Hello Sunday Morning.

In May 2018, the Foundation's DreamLab app, which helps solve cancer using the processing power of idle smartphones while users sleep, launched in the UK and New Zealand. The DreamLab community now consists of more than 300,000 users, known as 'dreamers'. In November 2018, the app's first scientific findings were released, with 'Project Decode' discovering 141 new subtypes of cancer. By donating the computing power to process 75 million research calculations, DreamLab users halved the time it would have otherwise taken to reach this discovery and provided an important research milestone for the program.

Outlook

With strong support from CK Hutchison Holdings Limited and its joint shareholder Vodafone Group Plc, VHA is well-placed to continue achieving steady, modest customer and financial growth, despite ongoing aggressive competition among the Mobile Network Operators.

As it has done in recent years, in 2019, VHA will continue to invest in innovative, competitive mobile and fixed services and products which offer value inclusions and flexible options to Australian customers.

VHA will also continue to invest in its mobile and fixed networks, including the evolution to 5G.

However, VHA has publicly expressed concerns that the Australian Government's notice to not permit equipment of Chinese suppliers to be used in 5G networks will reduce vendor competition and increase costs for Mobile Network Operators.

VHA also notes the challenges for all retailers in the fixed broadband market due to limited margins associated with reselling the NBN services.

VHA has entered into a Scheme Implementation Deed with TPG Telecom to create a substantial converged telecommunications provider through a merger of equals. Increased investment requires increased scale, and the proposed merger would create a more effective challenger to the dominant telecommunications players in the market. The two companies own highly complementary telecommunications infrastructure, with VHA established in mobile and TPG Telecom established in fixed.

The merger is subject to approval by several regulatory bodies, including the Australian Competition and Consumer Commission (ACCC), and by TPG Telecom shareholders. VHA and TPG Telecom commenced an informal merger review process with the ACCC and it has indicated it will provide its view on the proposed VHA-TPG Telecom merger in April 2019.

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

VHA financial and operating metrics

	2018 $'000	2017 $'000	YoY change %
The items below represent the 50% share of VHA attributable to HTAL			
Total revenue ($m)	1,823.4	1,729.0	5.5%
Total revenue adjustment AASB 15[1]	(22.3)		
Total revenue without AASB 15[1]	1,845.7	1,729.0	6.8%
Service revenue ($m)[2]	1,235.1	1,224.2	0.9%
Service revenue adjustment AASB 15[1]	(2.7)		
Service revenue without AASB 15[1]	1,237.8	1,224.2	1.1%
EBITDA ($m)	551.1	485.9	13.4%
Net EBITDA adjustment AASB 15[1]	7.6		
Net EBITDA without AASB 15[1]	543.5	485.9	11.6%
Share of net loss of VHA ($m)[3]	(5.0)	(42.5)	(88.2%)
Net loss adjustment AASB 15[1]	(10.5)		
Net Profit/ (loss) without AASB 15[1]	5.5	(42.5)	(113.0%)
The items below represent totals for VHA			
Postpaid customers ('000)	3,454	3,388	2.0%
Prepaid customers ('000)[4]	2,209	2,082	6.1%
VHA customers subtotal ('000)	5,663	5,470	3.5%
MVNO customers ('000)[4]	356	338	5.3%
Total network customers ('000)	6,019	5,808	3.6%
Fixed Customers ('000)	33	-	100%
ARPU ($)[5]	37.45	38.23	(2.0%)
ARPU inclusive of Kogan and Lebara ($)[6]	35.52	37.16	(4.4%)

[1] AASB 15 became effective for the Group on 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 table above presents the difference between pre AASB 15 and post AASB 15 adjustment. Included in the adjustments are changes in fair value recognition of revenue and discounts on customer contracts, together will change in the recognition of subscriber costs for these contracts.

[2] Reclassification $11.8 million of fixed and insurance revenue into service revenue. The December 2017 figures reclassed for comparative was $6 million.

[3] Reclassification for the Share of net loss of VHA is set out on page 29.

[4] Reclassification of Kogan and Lebara customers from MVNO to Prepaid. As Kogan and Lebara customers (602k) are contracted to VHA, these categories have been reclassified from MVNO to Prepaid. Prior to the reclassification, the December 2017 figures for Prepaid and MVNO were 1,709k and 711k respectively.

[5] ARPU represents a rolling 12 month average postpaid and prepaid service revenue per user per month at the end of the period excluding MVNOs. This computation does not take into account the reclassification of Kogan and Lebara from MVNO category to Prepaid category.

[6] Updated ARPU reflects the change in basis of calculation as a result of the reclassification of Kogan and Lebara from MVNO category to the Prepaid category. The prior year comparative has also been updated based on this change.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	2018 $'000	2017 $'000
Revenue	10,619	6,164
Other operating expenses	(1,162)	(1,222)
Share of net losses of a VHA joint venture accounted for using the equity method	(4,982)	(42,499)
Profit / (loss) before income tax	4,475	(37,557)
Income tax expense	-	-
Profit / (loss) for the year	4,475	(37,557)
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 VHA joint venture)	212	(207)
Other comprehensive income / (loss) for the year, net of tax	212	(207)
Total comprehensive income / (loss) for the year attributable to members of Hutchison Telecommunications (Australia) Limited	4,687	(37,764)

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 2018

	2018 $'000	2017 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	18,598	8,884
Loans and receivables	434	145,558
Other receivables	6	9
Total Current Assets	19,038	154,451
Non-current Assets		
Loans and receivables	160,765	91,000
Investment accounted for using the equity method	159,638	167,008
Total Non-current Assets	320,403	258,008
Total Assets	339,441	412,459
LIABILITIES		
Current Liabilities		
Payables	372	242
Other financial liabilities	248,790	324,025
Total Current Liabilities	249,162	324,267
Total Liabilities	249,162	324,267
Net Assets	90,279	88,192
EQUITY		
Contributed equity	4,204,488	4,204,488
Reserves	70,862	70,650
Accumulated losses	(4,185,071)	(4,186,946)
Total Equity	90,279	88,192

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 2018

	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 2017	4,204,488	54,887	90	15,880	(4,149,389)	125,956
Loss for the year	-	-	-	-	(37,557)	(37,557)
Share of VHA joint venture's changes in the fair value of cash flow hedges	-	-	(207)	-	-	(207)
Total comprehensive 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
Adjustment on the adoption of AASB 15 (net of tax)	-	-	-	-	(2,600)	(2,600)
Balance at 1 January 2018	4,204,488	54,887	(117)	15,880	(4,189,546)	85,592
Profit for the year	-	-	-	-	4,475	4,475
Share of VHA joint venture's changes in the fair value of cash flow hedges	-	-	212	-	-	212
Total comprehensive income for the year	-	-	212	-	4,475	4,687
Balance at 31 December 2018	4,204,488	54,887	95	15,880	(4,185,071)	90,279

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 2018

	2018 $'000	2017 $'000
Cash Flows from Operating Activities		
Payments to suppliers and employees (inclusive of GST)	(982)	(1,258)
Interest received	10,696	5,673
Net cash inflows from operating activities	9,714	4,415
Cash Flows from Investing Activities[7]		
Repayment of loans from VHA joint venture	-	12,837
Net cash inflows from investing activities	-	12,837
Cash Flows from Financing Activities[7]		
Repayment of borrowings – entity within the CKHH Group	-	(12,837)
Net cash outflows from financing activities	-	(12,837)
Net increase in cash and cash equivalents	9,714	4,415
Cash and cash equivalents at 1 January	8,884	4,469
Cash and cash equivalents at 31 December	18,598	8,884

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

[7] The cash flows in respect of the A$75 million decrease in Loans and Receivables and decrease in Other financial liabilities are composed of a A$40 million drawdown of the working capital facility with VHA and a A$115 million repayment of borrowings from CKHH Group. The net decrease of $75 million Loans to VHA joint Venture (an investing activity) and Proceeds from borrowings within CKHH Group of $75 million (a financing activity) were respectively satisfied by an entity within CKHH Group which extends the loans to the Group.

Notes to the consolidated financial statements
For the year ended 31 December 2018

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”). The financial statements present the results for the consolidated entity for the period 1 January 2018 to 31 December 2018 were authorized and issued by the board on the 27th of February 2019.

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 2018 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 2017 and any public announcements made by the Company, during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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.

Note 1 - Summary of significant accounting policies (continued)

(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.

The carrying amount of the equity accounted investment is tested for impairment in accordance with Note 1 (f)

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Consolidated Entity's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is HTAL'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:

Note 1 - Summary of significant accounting policies (continued)

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.

HTAL and its wholly owned Australian subsidiaries have not implemented the tax consolidation legislation.

Note 1 - Summary of significant accounting policies (continued)

(f) Impairment of assets

The investment in VHA 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, collectability is then reviewed on an ongoing basis.

(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 risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationships between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The fair value of derivative financial instruments designated in hedge relationships are separately identified and disclosed. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged items is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

As at 31 December 2018, the Consolidated Entity has not engaged in any hedging activities and only equity accounts for the share of the fair value of changes of the cash flow hedge from the VHA joint venture investment

(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.

Note 1 - Summary of significant accounting policies (continued)

(j) Going concern

As at 31 December 2018, the Consolidated Entity has a deficiency of net current assets of $230 million (2017: net current assets deficiency of $170 million). Included in the Consolidated Entity's current liabilities is an amount of $249 million (2017: $324 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 $1,351 million at 31 December 2018. 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.

Note 1 - Summary of significant accounting policies (continued)

(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.

Note 1 - Summary of significant accounting policies (continued)

(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 VHA 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 VHA 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 discounted cash flow calculation based on VHA five year financial plan 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 VHA. 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 VHA as at 31 December 2018 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 VHA as at the statement of financial position date.

(ii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences if management considers that it is probable that sufficient 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 profit. Despite the Consolidated Entity being in a net profit position, no deferred tax assets have been recognized as there is no convincing evidence that sufficient future taxable profile will be available against which unused tax losses or unused tax credits can be utilised.

(iii) Joint venture accounting adjustments

Depreciation of operating assets constitutes a substantial operating cost for VHA. 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 VHA 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 VHA should be extended to reflect the experience of the Group. Accordingly, adjustments to the useful lives of assets have been made to the Group's 50% interest in VHA. Further, the Government recently issued security guidance advising network operators that the use of 5G equipment supplied by banned vendors from certain countries would not be permitted due to national security concerns. This had the effect of excluding Chinese vendors such as Huawei, who is VHA's current provider of Radio Access Network (RAN) equipment from taking part in the rollout of 5G mobile network infrastructure over national security concerns. VHA uses Huawei in its 3G and 4G radio access network. An RFP (request for proposal) for alternative vendors was initiated in late 2018 and a selection decision is not expected until Q2 2019. VHA will then formulate its future RAN investment plan optimising and balancing its existing network assets with the costs and benefits of upgrading to 5G.

At the reporting date, there was no substantial information or plans that would require the VHA joint venture or the Group to revise the useful life of its RAN assets.

(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 VHA joint venture entities are accounted for at cost in the financial statements of HTAL.

(u) New accounting standards and interpretations

(i) 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 2018. These are:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2 below.

(ii) Other accounting standards

A number of minor amendments have been made to other accounting standards, the impacts of which are not material to the financial statements of HTAL.

(iii) New Accounting standards issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Note 1 - Summary of significant accounting policies (continued)

AASB 16 Leases

AASB 16 Leases was issued in February 2016. The new standard will require the majority of operating leases to be accounted for on the consolidated statement of financial position 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 standard will be effective for the Group and VHA joint venture from 1 January 2019 and both have elected to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. The right of use assets will be measured at the amount of the lease liabilities calculated on adoption plus the net impact of certain right of use asset adjustments. The lease liabilities will be measured at the present value of the remaining lease payments that are unpaid as at 1 January 2019.

The standard will primarily affect the accounting for the Group's and VHA joint venture's operating leases, in particular those for corporate, retail, and network sites; and will also affect the accounting for sub-leasing arrangements. As part of the transition to AASB 16 *Leases*, the VHA joint venture has elected to apply the following practical expedients permitted within the transitional guidance of the standard:

- The VHA joint venture has elected not to apply AASB 16 to contracts that were not previously identified as containing a lease applying AASB 117 and Interpretation 4;
- The VHA joint venture has elected to apply AASB 16 based on a portfolio of leases with similar characteristics as the VHA joint venture reasonably expects that the effects on the financial statements of applying AASB 16 to the portfolio would not differ materially from applying this standard to the individual leases within that portfolio;
- The VHA joint venture has elected to use a single discount rate to measure lease liabilities for each identified portfolio of leases having reasonably similar characteristics and dependent on lease term. Further, management has assessed that discount rates across each portfolio of leases are similar taking into consideration feedback from surveyed financial institutions on incremental borrowing rates available for VHA joint venture as a lessee and nature of each lease portfolio. These discount rates range between 4.15% to 8.10% depending on the lease term;
- The VHA joint venture has elected to rely on its assessment of whether leases are onerous by applying the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent assets* immediately before transition rather than performing an impairment review on adoption. These onerous provisions will be adjusted against the right of use assets recognised on transition;
- The VHA joint venture has elected to exclude the initial direct costs from the measurement of the right of use asset at the date of initial application;
- The VHA joint venture has elected to use hindsight where applicable when determining lease term and inclusions of options to extend or terminate the lease; and
- On a lease by lease basis the VHA joint venture has determined whether to apply the practical expedient in relation to not measuring the lease liability for leases with a lease term that will end within 12 months of the date of initial application.

As at the reporting date, the VHA joint venture has non-cancellable operating lease commitments of $1,760 million. For these commitments, the VHA joint venture expects to recognise based on current assessments the following:

- Lease liabilities amounting to approximately $1,008 million to $1,233 million
- Right of use assets amounting to approximately $950 million to $1,175 million, after approximately $58 million of adjustments for prepayments, onerous provisions, sub-leasing arrangements and accrued lease payments recognised at 31 December 2018.

Note 1 - Summary of significant accounting policies (continued)

Overall, net assets of the VHA joint venture will be unchanged, and net current assets will be approximately $135 million to $355 million lower due to the presentation of a portion of the lease liability as a current liability.

The difference between the operating lease commitments as at 31 December 2018 and the lease liabilities to be recognised on transition as at 1 January 2019 is mostly due to the following:

- Discounting to present value the lease commitments for each identified lease portfolio that were fully in scope of AASB 16 and not impacted by practical expedients applied; and
- Recognition of a net lease liability obligation for leases associated with the site sharing agreement with Optus.

Both the Group and the VHA joint venture's activities as a lessor are not material and hence the Group and VHA joint venture does not expect any significant impact on the financial statements, outside of the investments in subleases as noted above.

Note 2 – Changes in Accounting Policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

AASB 9 – Financial Instruments

This standard became effective for the Group and VHA joint venture 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 the following was the impact of adoption of the new standard on 1 January 2018 on both the Group and VHA joint venture:

- The majority of the receivables is currently classified as loans and receivables and measured at amortised cost. The new guidance under AASB 9 has not resulted in any significant change to the classification and measurement of its financial assets as these financial assets meet the conditions for classification at amortised cost under AASB 9.

- There has been no impact on the accounting for financial liabilities as the new requirements only affected the accounting for financial liabilities that are designated at fair value through profit or loss. 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 and VHA joint venture have assessed historic, current and forecast information to estimate an expected credit loss for each class of receivable. Based on this assessment, the impact was not 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 VHA joint venture's current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9. Management has therefore assessed there is no material impact on hedged amounts reported with the adoption AASB 9.

- The new standard also introduces expanded disclosure requirements and changes in presentation. Where appropriate, these have been reflected in the Group's and the VHA joint venture's disclosures about its financial instruments.

Note 2 – Changes in Accounting Policies (continued)

AASB 15- Revenue from Contracts with Customers

The Group and VHA joint venture have adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption has been recognised in retained earnings as at 1 January 2018 and no comparatives have been restated. The adoption of the new standard has the following impact on the VHA joint venture's financial statements:

- 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. Previous methodology allocated revenue to the separate components by applying a valuation method measured at fair value by reference to comparable SIM-only plans which were offered in the market by the VHA joint venture. The new methodology results 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. Discounts provided to customers on bundles are allocated to hardware and services based on their stand-alone selling prices. With the adoption of AASB 15, the impact for the VHA joint venture was an increase of $18 million of Trade and Other Receivables for legacy customer contracts and an increase of $13 million in other current liabilities to reflect the impacts of accounting for the stand alone selling price, which together result in a corresponding net $5 million decrease in accumulated losses recognised as of 1 January 2018.

- Accounting for contract costs – Under AASB 15, incremental costs associated with acquiring and renewing a contract that are expected to be recovered are required to be initially recognised as an asset and expensed over the expected life of a customer contract consistent with the transfer of the goods and services to which the capitalised costs relate to the customer. The carrying values of these assets are reviewed on a regular basis and, where material, the expected lifetime credit loss is written off against the carrying value. Contracts costs associated with acquiring and renewing a service contract are capitalised and amortised over the life of the customer contract. Contracts costs associated with the sale of handsets are capitalised and amortised upfront in line with transfer of handsets to the customer. Under the prior year interpretation of Urgent Issues Group (UIG) 1042 '*Subscriber Acquisition Costs in the Telecommunications Industry'*, the direct costs of acquiring customer contracts were recognised as an asset and amortised over the lesser of the period during which the future economic benefits were expected to be obtained and the period of the contract. The costs included both service and handset components for acquiring new customers. Following the adoption of AASB 15, transition adjustments resulted in a decrease of $10 million of contract costs and a corresponding increase in accumulated losses recognised as at 1 January 2018.

- Accounting for Contract Liabilities – Contract liabilities relate to unearned revenue. Any unearned revenue from Postpaid services provided in periods after each accounting period is deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires. With the adoption of AASB 15, the balances of unearned revenue at 31 December 2017 of $138 million are reclassified from other current liabilities to contract liabilities as at 1 January 2018.

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption as at 1 January 2018 for the Group is as follows:

Balance sheet (extract)	31 Dec 2017 As originally presented $'000	AASB 15 $'000	1 Jan 2018 Restated $'000
Non-current Assets			
Investment accounted for using the equity method	167,008	(2,600)	164,408
Total Assets	**412,459**	**(2,600)**	**409,859**
Net Assets	**88,192**	**(2,600)**	**85,592**
Accumulated losses	(4,186,946)	(2,600)	(4,189,546)
Total Equity	**88,192**	**(2,600)**	**85,592**

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption for the Group on the statement of profit and loss and other comprehensive income and balance sheet was as follows:

	For the year ended 31 December 2018 $'000	Balances Without the Adoption of AASB15 $'000	Effect of Change Higher/(Lower) $'000
Profit or Loss			
Revenue	10,619	10,619	-
Operating expenses	(1,162)	(1,162)	-
Share of net losses of VHA joint venture accounted for using the equity method	(4,982)	5,524	(10,506)
Profit / (loss) for the period	4,475	14,981	(10,506)
Balance Sheet			
Current Assets	19,038	19,038	-
Other financial assets	160,765	160,765	-
Investment accounted for using the equity method	159,638	170,144	(10,506)
Total Non-Current Assets	320,403	330,909	(10,506)
Total Assets	**339,441**	**349,947**	**(10,506)**
Total Liabilities	**249,162**	**249,162**	**-**
Net Assets	**90,279**	**100,785**	**(10,506)**
Equity			
Contributed equity	4,204,488	4,204,488	-
Reserves	70,862	70,862	-
Accumulated losses	(4,185,071)	(4,174,565)	(10,506)
Total Equity	**90,279**	**100,785**	**(10,506)**

Note 3 – Earnings per share

	2018 Cents	2017 Cents
(a) Basic earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Consolidated Entity	0.03	(0.28)
(b) Diluted earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Consolidated Entity	0.03	(0.28)

(c) Earnings used in calculating earnings per share	2018 $'000	2017 $'000
Basic earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	4,475	(37,557)
Diluted earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	4,475	(37,557)

(d) Weighted average number of shares used as the denominator	2018 Number	2017 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 (2017: nil) options outstanding at 31 December 2018 that are anti-dilutive and accordingly there was no impact on the earnings per share calculation for the year ended 31 December 2018.

Note 4 – 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 2018, 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*	2018 $'000	2017 $'000
Total Revenue	1,823,445	1,728,966
Net Losses	(4,982)	(42,499)

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 28.

* after VHA 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 2018 are as follows:

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

Accumulated Losses

	2018 $'000	2017 $'000
Accumulated losses at 1 January	(4,186,946)	(4,149,389)
Adjustment on adoption of AASB 15 (net of tax)	(2,600)	-
Accumulated Losses after AASB 15 adjustment at 1 January	(4,189,546)	(4,149,389)
Profit / (loss) attributable to the members of Hutchison Telecommunications (Australia) Limited	4,475	(37,557)
Accumulated losses at 31 December	(4,185,071)	(4,186,946)

Net Tangible Assets Backing

	2018 $'000	2017 $'000
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 2018.

Associates and Joint Venture entities

VHA joint Venture

HTAL owns a 50% interest in VHA 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"), it 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 2018 is $5 million (2017: $42.5 million share of losses).

Summarised financial information of VHA, 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:

	2018	2017
	$'000	$'000
Current assets	1,372,576	1,124,321
Non-current assets	6,816,640	7,391,341
Current liabilities	(3,387,483)	(1,777,061)
Non-current liabilities	(5,723,800)	(7,531,448)
Net Assets	(922,067)	(792,847)
Proportion of the Consolidated Entity's ownership	50%	50%
Share of VHA joint venture's net assets	(461,034)	(396,424)
Goodwill	165,321	165,321
VHA joint venture accounting adjustments	455,351	398,111
Carrying amount of the investment	159,638	167,008

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 2018, HTAL's share of VHA's net current assets deficiency is $1,007.5 million (2017: net current assets deficiency of $326.4 million). The decrease is mainly driven by reclassification of VHA's $1.7 billion Syndicated Bifurcated Facility from non-current liabilities to current liabilities as the facility ends in September 2019. 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

	2018	2017
	$'000	$'000
Revenues	3,646,890	3,457,931
Expenses	(3,771,334)	(3,635,775)
Loss before income tax	(124,443)	(177,844)
Income tax expense	-	-
Loss for the year	(124,443)	(177,844)
Other comprehensive income (loss)		
Changes in the fair value of cash flow hedges, net of tax	423	(413)
Total comprehensive loss	(124,020)	(178,257)
50% share of VHA's loss for the year	(62,222)	(88,922)
VHA joint venture accounting adjustments	57,240	46,423
Share of VHA joint venture's loss	(4,982)	(42,499)
VHA's financial statements include the following specific items:		
Cash and cash equivalents	642,713	356,210
Current financial liabilities	(2,050,761)	(500,232)
Non-current financial liabilities	(5,544,204)	(7,423,075)
Depreciation and amortisation^	(868,690)	(797,107)
Interest income	3,803	4,186
Finance costs	(361,802)	(356,723)

^ Depreciation and amortisation under HTAL accounting estimates are $754.2 million for year ended 31 December 2018 (2017: $704.3 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 VHA joint venture is set out below:

	2018 $'000	2017 $'000
Reconciliation of interest in VHA joint venture		
Investment brought forward at 1 January	167,008	209,714
Adjustment on the adoption of AASB 15 (Net of tax)	(2,600)	
Loss for the year	(4,982)	(42,499)
Share of change in fair value of cash flow hedges, net of tax	212	(207)
Interest in VHA joint venture at 31 December	159,638	167,008
VHA's commitments		
Operating leases	1,760,478	1,553,654
Other commitments	127,666	265,316
Capital commitments	360,801	508,572
VHA's contingent liabilities	65,130	114,792

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 consist of $46.2 million (2017: $92.2 million) secured guarantees. In order the to support the issuance of the guarantees, VHA has placed $23.1 million deposit with the issuing bank.

Commitments in respect of Mobile JV Pty Ltd
Mobile JV Pty Ltd is a 50% spectrum joint venture between VHA and TPG Telecom. It was a successful bidder in the recent auction for the 3.6GHz spectrum in December 2018. Mobile JV Pty Ltd will pay $263.3 million in March 2020 for the lots it acquired in this auction. VHA is responsible for funding one half of the purchase price, being $131.65 million, at the time of payment. This amount is not included table above.

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.