Hutchison Telecommunications (Australia) Limited
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ASX Market Announcements

Australian Securities Exchange

Date: 26 February 2020

Subject: Appendix 4E – Preliminary Final 2019 Annual Results and Date of 2020 Annual General Meeting

Please find attached the Company's results for the year ended 31 December 2019 in the form of Appendix 4E, together with the audit report referred to in the Appendix 4E.

The Annual General Meeting ("AGM") of the Company will be held at 10 am (Sydney time) on Thursday, 7 May 2020 and the Notice of Meeting for the AGM will be provided to shareholders in due course. In accordance with ASX Listing Rule 3.13.1 the Company advises that the closing date for the receipt of director nominations is Tuesday, 7 April 2020.

Yours faithfully

Naomi Dolmatoff
Company Secretary

AUTHORISED FOR RELEASE: By order of the Board

For further information, please contact the Company Secretary by email at investors@hutchison.com.au or by telephone on (02) 9015 5088.

Hutchison Telecommunications (Australia) Limited

Appendix 4E

Preliminary final report

for the year ended 31 December 2019

Hutchison Telecommunications (Australia) Limited

ABN 15 003 677 227

ASX Appendix 4E

Preliminary final report

31 December 2019

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 2019 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 $154.8 million loss for the year ended 31 December 2019, compared with a profit of $4.5 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 $159.1 million net loss for the year ended 31 December 2019 compared with a net loss of $5.0 million in 2018.

HTAL's revenue from ordinary activities represents interest income received on loans to VHA and decreased from $10.6 million in 2018 to $5.7 million for the year ended 31 December 2019. The decline in revenue is primarily driven by a loan repayment of $115 million during December 2018 which saw 11 months of reduced income received on loans and a further loan repayment of $84.8 million during December 2019 also contributed.

	Dec 19 $'000	Dec 18 $'000	Movement $'000	Movement %
Revenue from ordinary activities	5,697	10,619	(4,922)	-46.4%
Profit / (loss) from ordinary activities after tax attributable to members	(154,870)	4,475	(159,345)	-3,560.8%
Net profit / (loss) for the year attributable to members	(154,870)	4,475	(159,345)	-3,560.8%

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 2019, VHA achieved market-leading customer sentiment and maintained a broadly stable underlying financial performance. This is despite facing significant regulatory challenges including the Australian Competition and Consumer Commission's ("ACCC") opposition to VHA's proposed merger with TPG Telecom Limited ("TPG Telecom", ASX: "TPM") and the Federal Government's 5G vendor restrictions.

With continued support from CK Hutchison Holdings Limited and its joint shareholder Vodafone Group Plc, VHA achieved a steady EBITDA result.

Key 2019 achievements and highlights of VHA:

- Progressed 5G with selection of Nokia as network vendor;
- Highest Net Promoter Score ("NPS") of the major Mobile Network Operators;
- Continued to improve rate of customer complaints to the Telecommunications Industry Ombudsman ("TIO") with less than half the industry average;
- Recognised for its customer focus with two major industry awards;
- Reached 100,000 Vodafone NBN fixed customers; and
- VHA continued to progress regulatory approval of the merger with TPG Telecom by commencing Federal Court proceedings seeking competition approval of the merger.

2019 financial results

In a challenging regulatory environment and amidst continued aggressive competition, VHA produced a steady underlying financial performance.

VHA postpaid customer base was steady at 3.4 million, a 1.1% YoY decrease from 3.5 million. VHA maintained its base with its strong mobile network, generous data inclusions and best-in-market $5 Roaming product.

VHA prepaid customer base was 2.0 million, an 8.6% YoY decrease from 2.2 million, amidst very intense competition in the segment.

VHA's Mobile Virtual Network Operator (MVNO) customer base was 310,000, a 12.9% YoY decrease from 356,000.

VHA's fixed customer base was 114,000, a YoY increase of 245.5% from 33,000. VHA launched fixed services via the National Broadband Network in April 2018 and has been steadily growing its customer base.

HTAL's share of VHA total revenue decreased 2.8% YoY to $1,761.7 million from $1,813.2 million, due to the change in customer base.

VHA ARPU (Average Revenue Per User) was $33.35, which represented a 4.9% YoY decrease from $35.05, driven by increased competition.

HTAL's share of VHA's EBITDA increased 6.9% YoY to $589.4 million from $551.1 million. This is driven by a positive $71.0 million impact from the IFRS16 accounting change. The underlying decline of $38.3 million was due to a decline in revenue partially mitigated by continued focus on managing costs. In a year-on-year comparison without IFRS16, HTAL's share of VHA EBITDA would have been $518.4 million, a 5.9% decrease.

HTAL's share of VHA net loss was $159.1 million, a YoY increase from $5.0 million, driven by the EBITDA result, lower commission capitalisation, increased depreciation and amortisation, and interest costs. In a year-on-year comparison without IFRS16, HTAL's share of VHA net loss would have been $135.1 million.

VHA-TPG Telecom merger case heard in Federal Court

On 24 June 2019, following the ACCC's 8 May 2019 announcement that it would not provide competition clearance to the proposed merger between the two companies, VHA and TPG Telecom filed a legal action in the Federal Court of Australia seeking a declaration that the merger is not prohibited under Section 50 of *Competition and Consumer Act* 2010.

The case was heard by Justice Middleton in Melbourne between 10 September and 1 October 2019.

On 13 February 2020, the Federal Court ruled that the proposed merger between VHA and TPG Telecom would not substantially lessen competition and should be allowed to proceed. VHA, along with TPG Telecom, will work to complete the merger in mid-2020, subject to the remaining regulatory and shareholder approvals and any appeal by the ACCC.

VHA is also undertaking a restructure of its debt facilities as a condition of the Scheme Implementation Deed and subject to the merger proceeding. The refinancing is expected to complete concurrently with the implementation of the merger.

VHA takes the next big step in 5G

In December 2019, VHA took another significant step in its 5G journey with the announcement that it has partnered with Nokia to roll out its 5G mobile network and deliver the benefits of the next generation of mobile networks to its customers.

The partnership builds on years of collaboration and enables VHA to deliver its commercial 5G services.

VHA will switch on it first commercial 5G sites in the first half of 2020, when it transforms an existing test network in the Sydney suburb of Parramatta into its first live 5G site.

VHA continues to lead customer sentiment, lowest complaints rate

VHA continued its track record as an industry leader in customer service in 2019 with the highest NPS of the mobile network operators, while its rate of customer complaints to the TIO was less than half the industry average.

VHA won a Canstar Blue award for Provider of the Year for SIM Only mobile plans and was recognised at the ACOMM industry awards for Best Mobile Solution for its endless data and no lock-in contracts.

VHA's $5 Roaming product, which is available in more than 80 global destinations, continues to be a key driver of customer acquisitions and upgrades.

The Vodafone NBN customer base more than tripled during 2019, with customers attracted to VHA's 4G back up and promotional offers to connect to the top tier NBN speed for a market-leading price.

VHA also became the first telco to partner with Amazon Prime to offer customers on selected plans a twelve-month Amazon Prime membership.

To further its digital transformation strategy, VHA welcomed the new Chief Information Officer and Director of Business Enablement, Rob James in September 2019. With responsibility for IT, Mr James' appointment enables the IT team, which previously sat with Network, to focus exclusively on IT strategy and key projects.

To raise brand awareness among key market segments, VHA continued its sponsorships with Rugby Australia, Supercars, Adelaide Strikers and the Sydney Gay and Lesbian Mardi Gras. Star cricketer Steve Smith and Supercars champion Jamie Whincup continued in the role of VHA brand ambassadors.

Vodafone Foundation expands positive impact

In 2019, 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 2019, the Foundation's DreamLab app, which helps solve cancer using the processing power of idle smartphones while users sleep, launched in Italy and Romania, bringing the app to five Vodafone markets. DreamLab's 350,000 users donated their computing power to help complete two more discoveries in half the time.

Vodafone Foundation also funded a pilot program with Infoxchange, to examine ways the AskIzzy app might better support people experiencing family and domestic violence.

Outlook

Intense competition in the Australian telecommunications market is expected to continue to impact industry revenues and ARPUs throughout 2020. VHA will continue its focus on reducing costs to manage its financial performance. VHA will also continue its strategy of striking a balance between maintaining a sustainable business model, whilst delivering value to Australian customers.

On 13 February 2020 the Federal Court ruled that the proposed merger between VHA and TPG Telecom would not substantially lessen competition and should be allowed to proceed. VHA will work towards implementation of the proposed merger which remains subject to an appeal, as well as shareholder and other regulatory approvals.

The merger would create a third fully-integrated telecommunications company with the scale to compete head-to-head across the whole telecommunications market in Australia. It would also provide investment certainty for the future, including for the company's 5G rollout.

While the merger process continues, VHA will continue to work towards the launch of 5G mobile services in 2020 and take opportunities to deliver increased value propositions to mobile and fixed customers.

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

VHA financial and operating metrics

	2019	2018	YoY change %
The items below represent the 50% share of VHA attributable to HTAL			
Total revenue ($m)	1,761.7	1,813.2	-2.8%
Service revenue ($m)[1]	1,197.1	1,227.0	-2.4%
EBITDA ($m)[2]	589.4	551.1	6.9%
Net EBITDA adjustment AASB 16[3]	71.0	-	
Net EBITDA without AASB 16	518.4	551.1	-5.9%
Share of net loss of VHA ($m)[4]	(159.1)	(5.0)	3,082.0%
Net loss adjustment AASB 16[3]	24.0	-	
Net loss without AASB 16	(135.1)	(5.0)	2,602.0%

The following items represent 100% of VHA's operating metrics			
Postpaid customers ('000)	3,416	3,454	-1.1%
Prepaid customers ('000)	2,018	2,209	-8.6%
VHA customers subtotal ('000)	5,434	5,663	-4.0%
MVNO customers ('000)	310	356	-12.9%
Total network customers ('000)	**5,744**	**6,019**	**-4.6%**
Fixed Customers ('000)	114	33	245.5%
ARPU ($)[5]	33.35	35.05	-4.9%

[1] Reclassification of $5.8 million content costs into net service revenue. The December 2018 figures reclassed for comparative was $8.1 million.

[2] EBITDA is defined as earnings before net financing costs, tax and depreciation and amortisation.

[3] AASB 16 *Leases* became effective for the Group on 1 January 2019. AASB 16 *Lease* establishes principles for the recognition and measurement of leasing arrangements. EBITDA for the year ended 31 December 2019 has increased as adopted AASB 16 *Leases* are no longer accounted for as operating expenses. Net losses for the year ended 31 December 2019 reflects the increase in EBITDA offset by depreciation expense of the right-of-use assets and interest expense on lease liabilities relating to adopted AASB 16 *Leases*.

[4] Reconciliation for the Share of net loss of VHA is set out on page 26.

[5] ARPU represents a rolling 12 month average net service revenue per user per month at the end of the period excluding MVNOs and including Kogan and Lebara. Updated ARPU reflects the change in basis of calculation as a result of the reclassification of content costs into service revenue, and the exclusion of M2M IOT revenue. 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 2019

	2019 $'000	2018 $'000
Revenue	**5,697**	10,619
Other operating expenses	**(1,423)**	(1,162)
Share of net losses of a VHA Joint Venture accounted for using the equity method	**(159,144)**	(4,982)
Profit/ (loss) before income tax	**(154,870)**	4,475
Income tax expense	**-**	-
Profit / (loss) for the year	**(154,870)**	4,475
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)	**(494)**	212
Other comprehensive income/ (loss) for the year, net of tax	**(494)**	212
Total comprehensive income/ (loss) for the year attributable to members of the Company	**(155,364)**	4,687

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes. Refer to note 3 for earnings per share calculation.

Consolidated statement of financial position
As at 31 December 2019

	2019 $'000	2018 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	**108,057**	18,598
Loans and receivables	**76,193**	434
Other receivables	**13**	6
Total Current Assets	**184,263**	19,038
Non-current Assets		
Loans and receivables	**-**	160,765
Investment accounted for using the equity method	**-**	159,638
Total Non-current Assets	**-**	320,403
Total Assets	**184,263**	339,441
LIABILITIES		
Current Liabilities		
Payables	**558**	372
Other financial liabilities	**248,790**	248,790
Total Current Liabilities	**249,348**	249,162
Total Liabilities	**249,348**	249,162
Net Assets	**(65,085)**	90,279
EQUITY		
Contributed equity	**4,204,488**	4,204,488
Reserves	**70,368**	70,862
Accumulated losses	**(4,339,941)**	(4,185,071)
Total Equity	**(65,085)**	90,279

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 2019

	Attributable to members of the Company					
	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 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, net of tax	-	-	212	-	4,475	4,687
Balance at 31 December 2018	4,204,488	54,887	95	15,880	(4,185,071)	90,279
Balance at 1 January 2019	**4,204,488**	**54,887**	**95**	**15,880**	**(4,185,071)**	**90,279**
Loss for the year	**-**	**-**	**-**	**-**	**(154,870)**	**(154,870)**
Share of VHA Joint Venture's changes in the fair value of cash flow hedges	**-**	**-**	**(494)**	**-**	**-**	**(494)**
Total comprehensive loss for the year, net of tax	**-**	**-**	**(494)**	**-**	**(154,870)**	**(155,364)**
Balance at 31 December 2019	**4,204,488**	**54,887**	**(399)**	**15,880**	**(4,339,941)**	**(65,085)**

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 2019

	2019 $'000	2018 $'000
Cash Flows from Operating Activities		
Payments to suppliers and employees (inclusive of GST)	**(1,236)**	(982)
Interest received	**5,931**	10,696
Net cash inflows from operating activities	**4,695**	9,714
Cash Flows from Investing Activities[1,2]		
Repayment of loans from VHA Joint Venture	**84,764**	-
Net cash inflows from investing activities	**84,764**	-
Cash Flows from Financing Activities		
Repayment of borrowings – entity within the CKHH Group	**-**	-
Net cash outflows from financing activities	**-**	-
Net increase in cash and cash equivalents	**89,459**	9,714
Cash and cash equivalents at 1 January	**18,598**	8,884
Cash and cash equivalents at 31 December	**108,057**	18,598

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

[1] The cash flows in respect of the $84.8 million increase in cash and cash equivalents relates to VHA repayment of the working capital facility. Management has used the $84.8 million to repay the credit agreement from an entity within the CKHH Group subsequent to the issue of the financial statements in February 2020.

[2] The cash flows in respect of the 2018 $115.2 million decrease in Loans and Receivables and decrease in Other financial liabilities are composed of a $115.2 million repayment of borrowings from CKHH Group. The decrease of $115.2 million loans from VHA Joint Venture (an investing activity) were respectively satisfied by an entity within the CKHH Group which extends the loans from the Group.

Notes to the consolidated financial statements
For the year ended 31 December 2019

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 Group consists of the Company and its subsidiaries (the "Group" or "HTAL"). The financial statements present the results for the Group for the period 1 January 2019 to 31 December 2019 were authorized and issued by the Board on the 26th of February 2020.

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 2019 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 2018 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 Group is considered a 'for-profit' entity.

Comparative figures have been adjusted to conform to the presentation of the financial statements and notes for the current financial year, where required. Amendments have been made to comparatives as appropriate to enhance comparability.

(b) Going concern

As at 31 December 2019, the Group has a deficiency of net current assets of $65.1 million (2018: net current assets deficiency of $230.1 million). Included in the Group's current liabilities is an amount of $248.8 million (2018: $248.8 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 Group has unused financing facilities of $1,351.2 million at 31 December 2019. CKHH has confirmed its current intention is to provide sufficient financial support to enable the Group to meet its financial obligations as and when they fall due for a minimum period of twelve months from the date of signing these financial statements. Consequently, the Directors have prepared the financial statements on a going concern basis.

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 Group 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.

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 1 Summary of significant accounting policies (continued)

(c) 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(g).

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group’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.

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 1 Summary of significant accounting policies (continued)

(e) 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.

(f) 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 Group'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.

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 1 Summary of significant accounting policies (continued)

(g) 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.

(h) 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.

(i) Other receivables

Other receivables are initially recognised at amortised cost, collectability is then reviewed on an ongoing basis.

(j) Loan receivables at amortised cost

Loan receivables are initially recognised at amortised cost and collectability is then reviewed on an ongoing basis. Contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved by collecting contractual cash flows.

(k) Derivative financial instruments and hedging activities

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group 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 2019, the Group 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.

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 1 Summary of significant accounting policies (continued)

(k) Derivative financial instruments and hedging activities (continued)

(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.

(l) Goodwill

Goodwill as part of the joint venture equity accounting 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 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 impairment testing.

Goodwill on acquisitions of associates/joint ventures is included in investments accounted for using the equity method and is tested whenever an event or periodically tested for impairment whenever events or changes in circumstances indicated that the carrying value may not be recoverable.

(m) Payables

These amounts represent liabilities for goods and services provided to the Group 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.

(n) Borrowings

Borrowings are initially recognised at fair value. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Contributed equity

Ordinary shares are classified as equity.

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 1 Summary of significant accounting policies (continued)

(o) Contributed equity (continued)

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.

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit or loss attributable to members of the Company; and
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

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

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

(q) 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.

(r) 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.

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 1 Summary of significant accounting policies (continued)

(s) 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 Group'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 Group'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's 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 Group's weighted average cost of capital. The resulting net present value is compared to the balance of the Group'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 Group's investment in VHA as at 31 December 2019 is appropriate and are not aware of any events or changes since the year end which may potentially impair the carrying values of the Group'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. Deferred tax assets have not been recognized as there is no convincing evidence that sufficient future taxable profits will be available against which unused tax losses or unused tax credits can be utilised.

(iii) Unrecognised losses in relation to the joint venture

The Group's investment in the VHA Joint Venture is carried to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate. Share of the VHA Joint Venture's losses beyond the investment will thereby not be recognised. If the joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Refer to Note 2(b) for further information in relation to the joint venture accounting adjustment.

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 1 Summary of significant accounting policies (continued)

(t) Rounding of amounts to nearest thousand dollars

The Group 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.

(u) 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.

(v) New accounting standards and interpretations

Accounting standards issued and mandatorily effective in the current year

The Group 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 Group's operations and mandatory for annual periods beginning on or after 1 January 2019. These are:

- AASB 16 *Leases*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*
- Interpretation 23 *Uncertainty over Income Tax Treatments.*

The Group and VHA Joint Venture had to change its accounting policies as a result of adopting AASB 16. The Group elected to adopt the new rules retrospectively and recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 2 Changes in Accounting policies and estimates

(a) AASB 16 Leases

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements.

The Group and the VHA Joint Venture adopted AASB 16 from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The Group did not make any adjustments on adoption of AASB16 as the Group did not have any lease contracts.

On adoption of AASB 16, the VHA Joint Venture recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged between 4.15% to 8.10% depending on the remaining lease term on adoption.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. The VHA Joint Venture did not remeasure any lease liabilities or right-of-use assets associated with leases previously classified as finance leases on the date of initial application.

(i) Practical expedients applied

In applying AASB16 for the first time, the Group and the VHA Joint Venture have used the following practical expedients permitted by 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

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 2 Changes in accounting policies and estimates (continued)

(a) AASB 16 Leases (continued)

(i) Practical expedients applied (continued)

- 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.

(ii) Measurement of the VHA Joint Venture's lease liabilities

	2019
	$'000
Operating lease commitments disclosed as at 31 December 2018	1,760,478
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(469,460)
(Less): short-term leases recognised on a straight-line basis as expense	(8,335)
(Less): lease offset as a result of site sharing agreement	(214,646)
Lease liability recognised as at 1 January 2019	**1,068,037**
Add: finance lease liabilities recognised as at 31 December 2018	591,600
Lease liability recognised as at 1 January 2019	**1,659,637**
Of which are:	
Current lease liabilities	153,171
Non-current lease liabilities	1,506,466
	1,659,637

(iii) Measurement of the VHA Joint Venture's right of use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, and onerous provisions relating to that lease recognised in the balance sheet as at 31 December 2018. On 1 January 2019, the recognised right-of-use assets relate to the following types of assets:

	2019
	$'000
Network Assets	526,528
Properties	1,013,593
Total right-of-use assets	**1,540,121**

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 2 Changes in accounting policies and estimates (continued)

(a) AASB 16 Leases (continued)

(iv) Adjustments recognised in VHA's balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet of the VHA Joint Venture on 1 January 2019:

- Property, plant and equipment – decrease by $526,528,000
- Right-of-use assets – increase by $1,540,121,000
- Other assets (Prepayments) – decrease by $39,395,000
- Trade and other receivables (Investment in sublease) – increase by $17,661,000
- Borrowings – decrease by $591,600,000
- Lease liabilities – increase by $1,659,637,000
- Other liabilities – decrease by $76,177,000

There was no impact on retained earnings of the VHA Joint Venture on 1 January 2019.

(b) VHA Joint Venture accounting adjustments

Depreciation of operating assets constitutes a substantial operating cost for the VHA 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 VHA Joint Venture accounted for using the equity method" in HTAL's consolidated statement of profit or loss and other comprehensive income. The Group decided to revise the useful life of some of its existing network assets from up to 20 years to between 3 and 18 years, which is consistent with the estimates adopted by the VHA Joint Venture. Along with the assessment of operating leases for AASB 16 resulting in the recognition of "right of use" assets, this change was made having considered developments in the environment, as a result of the Government 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; and the announced proposed merger between TPG Telecom and VHA to become a full-service telecommunications company in Australia.

In implementing the revised useful lives, management has applied the change in the depreciation based on an assessment of individual asset lives prospectively from 1 January 2019 as required under Australian Accounting Standards. This will decrease/(increase) the share of VHA's profit/(loss) by $202.9 million over the remaining useful lives. The change has been disclosed as the VHA Joint Venture accounting adjustments in Note 4.

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 3 Earnings per share

	2019 Cents	2018 Cents
(a) Basic earnings per share		
Profit/ (loss) attributable to members of the Company	**(1.14)**	0.03
(b) Diluted earnings per share		
Profit/ (loss) attributable to members of the Company	**(1.14)**	0.03

(c) Earnings used in calculating earnings per share	2019 $'000	2018 $'000
Basic earnings per share		
Profit/ (loss) attributable to members of the Company used in calculating basic earnings per share	**(154,870)**	4,475
Diluted earnings per share		
Profit/ (loss) attributable to members of the Company used in calculating diluted earnings per share	**(154,870)**	4,475

(d) Weighted average number of shares used as the denominator	2019 Number	2018 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 (2018: nil) options outstanding at 31 December 2019 that are anti-dilutive and accordingly there was no impact on the earnings per share calculation for the year ended 31 December 2019.

Notes to the consolidated financial statements
For the year ended 31 December 2019

Note 4 Operating segment

The Group 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 2019, the Group continued to invest in an operator within the telecommunications industry.

The chief operating decision maker of the Group receives information to manage its operations and investment based on one operating segment, an investor in an operator of telecommunication services. As such, the Group 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 Group when evaluating the investment in telecommunication services operating segment include:

HTAL's share of the following items of VHA	**2019 $'000**	2018 $'000
Total Revenue	**1,761,707**	1,813,183
EBITDA	**589,353**	551,121
50% share of VHA's loss for the period	**(139,656)**	(62,222)
VHA Joint Venture accounting adjustments(i)	**(252,450)**	57,240
Unrecognised share of loss during the period	**232,962**	-
Joint venture's loss(ii)	**(159,144)**	(4,982)

(i) Joint venture accounting adjustments of the comparative period primarily related to differences in the economic useful lives of property, plant and equipment. The current period joint venture accounting adjustments reflect the revised useful life estimate during the period, as disclosed in Note 2(b). This change in estimate has resulted in a $309.7 million decrease in VHA Joint Venture accounting adjustment.

(ii) While HTAL is one of the shareholders of the VHA Joint Venture, HTAL does not have present obligations (legal or constructive) to meet VHA's financial obligations as and when they fall due. Both of VHA's ultimate shareholders, CKHH and Vodafone Group Plc have each confirmed their current intention to provide sufficient 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 as at 31 December 2019 unless the merger is effective within the twelve month period. HTAL has discontinued the recognition of its share of losses exceeding HTAL's interest in the VHA Joint Venture in accordance with Australian Accounting Standards.

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

Supplementary Appendix 4E information

Additional dividend/distribution information

Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2019 are as follows:

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

Accumulated Losses

	2019 $'000	2018 $'000
Accumulated losses at 1 January	**(4,185,071)**	(4,189,546)
Profit/ (loss) attributable to the members of the Company	**(154,870)**	4,475
Accumulated losses at 31 December	**(4,339,941)**	(4,185,071)

Net Tangible Assets Backing

	2019 $	2018 $
Net tangible assets backing per ordinary share	**$(0.00)**	$0.01

Controlled entities acquired or disposed of

There was no acquisition of controlled entities during the year ended 31 December 2019.

Associates and joint venture entities

VHA Joint Venture

HTAL and Vodafone Group Plc each own a 50% interest in the VHA Joint Venture named Vodafone Hutchison Australia Pty Limited ("VHA"), which is involved in providing telecommunication services in Australia. HTAL's interest in VHA is held by a controlled entity, Hutchison 3G Australia Holdings Pty Limited ("H3GAH") and 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 2019 is $159.1 million (2018: $5.0 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:

	2019	2018
	$'000	$'000
Current assets	1,421,176	1,350,623
Non-current assets	7,324,591	6,828,915
Current liabilities	(6,627,170)	(3,380,689)
Non-current liabilities	(3,320,962)	(5,720,915)
Net Liabilities	(1,202,365)	(922,066)
Proportion of the Group's ownership	50%	50%
Share of VHA Joint Venture's net liabilities	(601,183)	(461,033)
Goodwill	165,321	165,321
Cumulative joint venture accounting adjustments	202,900	455,350
Cumulative unrecognised share of VHA Joint Venture loss	232,962	-
Carrying amount of the investment	-	159,638

The carrying value of HTAL's investment in VHA is predicated on the ongoing financial support from both of VHA's ultimate shareholders. At 31 December 2019, HTAL's share of VHA's net current asset deficiency is $2,603.0 million (2018: net current assets deficiency of $1,015.0 million). While HTAL is one of the shareholders of the VHA Joint Venture, HTAL does not have a present obligation (legal or constructive) to meet VHA's financial obligations as and when they fall due. Both of VHA's ultimate shareholders, CKHH and Vodafone Group Plc have each confirmed their current intention to provide sufficient 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 as at 31 December 2019 unless the merger is effective within the twelve month period. HTAL has discontinued the recognition of its share of losses exceeding HTAL's interest in the VHA Joint Venture in accordance with Australian Accounting Standards. HTAL will resume the recognition of its share of profits after the share of profits equals the share of losses not recognised.

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

	2019	2018
	$'000	$'000
Revenues	3,523,414	3,626,366
Expenses	(3,802,725)	(3,750,809)
Loss before income tax	(279,311)	(124,443)
Income tax expense	-	-
Loss for the year	(279,311)	(124,443)
Other comprehensive loss		
Changes in the fair value of cash flow hedges, net of tax	(988)	423
Total comprehensive loss	(280,299)	(124,020)
50% share of VHA's loss for the year	(139,656)	(62,222)
VHA Joint Venture accounting adjustments	(252,450)	57,240
Unrecognised share of VHA Joint Venture loss	232,962	-
Share of VHA Joint Venture's loss	(159,144)	(4,982)

VHA's financial statements include the following specific items:

	2019	2018
	$'000	$'000
Cash and cash equivalents	**733,569**	642,713
Current financial liabilities	**(5,339,009)**	(2,050,761)
Non-current financial liabilities	**(3,286,968)**	(5,544,204)
Depreciation and amortisation	**(1,021,356)**	(868,690)
Interest income	**7,344**	3,808
Finance costs	**(444,005)**	(361,802)

Information relating to the VHA Joint Venture is set out below:

	2019	2018
	$'000	$'000
Reconciliation of interest in VHA Joint Venture		
Investment brought forward at 1 January	**159,638**	167,008
Adjustment on the adoption of AASB 15 (Net of tax)	**-**	(2,600)
Loss for the year	**(159,144)**	(4,982)
Share of change in fair value of cash flow hedges, net of tax	**(494)**	212
Interest in VHA Joint Venture at 31 December	**-**	159,638
VHA's commitments		
Operating leases	**-**	1,760,478
Right-of-use assets (2018: Finance leases)	**22,143**	18,478
Other commitments	**180,248**	127,666
Capital commitments	**378,426**	492,451
VHA's contingent liabilities	**51,845**	65,130

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

VHA's contingent liabilities consist of $14.6 million (2018: $18.9 million) unsecured guarantees and $37.2 million (2018: $46.2 million) secured guarantees. To support the issuance of the guarantees, VHA has placed $18.6 million deposit with the issuing bank.

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.

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Auditor's Independence Declaration

As lead auditor for the audit of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hutchison Telecommunications (Australia) Limited and the entities it controlled during the period.

Rosalie Wilkie
Partner
PricewaterhouseCoopers

Sydney
26 February 2020

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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 2019 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 2019
- 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 consolidated 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

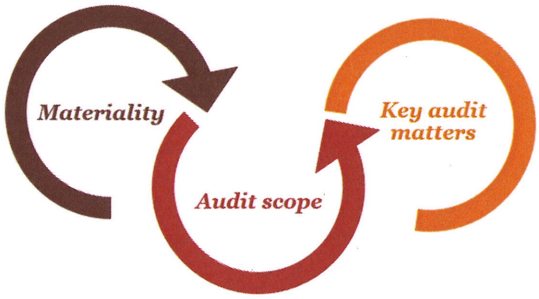
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the 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.

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.

Hutchison Telecommunications (Australia) Limited (HTAL) is an entity listed on the ASX whose primary activity is to hold a 50% interest in a joint venture, Vodafone Hutchison Australia Pty Limited (VHA). VHA operates the Vodafone brand in Australia within the telecommunications industry and primarily services the Australian market through providing mobile and fixed broadband services. The Group's share of the results of VHA are included in the Group's financial report as described in Note 7.



Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We identified VHA as a significant component of the group, and audit procedures were undertaken over its financial information under our instruction and supervision.

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 *(Refer to note 2 (b))* Depreciation of network assets constitutes a substantial operating cost for the VHA joint venture. The assets are depreciated over their estimated useful lives (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. Effective 1 January 2019, the Group re-assessed it's estimates of the useful life of its existing network assets from up to 20 years to between 3 and 18 years, which is consistent with the estimates adopted by VHA in line with industry developments. The HTAL Directors' estimate of the useful lives of network assets was a key audit matter as it required the Directors to make a collective assessment on the likely future use of the network assets and the potential impact of anticipated future technological changes on existing assets. The estimation is impacted by company-specific factors along with broader industry considerations.	We performed the following audit procedures, amongst others: • We assessed the new estimates of useful lives of between 3 to 18 years for the impacted network assets at VHA including: o discussions with the VHA technology strategy department, o obtaining an understanding of the impacts of regulatory developments on network assets as described in note 2(b) of the financial statements. o considering 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 noted that the Group's estimate was within the range we observed as commonly adopted in the industry. • We tested the accuracy of the calculation for the useful life adjustment by understanding management's calculation methodology and testing whether the logic was in accordance with Australian Accounting Standards. We also recalculated the depreciation for a sample of individual fixed assets. • We enquired with management and the Directors of HTAL about their assessment of the impact of anticipated technology, industry or regulatory developments on the assets and their useful lives. • We evaluated the adequacy of disclosures made by the Group in notes 2(b) of the financial report in view of the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Accounting for investment in joint venture *(Refer to note 7)* Equity accounting is applied for HTAL's investment in VHA and its current year share of the net profit/loss of VHA. As at 31 December 2019, HTAL's cumulative share of losses of VHA exceeds its interest in the joint venture, and HTAL has discontinued recognising its share of further losses. As prescribed by accounting standards, losses in excess of the cost of the investment in the joint venture are not recognised where there is no legal or constructive obligations by HTAL to financially support VHA. Accounting for the joint venture was a key audit matter because of the magnitude of the investment in VHA. There is judgement and complexity involved in assessing the constructive obligations of HTAL in accordance with the accounting standards.	We assessed the appropriateness of the accounting considerations applied to cease joint venture accounting of VHA by performing the following audit procedures, amongst others: • Enquired with management and Directors whether HTAL has any present obligations (legal or constructive) to fund current or future VHA losses. We examined existing guarantee arrangements for external borrowings held by VHA, which showed that HTAL is not a guarantor party. We examined confirmation by the ultimate shareholders of VHA, of their current intention to jointly provide financial support to enable VHA to meet its financial obligations. This also included considering the impacts of the merger between VHA and TPG Limited. • Assessed whether HTAL had any other long-term interests in VHA which could be deemed to be an investment requiring equity accounting. This included representations from management and the Directors as to the nature of the working capital loan by HTAL to VHA. • We examined the loan agreement between HTAL and VHA as well as past drawdowns and repayments which indicated that the nature of this loan is that of working capital finance and not a long-term investment. We also considered the source of the funding for HTAL for the VHA working capital loan, which is dependent on funding from a controlled entity of the CKHH group. • We agreed key items which are disclosed in the HTAL financial statements to the audited financial statements of VHA. We also evaluated the adequacy of disclosures made by the Group in the financial report in view of the requirements of Australian Accounting Standards.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019, 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 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 on the other information that we obtained prior to the date of this auditor's report, 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 the *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 16 to 19 of the directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2019 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 2020