

ASX Market Announcements

Australian Securities Exchange

Date: 22 February 2016

**Subject: Preliminary Final 2015 Annual Results**

Please find attached the Company's results for the year to 31 December 2015 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 29 April 2016.

Yours faithfully



Louise Sexton  
Company Secretary

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Hutchison Telecommunications (Australia) Limited

Appendix 4E

Preliminary final report

for the year ended 31 December 2015

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Hutchison Telecommunications (Australia) Limited

ABN 15 003 677 227

ASX Appendix 4E

Preliminary final report

31 December 2015

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**Contents**

Results for announcement to the market.....	3
Review of HTAL's results .....	4
VHA Performance.....	4
Outlook .....	6
VHA financial and operating metrics.....	7
Consolidated statement of profit or loss and other comprehensive income.....	8
Consolidated statement of financial position .....	9
Consolidated statement of changes in equity.....	10
Consolidated statement of cash flows .....	11
Notes to the consolidated financial statements.....	12
Note 1 – Summary of significant accounting policies.....	12
Note 2 – Earnings per share .....	21
Note 3 – Operating segment.....	22
Supplementary Appendix 4E information.....	23

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 2014 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 \$182.9 million loss for the year ended 31 December 2015, compared with a loss of \$285.5 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 \$187.5 million for the year ended 31 December 2015 compared with a net loss of \$301.8 million in 2014.

HTAL’s revenue from ordinary activities represents interest income received on loans to VHA. HTAL’s revenue from ordinary activities for the year ended 31 December 2015 increased from \$1.1 million in 2014 to \$6.0 million as a result of increased shareholder loans provided to VHA.

		\$ '000
<b>Revenue</b> from ordinary activities	↑ 456%	6,028
<b>Loss</b> from ordinary activities after tax attributable to members	↓ 36%	(182,868)
<b>Net loss</b> for the year attributable to members	↓ 36%	(182,868)

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

<b>Record date</b> for determining entitlements to the dividend	<b>n/a</b>
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## Review of HTAL's results

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

HTAL reports a \$182.9 million loss for the year ended 31 December 2015, compared with a loss of \$285.5 million in 2014. The VHA results (including revenue and operating costs) are included in the "share of net losses of a joint venture accounted for using the equity method" in HTAL's consolidated statement of profit or loss and other comprehensive income.

HTAL's revenue from ordinary activities represents interest income received on loans to VHA. HTAL recorded revenue from operating activities of \$6.0 million, an increase of \$4.9 million from 2014 as a result of increased shareholder loans provided to VHA.

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

## VHA Performance

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

During 2015, competition and innovation in the Australian telecommunications sector continued to increase at a rapid pace. With strong support from HTAL and its joint shareholder Vodafone Group Plc, VHA has built on momentum which began in the second half of 2014 following the completion of its three year turnaround program, achieving continued and solid growth. Key achievements and highlights include:

- Growth in revenue and customer numbers;
- Lowest ratio of customer complaints to the Telecommunications Industry Ombudsman among major mobile telecommunications providers in the September and December quarters;
- Positive Net Promoter Score for the first time in five years;
- Further network enhancements to improve customer experience and increase performance, coverage and competition;
- Enhanced product offerings including product refresh and expansion of \$5 per day international roaming;
- Re-entry of VHA to the Business Enterprise market; and
- Vodafone Foundation's launch of the DreamLab app.

## 2015 results

VHA's financial performance improved during 2015, with its growth trajectory continuing. HTAL's share of VHA's total revenue was \$1,825.8 million for the year, an increase of 4.5% on 2014 driven by growth in VHA customer numbers. HTAL's share of VHA's EBITDA grew 5.4% to \$406.4 million from \$385.6 million. There has also been a significant improvement in VHA's loss position, with a 37.9% decrease in HTAL's share of net loss of VHA from \$301.8 million in 2014 to \$187.5 million for the year ended 31 December 2015. This is attributable to the improvement in EBITDA and a reduction in depreciation.

## Customer base growth

VHA gained an additional 135,000 customers during 2015 to reach 5.4 million customers, an increase of 2.5% year on year. This increase was driven primarily by growth in Red plans in the postpaid segment.

### **A network built for streaming**

As customer appetite for data continued to grow during 2015, with usage increasing 84% from 2014, VHA launched a number of 'worry-free' product initiatives to increase customer confidence in using more services. VHA's shared plans, which were a key driver of growth in the Mobile Broadband (MBB) segment, allow family members to share data, call and text inclusions across multiple devices. These features, coupled with VHA's strong network and award-winning products including \$5/day international roaming which is now available in more than 50 countries, data workout and automatic \$10 per 1GB data top-up to reduce 'bill shock', are contributing to VHA's improved performance. VHA also built on its premium content offering, which already included Spotify music and Fairfax news services, giving customers access to thousands of hours of movies, TV shows and music through Stan.

### **More satisfied customers**

2015 saw a significant shift in customer sentiment about VHA, with satisfaction reaching five-year highs across key metrics. Customer complaints to the Telecommunications Industry Ombudsman (TIO) about VHA fell dramatically throughout the year, with VHA recording the lowest ratio of complaints of major Australian mobile telecommunications providers in the September and December quarters. TIO complaints about VHA declined 66.7 per cent year on year through an increased focus on customer service, enhanced network and customer-focused products. In another strong sign of a return to brand health, VHA's Net Promoter Score (NPS), which measures how likely customers are to recommend the service to others, was positive for the first time since 2010 in September 2015 and rose ten points in the twelve months to December 2015.

### **Building an even better network**

VHA continued the rollout of 4G capability across its network, with 4G services now reaching 96.9 per cent of the Australian population. The expansion was largely driven by the commencement of the re-farming of the 850MHz spectrum holdings to provide 4G services instead of 3G services. 2015 also saw the continued rollout of VHA's new core network which offers customers an enhanced data experience through increased agility and flexibility. VHA began deploying Voice over LTE (VoLTE), providing a number of customer benefits including shorter call connection times. To set-up its network for the future, thousands of kilometres of fibre will be connected to VHA's network under an agreement with TPG Telecom Limited. In a Mobile Virtual Network Operator agreement, TPG's mobile customer base is also being migrated to the VHA network. During 2015, VHA participated in the Australian Government's Mobile Black Spots Programme, winning funding for 70 new sites to increase coverage and choice of provider in regional and rural areas, with the first site switched on in New South Wales in December 2015.

### **Growing the Business customer segment**

2015 saw VHA's re-entry into the Business Enterprise market, bringing increased competition to the business segment and offering customers value products, local and dedicated care, and access to VHA's strong network. Highlights include the opening of four Vodafone Business Centres in three states, offering VHA's business plans, products, accessories and machine-to-machine (M2M) solutions. VHA forged relationships with key partners including the country's peak small business body, Council of Small Business Australia, and a major distribution company, Synnex. The unit has a strong focus on the small to medium sized business segment, and achieved solid year on year growth in revenue and connections.

### **Commitment to customer care, retail and social responsibility**

In its commitment to providing local care, VHA officially opened its multi-million dollar state-of-the-art Customer Care Centre in the Hobart Central Business District in March 2015. It continued to expand its retail points of presence, opening 34 VHA branded stores and through new partners including Kogan. In partnership with the Garvan Institute of Medical Research, the Vodafone Foundation successfully launched the DreamLab app which uses the processing power of smartphones to help fast-track cancer research.

## Outlook

In 2016, VHA's objectives are to continue growth and further strengthen the brand. To do this, it will:

- Continue to **build and enhance its network** through new features and new sites to increase performance, coverage and competition, with a focus on technology stability, resilience and security.
- **Improve the customer experience** with a focus on tailored service and digital engagement.
- Continued focus on **cost management and profitability** to reinvest in the business.
- **Build capabilities** for future network investments and to enter new markets.
- In a Federal election year, **drive policy reform priorities** to address the distorted market which exists in Australia, especially in regional and rural areas, by highlighting to decision makers the need for change.

The Australian telecommunications market is advanced by international standards with three high performance 4G networks and very high mobile and smartphone penetration rates. It is a unique market with a strong incumbent which benefits from an extensive legacy network and significant government subsidies. This has created an uneven competitive environment which affects mobile competition in regional and rural areas. VHA is a pro-competition company and will continue to advocate for a fairer regulatory regime which encourages innovation, competition and better customer outcomes.

In summary, VHA is expected to continue performing well in 2016, with further growth in its customer base. VHA notes the impact of the wholesale price changes for mobile terminating access services (MTAS). On 24 August 2015, the Australian Competition and Consumer Commission released its final decision to reduce wholesale prices for MTAS, effective 1 January 2016. During 2016, VHA's mobile service revenue is expected to be lower due to the lower MTAS rates, which will largely be offset by a corresponding decrease in VHA's interconnection costs.

During 2015, VHA strengthened its expert teams with a number of key appointments at executive and general manager level, and employee satisfaction and engagement continued to grow. VHA will continue to strategically invest in its teams during 2016. HTAL is pleased with the achievements of VHA's dedicated teams, led by Chief Executive Officer Inaki Berroeta and the Executive team, throughout 2015 and thanks them for their efforts.

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

## VHA financial and operating metrics

Note - the items in the table below represent the 50% share of VHA attributable to HTAL, except for customer numbers

	2015	2014	YoY change
Total revenue (\$m)	1,825.8	1,747.6	4.5%
Gross service revenue (\$m) <sup>1</sup>	1,571.4	1,500.7	4.7%
Net service revenue (\$m) <sup>2</sup>	1,375.2	1,362.3	0.9%
EBITDA	406.4	385.6	5.4%
Share of net loss of VHA (\$m) <sup>3</sup>	(187.5)	(301.8)	37.9%
The items below represent totals for VHA			
- Postpaid customers ('000)	3,249	3,140	3.5%
- Prepaid customers ('000)	1,730	1,714	0.9%
VHA customers subtotal ('000)	4,979	4,854	2.6%
- MVNO customers ('000)	458	448	2.2%
Total network customers ('000)	5,437	5,302	2.5%
Gross ARPU <sup>4</sup>	52.38	50.79	3.1%
Net ARPU <sup>5</sup>	45.68	46.00	(0.7%)

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

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

<sup>3</sup> Reconciliation for the **Share of net loss of VHA** is set out on page 24.

<sup>4</sup> **Gross ARPU** represents a rolling 12 month average gross service revenue per user per month at the end of the period excluding MVNOs.

<sup>5</sup> **Net ARPU** represents a rolling 12 month average net service revenue per user per month at the end of the period excluding MVNOs.

**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2015**

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>Revenue</b>	<b>6,028</b>	1,085
Other operating items	<b>(1,299)</b>	15,470
Finance costs	<b>(4)</b>	(9)
Share of net losses of a joint venture accounted for using the equity method	<b>(187,523)</b>	(301,791)
<b>Loss before income tax</b>	<b>(182,798)</b>	(285,245)
Income tax expense	<b>(70)</b>	(266)
<b>Loss for the year</b>	<b>(182,868)</b>	(285,511)
<b>Other comprehensive (loss) income</b>		
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of cash flow hedges (share of joint venture)	<b>(825)</b>	3,075
<b>Other comprehensive (loss) income for the year, net of tax</b>	<b>(825)</b>	3,075
<b>Total comprehensive loss for the year attributable to members of Hutchison Telecommunications (Australia) Limited</b>	<b>(183,693)</b>	(282,436)

*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 2015**

	2015 \$'000	2014 \$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	5,318	1,815
Other financial assets	136,676	36,173
Trade receivables	5	174
<b>Total Current Assets</b>	<b>141,999</b>	<b>38,162</b>
<b>Non-current Assets</b>		
Other financial assets	11,801	10,902
Investment accounted for using the equity method	277,315	465,663
Deferred tax assets	-	70
<b>Total Non-current Assets</b>	<b>289,116</b>	<b>476,635</b>
<b>Total Assets</b>	<b>431,115</b>	<b>514,797</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	257	246
Other financial liabilities	241,862	141,862
<b>Total Current Liabilities</b>	<b>242,119</b>	<b>142,108</b>
<b>Total Liabilities</b>	<b>242,119</b>	<b>142,108</b>
<b>Net Assets</b>	<b>188,996</b>	<b>372,689</b>
<b>EQUITY</b>		
Contributed equity	4,204,488	4,204,488
Reserves	70,444	71,269
Accumulated losses	(4,085,936)	(3,903,068)
<b>Total Equity</b>	<b>188,996</b>	<b>372,689</b>

*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 2015**

Attributable to members of Hutchison Telecommunications (Australia) Limited

	Contributed equity \$'000	Reserves			Accumulated losses \$'000	Total equity \$'000
		Capital redemption \$'000	Cash flow hedging \$'000	Share-based payments \$'000		
<b>Balance at 1 January 2014</b>	<b>4,204,488</b>	<b>54,887</b>	<b>(2,573)</b>	<b>15,880</b>	<b>(3,617,557)</b>	<b>655,125</b>
Loss for the year	-	-	-	-	(285,511)	(285,511)
Share of joint venture's changes in the fair value of cash flow hedges	-	-	3,075	-	-	3,075
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>3,075</b>	<b>-</b>	<b>(285,511)</b>	<b>(282,436)</b>
<b>Balance at 31 December 2014 and 1 January 2015</b>	<b>4,204,488</b>	<b>54,887</b>	<b>502</b>	<b>15,880</b>	<b>(3,903,068)</b>	<b>372,689</b>
Loss for the year	-	-	-	-	(182,868)	(182,868)
Share of joint venture's changes in the fair value of cash flow hedges	-	-	(825)	-	-	(825)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(825)</b>	<b>-</b>	<b>(182,868)</b>	<b>(183,693)</b>
<b>Balance at 31 December 2015</b>	<b>4,204,488</b>	<b>54,887</b>	<b>(323)</b>	<b>15,880</b>	<b>(4,085,936)</b>	<b>188,996</b>

*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 2015**

	2015 \$'000	2014 \$'000
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers and employees (inclusive of GST)	(1,120)	(3,232)
Interest received	4,627	84
Finance costs paid	(4)	(9)
<b>Net cash inflows (outflows) from operating activities</b>	<u>3,503</u>	<u>(3,157)</u>
<b>Cash Flows from Investing Activities</b>		
Loans to joint venture	(100,000)	-
<b>Net cash outflows from investing activities</b>	<u>(100,000)</u>	<u>-</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowings - entities within the CKHH Group	100,000	2,000
<b>Net cash inflows from financing activities</b>	<u>100,000</u>	<u>2,000</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,503</b>	<b>(1,157)</b>
Cash and cash equivalents at 1 January	1,815	2,972
<b>Cash and cash equivalents at 31 December</b>	<u><b>5,318</b></u>	<u><b>1,815</b></u>

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

## Notes to the consolidated financial statements For the year ended 31 December 2015

### Note 1 – Summary of significant accounting policies

Hutchison Telecommunications (Australia) Limited (the “Company”) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The Consolidated Entity consists of the Company and its subsidiaries (the “Group” or “Consolidated Entity” or “HTAL”) made up to 31 December 2015.

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 2015 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 2014 and any public announcements made by the Company, during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year.

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

#### Statement of compliance

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

As a consequence of the financial reporting relief provided by ASIC Class Orders 10/654 and 10/655, the consolidated financial statements are presented without parent entity financial statements.

#### Going concern disclosures

As at 31 December 2015, the Consolidated Entity has a deficiency of net current assets of \$100 million (2014: net current assets deficiency of \$104 million). Included in the Consolidated Entity’s current liabilities is an amount of \$242 million (2014: \$142 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 \$1,358 million at 31 December 2015. 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.

#### Historical cost convention

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

## **(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.

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.

As at 31 December 2015, HTAL has only one joint venture.

### *(iii) Equity method*

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

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

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

### **(c) Foreign currency translation**

#### *(i) Functional and presentation currency*

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

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges as set out in note 1(i)(ii).

### **(d) Revenue recognition**

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

#### *Interest income*

Interest income is recognised using the effective interest method.

### **(e) Income tax**

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

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

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

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

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

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

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

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

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

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

**(f) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are tested for impairment annually and when there is an indication that they 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) Trade receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowance for estimated irrecoverable amounts are recognised in the statement of profit or loss and other comprehensive income when there is objective evidence that the assets is impaired.

**(i) Derivative financial instruments and hedging activities**

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

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

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

*(i) Fair value hedge*

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

*(ii) Cash flow hedge*

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

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

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

**(j) Fair value estimation**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. Fair value is an exit price regardless of whether that price is directly observable in active markets or estimated using another valuation technique.

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

### **(k) Leases**

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

### **(l) 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.

### **(m) 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.

### **(n) Employee benefits**

#### *(i) Wages and salaries, and leave provisions*

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

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

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

#### *(ii) Retirement benefits*

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

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

### **(o) 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.

**(p) 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.

**(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) Segments 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.

### **(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 Consolidated Entity's accounting policy, the investments in controlled entities and the joint venture are periodically tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the Company's investment in controlled entities, and the recoverable amount of the Consolidated Entity's investment in its joint venture are determined as the higher of the fair value less cost of disposal or value in use methodology. The underlying calculation is based on the approved business plan for VHA. These calculations require the use of estimates and assumptions.

A discounted cash flow calculation is undertaken on the approved business plan. A terminal value is calculated on the cash flows. The cash flows are then discounted using a suitable discount rate consistent with recent internal assessments of the Consolidated Entity's weighted average cost of capital. The resulting net present value is compared to the balance of the Consolidated Entity's equity accounted for investment in a joint venture.

The Directors believe that the carrying values of the Consolidated Entity's investment in joint venture as at 31 December 2015 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 investments in joint venture as at the statement of financial position date.

#### *(ii) Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of taxable profits generated in the foreseeable future together with future tax planning strategies.

#### *(iii) Joint venture accounting adjustments*

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

### **(t) Rounding of amounts to nearest thousand dollars**

The Consolidated Entity is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar or cent.

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

**(v) New accounting standards and interpretations**

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 2015.

The Consolidated Entity has applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2015:

Reference	Standard(s)
AASB 2014-1 (Part A)	Amendments to Australian Accounting Standards – Annual Improvements 2010-2012 and 2011-2013 Cycles
AASB 2014-1 (Part C)	Amendments to Australian Accounting Standards – Materiality

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Group. The Group is still assessing the impact of these new standards and interpretations on the financial statements.

## Note 2 – Earnings per share

	2015 Cents	2014 Cents
<b>(a) Basic earnings per share</b>		
Loss attributable to the ordinary equity holders of the Consolidated Entity	<u>(1.35)</u>	<u>(2.10)</u>
<b>(b) Diluted earnings per share</b>		
Loss attributable to the ordinary equity holders of the Consolidated Entity	<u>(1.35)</u>	<u>(2.10)</u>
<b>(c) Earnings used in calculating earnings per share</b>	2015 \$'000	2014 \$'000
<i>Basic earnings per share</i>		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	<u>(182,868)</u>	<u>(285,511)</u>
<i>Diluted earnings per share</i>		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	<u>(182,868)</u>	<u>(285,511)</u>
<b>(d) Weighted average number of shares used as the denominator</b>	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>13,572,508,577</u>	<u>13,572,508,577</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>13,572,508,577</u>	<u>13,572,508,577</u>

There were no (2014: nil) options outstanding at 31 December 2015 that are anti-dilutive and accordingly there was no impact on the earnings per share calculation for the year ended 31 December 2015.

### Note 3 – Operating segment

The Consolidated Entity has identified its operating segment based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

In 2015, 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:

<b>HTAL's share of the following items of VHA*</b>	<b>2015</b>	<b>2014</b>
	<b>\$m</b>	<b>\$m</b>
Total Revenue	<b>1,826</b>	1,748
Net Losses	<b>188</b>	302

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 23.

\* after joint venture accounting adjustments

## Supplementary Appendix 4E information

### Additional dividend/distribution information

Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2015 are as follows:

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

### Accumulated Losses

	2015 \$'000	2014 \$'000
Accumulated losses at 1 January	(3,903,068)	(3,617,557)
Loss attributable to the members of Hutchison Telecommunications (Australia) Limited	(182,868)	(285,511)
Accumulated losses at 31 December	(4,085,936)	(3,903,068)

### NTA Backing

	2015	2014
Net tangible asset backing per ordinary share	\$0.01	\$0.03

### Controlled entities acquired or disposed of

There was no acquisition of controlled entities during the year ended 31 December 2015.

### Associates and Joint Venture entities

#### Joint Venture

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

The aggregate share of losses from VHA for the year ended 31 December 2015 is \$187.5 million (2014: \$301.8 million share of losses).

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

	2015 \$'000	2014 \$'000
Current assets	1,071,542	952,901
Non-current assets	7,112,468	6,835,789
Current liabilities	(3,302,339)	(1,316,939)
Non-current liabilities	(5,255,325)	(6,413,587)
<b>Net Assets</b>	<b>(373,654)</b>	<b>58,164</b>
Proportion of the Consolidated Entity's ownership	50%	50%
Share of the joint venture's net assets	(186,827)	29,082
Goodwill	165,321	165,321
Joint venture accounting adjustments	298,821	271,260
<b>Carrying amount of the investment</b>	<b>277,315</b>	<b>465,663</b>

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 2015, HTAL's share of VHA's net current assets deficiency is \$1,115.4 million (2014: net current assets deficiency of \$182.0 million). 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

	2015 \$'000	2014 \$'000
Revenues	3,651,553	3,495,108
Expenses	(4,081,721)	(4,150,893)
Loss before income tax	(430,168)	(655,785)
Income tax expense	-	-
<b>Loss for the year</b>	<b>(430,168)</b>	<b>(655,785)</b>
Other comprehensive loss		
Changes in the fair value of cash flow hedges, net of tax	(1,650)	6,151
<b>Total comprehensive loss</b>	<b>(431,818)</b>	<b>(649,634)</b>
50% share of VHA's loss for the year	(215,084)	(327,892)
Joint venture accounting adjustments	27,561	26,101
<b>Share of joint venture's loss</b>	<b>(187,523)</b>	<b>(301,791)</b>

#### VHA's financial statements include the following specific items:

Cash and cash equivalents	291,608	109,889
Current financial liabilities	2,194,060	160,497
Non-current financial liabilities	5,137,296	6,275,051
Depreciation and amortisation <sup>^</sup>	827,880	1,034,401
Interest income	3,120	5,274
Finance costs	418,243	397,891

<sup>^</sup> Depreciation and amortisation under HTAL accounting policies are \$772.8 million for year ended 31 December 2015 (2014: \$982.2 million). The differences in accounting policies are primarily related to differences in the economic useful lives of property, plant and equipment.

Information relating to the joint venture is set out below:

	2015 \$'000	2014 \$'000
<b>Reconciliation of interest in a joint venture</b>		
Investment brought forward at 1 January	465,663	764,379
Loss for the year	(187,523)	(301,791)
Share of change in fair value of cash flow hedges, net of tax	(825)	3,075
<b>Interest in a joint venture at 31 December</b>	<b>277,315</b>	<b>465,663</b>

**VHA's commitments**

Operating leases	1,053,111	1,151,003
Other commitments	476,257	533,762
Capital commitments	271,802	201,460

**VHA's contingent liabilities**

	67,265	53,020
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**Foreign Accounting standards**

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

N/A

**Audit**

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



## **Independent auditor's report to the members of Hutchison Telecommunications (Australia) Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of Hutchison Telecommunications (Australia) Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Hutchison Telecommunications (Australia) Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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**Auditor's opinion**

In our opinion:

- (a) the financial report of Hutchison Telecommunications (Australia) Limited (the company) is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 6 to 8 of the directors' report for the year ended 31 December 2015. 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.

**Auditor's opinion**

In our opinion, the remuneration report of Hutchison Telecommunications (Australia) Limited (the company) for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

David Wiadrowski  
Partner

Sydney  
22 February 2016

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