Financial Report

For the year ended 31 December 2019

Contents

These financial statements cover the consolidated financial statements for the group consisting of Hutchison Telecommunications (Australia) Limited ("HTAL") and its controlled entities. The financial statements are presented in Australian dollars.

HTAL is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, 177 Pacific Highway,
North Sydney NSW 2060

The financial statements were authorised for issue by the Directors on 26 February 2020. The Company has the power to amend and reissue the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Revenue	3	5,697	10,619
Other operating expenses		(1,423)	(1,162)
Share of net losses of VHA Joint Venture accounted for using the equity method	7	(159,144)	(4,982)
Profit/(loss) before income tax		(154,870)	4,475
Income tax expense	4	–	–
Profit/(loss) for the year	12	(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	12	(494)	212
Total comprehensive income/(loss) for the year attributable to members of the Company		(155,364)	4,687

		Cents	Cents
Earnings per share for profit/(loss) attributable to members of the Company			
Basic earnings per share	21	(1.14)	0.03
Diluted earnings per share	21	(1.14)	0.03

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 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	108,057	18,598
Loans and receivables	6	76,193	434
Other receivables		13	6
Total Current Assets		184,263	19,038
Non-current Assets			
Loans and receivables	6	–	160,765
Investment accounted for using the equity method	7	–	159,638
Total Non-current Assets		–	320,403
Total Assets		184,263	339,441
LIABILITIES			
Current Liabilities			
Payables	9	558	372
Other financial liabilities	10	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	11	4,204,488	4,204,488
Reserves	12	70,368	70,862
Accumulated losses	12	(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

	Notes	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	12	–	–	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	12	–	–	(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

	Notes	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	20	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	5	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. Refer to Note 23 for reference to this subsequent event.
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 Financial Statements

For the year ended 31 December 2019

Note 1 Summary of significant accounting policies

Hutchison Telecommunications (Australia) Limited (the "Company" or "Parent Entity") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company and its subsidiaries (the "Group" or "HTAL") are described in the Directors' report. The financial statements were authorised 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 general purpose financial statements have been prepared in accordance with the *Corporations Act 2001 (Cth)*, Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and comply with other requirements of the law. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

For financial reporting purposes the Company 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 the parent entity financial statements. Disclosures in relation to the parent entity required under paragraph 295(3)(a) of the *Corporations Act 2001 (Cth)* have been included in Note 24.

Historical cost convention

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

(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.

Note 1 Summary of significant accounting policies continued

(c) Principles of consolidation continued

(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 and estimates of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of 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.

(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.

(g) Impairment of assets

The investment in the VHA Joint Venture is tested for impairment annually and when there is an indication that it may be impaired. Other assets are tested for impairment whenever there is any indication that the carrying value of these assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated 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 and are subsequently remeasured to fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument. 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 changes of the cash flow hedge from the VHA Joint Venture investment.

(i) Fair value hedge

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

(ii) Cash flow hedge

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

(l) Goodwill

Goodwill as part of 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 acquire, and the fair value of the acquirer's previously held equity interest in the acquire (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 acquirer'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.

Note 1 Summary of significant accounting policies continued

(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. Refer to Note 11 for further information.

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 consider:

- 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. Refer to Note 19 for details of the Group's operating segment, being investment in telecommunication services.

(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 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 Group's investment in its joint venture are determined as the higher of the fair value less cost of disposal or value in use methodology. The underlying calculation is based on the approved business plan for VHA. VHA uses a weighted average cost of capital ('WACC') methodology to compute its discount rate, with reference to external and internal data and risk assessment. VHA compares this WACC to external market data of a selection of peer companies and is satisfied that the WACC for VHA is in the range that a market participant would apply. These calculations require the use of estimates and assumptions.

A discounted cash flow calculation is undertaken on the approved business plan. A discounted cash flow calculation based on VHA five-year financial plan was prepared. A terminal value is calculated on the cash flows. The cash flows are then discounted using a suitable discount rate consistent with recent internal assessments of the 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 Joint Venture. HTAL's share of VHA value in use is in excess of the investment book value.

The Directors believe that the carrying values of the Group's investment in VHA Joint Venture 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 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 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 profit 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.

(t) Rounding of amounts to nearest thousand dollars

The Group is of a kind referred in 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 disclosed in Note 24 has been prepared on the same basis as the consolidated financial statements, 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.

Note 2 Change 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 AASB 16 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 AASB 117 *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 AASB 16 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 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 the VHA Joint Venture as a lessee, and the nature of each lease portfolio. These discount rates range between 4.15% to 8.10% depending on the lease term;
- The VHA Joint Venture has elected to rely on its assessment of whether leases are onerous by applying the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* immediately before transition rather than performing an impairment review on adoption. These onerous provisions will be adjusted against the right-of-use assets recognised on transition;
- The VHA Joint Venture has elected to exclude the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- The VHA Joint Venture has elected to use hindsight where applicable when determining lease term and inclusions of options to extend or terminate the lease; and
- On a lease by lease basis, the VHA Joint Venture has determined whether to apply the practical expedient in relation to not measuring the lease liability for leases with a lease term that will end within 12 months of the date of initial application.

(ii) Measurement of VHA'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**

(iv) Adjustments recognised in the VHA Joint Venture'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 Limited 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 7.

Notes to the Financial Statements
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For the year ended 31 December 2019

Note 3 Revenue

	2019 $'000	2018 $'000
Other revenue		
Interest	5,697	10,585
Other income	–	34
	5,697	10,619

Note 4 Income tax

	2019 $'000	2018 $'000
(a) Income tax expense		
Deferred tax	–	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from operations before income tax expense	(154,870)	4,475
Tax at the Australian tax rate of 30% (2018: 30%)	(46,461)	1,343
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of losses of VHA Joint Venture	47,743	1,495
	1,282	2,838
Deferred tax on temporary difference not recognised	12	12
Previously unrecognised tax losses now recouped to reduce current tax expense	(1,294)	(2,850)
Income tax expense	–	–
(c) Unrecognised tax losses		
Opening balance	164,826	174,322
Tax losses utilised during completion of income tax return	–	–
Tax losses recouped to reduce current tax expense	(4,314)	(9,496)
Unused tax losses for which no deferred tax assets have been recognised	160,512	164,826
Potential tax benefit @ 30% (2018: 30%)	48,154	49,448

All unused tax losses were incurred by Australian entities.

This benefit for tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the company complies with the conditions for deductibility imposed by tax legislation.

(d) Recognised deferred tax assets

There are no recognised deferred tax assets at 31 December 2019 and 31 December 2018.

Note 5 Current assets – Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank	108,057	18,598

Note 6 Loans and receivables

	2019 $'000	2018 $'000
Total current	76,193	434
Total non-current	–	160,765
Receivable from VHA Joint Venture (Note 17)	76,193	161,199

Receivable from VHA Joint Venture

At 31 December 2019, the $76.2 million pertains to an unsecured working capital facility (2018: $161.2 million). The weighted average interest on the working capital facility was charged at 3.44 % p.a. (2018: 4.0%).

Further information relating to receivable from VHA Joint Venture is set out in Note 17.

(a) Fair value

The carrying values of the current and non-current receivables are at cost and approximate to their fair value.

(b) Foreign currency and interest rate risk

The carrying amounts of the Group's current and non-current receivables and financial assets are denominated in the following currencies:

	2019 $'000	2018 $'000
Australian dollars	76,193	161,199
	76,193	161,199

For an analysis of the sensitivity of other financial assets to interest rate risk refer to Note 22.

(c) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The receivable is current with no indication of impairment. The Group does not hold any collateral as security. Refer to Note 22 for more information on the risk management policy of the Group.

Note 7 Non-current assets – Investment accounted for using the equity method

HTAL and Vodafone Group Plc each own a 50 per cent interest in a 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 reports using the equity method Note 1(c)(iii).

The aggregate share of losses from VHA for the year ended 31 December 2019 is $159,144,000 (2018: $4,982,000). Information relating to the joint venture is set out below:

	2019 $'000	2018 $'000
Reconciliation of interest in VHA Joint Venture		
Investment brought forward	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

Notes to the Financial Statements
continued

For the year ended 31 December 2019

Note 7 Non-current assets – Investment accounted for using the equity method continued

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

Summarised Statement of Financial position of VHA

	2019 $'000	2018 $'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 the 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.

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

	2019 $'000	2018 $'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)

	2019 $'000	2018 $'000
50% share of VHA's loss for the year	(139,656)	(62,222)
VHA Joint Venture accounting adjustments [(i)]	(252,450)	57,240
Unrecognised share of VHA Joint Venture loss	232,962	–
Share of VHA Joint Venture's loss	(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.

VHA Joint Venture's financial statements include the following specific items:

	2019 $'000	2018 $'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)

Note 8 Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1(c):

			EQUITY HOLDING*	
Name of controlled entity	Country of Incorporation	Class of Shares	2019 %	2018 %
Hutchison 3G Australia Holdings Pty Limited **	Australia	Ordinary	100	100

* The proportion of ownership interest is equal to the proportion of voting power held.

** This entity has been granted relief from the necessity to prepare financial reports in accordance with instrument 2016/914 issued by the Australian Securities and Investments Commission.

Note 9 Current liabilities – Payables

	2019 $'000	2018 $'000
Trade creditors	258	219
Payables to VHA Joint Venture (Note 17)	300	153
	558	372

Further information relating to payables to VHA Joint Venture is set out in Note 17.

Liquidity risk

A summarised analysis of the Group's sensitivity of payables to liquidity rate risk can be found in Note 22.

Note 10 Current liabilities – Other financial liabilities

	2019 $'000	2018 $'000
Loan from an entity within the CKHH Group (Note 17)	248,790	248,790

(a) Loan from an entity within the CKHH Group

Further information relating to the loan from an entity within the CKHH Group is set out in Note 17. The loan from an entity within the CKHH Group is an interest free financing facility and is repayable on demand.

Note 10 Current liabilities – Other financial liabilities continued

(b) Financing arrangements

Unrestricted access was available at the statement of financial position date to the following lines of credit.

(c) Other financial liabilities

	2019 $'000	2018 $'000
Total facilities from an entity within the CKHH Group	1,600,000	1,600,000
Used at the statement of financial position date	(248,790)	(248,790)
Unused at the statement of financial position date	1,351,210	1,351,210

Note 11 Contributed equity

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Share capital				
Ordinary shares (fully paid)	13,572,508,577	13,572,508,577	4,204,488	4,204,488

(a) Share capital

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Movement in ordinary shares

There has been no movement in the number of shares issued during the years ended 31 December 2019 and 31 December 2018.

(c) Options

There are no options outstanding as at the statement of financial position date.

(d) Capital risk management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, by pricing loans receivables commensurately with the level of risk.

The Group defines capital as total equity attributable to shareholders of the Group, comprising issued share capital and reserves, as shown in the consolidated statement of financial position. The Group actively and regularly reviews and manages its capital structure to ensure capital and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, projected operating cash flows and projected capital expenditures.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'Total equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
Gearing ratio	186%	72%

Note 12 Reserves and accumulated losses

(a) Reserves

	2019 $'000	2018 $'000
Capital reserve	54,887	54,887
Share of hedging reserve – cash flow hedges	(399)	95
Share-based payments reserve	15,880	15,880
	70,368	70,862
Movements:		
Capital reserve		
There has been no movement in the capital reserve during the year.		
Share of hedging reserve – cash flow hedges		
Balance at 1 January	95	(117)
Hedging movement	(494)	212
Balance at 31 December	(399)	95

Share-based payments reserve

There has been no movement in the share-based payments reserve during the year.

(b) Accumulated losses

	2019 $'000	2018 $'000
Accumulated losses at 1 January	(4,185,071)	(4,186,946)
Adjustment on the adoption of AASB 15 (net of tax)	–	(2,600)
Profit/(loss) attributable to members of the Company	(154,870)	4,475
Accumulated losses at 31 December	(4,339,941)	(4,185,071)

(c) Nature and purpose of reserves

Capital reserve

The capital reserve relates to the surplus arising on initial consolidation of a 19.9% stake in Hutchison 3G Australia Holdings Pty Limited.

Hedging reserve – cash flow hedges

The hedging reserve is used to record gains and losses on a hedging instrument in VHA Joint Venture cash flow hedge that are recognised directly in equity, as described in Note 1(k)(ii).

Amounts are recognised in the statement of profit or loss and other comprehensive income when the associated hedged transaction affects profit or loss.

Share-based payments reserve

The share-based payments reserve is used to:

(i) recognise the grant date fair value of options issued to employees but not exercised; and

(ii) recognise the fair value of the 850 MHz spectrum licence assigned from Telecom New Zealand ("TCNZ"). The fair value was determined by reference to the fair value of the option granted to TCNZ in exchange for the spectrum licence.

Notes to the Financial Statements
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For the year ended 31 December 2019

Note 13 Director and key management personnel compensation

(a) Director and key management personnel compensation

	2019 $	2018 $
Short term employee benefits	109,500	109,500

(b) Loans to key management personnel and other transactions with key management personnel

There were no loans made to Directors of the Company, including their personally-related entities, during the years ended 31 December 2019 and 31 December 2018. There were no other transactions with the Directors of the Company for the years ended 31 December 2019 and 31 December 2018.

Note 14 Remuneration of auditors

	2019 $	2018 $
PricewaterhouseCoopers Australia		
Assurance services		
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001 (Cth)*	161,670	105,350
Total remuneration for assurance services	161,670	105,350
Non-Assurance services		
Tax services	12,000	–
Total auditors remuneration	173,670	105,350

It is the Group's policy to employ the auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. These assignments are principally tax, compliance and advice. It is the Group's policy to seek competitive tenders for all major consulting projects.

Note 15 Contingencies

There were no contingencies for HTAL or its controlled entities at 31 December 2019 and 31 December 2018. The Directors are not aware of any other material contingent liabilities existing at the reporting date.

Contingencies for the VHA Joint Venture are disclosed below:

	2019 $'000	2018 $'000
Guarantees		
Secured guarantees	37,197	46,195
Unsecured guarantees	14,648	18,935
Total contingencies	51,845	65,130

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.

Note 16 Commitments

There were no commitments contracted by HTAL or its controlled entities not recognised as liabilities or payables at 31 December 2019 and 31 December 2018.

Commitments for the VHA Joint Venture are disclosed below:

	2019 $'000	2018 $'000
VHA's commitments		
Operating leases	–	1,760,478
Right-of-use assets (2018: Finance lease)	22,143	18,478
Other commitments	180,248	127,666
Capital commitments	378,426	492,451

VHA's operating leases pertain to various networks sites, offices, retail shops and warehouses under non-cancellable operating leases expiring within one to forty years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

VHA's other commitments generally pertain to payment of information technology, network support services and sponsorships under contracts in existence at the reporting date but not recognised as liabilities.

VHA's capital commitments pertain to the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities or payables.

Note 17 Related party transactions

(a) Parent entities

The holding company and parent entity is Hutchison Telecommunications (Amsterdam) B.V. which, at 31 December 2019, owns approximately 88% of the issued ordinary shares of the Company. The ultimate parent entity is CK Hutchison Holdings Limited (incorporated in Cayman Islands).

(b) Directors

The names of persons who were Directors of the Company at any time during the financial year are as follows:
FOK Kin Ning, Canning; Barry ROBERTS-THOMSON; Susan Mo Fong CHOW; Justin Herbert GARDENER; LAI Kai Ming, Dominic; John Michael SCANLON; Frank John SIXT; Ronald Joseph SPITHILL and WOO Chiu Man, Cliff.

(c) Key management personnel compensation

Disclosures relating to key management personnel compensation are set out in Note 13.

(d) Transactions with related parties

During the year, the following transactions occurred with related parties:

	2019 $	2018 $
Loans to related parties		
Advanced to VHA Joint Venture	–	(40,000,000)
Repayments from VHA Joint Venture	84,764,621	115,235,379
Loans from related parties		
Advanced from an entity within the CKHH Group	–	40,000,000
Repayments to an entity within the CKHH Group	–	(115,235,379)
Interest revenue		
VHA Joint Venture	5,399,924	10,368,503
Operating expenses		
VHA Joint Venture	(485,000)	(485,000)

Note 17 Related party transactions continued

(e) Outstanding balances

The following balances are outstanding at the statement of financial position date in relation to transactions with related parties:

	2019 $	2018 $
Current financial assets		
VHA Joint Venture (Note 6)	76,193,205	434,429
Non-current financial assets		
VHA Joint Venture (Note 6)	–	160,764,621
Payables		
VHA Joint Venture (Note 9)	(299,635)	(152,952)
Current liabilities – Other financial liabilities		
Entity within the CKHH Group (Note 10)	(248,789,571)	(248,789,571)

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(f) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except interest on some loans between the parties that are interest free. All these loans have been disclosed.

Note 18 Deed of cross guarantee

The Company and Hutchison 3G Australia Holdings Pty Ltd ("H3GAH") are parties to a deed of cross guarantee, under which each company guarantees the debt of the others. There have been no changes to the deed of cross guarantee as at 31 December 2019 in comparison to 31 December 2018.

(a) Closed Group consolidated statement of profit or loss and other comprehensive income and a summary of movements in the Closed Group consolidated retained earnings

HTAL and H3GAH represented a 'Closed Group' for the purposes of the Class Order. As there are no other parties to the deed of cross guarantee that are controlled by HTAL, H3GAH also represents the 'Extended Closed Group'. H3GAH is a holding company with no material operations and owns 50% of VHA.

Set out below is the Closed Group consolidated statement of profit or loss and other comprehensive income and a summary of movements in the Closed Group consolidated accumulated losses for the years ended 31 December 2019 and 31 December 2018.

	2019 $'000	2018 $'000
Statement of profit or loss and other comprehensive income		
Revenue	5,697	10,619
Other operating expenses	(1,423)	(1,162)
Income before income tax	4,274	9,457
Income tax expense	–	–
Income for the year	4,274	9,457
Share of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	(4,067,299)	(4,076,756)
Income for the year	4,274	9,457
Accumulated losses at the end of the financial year	(4,063,025)	(4,067,299)

(b) Statement of financial position

Set out below is a statement of financial position as at 31 December 2019 and 31 December 2018 of the Closed Group consisting of H3GAH and HTAL.

	2019 $'000	2018 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	108,057	18,598
Loans and receivable	76,193	434
Other receivables	13	6
Total Current Assets	184,263	19,038
Non-current Assets		
Loans and receivable	–	160,765
Other financial assets	277,315	277,315
Total Non-Current Assets	277,315	438,080
Total Assets	461,578	457,118
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	212,230	207,956
EQUITY		
Contributed equity	4,204,488	4,204,488
Reserves	70,767	70,767
Accumulated losses	(4,063,025)	(4,067,299)
Total Equity	212,230	207,956

Note 19 Segment reporting

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Group 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 includes:

	2019 $'000	2018 $'000
HTAL's share of the following items of VHA*		
Total Revenue	1,761,707	1,813,183
Net loss*	(159,144)	(4,982)

* after VHA Joint Venture accounting adjustments.

Further information reviewed by the chief operating decision maker with regards to the performance of the Group's investment in VHA is disclosed in Note 7.

Note 20 Reconciliation of profit/(loss) after income tax to net cash inflows from operating activities

	2019 $'000	2018 $'000
Profit/(loss) after income tax	(154,870)	4,475
Share of losses of VHA Joint Venture partnership accounted for using equity method (see Note 7)	159,144	4,982
Change in operating assets and liabilities		
Increase in other financial assets	234	127
Decrease in payables	187	130
Net cash inflows from operating activities	4,695	9,714
Net debt reconciliation		
Cash and cash equivalents	108,057	18,598
Borrowings	(248,790)	(248,790)
Net debt	(140,733)	(230,192)

	Cash $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 January 2019	18,598	–	(248,790)	(230,192)
Cash flows	89,459	–	–	89,459
Other loans (non-cash) from shareholder	–	(248,790)	248,790	–
Net debt as at 31 December 2019	**108,057**	**(248,790)**	**–**	**(140,733)**

Note 21 Earnings per share

	CONSOLIDATED	
	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		
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

	CONSOLIDATED	
	2019 Number	2018 Number
(d) Weighted average number of shares used as the denominator		
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.

Note 22 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposures.

Risk management is carried out by the management of HTAL under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

For the presentation of market risks (including interest rate risk, exchange rate risk and market price risk), AASB 7 *Financial Instruments: Disclosures* requires disclosure of a sensitivity analysis for each type of market risk that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the reporting date on profit or loss and total equity.

The effect that is disclosed in the following sections assumes that (a) a hypothetical change of the relevant risk variable had occurred at the reporting date and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of market risk does not reflect inter-dependencies between risk variables.

The preparation and presentation of the sensitivity analysis on market risk is solely for compliance with AASB 7 disclosure requirements in respect of financial instruments. The sensitivity analysis measures changes in the fair value and/or cash flows of the Group's financial instruments from hypothetical instantaneous changes in one risk variable (e.g. interest rate), the amount so generated from the sensitivity analysis are what-if forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

Note 22 Financial risk management continued

(a) Market risk continued

(i) Interest rate risk

The Group's main interest rate risk arises from cash balances and other financial assets. Management has assessed there is minimal material interest rate risk on both the other loans receivables from VHA and the loan from an entity within the CKHH Group. This is because a 1% change on the Australian market rate on the loans and receivables will result in an immaterial $1.8 million change in interest revenue based on 31 December 2019 balances. There is no interest rate risk in relation to the loan from an entity within the CKHH Group as it is an interest free financing facility.

(ii) Foreign currency exchange risk

Management has assessed there is minimal foreign currency exchange risk as the Group does not carry any material balances in foreign currency.

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets to interest rate risk.

		INTEREST RATE RISK			
		-1%		+1%	
31/12/2019	Carrying amount $'000	Post-tax loss $'000	Other equity $'000	Post-tax loss $'000	Other equity $'000
Financial assets					
Cash and cash equivalents	108,057	(1,081)	–	1,081	–
Loans and receivable	76,193	(762)	–	762	–
Total increase (decrease)	184,250	(1,843)	–	1,843	–

		INTEREST RATE RISK			
		-1%		+1%	
31/12/2018	Carrying amount $'000	Post-tax loss $'000	Other equity $'000	Post-tax loss $'000	Other equity $'000
Financial assets					
Cash and cash equivalents	18,598	(186)	–	186	–
Loans and receivable	161,199	(1,612)	–	1,612	–
Total increase (decrease)	179,797	(1,798)	–	1,798	–

(a) Credit risk

Credit risk is managed on an entity basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to related parties. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Credit risk further arises from loans and receivables from the VHA Joint Venture. The recoverability of the loan and receivable is supported by a letter of support from CK Hutchison Holdings Limited and Vodafone Group Plc.

(i) Impairment of financial assets

All of the entity's debt investment is measured at amortised cost and is considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Debt investment is considered to be low credit risk as the debt investment is held solely by VHA which has never defaulted on any payments of principal and/or interest.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the support from related parties.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group maintains flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

The table below analyses the Group's financial assets and liabilities' relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. Other financial liabilities include an amount of $248.8 million relating to an interest free loan from a subsidiary in the CKHH group. CKHH has confirmed its current intention to provide sufficient financial support to enable the Parent entity to meet is financial obligations as and when they fall due. This undertaking is provided for a minimum of 12 months from signing these financial statements.

31/12/2019	Weighted average interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Cash and cash equivalents	1.1%	108,057	–	–	–	108,057
Loans and receivables	3.4%	76,193	–	–	–	76,193
Payables	–	(558)	–	–	–	(558)
Other financial liabilities	–	(248,790)	–	–	–	(248,790)
Total ($'000)		(65,098)	–	–	–	(65,098)

31/12/2018	Weighted average interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Cash and cash equivalents	1.1%	18,598	–	–	–	18,598
Loans and receivables	4.0%	434	160,765	–	–	161,199
Payables	–	(372)	–	–	–	(372)
Other financial liabilities	–	(248,790)	–	–	–	(248,790)
Total ($'000)		(230,130)	160,765	–	–	(69,365)

Note 23 Events occurring after the reporting date

Proposed merger between joint venture investment VHA and TPG Telecom Limited ("TPG Telecom")

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 Australia Competition and Consumer Commission. This announcement does not significantly impact the financial performance for the year ended and financial position of VHA and HTAL as at 31 December 2019.

The working capital facility with VHA and the credit agreement with an entity within the CKHH Group have been extended to February 2021 under similar terms and conditions in February 2020. HTAL also made a repayment of $84.8 million on the aforementioned credit agreement in February 2020.

There has been no other matter or circumstance that has arisen after the reporting date that has significantly affected or may significantly affect:

(i) the operations of the Group in future financial years, or

(ii) the results of those operations in future financial years, or

(iii) the state of affairs of the Group in future financial years.

Note 24 Parent entity disclosures

(a) Summary financial information

	2019 $'000	2018 $'000
Financial position		
ASSETS		
Current Assets	184,263	179,802
Non-current Assets	277,315	277,315
Total Assets	461,578	457,117
LIABILITIES		
Current Liabilities	249,348	249,161
Total Liabilities	249,348	249,161
Net Assets	212,230	207,956
EQUITY		
Contributed equity	4,204,488	4,204,488
Reserves	15,880	15,880
Accumulated losses	(4,008,138)	(4,012,412)
Total Equity	212,230	207,956
Financial performance		
Profit for the year	4,274	9,457
Total comprehensive Profit for the year	4,274	9,457

(b) Commitments and Contingencies

There were no commitments contracted for by HTAL but not recognised as liabilities or payable at 31 December 2019 and 31 December 2018.

The Directors of the Parent Entity are not aware of any other material contingent liabilities existing at the reporting date.

As at 31 December 2019, the Parent Entity has a deficiency of net current assets of $65.1 million (2018: deficiency of net current assets of $69.4 million). Included in the Parent Entity'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, CKHH, which is repayable on demand. The Parent Entity has unused financing facilities of $1,351.2 million at 31 December 2019. CKHH has confirmed its current intention to provide sufficient financial support to enable the Parent Entity to meet its financial obligations as and when they fall due. This undertaking is provided 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.

(c) HTAL's investment in H3GAH

	2019 $'000	2018 $'000
Investment in H3GAH		
Investment at cost	3,664,655	3,664,655
Prior year Impairment recognised to date	3,387,340	3,387,340
Value of investment	277,315	277,315

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 18 to 44 are in accordance with the *Corporations Act 2001 (Cth),* including:

 (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

 (ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that Hutchison Telecommunications (Australia) Limited will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 18 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 18.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer of Vodafone Hutchison Australia Pty Limited required by section 295A of the *Corporations Act 2001 (Cth)*.

This declaration is made in accordance with a resolution of the Directors.

Director
26 February 2020

Director
26 February 2020