

# Notes to the Financial Statements

## Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Hutchison Telecommunications (Australia) Limited as an individual entity ("Company" or "Parent Entity") and the consolidated entity consisting of Hutchison Telecommunications (Australia) Limited and its subsidiaries ("the Consolidated Entity" or "the Group").

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

### Going concern disclosures

As at 31 December 2008, the Consolidated Entity and the Company, has a deficiency of net current assets of \$1,258 million and \$772 million. The Consolidated Entity has also experienced operating losses during the financial year ended on 31 December 2008. Included in the Consolidated Entity's and Company's current liabilities is an amount of \$1,000 million which relates to an interest free financing facility provided from the ultimate parent entity, Hutchison Whampoa Limited ("HWL"), which is repayable on demand. HWL has confirmed its current intention to provide sufficient financial support to enable the Consolidated Entity and the Company to meet its financial obligations as and when they fall due. This undertaking is provided for a minimum period of twelve months from 19 February 2009. Consequently, the directors have prepared the financial statements on a going concern basis.

### Statement of compliance

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards ("IFRS"). The parent entity financial statements and notes also comply with IFRS.

### Historical cost convention

These 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.

### Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires the Group to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 38.

### (b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and all subsidiaries made up to 31 December 2008.

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated Entity has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity (refer to note 1(f)).

The effects of all transactions between entities in the Consolidated Entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in joint ventures are accounted for as set out in note 1(g).

### (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 income statement, except when deferred in equity as qualifying cash flow hedges.

### (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 for the major business activities as follows:

#### (i) Telecommunication services

Revenue from the provision of mobile telecommunication services with respect to voice, video, internet access, messaging and media services, including data services and information provision, is recognised when the service is rendered and, depending on the nature of the services, is recognised either at gross amount billed to the customer or the amount receivable as commission for facilitating the services. Revenue from the sales of prepaid mobile calling cards is recognised upon customer's usage of the card or upon the expiry of the service period.

#### (ii) Sale of handsets

Revenue from sale of handsets is recognised at the date of despatch of goods, pursuant to the signing of the customer's contract and when all the associated risks and rewards have passed to the customer.

#### (iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

### (e) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences 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 and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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

#### **(f) Business combinations**

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the

extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

#### **(g) Joint ventures**

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

##### **(i) Jointly controlled entity**

A jointly controlled entity is a joint venture which involves the establishment of a separate entity. The Consolidated Entity's interest in the joint venture entity is accounted for in the consolidated financial statements using the equity method of accounting. Under this method the share of the profits or losses of the entity is recognised in the income statement, and the share of the movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture entity and transactions with the joint venture are eliminated to the extent of the Consolidated Entity's ownership interest until such time as they are realised by the joint venture entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

##### **(ii) Jointly controlled assets**

The proportionate interests in the assets, liabilities, income and expenses of a jointly controlled asset have been incorporated in the financial statements under the appropriate headings.

#### **(h) Impairment of assets**

Goodwill is not subject to amortisation and 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.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

#### **(i) Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within bank borrowings in current liabilities on the balance sheet.

#### **(j) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expense in the income statement.

#### **(k) Inventories**

Finished goods include handsets, devices and accessories and are stated at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at the balance sheet date using the first in first out method. Costs comprise of purchase price and expenditure that is directly attributable to the acquisition of the handsets after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale.

**(l) 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 their 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 income statement, 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 income statement within other income or other expense.

Amounts accumulated in equity are recycled in the income statement 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 income statement. 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 income statement.

**(m) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

**(n) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the depreciable amount of each item of property, plant and equipment over its expected useful life to the Consolidated Entity. The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate. Assets are depreciated from the date they are brought into commercial service, or in respect of internally constructed assets from the time the asset is completed and is available for commercial use. The expected useful lives are as follows:

Buildings	40 years
Computer equipment	4 to 10 years
Furniture, fittings and office equipment	4 to 7 years
Network equipment	3 to 40 years

The depreciable amount of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Consolidated Entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 4 – 20 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

**(o) Leases**

Leases of property, plant and equipment where the Consolidated Entity has substantially transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance lease balance outstanding. The interest element of the finance lease cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term. Leased assets held at reporting date are being amortised over four years.

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.

**(p) Intangible assets**

**(i) Spectrum licences and capitalised development costs**

Costs associated with acquiring spectrum licences are capitalised. The amortisation of capitalised development costs and the spectrum licences commenced upon the commercial readiness of the network. The spectrum licences and development costs are amortised on a straight-line basis over the periods of their expected benefit. The carrying values of these intangible assets are reviewed on a regular basis and written down to the recoverable amount where this is less than the carrying value (refer note 1(h)).

All costs directly attributable to the construction of the network assets are capitalised as work in progress. All other incremental costs to the creation of an asset within the business are capitalised as development costs.

#### (ii) Customer acquisition and retention costs

The direct costs of establishing and renewing customer contracts, other than handset subsidies which are expensed when incurred, are recognised as an asset. The direct costs are amortised as other direct costs of provision of telecommunication services and goods over the lesser of the period during which the future economic benefits are expected to be obtained and the period of the contract. The direct costs include commissions paid for obtaining customer contracts and other incremental costs directly attributable to the acquisition and retention of customers.

#### (iii) Transmission rights

The Consolidated Entity's right to use transmission capacity is measured at cost and amortised on a straight line basis over the term of the transmission lease.

#### (iv) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated Entity's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries/jointly controlled entity is included in intangible assets. Goodwill on acquisitions of associates/jointly controlled entity 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.

The expected useful lives of the intangible assets, other than goodwill, are as follows:

Spectrum licences and capitalised development costs	12 to 15 years
Customer acquisition and retention costs	2 to 3 years
Transmission rights	13 years

#### (q) 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.

#### (r) Interest bearing liabilities

Fixed rate loans are initially recognised at fair value, net of transaction costs incurred. Floating rate loans are initially recognised at cost, net of transaction costs incurred. Fixed and floating rate loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the liability using the effective interest method.

#### (s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

#### (t) Provisions

##### Provision for decommissioning costs

A provision has been recognised for costs expected to be incurred on the expiration of the site leases and resulting decommissioning costs under the terms of lease obligations. The amount of the provision is the estimated cash flow expected to be required to fulfil the lease obligations discounted back to net present value.

#### (u) Employee benefits

**(i) Wages and salaries, and annual leave**  
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

##### (ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services

provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### (iii) Bonus plan

A liability for employee benefits in the form of a bonus plan is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

##### (iv) Share-based payments

Share-based compensation benefits are provided to employees via the Hutchison Telecommunications (Australia) Limited Employee Option Plan. Information relating to the Option Plan is set out in note 37.

##### Share options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

##### Share options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the Hutchison Telecommunications (Australia) Limited Executive Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at the grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

### (v) Retirement benefits

Retirement benefits are delivered under the Retail Employees Superannuation Trust, although employees have an option to choose other funds.

Contributions are recognised as an expense as they become payable.

### (v) Contributed equity

Ordinary shares and convertible preference shares are classified as equity. Refer to note 24 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.

### (w) 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 with other receivables or payables in the balance sheet.

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.

### (x) Rounding of amounts to nearest thousand dollars

The Company 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 report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar or cent.

### (y) New accounting standards and UIG interpretations

Australian Accounting Standards and Interpretations thereof that have recently been amended but are not yet effective have not been adopted for the reporting period ended 31 December 2008.

Australian Accounting Standards that have recently been amended but are not yet effective and have not been early adopted by the Consolidated Entity are outlined in the table below:

Reference	Affected Standard(s)	Application date of standard*	Application date for Consolidated Entity
AASB 3 (revised)	AASB 3: <i>Business Combinations</i>	1 July 2009	1 January 2010
AASB 8	AASB 8: <i>Operating Segments</i>	1 January 2009	1 January 2009
AASB 101 (revised)	AASB 101: <i>Presentation of Financial Statements</i>	1 January 2009	1 January 2009
AASB 123 (revised)	AASB 123: <i>Borrowing costs</i>	1 January 2009	1 January 2009
AASB 127 (revised)	AASB 127: <i>Consolidated and Separate Financial Statements</i>	1 July 2009	1 January 2010
AASB 2007-3	<i>Amendments to Australian Accounting Standards arising from AASB 8: Operating Segments</i>	1 January 2009	1 January 2009
AASB 2007-6	<i>Amendments to Australian Accounting Standards arising from AASB 123: Borrowing costs</i>	1 January 2009	1 January 2009
AASB 2007-8	AASB 101: <i>Presentation of Financial Statements (amendments)</i>	1 January 2009	1 January 2009
AASB 2008-1	AASB 2: <i>Share based payments</i>	1 January 2009	1 January 2009
AASB 2008-3	<i>Amendments to Australian Accounting Standards arising from AASB 3: Business Combinations and AASB 127: Consolidated and Separate Financial Statements</i>	1 July 2009	1 January 2010
AASB 2008-5 and AASB 2008-6	<i>Amendments arising from the first annual improvement projects</i>	1 January 2009 <sup>^</sup>	1 January 2009 <sup>^</sup>
AASB 2008-7	<i>Amendments to accounting for the cost of an investment in a subsidiary, jointly controlled entity or associate</i>	1 January 2009	1 January 2009
AASB 2008-8	<i>Amendments to accounting for eligible hedged items</i>	1 July 2009	1 January 2010
IFRIC 17	IFRIC 17: <i>Distributions of non-cash assets to owners</i>	1 July 2009	1 January 2010

\* Application date of the standard is for the reporting periods beginning on or after the date shown in the above table.

<sup>^</sup> Except for the amendments to IFRS 5: *Non-current assets held for sale and discontinued operations*, effective for annual periods beginning on or 1 July 2009 which is applicable to the Company with effect from 1 January 2010.

The effect that the adoption of AASB3 (revised) and AASB 127 (revised) will have on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1 January 2010.

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

## Note 2. Revenue

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>From continuing operations</b>				
Services	1,467,924	1,171,954	14,945	15,888
Sale of handsets	145,478	143,456	824	842
	1,613,402	1,315,410	15,769	16,730
<b>Other revenue</b>				
Interest	9,578	2,542	136,113	104,617
Rental income	309	740	–	503
	9,887	3,282	136,113	105,120
	1,623,289	1,318,692	151,882	121,850

## Note 3. Other income

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Net foreign exchange gains / (losses)	1,719	4,373	(243)	287
Net gain on sale of property	2,067	–	–	–
	3,786	4,373	(243)	287

## Note 4. Expenses

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Loss before income tax includes the following specific expenses:</b>				
Finance costs				
Interest and finance charges paid / payable	104,582	161,160	2,402	38,897
Depreciation				
Buildings	20	33	–	–
Fixtures, fittings and office equipment	5,323	9,215	–	–
Computer equipment	40,564	64,341	–	–
Computer equipment under finance lease	1,156	1,664	–	–
Network equipment	22,046	21,799	–	–
Network equipment – jointly controlled asset	19,620	19,895	–	–
Assets under construction	42,409	13,386	–	–
Total depreciation	131,138	130,333	–	–
Amortisation				
Spectrum licence	77,485	75,442	7,637	5,594
Capitalised development costs	596	596	–	–
Customer acquisition and retention costs	36,872	18,665	–	–
Customer acquisition costs written off	9,417	9,813	–	–
Transmission capacity	3,063	3,063	–	–
Total amortisation	127,433	107,579	7,637	5,594
Total amortisation and depreciation	258,571	237,912	7,637	5,594
Rental expense relating to operating leases				
Lease payments (included in "Other operating expenses")	35,920	37,849	6,143	10,862
Provision for (write back of) / impairment loss of				
Current assets – Trade receivables (included in "Other operating expenses")	19,134	29,906	(205)	(49)
Non-current assets – Receivables (included in "Other operating expenses")	283	1,065	–	–
	19,417	30,971	(205)	(49)

## Note 5. Income tax expense

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>(a) Income tax expense</b>				
Current tax	–	–	–	–
Deferred tax	–	–	–	–
Income tax expense	–	–	–	–
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
(Loss)/profit from operations before income tax expense	(163,102)	(285,106)	130,151	60,080
Tax at the Australian tax rate of 30% (2007: 30%)	(48,931)	(85,532)	39,045	18,024
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Entertainment	183	161	2	2
Interest not deductible	37,501	27,258	–	–
Share of net profit of jointly controlled entity	(1,950)	–	–	–
Deferred tax / unrecognised tax losses	17,725	58,113	(487)	–
	4,528	–	38,560	18,026
Previously unrecognised tax losses now recouped to reduce current tax expense	11,247	–	(39,048)	(18,026)
Previously unrecognised tax losses now recouped to reduce deferred tax expense	(15,775)	–	488	–
Income tax expense	–	–	–	–
<b>(c) Unrecognised tax losses</b>				
Unused tax losses for which no deferred tax assets has been recognised	3,489,126	3,504,219	638,260	766,795
Potential tax benefit @ 30%	1,046,738	1,051,266	191,478	230,038

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) Unrecognised deferred tax assets and liabilities****i) Deferred tax asset**

There are potential temporary differences attributable to:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Provisions	31,102	20,615	6,109	6,351
Business related costs	491	736	491	736
	31,593	21,351	6,600	7,087
Utilisation of tax losses	231,387	247,161	(6,600)	(7,087)
Set-off of deferred tax liability pursuant to set-off provisions	(262,980)	(268,512)	–	–
Net deferred tax (liability) / asset	–	–	–	–
<b>ii) Deferred tax liability</b>				
There are potential temporary differences attributable to:				
Property, plant and equipment and intangible assets	(256,288)	(263,770)	–	–
Interest in jointly controlled entity	(6,692)	(4,742)	–	–
	(262,980)	(268,512)	–	–
Utilisation of tax losses	231,387	247,161	(6,600)	(7,087)
Set-off of deferred tax asset pursuant to set-off provisions	31,593	21,351	6,600	7,087
Net deferred tax (liability) / asset	–	–	–	–

## Note 6. Current assets – Cash and cash equivalents

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash at bank and in hand	84,685	19,394	4,953	6,973
Short term deposits	50,000	15,500	–	–
	134,685	34,894	4,953	6,973

### Restrictions on cash at bank

At 31 December 2008 cash at bank includes collateral for bank guarantees \$5,287,000 (2007: \$4,322,000) (note 28).

### Short term deposits

At 31 December 2008 there are short term deposits \$50,000,000 (2007: \$15,500,000). The weighted average interest rate was 6.94% p.a. in 2008 (2007: 6.47%).

## Note 7. Current assets – Trade and other receivables

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	376,595	337,624	4,307	6,822
Less: Provision for impairment of receivables	(25,817)	(24,040)	(1,896)	(1,999)
	350,778	313,584	2,411	4,823
Other receivables	764	274	223,903	87,141
Receivable from subsidiaries (note 30)	–	–	16,318	216,609
	351,542	313,858	242,632	308,573

### Receivable from subsidiaries

Further information relating to receivable from subsidiaries is set out in note 30.

#### (a) Aging of impaired trade receivables and trade receivables which are past due but not impaired

As at 31 December 2008 current trade receivables of the Consolidated Entity and Parent Entity with a nominal value of \$25,817,000 (2007: \$24,040,000) and \$1,896,000 (2007: \$1,999,000) respectively were impaired. The amount of the provision for the Consolidated Entity and Parent Entity was \$25,817,000 (2007: \$24,040,000) and \$1,896,000 (2007: \$1,999,000) respectively. The individually impaired receivables mainly relate to retail customers which are provided for based on historical impairment averages.

The ageing of these receivables is as follows:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
1–3 months	17,073	15,689	76	136
Over 3 months	8,744	8,351	1,820	1,863
	25,817	24,040	1,896	1,999

As of 31 December 2008, current trade receivables of the Consolidated Entity and Parent Entity of \$41,682,000 (2007: \$41,594,000) and \$39,000 (2007: \$73,000) respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of payment default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
1–3 months	30,890	25,351	39	73
Over 3 months	10,792	16,243	–	–
	41,682	41,594	39	73

**Note 7. Current assets – Trade and other receivables continued**

(b) Movements in the provision for impairment of current trade receivables were as follows:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 January	24,040	20,753	1,999	1,586
Provision for impairment / (write back) recognised during the year	19,134	30,971	(205)	(49)
Receivables written off during the year as uncollectible	(17,357)	(27,684)	102	462
	25,817	24,040	1,896	1,999

The creation and release of the provision for impaired receivables has been included in 'other operating expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

**(c) Credit risk**

The Consolidated Entity has no significant concentrations of credit risk. The Consolidated Entity has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

**(d) Foreign exchange and interest rate risk**

Refer to note 11 for an analysis of the Consolidated Entity's and Parent Entity's current receivables denominated in various currencies.

Refer to note 40 for an analysis of the Consolidated Entity's exposure to foreign currency risk in relation to trade and other receivables.

A summarised analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk can be found in note 40.

**(e) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying values are recognised initially at fair value and subsequently measured at amortised cost. This approximates to the fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Consolidated Entity does not generally hold any collateral as security. Refer to note 40 for more information on the risk management policy of the Consolidated Entity.

**Note 8. Current assets – Inventories**

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Finished goods	60,244	106,838	88	69

**Inventory expense**

Inventories recognised as expense under 'cost of handsets sold' in the income statement during the year ended 31 December 2008 amounted to \$387,785,000 (2007: \$338,916,000). There was \$320,000 (2007: \$329,000) related to write-down or provision for write-down of inventory. The expense has been included in 'other direct costs of provision of telecommunication services and goods' in the income statement.

## Note 9. Derivative financial instruments

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Current assets</b>				
Forward foreign exchange contracts – cash flow hedges (note (a))	990	–	–	–

### (a) Forward foreign exchange contracts – cash flow hedges

The balance represents the unrealised gains on forward foreign exchange contracts to sell Australian Dollars to buy US Dollars at 31 December 2008.

During the year, the Consolidated Entity paid Hutchison 3 Global Services Pvt. Ltd, which is a call centre in India owned by HWL, invoices denominated in US dollars. In order to protect against exchange rate movements, the Consolidated Entity entered into forward exchange contracts to purchase US dollars.

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature to coincide with the payment for the service provided by the call centre in India.

The cash flows are expected to occur at various dates within six months from the balance sheet date. At balance sheet date, the details of outstanding contracts are:

	Notional principal amount Sell Australian dollars		Average exchange rate	
	2008 \$'000	2007 \$'000	2008	2007
<b>Buy USD</b>				
Maturity : 0– 6 months	13,644	–	0.773	–

Amounts disclosed above represent currency sold, measured at the contracted rate.

The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Consolidated Entity adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

During the year ended 31 December 2008 a gain of \$1,400,000 (2007: a loss of \$158,000) was transferred to other income in the income statement.

### (b) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on forward foreign exchange contract with unrealised gains. The maximum exposure to credit risk at the reporting date is the carrying amount of these forward foreign exchange contracts in the consolidated balance sheet.

## Note 10. Current assets – Other

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Prepayments	43,981	15,721	2,199	2,459
Other	165	67	163	64
	44,146	15,788	2,362	2,523

## Note 11. Non-current assets – Receivables

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	35,609	32,202	–	–
Less: Provision for impairment of receivables	(3,503)	(3,220)	–	–
	32,106	28,982	–	–
Other receivables	173,214	148,187	–	–
Receivable from subsidiaries (note 30)	–	–	2,442,950	1,443,882
	205,320	177,169	2,442,950	1,443,882

**Other receivables**

Included in other receivables is a loan to a jointly controlled entity. For further information refer to note 30.

**Receivable from subsidiaries**

Weighted average interest on the receivable from subsidiaries is charged at a rate of Bank Bills Swap Yield (BBSY) plus 2.21% p.a.

Further information relating to receivable from subsidiaries is set out in note 30.

**(a) Movements in the provision for impairment of non-current trade receivables**

As at 31 December 2008 non-current trade receivables of the Consolidated Entity with a nominal value of \$3,503,000 (2007: \$3,220,000) were impaired. The amount of the provision was \$3,503,000 (2007: \$3,220,000).

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 January	3,220	2,155	–	–
Provision for impairment recognised during the year	283	1,065	–	–
	3,503	3,220	–	–

The creation and release of the provision for impaired receivables has been included in 'other operating expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within non-current receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

**(b) Fair values**

The carrying values of non-current receivables at amortised cost approximated to fair value, based on cash flows discounted using 7% (2007: 7%).

**(c) Foreign currency and interest rate risk**

The carrying amounts of the Consolidated Entity's and Parent Entity's current and non-current receivables are denominated in the following currencies:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Australian dollars	532,561	474,074	2,685,552	1,752,417
British pounds	7	7	–	–
US dollars	24,294	16,946	30	38
	556,862	491,027	2,685,582	1,752,455
Current receivables	351,542	313,858	242,632	308,573
Non-current receivables	205,320	177,169	2,442,950	1,443,882
	556,862	491,027	2,685,582	1,752,455

For an analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk refer to note 40.

**(d) Credit risk**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Consolidated Entity does not hold any collateral as security. Refer to note 40 for more information on the risk management policy of the Consolidated Entity.

## Note 12. Non-current assets – Investment accounted for using the equity method

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Interest in a jointly controlled entity	8,535	2,035	–	–

### Shares in jointly controlled entity

Under the joint venture agreement described below each party has contributed \$1 to the share capital of the entity.

#### (a) Jointly controlled entity

In December 2004 a controlled entity, Hutchison 3G Australia Pty Limited established a 50% interest in a joint venture with Telstra OnAir Holdings Pty Limited named 3GIS Partnership ("3GIS"). 3GIS's principal activity is the operation and construction of 3G radio access network infrastructure. The interest in 3GIS is accounted for in the consolidated financial statements using the equity method.

Information relating to the jointly controlled entity is set-out below.

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Share of the jointly controlled entity's assets and liabilities</b>				
Current assets	45,794	45,692	–	–
Non-current assets	141,322	117,127	–	–
<b>Total assets</b>	<b>187,116</b>	<b>162,819</b>	<b>–</b>	<b>–</b>
Current liabilities	(10,997)	(14,287)	–	–
Non-current liabilities	(167,584)	(146,497)	–	–
<b>Total liabilities</b>	<b>(178,581)</b>	<b>(160,784)</b>	<b>–</b>	<b>–</b>
<b>Net assets</b>	<b>8,535</b>	<b>2,035</b>	<b>–</b>	<b>–</b>
<b>Share of the jointly controlled entity's revenue, expenses and results</b>				
Revenues	80,303	72,364	–	–
Expenses	(73,803)	(70,999)	–	–
<b>Profit for the year</b>	<b>6,500</b>	<b>1,365</b>	<b>–</b>	<b>–</b>
<b>Share of the jointly controlled entity's commitments</b>				
Lease commitments	121,063	144,012	–	–
Capital commitments	–	–	–	–
	121,063	144,012	–	–
<b>Contingent liabilities relating to the jointly controlled entity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

#### (b) Jointly controlled asset

Under the same joint venture agreement described above, the ownership of the 50% of the existing 3G radio access network infrastructure remains with a controlled entity, Hutchison 3G Australia Pty Limited. On this basis the network assets are proportionally consolidated in accordance with the accounting policy described in note 1 (g)(ii) under the following classifications:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Non-current assets</b>				
Plant and equipment – at net book value (note 14)	356,249	356,249	–	–
Less: Accumulated depreciation	(79,668)	(60,048)	–	–
	276,581	296,201	–	–
<b>Capital commitments</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Note 13. Non-current assets – Other financial assets

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Non-traded investments</b>				
Shares in subsidiaries (note 31)	–	–	1,649,418	1,649,418

## Note 14. Non-current assets – Property, plant and equipment

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Land and buildings</b>				
At cost	30	1,610	29	29
Less: accumulated depreciation	–	(275)	–	–
Total land and buildings	30	1,335	29	29
<b>Fixtures, fittings and office equipment</b>				
At cost	116,358	113,757	68,628	68,628
Less: accumulated depreciation	(108,955)	(103,632)	(68,628)	(68,628)
Total fixtures, fittings and office equipment	7,403	10,125	–	–
<b>Computer equipment</b>				
At cost	467,173	449,896	74,923	74,923
Less: accumulated depreciation	(374,396)	(333,833)	(74,923)	(74,923)
Total computer equipment	92,777	116,063	–	–
Computer equipment under finance lease	16,742	16,742	–	–
Less: accumulated amortisation	(10,146)	(8,990)	–	–
Total computer equipment under finance lease	6,596	7,752	–	–
Total computer equipment	99,373	123,815	–	–
<b>Network equipment</b>				
At cost	701,617	679,394	230,128	230,128
Less: accumulated depreciation	(340,754)	(317,286)	(230,128)	(230,128)
Total network equipment	360,863	362,108	–	–
<b>Network equipment – jointly controlled asset</b>				
At net book value	356,249	356,249	–	–
Less: accumulated depreciation	(79,668)	(60,048)	–	–
Total network equipment – jointly controlled asset (note 12)	276,581	296,201	–	–
<b>Assets under construction</b>				
Work in progress	384,446	267,048	2,434	2,434
Less: accumulated depreciation	(89,048)	(44,726)	(2,434)	(2,434)
Total work in progress	295,398	222,322	–	–
<b>Total property, plant and equipment</b>	<b>1,039,648</b>	<b>1,015,906</b>	<b>29</b>	<b>29</b>
<b>Reconciliation of land and buildings</b>				
Carrying amount at beginning of year	1,335	1,368	29	29
Additions	–	–	–	–
Disposals	(1,285)	–	–	–
Depreciation (note 4)	(20)	(33)	–	–
Carrying amount at end of year	30	1,335	29	29

## Note 14. Non-current assets – Property, plant and equipment continued

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Reconciliation of fixtures, fittings and office equipment</b>				
Carrying amount at beginning of year	10,125	14,210	–	–
Additions	2,601	5,130	–	–
Disposals	–	–	–	–
Depreciation (note 4)	(5,323)	(9,215)	–	–
Carrying amount at end of year	7,403	10,125	–	–
<b>Reconciliation of computer equipment</b>				
Carrying amount at beginning of year	116,063	139,028	–	–
Additions	17,278	41,376	–	–
Disposals	–	–	–	–
Depreciation (note 4)	(40,564)	(64,341)	–	–
Carrying amount at end of year	92,777	116,063	–	–
<b>Reconciliation of computer equipment under finance lease</b>				
Carrying amount at beginning of year	7,752	6,268	–	–
Additions	–	3,148	–	–
Disposals	–	–	–	–
Depreciation (note 4)	(1,156)	(1,664)	–	–
Carrying amount at end of year	6,596	7,752	–	–
<b>Reconciliation of network equipment</b>				
Carrying amount at beginning of year	362,108	289,829	–	–
Additions	20,801	94,078	–	–
Disposals	–	–	–	–
Depreciation (note 4)	(22,046)	(21,799)	–	–
Carrying amount at end of year	360,863	362,108	–	–
<b>Reconciliation of network equipment – jointly controlled asset</b>				
Carrying amount at beginning of year	296,201	315,852	–	–
Additions	–	244	–	–
Disposals	–	–	–	–
Depreciation (note 4)	(19,620)	(19,895)	–	–
Carrying amount at end of year	276,581	296,201	–	–
<b>Reconciliation of assets under construction</b>				
Carrying amount at beginning of year	222,322	179,559	–	–
Additions	156,164	200,125	–	–
Transfers out	(40,679)	(143,976)	–	–
Depreciation (note 4)	(42,409)	(13,386)	–	–
Carrying amount at end of year	295,398	222,322	–	–

## Note 15. Non-current assets – Intangible assets

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Spectrum licences at cost	953,067	953,067	57,534	57,534
Less: accumulated amortisation	(443,272)	(365,787)	(24,033)	(16,396)
	509,795	587,280	33,501	41,138
Capitalised development costs	66,052	66,052	61,843	61,843
Less: accumulated amortisation	(61,097)	(60,501)	(61,843)	(61,843)
	4,955	5,551	–	–
Customer acquisition and retention costs	159,023	118,273	49,793	49,793
Less: accumulated amortisation	(118,926)	(82,054)	(49,793)	(49,793)
	40,097	36,219	–	–
Transmission capacity at cost	38,794	38,794	–	–
Less: accumulated amortisation	(12,252)	(9,189)	–	–
	26,542	29,605	–	–
Goodwill	330,641	330,641	–	–
Less: Provision for impairment	–	–	–	–
	330,641	330,641	–	–
	912,030	989,296	33,501	41,138
<b>Reconciliation of spectrum licences</b>				
Carrying amount at beginning of year	587,280	648,832	41,138	32,842
Additions	–	13,890	–	13,890
Disposals	–	–	–	–
Amortisation (note 4)	(77,485)	(75,442)	(7,637)	(5,594)
Carrying amount at end of year	509,795	587,280	33,501	41,138
<b>Reconciliation of capitalised development costs</b>				
Carrying amount at beginning of year	5,551	6,147	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation (note 4)	(596)	(596)	–	–
Carrying amount at end of year	4,955	5,551	–	–
<b>Reconciliation of customer acquisition and retention costs</b>				
Carrying amount at beginning of year	36,219	18,373	–	–
Additions	50,167	46,324	–	–
Write off	(9,417)	(9,813)	–	–
Amortisation (note 4)	(36,872)	(18,665)	–	–
Carrying amount at end of year	40,097	36,219	–	–

## Note 15. Non-current assets – Intangible assets continued

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Reconciliation of transmission capacity</b>				
Carrying amount at beginning of year	29,605	32,668	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation (note 4)	(3,063)	(3,063)	–	–
Carrying amount at end of year	26,542	29,605	–	–
<b>Reconciliation of goodwill</b>				
Carrying amount at beginning of year	330,641	–	–	–
Additions	–	330,641	–	–
Disposals	–	–	–	–
Carrying amount at end of year	330,641	330,641	–	–

### Goodwill

The goodwill arises from HTAL's acquisition of a further 19.94% interest in H3GAH on 10 October 2007. Refer to note 24 (b)(ii) for further details.

## Note 16. Non-current assets – Other

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Prepayments	2,828	3,196	–	–

## Note 17. Current liabilities – Payables

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade creditors	196,996	182,458	1,713	2,368
Other creditors	89,833	113,584	14,473	20,020
Payables to related entity (note 30)	552,952	178,734	–	–
	839,781	474,776	16,186	22,388

### Payables to related entity

Further information relating to payables to related entity is set out in note 30.

### (a) Foreign currency and interest rate risk

The carrying amounts of the Consolidated Entity's and Parent Entity's trade and other payables are predominantly denominated in Australian Dollars:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Australian Dollars	835,546	465,556	16,186	22,121
Euro	2,088	705	–	267
British Pounds	6	–	–	–
Hong Kong Dollars	–	3	–	–
US Dollars	2,141	8,512	–	–
	839,781	474,776	16,186	22,388

Refer to note 40 for an analysis of the Consolidated Entity's exposure to foreign currency risk in relation to trade payables.

A summarised analysis of the sensitivity of trade payables to foreign exchange and interest rate risk can be found in note 40.

## Note 18. Current liabilities – Borrowings

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Secured</b>				
Obligations under finance leases	2,103	1,818	–	–
<b>Unsecured</b>				
Bank loans at amortised cost	–	299,964	–	199,981
	2,103	301,782	–	199,981

**(a) Obligations under finance leases**

Obligations under finance leases are secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default (refer note 22).

**(b) Bank loans**

\$300,000,000 of bank loans were fully repaid during the year.

**(c) Risk exposures**

Details of the Consolidated Entity's exposure to interest rate changes and the contractual repricing dates in respect of the current and non-current borrowings are set out in note 22.

**(d) Interest rate risk exposures**

Details of the Consolidated Entity's exposure to interest rate changes on borrowings are set out in note 40.

**(e) Fair value disclosures**

Details of the fair value of borrowings of the Consolidated Entity are set out in note 40.

## Note 19. Current liabilities – Other financial liabilities

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Loan from a related entity (note 30)	1,000,000	–	1,000,000	–

**Loan from a related entity**

Further information relating to loan from a related entity is set out in note 30.

The loan from a related entity is an interest free financing facility and is repayable on demand.

**a) Financing arrangements**

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unrestricted access was available at balance date to the following lines of credit:				
<b>Other financial liabilities</b>				
Total facilities	1,100,000	–	1,100,000	–
Used at balance date	(1,000,000)	–	(1,000,000)	–
Unused at balance date	100,000	–	100,000	–

## Note 20. Current liabilities – Provisions

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee benefits	3,390	2,453	3,330	2,396

Hutchison Telecommunication (Australia) Limited employs all staff and charges Hutchison 3G Australia Pty Limited all associated employment costs that Hutchison 3G Australia Pty Limited incurs at cost.

### (a) Movement in provisions

Movements in provision for employee benefits are as follows:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 January	2,453	1,072	2,396	1,072
Amounts utilised during the year	937	1,381	934	1,324
	3,390	2,453	3,330	2,396

## Note 21. Current liabilities – Other

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unearned income	4,130	8,478	201	371
Loans from subsidiaries (note 30)	–	–	2,354	4,973
	4,130	8,478	2,555	5,344

### Loans from subsidiaries and related entity

No interest is charged on the loans from subsidiaries and related entities. For further information refer to note 30.

## Note 22. Non-current liabilities – Borrowings

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Secured</b>				
Obligations under finance leases	–	2,103	–	–
<b>Unsecured</b>				
Bank loans at amortised cost	–	797,927	–	–
	–	800,030	–	–

### (a) Obligations under finance leases

Obligations under finance leases are secured against the underlying assets which revert to the lessor in case of default. The carrying value of the assets pledged as security is \$6,596,000 (2007: \$7,752,000) (note 14) representing leased computer equipment.

### (b) Bank loans

\$800,000,000 of the bank loans have been fully repaid during the year.

**Note 22. Non-current liabilities – Borrowings continued****(c) Fair value**

The carrying amounts and fair values of non-current borrowings of the Consolidated Entity at balance date are:

	2008		2007	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Secured</b>				
Obligations under finance leases	–	–	2,103	2,103
<b>Unsecured</b>				
Bank loans	–	–	797,927	797,927
	–	–	800,030	800,030

**(i) On-balance sheet**

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not material. The fair value of non-current borrowings equals their carrying amount because a floating interest rate applies to these loans.

**(ii) Contingent liabilities**

The Parent Entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 28. As explained in the note, no material losses are anticipated in respect of any of those contingencies.

**(d) Risk exposures**

The exposure of the Consolidated Entity's and Parent Entity's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
6 months or less	–	199,981	–	199,981
6 – 12 months	–	99,983	–	–
1 – 5 years	–	797,927	–	–
Over 5 years	–	–	–	–
	–	1,097,891	–	199,981
Current borrowings	–	299,964	–	199,981
Non-current borrowings	–	797,927	–	–
	–	1,097,891	–	199,981

The carrying amounts of the Consolidated Entity's borrowings are denominated in the following currencies:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Australian dollar	–	1,097,891	–	199,981

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to note 40.

## Note 22. Non-current liabilities – Borrowings continued

### (e) Financing arrangements

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unrestricted access was available at balance date to the following lines of credit:				
<b>Bank loan facilities</b>				
Total facilities	–	1,100,000	–	200,000
Used at balance date	–	(1,100,000)	–	(200,000)
Unused at balance date	–	–	–	–

### (f) Risk exposures

The following table sets out the Consolidated Entity's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

In 2007 exposures arise predominantly from liabilities bearing variable interest rates as the Consolidated Entity held fixed rate liabilities to maturity. In 2008 exposures arise from lease liabilities as all the bank loans were fully repaid during the year.

2008	Fixed interest rate							
	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Bank loans (notes 18 and 22)	–	–	–	–	–	–	–	–
Obligations under finance leases (notes 18 and 22)	–	2,103	–	–	–	–	–	2,103
	–	2,103	–	–	–	–	–	2,103
Weighted average interest rate	–	6.99%	–	–	–	–	–	6.99%
2007	Fixed interest rate							
	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Bank loans (notes 18 and 22)	1,097,891	–	–	–	–	–	–	1,097,891
Obligations under finance leases (notes 18 and 22)	–	1,818	2,103	–	–	–	–	3,921
	1,097,891	1,818	2,103	–	–	–	–	1,101,812
Weighted average interest rate	9.10%	6.99%	6.99%	–	–	–	–	7.70%

## Note 23. Non-Current Liabilities – Provisions

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee benefits	2,091	1,691	2,091	1,691

Hutchison Telecommunication (Australia) Limited employs all staff and charges Hutchison 3G Australia Pty Limited all associated employment costs that Hutchison 3G Australia Pty Limited incurs at cost.

**Note 24. Contributed equity****(a) Share capital**

	2008 Shares	2007 Shares	2008 \$'000	2007 \$'000
Ordinary shares (fully paid)	754,028,255	754,028,255	1,045,194	1,045,194

**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) Convertible Preference Shares ("CPS")**

	2008 Shares	2007 Shares	2008 \$'000	2007 \$'000
Convertible preference shares	15,080,565,089	15,080,565,089	3,159,294	3,159,294
Total contributed equity	15,834,593,344	15,834,593,344	4,204,488	4,204,488

(i) On 8 June 2007, Hutchison Telecommunications (Australia) Limited (HTAL) raised A\$2.85 billion by way of a pro-rata rights issue of CPS to existing shareholders. The CPS:

(a) were issued at 21 cents;

(b) have no voting rights except in limited circumstances;

(c) are convertible (at the option of the holder) into 0.85 ordinary shares for each CPS either:

(i) after expiry of the two year non-conversion period during a conversion window of 10 business days commencing on the first day of each calendar quarter; or

(ii) upon a takeover offer being made for HTAL; or

(iii) upon a change of control of HTAL; or

(iv) following an announcement by HTAL of a major disposal of its assets may be converted by HTAL into 0.85 ordinary shares in certain circumstances

(d) will convert into 0.85 ordinary shares for each CPS five years after their date of issue;

(e) rank ahead of ordinary shares in the event of a winding up, but are subordinated to secured debt; and

(f) are entitled to a non-cumulative preferential dividend equal to 5% per annum of the issue price, subject to the directors determining in their discretion; that a dividend is payable under rule 5.1 of the Constitution of HTAL.

(ii) On 19 October 2007, TCNZ rolled up its 19.94% investment in Hutchison 3G Australia Holdings Pty Ltd to a 10% stake in HTAL. Pursuant to a Sale and Subscription Agreement executed on 10 October 2007 between HTAL, HCAPL, TCNZ and Telecom 3G (Australia) Limited, HTAL issued 75,402,826 ordinary shares and 1,508,056,509 convertible preference shares to Hutchison Communications (Australia) Pty Limited (HCAPL). Under the same agreement, HTAL granted an option to TCNZ to increase its 10% investment in HTAL to a further 9.94% at any time before 31 December 2008. In consideration for this option, TCNZ assigned its 850 MHz spectrum licence to HTAL. TCNZ has elected not to exercise its option in HTAL under the Sale and Subscription Agreement executed on 10 October 2007.

**(c) Movement in ordinary shares:**

Date	Detail	Number of shares	Issue price	\$'000
01 January 2007	Opening balance	678,625,429		1,031,244
19 October 2007	Ordinary share issue (note(ii))	75,402,826	0.185	13,950
31 December 2007	Closing balance	754,028,255		1,045,194
01 January 2008	Opening balance	754,028,255		1,045,194
31 December 2008	Closing balance	754,028,255		1,045,194

**(d) Movement in convertible preference shares:**

Date	Detail	Number of shares	Issue price	\$'000
01 January 2007	Opening balance	–		–
08 June 2007	Convertible preference share issue (note(i))	13,572,508,580	0.21	2,850,227
19 October 2007	Convertible preference share issue (note(ii))	1,508,056,509	0.21	316,692
		15,080,565,089		3,166,919
	Less: transaction costs arising on share issue			(7,625)
31 December 2007	Closing balance	15,080,565,089		3,159,294
01 January 2008	Opening balance	15,080,565,089		3,159,294
31 December 2008	Closing balance	15,080,565,089		3,159,294

## Note 24. Contributed equity continued

### (e) Options

Information relating to the HTAL Employee Option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 37.

### (f) Capital risk management

The Consolidated Entity's and the Parent Entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Consolidated Entity and the Parent Entity monitor 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 (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt.

The gearing ratios at 31 December 2008 and 31 December 2007 were as follows:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total payables, borrowings and other financial liabilities	1,841,884	1,576,588	1,016,186	222,369
Less: cash and cash equivalents (note 6)	(134,685)	(34,894)	(4,953)	(6,973)
Net debt	1,707,199	1,541,694	1,011,233	215,396
Total equity	908,473	1,069,770	3,351,771	3,220,805
Total capital	2,615,672	2,611,464	4,363,004	3,436,201
<b>Gearing ratio</b>	<b>65%</b>	<b>59%</b>	<b>23%</b>	<b>6%</b>

The increase in the gearing ratio during 2008 resulted primarily from the increase in loans from related entity during the year.

## Note 25. Reserves and accumulated losses

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>(a) Reserves</b>				
Capital reserve	54,887	54,887	–	–
Hedging reserve – cash flow hedges	990	–	–	–
Share-based payments reserve	15,683	14,868	15,683	14,868
	71,560	69,755	15,683	14,868
<b>Movements:</b>				
<b>Capital reserve</b>				
There has been no movement in the capital reserve during the year.				
<b>Hedging reserve – cash flow hedges</b>				
Balance at 1 January	–	(311)	–	–
Hedging movements	990	311	–	–
Balance at 31 December	990	–	–	–
<b>Share-based payments reserve</b>				
Balance at 1 January	14,868	2,148	14,868	2,148
Option expense	815	(417)	815	(417)
Spectrum licence	–	13,137	–	13,137
Balance at 31 December	15,683	14,868	15,683	14,868

## Note 25. Reserves and accumulated losses continued

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>(b) Accumulated losses</b>				
Accumulated losses at 1 January	(3,204,473)	(2,919,367)	(998,551)	(1,058,631)
Net loss attributable to the members of Hutchison Telecommunications (Australia) Limited	(163,102)	(285,106)	130,151	60,080
Accumulated losses at 31 December	(3,367,575)	(3,204,473)	(868,400)	(998,551)

**(c) Nature and purpose of reserves****Capital reserve**

The capital reserve relates to the surplus arising on initial consolidation of 19.9% stake in Hutchison 3G Australia Holdings Pty Limited. It is not distributable until realised.

**Hedging reserve – cash flow hedges**

The hedging reserve is used to record gains and losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(l)(ii). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

**Share-based payments reserve**

The share-based payments reserve is used to recognise:

- (a) the grant date fair value of options issued to employees but not exercised; and
- (b) the fair value of the 850 MHz spectrum licence assigned from TCNZ. The fair value was determined by reference to the fair value of the option granted to TCNZ. Refer to note 24 (b)(ii) for further details on the option.

## Note 26. Director and key management personnel disclosures

**(a) Key management personnel compensation**

	Consolidated		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Short term employee benefits	3,673,087	3,063,231	–	–
Post employment benefits	53,748	48,460	–	–
Long term benefits	69,966	87,092	–	–
Share based payments	230,303	224,019	–	–
	4,027,104	3,422,802	–	–

Detailed remuneration disclosures are provided on pages 27 to 31 of the Remuneration report in the Directors' Report.

**(b) Loans to key management personnel**

There were no loans made to Directors or key management personnel of the Company, including their personally related entities during the years ended 31 December 2008 and 31 December 2007.

**(c) Other transactions with key management personnel**

There were no other transactions with the Directors or key management personnel of the Company for the years ended 31 December 2008 and 31 December 2007.

## Note 27. Remuneration of auditors

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
During the year fees paid to the auditor of the Parent Entity, its related practices and non-related audit firms for the following services:				
<b>Assurance services</b>				
1. Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	381	341	151	111
2. Other assurance services				
Fees paid to PricewaterhouseCoopers Australian firm:				
IT audit	110	110	–	–
Accounting services	9	65	9	65
Other assurance services	12	11	12	11
<b>Total remuneration for assurance services</b>	<b>512</b>	<b>527</b>	<b>172</b>	<b>187</b>
<b>Taxation services</b>				
Fees paid to PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company tax returns	159	262	67	127
Tax Advice on Recapitalisation	108	152	67	152
	<b>267</b>	<b>414</b>	<b>134</b>	<b>279</b>

It is the Consolidated Entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Consolidated Entity are important. These assignments are principally tax advice and due diligence reporting on acquisitions. It is the Consolidated Entity's policy to seek competitive tenders for all major consulting projects.

## Note 28. Contingencies

Details and estimates of maximum amounts of contingent liabilities as at 31 December 2008 are as follows:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Guarantees</b>				
Secured guarantees in respect of leases and loans of controlled entities	5,287	4,322	3,350	3,350
Unsecured guarantees in respect of leases of controlled entities	32,053	29,699	32,053	29,699
	<b>37,340</b>	<b>34,021</b>	<b>35,403</b>	<b>33,049</b>

The secured guarantees in respect of leases and loans of controlled entities are secured by cash collateral over the term of the leases.

No material losses are anticipated in respect of any of the above contingent liabilities.

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

**Note 29. Commitments**

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Capital Commitments</b>				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Not later than 1 year	49,929	53,010	—	—
Later than 1 year but not later than 5 years	22,925	32,355	—	—
Later than 5 years	—	—	—	—
	72,854	85,365	—	—
The above commitments include capital expenditure commitments relating to the 3GIS joint venture operation (note 12 (b))				
	—	—	—	—
<b>Lease Commitments</b>				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
<b>Operating leases</b>				
Not later than 1 year	28,072	23,220	965	2,950
Later than 1 year but not later than 5 years	69,818	37,158	218	774
Later than 5 years	9,997	11,420	—	—
	107,887	71,798	1,183	3,724
Representing:				
Non-cancellable operating leases	107,887	71,798	1,183	3,724

The Consolidated Entity leases various sites, offices, retail shops and warehouses under non-cancellable operating leases expiring within one to eighteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

**Finance leases**

Commitments in relation to finance leases are payable as follows:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Not later than 1 year	2,156	2,042	—	—
Later than 1 year but not later than 5 years	—	2,156	—	—
Minimum lease payments	2,156	4,198	—	—
Less: Future finance charges	(53)	(277)	—	—
Recognised as a liability	2,103	3,921	—	—
Representing lease liabilities:				
Current (note 18)	2,103	1,818	—	—
Non-current (note 22)	—	2,103	—	—
	2,103	3,921	—	—

The weighted average interest rate implicit in the leases is 6.99% (2007: 6.99%).

The Consolidated Entity leases various computer equipment with a carrying value of \$6,596,000 (2007: \$7,752,000) (note 14) under finance leases which expire within one to four years. Under the terms of the leases, the Consolidated Entity has the option to acquire the leased assets for an agreed amount or an agreed fair value as detailed in the lease agreement.

## Note 30. Related party transactions

### (a) Parent entities

The holding company and Australian parent entity is Hutchison Communications (Australia) Pty Limited which at 31 December 2008 owns 52% (2007: 52%) of the issued ordinary shares of Hutchison Telecommunications (Australia) Limited. Hutchison Communications (Australia) Pty Limited currently holds 13,568,383,554 (90%) of the convertible preference shares (CPS) issued on 8 June 2007 which will convert into 0.85 ordinary shares for each CPS five years after their date of issue. Refer to note 24 for further details. The ultimate parent entity is Hutchison Whampoa Limited (incorporated in Hong Kong) which at 31 December 2008 beneficially owns 100% (2007: 100%) of the issued shares of Hutchison Communications (Australia) Pty Limited.

### (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; CHOW Woo Mo Fong, Susan; Marko BOGOIEVSKI; Justin H. GARDENER; LAI Kai Ming, Dominic; Kevin Steven RUSSELL; John Michael SCANLON; Frank John SIXT and Roderick James SNODGRASS. Mr Roderick James SNODGRASS was appointed as a Director on 15 February 2008 and continues in office at the date of this report. Mr Marko BOGOIEVSKI resigned as a Director on 31 January 2008.

### (c) Key management personnel compensation

Disclosures relating to key management personnel compensation are set out in the Directors' Report.

### (d) Transactions with related parties

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

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Sales of goods and services</b>				
Sale of interconnection services to subsidiary	—	—	53	196
Sale of telecommunications related goods and services to joint venture	5,296	4,480	—	—
Recharge of staff costs	—	—	137,362	123,155
<b>Purchases of goods</b>				
Purchase of interconnection services from subsidiary	—	—	—	258
Purchase of goods and services from commonly controlled entities	142,968	386,376	—	—
Purchase of telecommunications related goods and services from joint venture	58,646	50,950	—	—
<b>Loans to related parties</b>				
Loans advanced to:				
Subsidiaries	—	—	1,000,000	1,235,035
Loans advanced from:				
Related entity	1,552,952	178,734	1,000,000	1,977
Subsidiaries	—	—	201,222	—
Loans repayments to:				
Parent entity	—	196,000	—	196,000
Related entity	—	754,412	2,619	754,412
<b>Interest revenue</b>				
Subsidiaries	—	—	135,748	103,780
<b>Interest expense</b>				
Ultimate parent entity	19,715	27,940	568	3,726
Ultimate Australian parent entity	—	20,657	—	20,657
Related entity	—	—	—	—
<b>Other transactions</b>				
Advances to jointly controlled entity	26,739	55,768	—	—

Advances to jointly controlled entity's represents funds advanced under the terms of the agreement with the jointly controlled entity. The funds advanced under the agreement are interest free and to be offset by charges from the jointly controlled entity.

On 19 October 2007, Hutchison Telecommunications (Australia) Limited issued 75,402,826 ordinary shares and 1,508,056,509 convertible preference shares to Hutchison Communications (Australia) Pty Limited (HCAPL). Refer to note 24 for further details.

## Notes to the Financial Statements continued

### Note 30. Related party transactions continued

#### (e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Current receivables</b>				
Subsidiaries (note 7)	–	–	16,318	216,609
<b>Non current receivables</b>				
Subsidiaries (note 11)	–	–	2,442,950	1,443,882
Jointly controlled entity (note 11)	166,999	140,260	–	–
<b>Payables</b>				
Related entity (note 17)	552,952	178,734	–	–
<b>Current liabilities – Other financial liabilities</b>				
Related entity (note 19)	1,000,000	–	1,000,000	–
<b>Current borrowings</b>				
Subsidiaries (note 21)	–	–	2,354	4,973

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.

### Note 31. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding *	
			2008 %	2007 %
Bell Organisation Pty Limited	Australia	Ordinary	100	100
Bell Paging Pty Limited	Australia	Ordinary	100	100
Bell Communications Pty Limited	Australia	Ordinary	100	100
Lindian Pty Limited	Australia	Ordinary	100	100
Erlington Pty Limited	Australia	Ordinary	100	100
Hutchison Telephone Pty Limited	Australia	Ordinary	100	100
HTAL Facilities Pty Limited	Australia	Ordinary	100	100
Hutchison 3G Australia Holdings Pty Limited **	Australia	Ordinary	100	100
Hutchison 3G Australia Pty Limited **	Australia	Ordinary	100	100
H3GA Facilities Pty Limited	Australia	Ordinary	100	100
H3GA Properties (No. 3) Pty Limited	Australia	Ordinary	100	100

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

\*\* This subsidiary has been granted relief from the necessity to prepare financial reports in accordance with Class Order (98/1418) issued by the Australian Securities and Investments Commission.

## Note 32. Deed of Cross Guarantee

Hutchison Telecommunications (Australia) Limited, Hutchison 3G Australia Holdings Pty Limited and Hutchison 3G Australia Pty Limited are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. The Deed was entered into during the year ended 31 December 2007.

### (a) Consolidated income statement and a summary of movements in consolidated retained losses

Hutchison 3G Australia Holdings Pty Limited and Hutchison 3G Australia Pty Limited represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Hutchison Telecommunications (Australia) Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained losses for the year ended 31 December 2008 of the Closed Group.

	2008 \$'000	2007 \$'000
<b>Income statement</b>		
<b>Revenue from continuing operations</b>	1,607,212	1,335,687
Cost of interconnection and variable content costs	(305,723)	(259,343)
Other direct costs of provision of telecommunication services and goods	(485,845)	(395,653)
Cost of handsets sold	(386,957)	(337,977)
Employee benefits expense	(126,379)	(112,503)
Advertising and promotion expenses	(56,551)	(52,101)
Other operating expenses	(105,816)	(82,100)
Other income	1,961	4,087
Share of net profits of joint venture partnership accounted for using the equity method	6,500	1,365
Capitalisation of customer acquisition and retention costs	50,169	46,323
Depreciation and amortisation expense	(249,369)	(230,739)
Finance costs	(250,689)	(247,812)
<b>Loss before income tax</b>	(301,487)	(330,766)
Income tax expense	—	—
<b>Loss for the year</b>	(301,487)	(330,766)
<b>Summary of movements in consolidated retained losses</b>		
<b>Retained losses at the beginning of the financial year</b>	(2,536,048)	(2,205,282)
Loss for the year	(301,487)	(330,766)
<b>Retained losses at the end of the financial year</b>	(2,837,535)	(2,536,048)

**Note 32. Deed of Cross Guarantee continued****(b) Balance sheet**

Set out below is a consolidated balance sheet as at 31 December 2008 of the Closed Group consisting of Hutchison 3G Australia Holdings Pty Limited and Hutchison 3G Australia Pty Limited.

	2008 \$'000	2007 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	129,731	27,922
Trade and other receivables	349,097	308,979
Inventories	60,156	106,768
Derivative financial instruments	990	–
Other	41,864	13,344
<b>Total Current Assets</b>	<b>581,838</b>	<b>457,013</b>
<b>Non-Current Assets</b>		
Receivables	205,320	177,169
Investment accounted for using the equity method	8,535	2,035
Property, plant and equipment	1,041,994	1,015,750
Intangible assets	545,691	614,970
Other	2,828	3,196
<b>Total Non-Current Assets</b>	<b>1,804,368</b>	<b>1,813,120</b>
<b>Total Assets</b>	<b>2,386,206</b>	<b>2,270,133</b>
<b>Current Liabilities</b>		
Payables	1,045,184	2,167,380
Borrowings	2,103	101,803
Other	20,317	24,774
<b>Total Current Liabilities</b>	<b>1,067,604</b>	<b>2,293,957</b>
<b>Non-Current Liabilities</b>		
Borrowings	1,442,951	800,028
Other	1,000,000	–
<b>Total Non-Current Liabilities</b>	<b>2,442,951</b>	<b>800,028</b>
<b>Total Liabilities</b>	<b>3,510,555</b>	<b>3,093,985</b>
<b>Net Assets</b>	<b>(1,124,349)</b>	<b>(823,852)</b>
<b>EQUITY</b>		
Contributed equity	1,712,196	1,712,196
Reserves	990	–
Accumulated losses	(2,837,535)	(2,536,048)
<b>Total Equity</b>	<b>(1,124,349)</b>	<b>(823,852)</b>

**Note 33. Segment Information****Business Segment**

The Consolidated Entity operated entirely within the telecommunications industry and is treated as one business segment.

**Geographical Segment**

The Consolidated Entity operated entirely within Australia.

### Note 34. Reconciliation of (loss) / profit after income tax to net cash (outflows) / inflows from operating activities

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(Loss) / profit after income tax	(163,102)	(285,106)	130,151	60,080
Amortisation	81,144	79,101	7,637	5,594
Depreciation	131,138	130,333	–	–
Amortisation – subscriber acquisition and retention costs	36,872	18,665	–	–
Customer acquisition costs written off	9,417	9,813	–	–
Non-cash employee benefits expense – share-based payments	815	(417)	815	(417)
Fair value adjustment on liabilities	2,109	3,310	19	160
Net gain on sale of property	(2,067)	–	–	–
Share of net profits of joint venture partnership accounted for using equity method	(6,500)	(1,365)	–	–
Change in operating assets and liabilities				
Increase / (decrease) in provision for doubtful debts	2,060	4,352	(102)	413
(Increase) / decrease in receivables	(24,462)	(117,458)	(134,249)	(88,791)
(Increase) / decrease in inventories	46,594	(42,245)	(19)	43
(Increase) / decrease in other assets	(27,990)	5,529	161	2,665
Increase / (decrease) in payables	361,605	151,759	(6,202)	(40,807)
Increase / (decrease) in other current liabilities	(4,345)	723	(170)	(96)
Increase in employee entitlements	1,334	1,568	1,334	1,511
Net cash (outflows) / inflows from operating activities	444,622	(41,438)	(625)	(59,645)

### Note 35. Non-cash investing and financing activities

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Acquisition of plant & equipment by means of finance lease	–	3,148	–	–

In addition, on 19 October 2007, Hutchison Telecommunications (Australia) Limited ("HTAL") acquired a further 19.94% interest in H3GAH in exchange for issuing 75,402,826 number of shares and 1,508,056,509 number of CPS to HCAPL. Under the same transaction, HTAL also acquired the 850 MHz spectrum licence from TCNZ. Refer to 24 (b)(ii) for further details.

### Note 36 Earnings per share

	Consolidated	
	2008 Cents	2007 Cents
<b>(a) Basic earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the Consolidated Entity	(21.63)	(41.25)
Loss attributable to the ordinary equity holders of the Consolidated Entity	(21.63)	(41.25)
<b>(b) Diluted earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the Consolidated Entity	(21.63)	(41.25)
Loss attributable to the ordinary equity holders of the Consolidated Entity	(21.63)	(41.25)

#### (c) Earnings used in calculating earnings per share

	Consolidated	
	2008 \$'000	2007 \$'000
Basic earnings per share		
Loss from continuing operations	(163,102)	(285,106)
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	(163,102)	(285,106)
Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	(163,102)	(285,106)

#### (d) Weighted average number of shares used as the denominator

	Consolidated	
	2008 Number	2007 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	754,028,255	691,192,567
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	754,028,255	691,192,567

Convertible preference shares (note 24), option granted to TCNZ (note 24) and options granted to employees and Directors (note 37) are considered to be potential ordinary shares but have not been included in the determination of the diluted earnings per share since they are not dilutive.

## Note 37. Share-based payments

### Option Plans

The HTAL Executive Option Plan was established by the Board on 3 July 1999 and terminated on 27 March 2007. All permanent full-time, permanent part-time and casual employees who were selected by the Board to receive an invitation or who were approved for participation in the plan were eligible to participate in the plan.

The HTAL Employee Option Plan was established by the Board on 4 June 2007. All permanent full-time, permanent part-time and casual employees who have been selected by the Board to receive an invitation or who have been approved for participation in the plan are eligible to participate in the plan.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is the higher of the following:

- the closing price of HTAL shares on the Australian Securities Exchange on the day on which the options are granted; and
- the average closing price of HTAL shares for the five trading days immediately preceding the day on which the options are granted.

Set out below are summaries of options granted under each plan.

Consolidated and Parent Entity – 2008	Grant date	Expiry date	Exercise price	Balance at the start of the year	Issued during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Exercisable at the end of the year
	14–Jun–07	13–Jun–12	\$0.145	28,920,000	–	–	1,520,000	27,400,000	9,183,301
	14–Nov–07	13–Nov–12	\$0.200	300,000	–	–	–	300,000	–
	21–May–08	20–May–13	\$0.165	–	200,000	–	–	200,000	–
	4–Jun–08	3–Jun–13	\$0.139	–	300,000	–	–	300,000	–
<b>Total</b>				29,220,000	500,000	–	1,520,000	28,200,000	9,183,301
Weighted average exercise price				\$0.146	\$0.149	–	\$0.145	\$0.146	\$0.145

Consolidated and Parent Entity – 2007	Grant date	Expiry date	Exercise price	Balance at the start of the year	Issued during the year	Exercised during the year	Expired/lapsed /forfeited during the year	Balance at the end of the year	Exercisable at the end of the year
	23–Jul–04	31–Dec–10	\$0.455	10,450,000	–	–	10,450,000	–	–
	30–Jul–04	31–Dec–10	\$0.460	50,000	–	–	50,000	–	–
	10–Dec–04	31–Dec–10	\$0.360	450,000	–	–	450,000	–	–
	23–Dec–04	31–Dec–10	\$0.345	150,000	–	–	150,000	–	–
	3–Jun–05	31–Dec–10	\$0.270	50,000	–	–	50,000	–	–
	1–Jul–05	31–Dec–10	\$0.270	200,000	–	–	200,000	–	–
	5–Aug–05	31–Dec–10	\$0.270	200,000	–	–	200,000	–	–
	31–Mar–06	31–Dec–10	\$0.255	3,965,000	–	–	3,965,000	–	–
	13–Apr–06	31–Dec–10	\$0.250	150,000	–	–	150,000	–	–
	14–Jun–07	13–Jun–12	\$0.145	–	29,320,000	–	400,000	28,920,000	–
	14–Nov–07	13–Nov–12	\$0.200	–	300,000	–	–	300,000	–
<b>Total</b>				15,665,000	29,620,000	–	16,065,000	29,220,000	–
Weighted average exercise price				\$0.393	\$0.146	–	\$0.387	\$0.146	–

The number of options that were forfeited during the year were 1,520,000 (2007: 400,000). The weighted average remaining contractual life of share options outstanding at the end of the period was 3.5 years (2007: 4.5 years).

### Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2008 was 4 cents (2007: 4 cents).

Refer to note 1(u)(iv) for how the fair value of options were determined. The additional model inputs for options granted during the year ended 31 December 2008 not already outlined above include:

- weighted average share price at grant date: 14.9 cents (2007: 14.6 cents).
- weighted average of expected price volatility of the company's shares: 34% (2007: 33%).
- expected dividend yield: 0% (2007: 0%).
- weighted average risk-free interest rate: 6.41% (2007: 6.39%).

The expected price volatility is based on the historical 12 month period prior to grant date.

### Employee Share Purchase Plan

The employee share purchase plan allows for HTAL's shares to be purchased on-market for employees. All Australian resident permanent employees and casual employees who have been employed by the company for more than one year are eligible to participate in the plan. Employees may elect not to participate in the plan.

Under the plan, up to \$1,000 of HTAL shares are purchased for each participating employee with the company contributing up to \$250 of the cost of the purchase, and brokerage and stamp duty costs.

Shares purchased under the plan may not be sold until the earlier of 3 years after purchase or cessation of employment with the company.

### Expenses arising under share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employment costs were as follows:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Options issued under HTAL Employee Option Plan	815	–	–	–

### Note 38. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions and conditions.

#### (a) Critical accounting estimates and assumptions

##### Impairment of long-lived assets

In accordance with the Consolidated Entity's accounting policy stated in note 1(h) assets have been tested for impairment. The Consolidated Entity operate as one cash generating unit. The recoverable amount of the Consolidated Entity's cash generating unit has been determined based on value in use calculations. These calculations require the use of estimates and assumptions.

The value in use calculation is based on cash flow projections over a 10 year period. These calculations use cash flow projections based on financial budgets approved by the Board covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for the value in use calculations are as follows:

- Weighted average growth rate used to extrapolate cash flows beyond 2013 of 2.5%;
- Pre tax discount rate applied to the cash flow projections of 10.6%; and
- Terminal value at the end of the modelled period based on a multiple of 12.7 times free cash flow beyond 2013.

The growth rate is a conservative estimate of forecast long-term industry growth. The discount rate reflects the market determined risk adjusted discount rate adjusted for specific risks relating to the Consolidated Entity and the industry in which it operates. The terminal value represents the growth rate applied to extrapolated cash flows beyond the 5 year forecast period.

Management determined other budget and forecast information such as subscriber numbers and margins based on past performance and its expectations of the future.

Management performed sensitivities on the key assumptions outlined above and noted no impairment of assets under any reasonable scenario considered.

The recoverable amount of the Parent Entity's cash generating unit, being the 2G spectrum licence, is assessed at fair value less costs to sell. This is based on the estimated value of proceeds consistent with an external assessment from the sale of the 2G spectrum licence.

The recoverable amount of the Parent Entity's investment in controlled entities (refer note 13) has been determined based on value in use calculations. The cash flows underlying the value in use calculations are mainly derived from the 3G business. The key assumptions used for the value in use calculation are consistent with those outlined above for the Consolidated Entity's cash generating unit.

Corporate assets have been allocated on a reasonable and consistent basis to the cash generating unit to which the corporate asset belongs.

#### (b) Critical judgements in applying the Consolidated Entity's accounting policies

There are no judgements made in applying the Consolidated Entity's accounting policies that have a significant effect on the amounts recognised in the financial report.

### Note 39. Events occurring after the balance sheet date

On 9 February 2009, the Company and Vodafone announced an agreement to merge their telecommunications businesses in Australia, namely Vodafone Australia Limited ("Vodafone Australia") and Hutchison 3G Australia Pty Limited ("H3GA"). As a result of the transaction, H3GA will issue new ordinary shares equalling a 50% interest of the enlarged share capital of H3GA to Vodafone and the Vodafone Australia business will merge with H3GA's business. H3GA will be renamed VHA Pty Limited ("VHA"). Completion of the transaction is subject to regulatory and shareholder's approval and is expected to take place by mid-2009. Following completion of the transaction, the Company and Vodafone will account for VHA as a 50/50 joint venture.

Other than the matters discussed above, there has been no other matter or circumstance that has arisen subsequent to balance date that has significantly affected, or may significantly affect:

- (i) the operations of the Company and Consolidated Entity's in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Company and Consolidated Entity's in future financial years.

### Note 40. Financial risk management

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity'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 Consolidated Entity. The Consolidated Entity cautiously uses derivatives, principally forward foreign exchange contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities. It is the Consolidated Entity'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 exposure.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Treasury operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Consolidated Entity's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, 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 risks that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the balance sheet 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 balance sheet 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 risks does not reflect inter-dependencies between risk variables, e.g. the interest rate sensitivity analysis does not take into account of the impact of changes in interest rates would have on the relative strengthening and weakening of the currency with other currencies.

**Note 40. Financial risk management continued**

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. functional currency rate or 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. exchange or 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.

**(i) Foreign exchange risk**

The Consolidated Entity purchases handsets from its suppliers on invoices denominated in US dollars and also pays Hutchison 3 Global Services Pvt. Ltd, which is a call centre in India owned by HWL, on invoices denominated in US dollars. In order to protect against exchange rate movements, the Consolidated Entity enters into foreign exchange contracts to purchase US dollars.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is monitored using sensitivity analysis and cash flow forecasting.

Management has set up a policy requiring operating units to manage their foreign exchange risk against their functional currency. Operating units review individual requirements with the central treasury department to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts transacted with financial institutions.

For reporting purposes, the entity designates contracts as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

At 31 December 2008, had the Australian Dollar weakened/strengthened by 10% against all other currencies with all other variables held constant, post-tax loss for the year would have been \$2,185,000 lower/\$2,185,000 higher (2007: \$903,000 lower/\$903,000 higher), mainly as a result of higher foreign exchange losses/gains on translation of US dollar denominated trade receivables against lower foreign exchange gains/ losses on translation of US Dollar denominated trade payables. Loss is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2008 than 2007 because of the higher amount of foreign currency denominated accounts receivable. Equity would have been \$2,615,000 lower/\$341,000 higher (2007: nil lower/nil higher) as a consequence of foreign currency hedging that have taken place in 2008 but not in 2007.

**(ii) Interest rate risk**

The Consolidated Entity's main interest rate risk arises from cash balances. All long-term borrowings have been fully repaid during the year.

**(iii) Summarised sensitivity analysis**

The following table summarises the sensitivity of the Consolidated Entity's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk.

	Carrying amount \$'000	Interest rate risk				Foreign exchange risk			
		-1%		+1%		-10%		+10%	
31-Dec-08		Loss \$'000	Other equity \$'000	Loss \$'000	Other equity \$'000	Loss \$'000	Other equity \$'000	Loss \$'000	Other equity \$'000
<b>Financial assets</b>									
Cash and cash equivalents	134,685	(1,347)	—	1,347	—	—	—	—	—
Trade receivables	376,595	—	—	—	—	2,609	—	(2,609)	—
Derivative financial instruments	990	—	—	—	—	—	2,615	—	(341)
<b>Financial liabilities</b>									
Trade payables	(196,996)	—	—	—	—	(424)	—	424	—
Borrowings	(2,103)	—	—	—	—	—	—	—	—
Other financial liabilities	(1,000,000)	—	—	—	—	—	—	—	—
<b>Total increase/(decrease)</b>	<b>(686,829)</b>	<b>(1,347)</b>	<b>—</b>	<b>1,347</b>	<b>—</b>	<b>2,185</b>	<b>2,615</b>	<b>(2,185)</b>	<b>(341)</b>

## Note 40. Financial risk management continued

	Carrying amount \$'000	Interest rate risk				Foreign exchange risk			
		-1%		-10%		-10%		+10%	
		Loss \$'000	Other equity \$'000	Loss \$'000	Other equity \$'000	Loss \$'000	Other equity \$'000	Loss \$'000	Other equity \$'000
31-Dec-07									
<b>Financial assets</b>									
Cash and cash equivalents	34,894	(349)	–	349	–	–	–	–	–
Trade receivables	337,624	–	–	–	–	1,825	–	(1,825)	–
<b>Financial liabilities</b>									
Trade payables	(182,458)	–	–	–	–	(922)	–	922	–
Borrowings	(1,101,812)	10,979	–	(10,979)	–	–	–	–	–
<b>Total increase/(decrease)</b>	<b>(911,752)</b>	<b>10,630</b>	<b>–</b>	<b>(10,630)</b>	<b>–</b>	<b>903</b>	<b>–</b>	<b>(903)</b>	<b>–</b>

### (b) 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 retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Credit Department following a credit risk assessment. The utilisation of credit limits by wholesale customers is regularly monitored by line management. The entity uses automated payment facilities such as direct deposit of customers bank account or credit card to settle amounts due by retail customers, mitigating credit risk.

Credit risk further arises in relation to financial guarantees given to certain parties (see note 28 for details). Such guarantees are only provided in exceptional circumstances and are subject to board approval.

### (c) 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 Consolidated Entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Treasury aims at maintaining 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 Consolidated Entity's financial 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.

	Effective 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
<b>At 31 December 2008</b>						
Payables	–	839,781	–	–	–	839,781
Bank loans	–	–	–	–	–	–
Other financial liabilities	–	1,000,000	–	–	–	1,000,000
Finance lease liabilities	6.99%	2,156	–	–	–	2,156
<b>Total (\$'000)</b>		<b>1,841,937</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,841,937</b>
<b>At 31 December 2007</b>						
Payables	–	474,776	–	–	–	474,776
Bank loans	9.10%	299,964	698,133	99,794	–	1,097,891
Finance lease liabilities	6.99%	2,042	2,156	–	–	4,198
<b>Total (\$'000)</b>		<b>776,782</b>	<b>700,289</b>	<b>99,794</b>	<b>–</b>	<b>1,576,865</b>