Vodafone Hutchison Australia Pty Limited

ACN 096 304 620

Annual financial report for the year ended 31 December 2018

Contents

This financial report covers the Consolidated Entity consisting of Vodafone Hutchison Australia Pty Limited and its controlled entities. The financial report is presented in Australian dollars.

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

Level 1, 177 Pacific Highway
North Sydney NSW 2060

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Directors' report on pages 2 to 7.

The financial report was authorised for issue by the Directors on 22 February 2019. The Company has the power to amend and reissue the financial report.

Vodafone Hutchison Australia Pty Limited

Directors' report

The Directors present their report on the consolidated entity consisting of Vodafone Hutchison Australia Pty Limited (the “Company", the “Parent Entity” or "VHA") and the entities it controlled at the end of, or during, the year ended 31 December 2018 (the “Consolidated Entity” or the “Group”).

Directors
The Directors of the Company during or since the end of the financial year were:

FOK Kin Ning, Canning
Amanda HARKNESS
Andrew James MACLEOD (resigned 1 May 2018)
John OTTY (resigned 1 July 2018)
Barry ROBERTS-THOMSON
Frank John SIXT
Ronald SPITHILL
Gianluca VENTURA (resigned 1 June 2018)
LAI Kai Ming, Dominic
Vivek BADRINATH
Miguel Angel Marin PILZ (appointed 1 May 2018)
Francesco BIANCO (appointed 1 June 2018)
Thomas REISTEN (appointed 1 July 2018)

Principal activities
The principal activities of the Consolidated Entity consist of providing telecommunications services.

Dividends
No dividend was declared or paid during the year (2017: $nil).

VHA Operating and Financial Review

The loss after income tax amounted to $124 million (2017: $178 million loss).

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

VHA total revenue increased 5.5% to $3,646.9 million from $3,457.9 million, driven by growth in VHA’s customer base and higher device sales. In a direct year on year comparison, without the AASB 15 accounting change, VHA total reported revenue would have been $3,691.5 million, a 6.8% increase.

VHA’s EBITDA increased 13.4% YoY to $1,102.2 million from $971.8 million, driven by revenue growth and commercial expenditure optimisation. In a direct year on year comparison, without the AASB 15 accounting change, VHA total reported EBITDA would have been $1,086.9 million, an 11.8% increase.

In a year on year comparison, VHA ARPU (Average Revenue Per User) was $35.52, a decrease of 4.4% YoY from $37.16 due to ongoing competition among the major Mobile Network Operators and increased inclusions on VHA mobile plans.

The loss position improved with the VHA net loss declining 30% to $124.4 million, driven by the improvement in EBITDA offset by an increase in depreciation and amortisation expense. In a direct year on year comparison, without the AASB 15 accounting change, VHA net loss position would have been $103.4 million, a decrease of 41.8%.

VHA and TPG Telecom propose merger of equals
VHA and TPG Telecom Limited (TPG Telecom) announced a merger of equals transaction in August 2018 to establish Australia’s leading full-service challenger telecommunications provider. The merger is subject to regulatory approvals, and will provide increased financial strength and scale to compete more effectively, and drive innovation, service and product improvements to Australian customers. VHA shareholders will own 50.1% of the new merged group with TPG Telecom shareholders owning the remaining 49.9%.

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

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

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

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

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

Mobile JV is an ongoing joint venture, and subject to regulatory approvals, will not terminate if the merger between VHA and TPG Telecom does not proceed.

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

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

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

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

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

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

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

In May 2018, VHA introduced Australia's first widely available endless mobile data plans. Known as Red Plus, the plans offer customers protection against excess data use charges by providing between 50 and 120 gigabytes per month at the maximum data speed available on the VHA network, followed by endless data at streaming speeds of 1.5Mbps. VHA's $5 Roaming continues to be a key driver of postpaid customer connections and retentions. In November 2018, VHA launched $5 Roaming to an additional 11 destinations, making the product available in more than 80 countries. $5 Roaming remains the most competitive offering of its kind in the Australian market.

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

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

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

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

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

Outlook
With the backing of its ultimate shareholders, CK Hutchison Holdings Limited and Vodafone Group Plc, VHA is well-placed to continue achieving steady, modest customer and financial growth, despite ongoing aggressive competition among the Mobile Network Operators.

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

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

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

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

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

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

VHA financial and operating metrics

	December 2018	December 2017	YoY Change
Total revenue ($m)	**3,646.9**	**3,457.9**	**5.5%**
Total revenue adjustment AASB 15[1]	(44.6)		
Total revenue without AASB 15	3,691.5	3,457.9	6.8%
Service Revenue ($m)[2]	**2,470.2**	**2,448.4**	**0.9%**
Service revenue adjustment AASB 15	(5.4)		
Service revenue without AASB 15	2,475.6	2,448.4	1.1%
EBITDA ($m)	**1,102.2**	**971.8**	**13.4%**
Net EBITDA adjustment AASB 15	15.3		
Net EBITDA without AASB 15	1,086.9	971.8	11.8%
Net Loss of VHA ($m)	**(124.4)**	**(177.8)**	**30.0%**
Net loss adjustment AASB 15	(21.0)		
Net loss without AASB 15	(103.4)	(177.8)	41.8%
Postpaid customers ('000)	3,454	3,388	2.0%
Prepaid customers ('000)[3]	2,209	2,082	6.1%
VHA customers subtotal ('000)	**5,663**	**5,470**	**3.5%**
MVNO customers ('000)	356	338	5.3%
Total network customers ('000)	**6,019**	**5,808**	**3.6%**
Fixed customers ('000)	**33**	-	
Mobile ARPU VHA customers ($)	35.52	37.16	(4.4%)

Definitions of operating metrics

- Customers represent 3 month active customers
- Mobile ARPU refers to postpaid and prepaid Service Revenue/ 3 month active customers calculated on a 12 month rolling basis
- Service revenue refers to postpaid, prepaid, MVNO, fixed broadband revenue and other recurring income

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[1] AASB 15 became effective for the Group on 1 January 2018. AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The table above presents the difference between pre AASB 15 and post AASB 15 adjustments. Included in the adjustments are changes in fair value recognition of revenue and discounts on customer contracts. Further details are provided in Note 3.

[2] Reclassification of fixed and insurance revenue into service revenue during FY 18 (comparatives have been updated to reflect this change).

[3] In the first half of 2018, non-Vodafone branded partners Kogan and Lebara were re-classified from MVNO to Pre-paid (comparatives have been updated to reflect this change).

Going concern
At 31 December 2018, the Consolidated Entity and the Company had a deficiency of net current assets of $2,015 million and $6,858 million, respectively (2017: a deficiency in net current assets of $653 million and $9,260 million, respectively). Additionally, the Consolidated Entity and the Company had a deficiency of net assets of $922 million and $6,346 million, respectively (2017: deficiency of net assets of $793 million and a deficiency of net assets of $7,230 million, respectively).

The deterioration in the Consolidated Entity's net current assets position is mainly driven by the classification of the $1,700 million shareholder guaranteed loan facility as current liabilities as the loan is due for repayment in September 2019. This loan is expected to be refinanced as part of the debt restructuring required to be undertaken as a condition of the merger with TPG Telecom. Should the merger not proceed, this loan is expected to be refinanced on similar terms during 2019.

Management has undertaken a comprehensive process of developing a detailed cash flow for the 2019 financial year. The budget incorporates several initiatives to improve profitability, including customer base and revenue growth initiatives continuing, managing the cost base and also working capital. The cash flow budget for the 2019 financial year has been reviewed and approved by its shareholders and Board of Directors.

The Company has a $1,500 million working capital facility with its shareholders, of which $1,178 million remains unused (2017: $1,028 million) as at 31 December 2018 and is available for it to drawdown from as required. This facility was scheduled to fall due in February 2019 but, on 20 December 2018, it was extended to February 2020 under the existing terms and conditions.

Both of its ultimate shareholders, CK Hutchison Holdings Limited and Vodafone Group Plc, have confirmed their current intention to provide sufficient financial support to enable the Consolidated Entity and the Company to meet their financial obligations as and when they fall due for a minimum period of twelve months from the date of signing these financial statements.

Based on the above, the Directors have concluded that no material uncertainty exists that may cast significant doubt on the Consolidated Entity's and the Company's ability to continue as a going concern.

Proposed merger with TPG Telecom Limited
On 30 August 2018, VHA and TPG Telecom entered into a Scheme Implementation Deed under which the companies have agreed a proposed merger of equals to establish a fully integrated telecommunications operator in Australia.

The merger will be implemented via a TPG Scheme of Arrangement, with the new merged Group listed on the Australian Securities Exchange ("ASX") and renamed "TPG Telecom Limited" in conjunction with the implementation of the Scheme.

The implementation of the Scheme remains subject to approval by the Federal Court and TPG Telecom shareholders as well as other regulatory approval processes. On 13th December 2018, the ACCC released a Statement of Issues detailing the concerns it had with the proposed merger and the impact on competition in Australia's mobile market. VHA management are currently working with the ACCC to respond to it concerns. At present, the ACCC is due to provide its decision on 11 April 2019. If the required regulatory clearances are obtained the merger is currently expected to complete in 2019.

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

The ACCC has also noted it is reviewing the 50:50 joint venture established with TPG Telecom, through the entity Mobile JV Pty Limited. This entity was a successful bidder in the 3.6GHz spectrum auction which took place in November 2018. The joint venture is ongoing and will not terminate if the merger does not proceed.

Matters subsequent to the reporting date
There has been no matter or circumstance that has arisen after the reporting date that has significantly affected or may significantly affect:
(i) the operations of the Company and Consolidated Entity 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 in future financial years.

Share options
No options over issued shares or interest in the Company or Consolidated Entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Significant changes in the state of affairs
During the financial year, there were no significant changes in the state of affairs of the Company or Consolidated Entity other than that referred to in the financial statements or notes thereto.

Likely developments and expected results of operations
Other than as set out in the 'VHA Operating and Financial Review' and 'Outlook' sections in this report, further information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation
VHA is subject to the *National Greenhouse and Environmental Reporting Act 2007* ("NGER") and is required to report information about greenhouse gas emissions, energy production, energy consumption and other information specified by the NGER. VHA has fulfilled its reporting requirements for its operations annually since 2009 under the NGER.

Directors' and officers' liability insurance
During the financial year the Consolidated Entity paid a premium for insurance for the benefit of persons defined in the insurance policy which include Directors of the Company (as named above), the Company Secretary, and all executive officers of the Company, its subsidiary companies and any declared entities against a liability incurred as such as a Director, Company Secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Rounding of amounts
The Company is of a kind referred to in the Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the rounding in the Directors' report and the financial statements. Amounts in the Directors' report and financial statements have been rounded off in accordance with that instrument to the nearest million dollars or thousand dollars, except where otherwise indicated.

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

Director	Director
22 February 2019	22 February 2019

Auditor's Independence Declaration

As lead auditor for the audit of Vodafone Hutchison Australia Pty Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Vodafone Hutchison Australia Pty Limited and the entities it controlled during the period.

Rosalie Wilkie
Partner
PricewaterhouseCoopers

Sydney
22 February 2019

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Independent auditor's report

To the members of Vodafone Hutchison Australia Pty Limited

Our opinion

In our opinion:

The accompanying financial report of Vodafone Hutchison Australia Pty Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2018
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Rosalie Wilkie
Partner

Sydney
22 February 2019

Vodafone Hutchison Australia Pty Limited

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 13 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 13 and 33.

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

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the *Corporations Act 2001* on behalf of the Directors.

Director

22 February 2019

Director

22 February 2019

Vodafone Hutchison Australia Pty Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018

Revenue from continuing operations	**Notes**	**2018 $'000**	2017 $'000
Revenue from contracts with customers	4	**3,626,760**	3,444,630
Other income	4	**20,130**	13,301
Cost of interconnection and other variable costs		**(367,765)**	(396,131)
Other direct costs of provision of telecommunication services and goods		**(474,688)**	(488,321)
Cost of handsets sold		**(1,127,230)**	(1,029,190)
Employee benefits expense		**(235,932)**	(250,332)
Advertising and promotion expenses		**(76,102)**	(82,798)
Other operating expenses		**(259,124)**	(235,173)
Depreciation and amortisation expense	5	**(868,690)**	(797,107)
Finance costs	5	**(361,802)**	(356,723)
Loss before income tax		**(124,443)**	(177,844)
Income tax expense	6	**-**	-
Loss for the year		**(124,443)**	(177,844)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges	27	**423**	(413)
Other comprehensive income /(loss) for the year, net of tax		**423**	(413)
Total comprehensive loss for the year		**(124,020)**	(178,257)
Loss for the year attributable to owners of the parent		**(124,443)**	(177,844)
Total comprehensive loss for the year attributable to owners of the parent		**(124,020)**	(178,257)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Vodafone Hutchinson Australia Pty Limited

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	34	**642,713**	356,210
Trade and other receivables	7	**463,253**	549,317
Inventories	8	**129,304**	85,041
Derivative financial instruments	9	**29,444**	-
Other	10	**107,862**	133,753
Total Current Assets		**1,372,576**	1,124,321
Non-current Assets			
Trade and other receivables	11	**44,448**	65,394
Investments	13	**-**	-
Property, plant and equipment	14	**2,638,273**	2,672,193
Intangible assets	15	**4,051,635**	3,907,994
Derivative financial instruments	16	**82,284**	745,760
Total Non-current Assets		**6,816,640**	7,391,341
Total Assets		**8,189,216**	8,515,662
LIABILITIES			
Current Liabilities			
Trade and other payables	17	**1,106,547**	860,751
Contract liabilities	4(a)	**118,971**	-
Borrowings	18	**2,050,761**	498,947
Provisions	19	**40,830**	38,908
Derivative financial instruments	20	**-**	1,285
Other	21	**70,373**	377,170
Total Current Liabilities		**3,387,482**	1,777,061
Non-current Liabilities			
Borrowings	22	**5,544,204**	7,423,075
Provisions	23	**21,605**	25,572
Other	24	**157,991**	82,801
Total Non-current Liabilities		**5,723,800**	7,531,448
Total Liabilities		**9,111,282**	9,308,509
Net Liabilities		**(922,066)**	(792,847)
EQUITY			
Contributed equity	26	**6,046,890**	6,046,890
Reserves	27	**191**	(232)
Accumulated losses	28	**(6,969,147)**	(6,839,505)
Total Equity		**(922,066)**	(792,847)

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Vodafone Hutchison Australia Pty Limited

Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

	Contributed equity $'000	Cash flow hedging reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2017	6,046,890	181	(6,661,661)	(614,590)
Loss for the year	-	-	(177,844)	(177,844)
Changes in the fair value of cash flow hedges	-	(413)	-	(413)
Total comprehensive loss for the year	-	(413)	(177,844)	(178,257)
Balance at 31 December 2017	**6,046,890**	**(232)**	**(6,839,505)**	**(792,847)**
Adjustment on the adoption of AASB 15	-	-	(5,199)	(5,199)
Balance at 1 January 2018	**6,046,890**	**(232)**	**(6,844,704)**	**(798,046)**
Loss for the year	-	-	(124,443)	(124,443)
Changes in the fair value of cash flow hedges	-	423	-	423
Total comprehensive loss for the year	**-**	**423**	**(124,443)**	**(124,020)**
Balance at 31 December 2018	**6,046,890**	**191**	**(6,969,147)**	**(922,066)**

The above consolidated statement of changes in equity are attributable to owners of Vodafone Hutchison Australia Pty Ltd and should be read in conjunction with the accompanying notes.

Vodafone Hutchison Australia Pty Limited

Consolidated Statement of Cash Flows
For the year ended 31 December 2018

	Notes	**2018 $'000**	2017 $'000
Cash Flows from Operating Activities			
Loss for the year		**(124,443)**	(177,844)
Adjustments for:			
Depreciation and amortisation expense		**868,690**	797,107
Finance costs		**361,802**	356,723
Interest income		**(3,808)**	(4,186)
		1,102,241	971,800
Movements in working capital			
Decrease / (Increase) in receivables		**124,996**	(13,347)
(Increase) in inventories		**(44,263)**	(22,664)
Decrease in other assets		**19,414**	7,458
(Decrease) / Increase in payables		**(75,845)**	92,215
Increase in contract liabilities and unearned income		**10,984**	5,921
Increase in other liabilities		**(6,275)**	17,717
(Decrease) / Increase in provisions		**(6,408)**	40,053
Net cash generated from operating activities		**1,124,844**	1,099,153
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(350,370)**	(376,663)
Payments for intangible assets		**(340,978)**	(828,862)
Net cash outflows from investing activities		**(691,348)**	(1,205,525)
Cash Flows from Financing activities			
Proceeds from borrowings – related parties		**80,000**	400,000
Repayment of borrowings - other		**(1,718)**	(4,006)
Repayment of borrowings – related parties		**-**	(12,762)
Repayment of finance lease		**(46,162)**	(10,948)
Finance costs paid		**(179,113)**	(180,831)
Net cash (outflows) / inflows from financing activities		**(146,993)**	191,453
Net increase in cash and cash equivalents		**286,503**	85,081
Cash and cash equivalents at 1 January		**356,210**	271,129
Cash and cash equivalents at 31 December	34	**642,713**	356,210

Refer to note 34(b) for details of non-cash investing and financing activities during the year ended 31 December 2018.

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

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Vodafone Hutchison Australia Pty Limited ("the Company") and its subsidiaries ("the Consolidated Entity" or "the Group").

(a) Basis of accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The consolidated financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

As a consequence of the financial reporting relief provided by ASIC Class Orders 10/654, the consolidated financial statements are presented without the parent entity financial statements. Disclosures in relation to the parent entity required under paragraph 295(3)(a) of the *Corporations Act 2001* have been included in Note 32.

The financial statements are prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

During the year, management have reclassified the expenses disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income to better align to that used by management in the operations of the business. As a result of these reclassifications (for which comparatives have been adjusted) $99.7 million of costs have been moved from costs of handsets and other operating expenses to cost of interconnection and variable content costs (FY17: $83.1 million) and $1.2 million of costs have been moved from other operating expenses to other direct costs of provision of telecommunication services and goods (FY17: $33.4 million).

Amendments have been made to comparatives as appropriate to enhance comparability.

(b) Going concern

At 31 December 2018, the Consolidated Entity and the Company had a deficiency of net current assets of $2,015 million and $6,858 million, respectively (2017: a deficiency in net current assets of $653 million and $9,260 million, respectively). Additionally, the Consolidated Entity and the Company had a deficiency of net assets of $922 million and $6,346 million, respectively (2017: deficiency of net assets of $793 million and a deficiency of net assets of $7,230 million, respectively).

The deterioration in the Consolidated Entity's net current assets position is mainly driven by the classification of the $1,700 million shareholder guaranteed loan facility as current liabilities as the loan is due for repayment in September 2019. This loan is expected to be refinanced as part of the debt restructuring which is a condition of the merger with TPG Telecom. Should the merger not proceed, this loan is expected to be refinanced on similar terms during 2019.

Management has undertaken a comprehensive process of developing a detailed cash flow for the 2019 financial year. The budget incorporates several initiatives to improve profitability, including customer base and revenue growth initiatives continuing, managing the cost base and also working capital. The cash flow budget for the 2019 financial year has been reviewed and approved by its shareholders and Board of Directors.

The Company has a $1,500 million working capital facility with its shareholders, of which $1,178 million remains unused (2017: $1,028 million) as at 31 December 2018 and is available for it to drawdown from as required. This facility was schedule to fall due in February 2019 but, on 20 December 2018, was extended to February 2020 under the existing terms and conditions.

Both of its ultimate shareholders, CK Hutchison Holdings Limited and Vodafone Group Plc, have confirmed their current intention to provide sufficient financial support to enable the Consolidated Entity and the Company to meet their financial obligations as and when they fall due for a minimum period of twelve months from the date of signing these financial statements.

Based on the above, the Directors have concluded that no material uncertainty exists that may cast significant doubt on the Consolidated Entity's and the Company's ability to continue as a going concern.

(c) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The acquisition method of accounting is used to account for business combinations by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation. If a member of the Consolidated Entity uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Investments in joint operations are accounted for as set out in Note 1(g).

Note 1 Summary of significant accounting policies (continued)

(d) 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 the Company'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 Consolidated Statement of Profit or Loss and Other Comprehensive Income except when they relate to financial instruments qualifying for hedges as set out in Note 1(l).

(e) Revenue recognition

The Group has initially applied AASB 15 from 1 January 2018. Revenue is recognised when (or as) VHA satisfies a performance obligation by transferring a promised good or service to a customer. Revenue is presented net of GST, rebates and discounts.

Revenue arrangements with multiple deliverables
Goods and services may be sold separately or in bundled packages. For bundled packages e.g. mobile devices and monthly service fees, the Group accounts for revenue from individual goods and services. The consideration for the bundled packages comprises cash flows from the customers (expected to be received) in relation to goods and services delivered over the contract term. The consideration (transaction price) is allocated between separate goods and services in a bundle based on their relative stand-alone selling prices. Where a discount is provided to the customer for bundled packages they are recognised in proportion with the fair value of the hardware and service equivalent stand-alone prices.

(i) Service revenue - Telecommunication services
The Group sells telecommunication services of the following nature: postpaid services, prepaid services, MVNO and fixed broadband. Telecommunication services include monthly access charges for voice, messaging and data services, fees for connecting users of fixed line and other mobile providers to the network and agreements entered into with other telecommunications networks. Revenue from telecommunication services are recognised over time in the accounting period in which the services are rendered. Revenue is measured based on the consideration specified in a contract with a customer.

Contract liabilities relate to unearned revenue. Unearned revenue arises from consideration received from prepaid services which have not been utilised or subject to expired credit or from postpaid services which have not yet been provided.

(ii) Hardware revenue
Revenue from the sale of handsets and accessories is recognised at a point in time when the handsets and accessories are delivered, the legal title has passed and the customer has accepted the goods.

For mobile devices sold in bundled contracts, customers are offered two options for payment – full payment at the commencement of the contract or instalments over 12, 24 or 36 months. Handset and Accessories receivable is recognised for such instalment plans.

Management have determined that a significant financing component does not exist and has therefore not adjusted the transaction price for the time value of money.

The total transaction price for hardware revenue paid through instalments is subject to risks around collectability, impacts of new plans and industry trends. Accordingly accumulated experience is used to estimate the impacts of these risks at the time of sale using a portfolio estimate. Each year this experience is updated which can impact the estimate of the transaction price.

Previous accounting policy for bundled arrangements
Previously revenue was allocated to separate arrangements by applying a fair value to the service component by reference to comparable SIM-only plans offered by the Group.

(iii) Interest income
Revenue from interest is recognised using the effective interest method.

(iv) Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grant income relates to government grants that are deferred and recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are credited to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the expected lives of the related assets.

Note 1 Summary of significant accounting policies (continued)

(f) Income tax

The consolidated current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Consolidated Entity's liability for current tax is calculated using Australian tax rates (and laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the liability method.

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

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

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

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

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

Tax is charged or credited to the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the tax is also recognised directly in equity.

Tax consolidation legislation
With effect from 9 June 2009, the Company and its wholly owned Australian subsidiaries have formed a tax consolidated Group under Australian taxation law, of which the Company is the head entity.

The tax sharing agreement entered into between the entities within the tax consolidated Group provides for the determination of the allocation of the income tax liabilities between entities should the head entity default in its tax payment obligations or if an entity should leave the tax consolidated Group. The effect of the tax sharing agreement is that the company's liability for tax payable by the tax consolidated Group is limited to the amount payable to the head entity under the tax funding arrangement.

(g) Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost in the consolidated statement of financial position.

Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.

Note 1 Summary of significant accounting policies (continued)

(h) Impairment of assets

Goodwill

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently, if events or changes in circumstances indicate that it might be impaired.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows known as cash generating units. Management has identified the Consolidated Entity as the smallest identifiable cash generating unit.

If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of an asset’s fair value less cost of disposal and value in use.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Property, plant and equipment and finite life intangible assets

Non-financial assets other than goodwill are tested 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 of disposal 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Receivables

Trade receivables are amounts due from customers for goods and services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional less loss allowance. Trade receivables are generally due for settlement within 30 days, except for handset and accessories receivables which are collected over the term of the contract. For Handset and Accessories receivables which are unable to be sold to third parties in accordance with the Group’s arrangements, these are initially recognised at the amount expected to be recoverable over the term of the contract, subject to collectability reviews.

Collectability of receivables are reviewed on an ongoing basis. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before year end and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking including information on macroeconomic and commercial factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of internal recovery include inactive accounts, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 90 to 120 days past due. Impairment losses on trade receivables are presented as impairment of receivables within other direct costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Consolidated Entity has entered into arrangements which allows them to sell certain Handset receivables to a third party.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On de-recognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised as handset receivable expense within other operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. Other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified.

For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Note 1 Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

For the Consolidated Statement of Cash Flows 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. Bank overdrafts, if any, are shown within bank borrowings in current liabilities on the Consolidated Statement of Financial Position.

(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 each reporting date using the standard cost method. Costs comprise of the 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 less 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 the end of each reporting period. The accounting for subsequent changes in fair value 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:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The fair values of derivative financial instruments designated in hedge relationships are separately identified and disclosed. Movements in the hedging reserve are shown in note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

For derivatives that are unhedged, changes in fair value are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within other income or other operating expenses.

(m) Investments

Investments in subsidiaries are measured at cost in the Company's financial statements.

(n) Fair value

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

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

Note 1 Summary of significant accounting policies (continued)

(o) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Depreciation is provided on property, plant and equipment excluding land. 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 reporting 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:

Fixtures, fittings and other equipment	4 to 8 years
Computer equipment	3 to 5 years
Network equipment and infrastructure	3 to 18 years

The depreciable amount of improvements to or on leasehold properties and leased plant and equipment 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.

Depreciation rates and methods are reviewed at least annually and adjusted on a prospective basis as required by accounting standards.

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)). The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(p) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss 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 asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term. Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Note 1 Summary of significant accounting policies (continued)

(q) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary company is:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interest issued by the Group
- fair value of any assets or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and the contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(r) Intangible assets

(i) Computer software

Computer software comprises computer software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits are recognised as intangible assets. Direct costs include software development employee costs and directly attributable overheads.

Software integral to a related item of hardware equipment is accounted for as property, plant and equipment.

Costs associated with maintaining computer software programs are recognised as an expense when they are incurred.

Internally developed software is recognised only if all of the following conditions are met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Amortisation is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the estimated useful lives from the date the software is available for use.
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 to Note 1(h)).

(ii) Spectrum licences

Costs associated with acquiring spectrum licences are capitalised. The amortisation of the spectrum licences commences upon the readiness of the network and the spectrum licences being allocated. The spectrum licences 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 to Note 1(h)).

Note 1 Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

(iii) Contract costs
Under AASB 15, incremental costs associated with acquiring and renewing a contract that are expected to be recovered are required to be initially recognised as an asset and expensed over the expected life of a customer contract consistent with the transfer to the customer of the goods and services to which the capitalised costs relate. The carrying values of these assets are reviewed on a regular basis. Contracts costs associated with acquiring and renewing a service contract are capitalised and amortised over the life of the contract. Contracts costs associated with the sale of handsets are capitalised and amortised upfront in line with transfer of handsets to the customer.

Previous accounting policy for Contract costs
The Consolidated Entity had adopted Interpretation 1042 'Subscriber Acquisition Costs in the Telecommunications Industry'. The direct costs of acquiring customer contracts were recognised as an asset and amortised over the lesser of the period during which the future economic benefits were expected to be obtained and the period of the contract. The costs included both service and handset components for acquiring new customers. The direct costs of renewing a contract were expensed immediately.

(iv) Other intangible assets
Other intangible assets including brand names and purchased customer bases are recorded at their fair value at the date of acquisition. Amortisation is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

(v) Goodwill
Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a bargain purchase gain.

Goodwill is allocated to cash generating units for the purpose of impairment testing (refer to Note 1(h)).
The expected useful lives of the intangible assets, other than goodwill, are as follows:

Brand name	1 to 5 years
Spectrum licences	12 to 15 years
Computer software	3 to 7 years
Contract costs	1 to 3 years

(s) Trade and Other 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 to 180 days of recognition.

(t) Borrowings

Borrowings are initially recognised at fair value. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to draw down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

(u) Provisions

Provisions are recognised when the Consolidated Entity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Onerous contracts
Present obligations arising under onerous contracts, for example lease arrangements, are recognised and measured as a provision. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Note 1 Summary of significant accounting policies (continued)

(u) Provisions (continued)

Make good provisions
A provision has been made for the present value of anticipated future costs of restoration of leased premises. The provision includes future cost estimates associated with removing any leasehold improvements. The costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

Decommissioning costs
The Consolidated Entity records a provision for decommissioning costs on its network and IT. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of that particular asset. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(v) Employee benefits

(i) Wages and salaries, and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service 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 sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave and other long-term employee benefit obligations
The Group has liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. The liability for long service leave 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Superannuation
The Group pays contributions to defined contribution superannuation plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) 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 statements; 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.

VHA accrues for long term incentives based on a number of eligible employees and expected hurdle rates being met.

(v) Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Note 1 Summary of significant accounting policies (continued)

(w) Contributed equity

Ordinary shares are classified as equity. Refer to Note 26 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. Equity instruments issued by the Consolidated Entity and the Company are classified according to the substance of the contractual arrangements entered into and the definitions of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Consolidated Entity and the Company after deducting all of its liabilities. Interest and dividends are classified as expenses or as distributions of profit consistent with the classification of related debt or equity instruments in the Consolidated Statement of Financial Position.

(x) 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 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 Consolidated Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are classified within operating cash flows.

(y) Rounding of amounts

The Consolidated Entity is of a kind referred to in corporations instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the ‘rounding off’ of amounts in the Directors' report and financial statements. Amounts in the financial statements have been rounded off in accordance with that corporation’s instrument to the nearest million dollars or thousand dollars, except where otherwise indicated.

(z) Parent entity financial information

Investments in subsidiaries by the Company are accounted for at cost. The financial information for the Company disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements

(aa) New accounting standards and Interpretations

Accounting standards issued and mandatorily effective in the current year

The Consolidated Entity has adopted all of the new and revised effective/applicable standards, amendments and interpretations issued by the Australian Accounting Standards Board (“AASB”) that are relevant to the Consolidated Entity’s operations and mandatory for annual periods beginning on or after 1 January 2018. These are:

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

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below.

Impact of standards issued but not yet applied by the entity

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

AASB 16 Leases

AASB 16 Leases was issued in February 2016. The new standard will require the majority of operating leases to be accounted for on the consolidated statement of financial position as the distinction between an operating and finance lease is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will be effective for VHA from 1 January 2019 and VHA has elected to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. The right of use assets will be measured at the amount of the lease liabilities calculated on adoption plus the net impact of certain right of use asset adjustments. The lease liabilities will be measured at the present value of the remaining lease payments that are unpaid as at 1 January 2019.

Note 1 Summary of significant accounting policies (continued)

(aa) New accounting standards and Interpretations (continued)

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

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

As at the reporting date, the Group has non-cancellable operating lease commitments of $1,760 million, refer to Note 31. For these commitments, the Group expects to recognise based on current assessments the following:

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

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

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

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

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

Note 2 Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas where management have revised estimates and assumptions due to new information coming to light. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. Detailed information in relation to each significant change in estimates is provided below.

(a) Significant accounting judgements

(i) Taxation

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Consolidated Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(ii) Change to deferred revenue

VHA has reassessed revenue recognition estimates dues to changes within the industry and our business practices which occurred after 1 January 2018 such that revenue is now recognised on the basis of days rather than usage. The resulting impact was $17 million of revenue brought forward during the year ended 31 December 2018.

(b) Significant accounting estimates and assumptions

(i) Loss allowance on trade and other receivables

Note 1(i) sets out the Group's policy in relation to the recognition and measurement of trade receivables. During the year reassessments of the provision for impairment for receivables estimate were reflected in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The provision for trade receivables percentage was reviewed against actual debtor collectability using updated data. The new updated provision percentage was adopted as it is more appropriate and aligned to actual bad debt trends observed.

In addition, the risks associated with bad debt and voluntary churn of receivables sold to the banks (where credit loss is effectively passed on) and those that that were not sold were analysed. The review resulted in a lower provision percentage being adopted (adjusted for longer dated receivables for which a full lifecycle of data was not previously been able to be reviewed) to more accurately reflect the true bad debt position of VHA.

(ii) Variable consideration

As set out in Note 1(e), for the purposes of recognising revenue, the Group estimates the impacts of potential future buy-backs of sold receivables which is dependent on new plans, industry trends and company policies. During the year, the Group has performed a detailed analysis of historical data and future expected trends to determine any required changes resulting in impacts to the original transaction price. Reassessments of this variable consideration are reflected in hardware revenue.

The impact of these annual reassessments are set out in notes 7 and 11.

Note 2 Critical estimates, judgements and errors (continued)

(b) Significant accounting estimates and assumptions (continued)

(iii) Impairment of goodwill

Goodwill is not subject to amortisation and is assessed for impairment at least on an annual basis, or whenever an indication of impairment arises. Management has assessed that there is just one cash generating unit (CGU) for the Group. For the 2018 and 2017 reporting period, the recoverable amount of the CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Key assumptions involved in the value-in-use calculations include:

- EBITDA: expected customer growth rates, average revenue per user, direct costs to deliver telecommunication services and product and pricing mix changes. These assumptions are determined based both on an extrapolation of historical trends and on expected trends of future market developments.
- Overheads: forecast employee headcount and wage inflation, marketing costs and other overheads required to support the growth assumed in the EBITDA projections.
- Capital expenditure and spectrum: forecast expenditure required to maintain and expand network infrastructure to support the future growth assumed in the EBITDA projections.
- Long-term growth rate: the terminal value calculation includes a long-term growth rate of 2.8% which represents the growth rate applied to extrapolate our cash flows beyond the five-year forecast period. This growth rate is based on our expectation of the long term performance in the market.
- Discount rate: A pre-tax discount rate of 9.13% has been used in discounting the projected cashflows of the CGU, which is based on the Group's weighted average cost of capital adjusted to reflect an estimate of specific risks assumed in the cashflow projections.
- Sensitivity analysis on all of the key assumptions employed in the value-in-use calculations has been performed. From this it was concluded that no reasonable possible movement in any of the key assumptions would give rise to any impairment of the CGU. Management has also considered the implied equity value of the VHA business in light of the proposed merger with TPG Telecom and notes that the calculation of the VIU is within an appropriate range given market conditions.

(iv) Useful lives of property, plant and equipment

The Consolidated Entity reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Where a change in the useful lives of classes of property, plant and equipment is determined, the impact of this change is reflected in the consolidated financial statements on a prospective basis.

In August 2018, the Government issued security guidance advising network operators that the use of 5G equipment supplied by banned vendors from certain countries would not be permitted due to national security concerns. This had the effect of excluding Chinese vendors such as Huawei, who is VHA’s current provider of Radio Access Network (RAN) equipment, from taking part in the rollout of 5G mobile network infrastructure over national security concerns. VHA uses Huawei in its 3G and 4G radio access network. An RFP for alternative RAN vendors commenced in late 2018 and a selection decision is not expected until Q2 2019. Management will then formulate its 5G investment flight plan optimising and balancing its existing network assets with the costs and benefits of upgrading its network to 5G.

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

Note 3 Changes in accounting policies

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

AASB 9 - Financial Instruments

This standard became effective for the Group from 1 January 2018. This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Management has reviewed its financial assets and liabilities and the following was the impact of adoption of the new standard on 1 January 2018:

- The majority of the Group's receivables are currently classified as loans and receivables and measured at amortised cost. The new guidance under AASB 9 has not resulted in any significant change to the classification and measurement of its financial assets as these financial assets meet the conditions for classification at amortised cost under AASB 9.
- There has been no impact on the Group's accounting for financial liabilities as the new requirements only affected the accounting for financial liabilities that are designated at fair value through profit or loss. The derecognition rules have been transferred from AASB 139 and have not been changed.
- The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost. Management has performed an assessment of the impact of AASB 9 on the measurement of expected credit losses on adoption. The Group assessed historic, current and forecast information to estimate an expected credit loss for each class of receivable. Based on this assessment, the impact was not material.
- AASB 9 introduces changes to hedge effectiveness and eligibility requirements to align more closely with an entity's risk management framework. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group's current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9. Management has therefore assessed there is no material impact on hedged amounts reported with the adoption AASB 9.
- The new standard also introduces expanded disclosure requirements and changes in presentation. Where appropriate, these have been reflected in the Group's disclosures about its financial instruments.

AASB 15 Revenue from Contracts with Customers

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

Accounting for Handset Receivables - AASB 15 requires that the total consideration received must be allocated to hardware and service components based on relative stand-alone selling prices. Previous methodology allocated revenue to the separate components by applying a valuation method measured at fair value by reference to comparable SIM-only plans which were offered in the market by the Entity. The new methodology results in higher amounts being allocated to the handset, of which revenue is recognised when the goods have been dispatched to the customer, instead of service revenue which is recognised monthly over the contract term. Discounts provided to customers on bundles are allocated to hardware and services based on their stand-alone selling prices. With the adoption of AASB 15, there is an increase of $18 million of Trade and Other Receivables for legacy customer contracts and an increase of $13 million in other current liabilities to reflect the impacts of accounting for the stand alone selling price, which together result in a corresponding net $5 million decrease in accumulated losses recognised as of 1 January 2018.

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

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

Vodafone Hutchison Australia Pty Limited

Notes to the Financial Statements

Note 3 Changes in accounting policies (continued)

AASB 15 Revenue from Contracts with Customers (continued)

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

	AASB 118 carrying amount			AASB 15 carrying amount
	31-Dec-17	Reclassification	Remeasurements	1-Jan-18
	$'000	$'000	$'000	$'000
ASSETS				
Current Assets				
Cash and cash equivalents	356,210	-	-	356,210
Trade and other receivables	549,317	-	17,986	567,303
Inventories	85,041	-	-	85,041
Other-Current Assets	133,753	-	-	133,753
Total Current Assets	**1,124,321**	**-**	**17,986**	**1,142,307**
Non-Current Assets				
Trade and other receivables	65,394	-	-	65,394
Property, plant and equipment	2,672,193	-	-	2,672,193
Intangible assets	3,907,994	-	(9,695)	3,898,299
Derivative financial assets	745,760	-	-	745,760
Total Non-Current Assets	**7,391,341**	**-**	**(9,695)**	**7,381,646**
Total Assets	**8,515,662**	**-**	**8,291**	**8,523,953**
LIABILITIES				
Current Liabilities				
Trade and other payables	860,751	-	-	860,751
Contract Liabilities	-	138,355	-	138,355
Borrowings	498,947	-	-	498,947
Provisions	38,908	-	-	38,908
Derivative financial liabilities	1,285	-	-	1,285
Other-Current Liabilities	377,170	(138,355)	13,491	252,305
Total Current Liabilities	**1,777,061**	**-**	**13,490**	**1,790,551**
Non-Current Liabilities				
Borrowings	7,423,075	-	-	7,423,075
Provisions	25,572	-	-	25,572
Other-Non-Current Liabilities	82,801	-	-	82,801
Total Non-Current Liabilities	**7,531,448**	**-**	**-**	**7,531,448**
Total Liabilities	**9,308,509**	**-**	**13,490**	**9,321,999**
Net Liabilities	**(792,847)**	**-**	**(5,199)**	**(798,046)**
EQUITY				
Contributed equity	6,046,890	-	-	6,046,890
Reserves	(232)	-	-	(232)
Accumulated losses	(6,839,505)	-	(5,199)	(6,844,704)
Total (Shareholder deficiency)	**(792,847)**	**-**	**(5,199)**	**(798,046)**

Note 3 Changes in accounting policies (continued)

AASB 15 Revenue from Contracts with Customers (continued)

In accordance with the new revenue standard requirements, the impact of AASB 15 on the statement of profit or loss and other comprehensive income for the year ended 31 December 2018 is as follows:

Statements of Profit or Loss and Other Comprehensive Income

	Dec-18 (pre AASB 15) $'000	AASB 15 Adjustments $'000	Dec-18 (as reported) $'000
Revenue from continuing operations			
Revenue from operating activities	3,671,359	(44,599)	**3,626,760**
Other income	20,130	-	**20,130**
Cost of interconnection and other variable costs	(367,765)	-	**(367,765)**
Other direct costs of provision of telecommunication services and goods	(474,688)	-	**(474,688)**
Cost of handsets sold	(1,187,092)	59,862	**(1,127,230)**
Employee benefits expense	(235,932)	-	**(235,932)**
Advertising and promotion expenses	(76,102)	-	**(76,102)**
Other operating expenses	(259,124)	-	**(259,124)**
Depreciation and amortisation expense	(832,415)	(36,275)	**(868,690)**
Finance costs	(361,802)	-	**(361,802)**
Loss before income tax	(103,431)	(21,012)	**(124,443)**
Income tax credit	-	-	**-**
Loss for the year	(103,431)	(21,012)	**(124,443)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges	423	**-**	**423**
Other comprehensive income for the year, net of tax	423	**-**	**423**
Total comprehensive loss for the year	(103,008)	(21,012)	**(124,020)**
Loss for the year attributable to owners of the parent	(103,431)	(21,012)	**(124,443)**
Total comprehensive loss for the year attributable to owners of the parent	(103,008)	(21,012)	**(124,020)**

Vodafone Hutchison Australia Pty Limited

Notes to the Financial Statements

Note 3 Changes in accounting policies (continued)

AASB 15 Revenue from Contracts with Customers (continued)

In accordance with the new revenue standard requirements, the impact of AASB 15 on the Consolidated Statement of Financial Position as at 31 December 2018 is as follows:

	Dec-18 (pre AASB 15) $'000	AASB 15 Adjustments $'000	Dec-18 (as reported) $'000
ASSETS			
Current Assets			
Cash and cash equivalents	642,713	-	**642,713**
Trade and other receivables	459,762	3,491	**463,253**
Inventories	129,304	-	**129,304**
Derivative financial instruments	29,444	-	**29,444**
Other	107,862	-	**107,862**
Total Current Assets	1,369,085	3,491	**1,372,576**
Non-Current Assets			
Trade and other receivables	44,448	-	**44,448**
Investments	-	-	**-**
Property, plant and equipment	2,638,273	-	**2,638,273**
Intangible assets	4,049,915	1,720	**4,051,635**
Derivative financial instruments	82,284	-	**82,284**
Total Non-Current Assets	6,814,920	1,720	**6,816,640**
Total Assets	8,184,005	5,211	**8,189,216**
LIABILITIES			
Current Liabilities			
Trade and other payables	1,106,547	-	**1,106,547**
Contract liabilities	118,971	-	**118,971**
Borrowings	2,050,761	-	**2,050,761**
Provisions	40,830	-	**40,830**
Other	44,150	26,223	**70,373**
Total Current Liabilities	3,361,259	26,223	**3,387,482**
Non-Current Liabilities			
Borrowings	5,544,204	-	**5,544,204**
Provisions	21,605	-	**21,605**
Other	157,991	-	**157,991**
Total Non-Current Liabilities	5,723,800	-	**5,723,800**
Total Liabilities	9,085,059	26,223	**9,111,282**
Net Assets	(901,054)	(21,012)	**(922,066)**
EQUITY			
Contributed equity	6,046,890	-	**6,046,890**
Reserves	191	-	**191**
Accumulated losses	(6,948,135)	(21,012)	**(6,969,147)**
Total Equity	(901,054)	(21,012)	**(922,066)**

Note 4 Revenue

	2018 $'000	2017 $'000
Revenue from contracts with customers		
Postpaid service revenue	**1,917,136**	1,922,967
Prepaid service revenue	**474,070**	459,263
Other service revenue	**78,968**	66,120
Hardware revenue	**1,156,586**	996,280
	3,626,760	3,444,630

	2018 $'000	2017 $'000
Other income		
Grant income	**6,942**	6,952
Other income	**9,380**	2,163
Interest income	**3,808**	4,186
	20,130	13,301

(a) Assets and liabilities related to contracts with customers

The following assets and liabilities are related to contracts with customers:

	2018 $'000	2017 $'000
Trade receivables	**302,838**	397,369
Handset and accessories receivables	**269,872**	332,458
Accrued income	**12,656**	16,777
Less: Provision for impairment of receivables	**(79,990)**	(132,968)
Total contract receivables (Note 7 and 11)	**505,376**	613,636
Contract Liabilities	**118,971**	-

Contract liabilities relate to unearned revenue. Unearned revenue arises from consideration received from prepaid services which have not been utilised or subject to expired credit or from postpaid services which have not yet been provided.

Contract Costs (Note 15)	**41,188**	47,134

Contract Costs are recognised as an asset and expensed over the expected life of a customer contract consistent with the transfer of the goods and services to which the capitalised costs relate to the customer.

Movement in contract liabilities

Contract liabilities relating to prior year released during the year were $138 million.

Note 5 Key items of profit and loss

	2018 $'000	2017 $'000
Finance costs		
Amortisation of borrowing costs	**6,477**	8,720
Interest and finance charges paid / payable	**355,325**	348,003
Total finance costs	**361,802**	356,723
Depreciation and amortisation		
Depreciation	**532,391**	506,931
Amortisation	**336,299**	290,176
Total depreciation and amortisation	**868,690**	797,107
Rental expense relating to operating leases	**174,295**	180,097
Superannuation expense	**22,339**	23,210
Handset receivables expense	**65,100**	42,221
Net exchange loss recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**138**	396
Realised foreign exchange gain on cross currency swaps	**400,190**	-
Unrealised foreign exchange gain/(loss) on cross currency swaps	**111,537**	(381,264)
	511,727	(381,264)
Unrealised foreign exchange (loss)/gain on borrowings	**(488,244)**	376,336
Total foreign exchange gain/(loss) on borrowings and cross currency swaps	**23,483**	(4,928)

Foreign exchange gains and losses associated with USD loan facility

The Group has a US$3.5 billion syndicated loan facility with a syndicate of lenders. In order to protect against exchange rate movements, the Group entered cross currency swaps with entities related to the shareholders of the Group to coincide with the maturity of the loan. These swaps covered 99.7% of the outstanding loan balance, had a fixed exchange rate and effectively swap US Dollar debt for Australian Dollar debt. As part of the ongoing debt restructure for the Group, the decision was made to terminate the existing cross currency swaps and then enter into new cross currency swaps. The termination of the cross currency swaps occurred on 14 December 2018. The new swaps were entered into with entities related to shareholders of the Group. These new swaps cover 100% of the outstanding loan balance.

The above amounts represent the realised and unrealised foreign exchange gains/(losses) recognised during the year in relation to the US$3.5 billion syndicated loan facility and the associated cross currency swap contracts.

Handset receivable expense

The Consolidated Entity is party to a risk transfer arrangement with an external bank to sell certain handset receivables. The handset receivable expense represents the difference between the face value and the consideration received.

Non-recurring impacts

During the year as a result of the revision of management estimates related to variable consideration and impairment of receivables as disclosed in Note 2(b)(i) and (ii) there was a one off non-recurring benefit of $50 million in the Statement of Profit or Loss and Comprehensive Income for the year ended 31 December 2018.

Vodafone Hutchison Australia Pty Limited

Notes to the Financial Statements

Note 6 Income Tax

(a) Income tax expense	**2018**	2017
	$'000	$'000
Current tax expense/(credit) on profit/(loss) for the year	**5,479**	(1,425)
Relating to origination and reversal of temporary difference	**(135,392)**	(22,077)
Adjustments for tax of prior periods	**(8,507)**	(23)
Deferred tax assets not recognised	**138,420**	23,525
Total income tax expense	**-**	-
Deferred tax expense movement		
(Increase) in deferred tax assets	**(128,645)**	(30,912)
(Decrease)/increase in deferred tax liabilities	**(351)**	6,227
Adjustments for deferred tax of prior periods	**(6,396)**	2,608
	(135,392)	(22,077)

(b) Numerical reconciliation between tax expense and pre tax accounting profit

Loss from operations before income tax	**124,443**	177,844
Income tax benefit at the Australian tax rate of 30% (2017: 30%)	**37,333**	53,353
Tax effect of amounts which are (not deductible)/taxable in calculating taxable income:		
- Non deductible and non assessable items		
- Interest expense	**(44,623)**	(51,801)
- Entertainment	**(259)**	(127)
- Other	**2,070**	-
- Previously unrecognised tax losses now recouped to reduce current tax expense	**5,479**	(1,425)
Income tax expense	**-**	-

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	**4,344,266**	4,778,917
Potential tax benefit at 30% (2017: 30%)	**1,303,280**	1,433,675

The 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.

Vodafone Hutchison Australia Pty Limited

Notes to the Financial Statements

Note 6 Income Tax (continued)

(d) Deferred tax assets and liabilities	**2018**	2017
	$'000	$'000
(i) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Employee benefits	**6,606**	8,673
Contract liabilities	**8,555**	12,840
	15,161	21,513
Other:		
Property, plant and equipment	**84,354**	32,283
Provisions and accruals	**86,751**	100,096
Unrealised foreign exchange movements	**94,844**	-
Other	**2,200**	773
Total deferred tax assets	**283,310**	154,665
Set off tax liabilities pursuant to set-off provisions	**(242)**	(593)
Deferred tax assets not recognised	**(283,068)**	(154,072)
Net deferred tax assets	**-**	-

(ii) Deferred tax liabilities	**2018**	2017
	$'000	$'000
The balance comprises temporary differences attributable to:		
Prepayments	**242**	174
Unrealised foreign exchange movements	**-**	309
Finance leases	**-**	110
	242	593
Set off tax liabilities pursuant to set-off provisions	**(242)**	(593)
Net deferred tax liabilities	**-**	-

Note 7 Current assets – Trade and other receivables

	2018 $'000	2017 $'000
Trade receivables	**302,838**	397,369
Handset and accessories receivables	**200,677**	236,182
Accrued income	**12,656**	16,777
Less: Provision for impairment of receivables	**(55,243)**	(102,086)
	460,928	548,242
Receivable from entity within jointly controlling parent Group	**2,213**	1,057
Other receivables	**112**	18
	463,253	549,317
Movements in the provisions		
Beginning of the year	**(102,086)**	(111,827)
Provision for impairment recognised during the year	**(41,041)**	(49,873)
Reclass AASB 15	**19,900**	-
Change in estimate	**11,413**	3,922
Net unwinding of unbilled receivables and write offs	**56,571**	55,692
End of the year	**(55,243)**	(102,086)

The Consolidated Entity is party to a risk transfer arrangement with an external bank to sell certain handset receivables. As the relevant criteria in AASB 9 *Financial Instruments* were satisfied, the fair value of the current receivables sold were derecognised from the financial statements. The impact of any variable consideration included in the risk transfer agreement is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. In addition, under AASB 9, net receivables above is adjusted for expected credit losses. As described in Note 1, the Group has assessed the provision for impairment described above.

Note 8 Current assets – Inventories

	2018 $'000	2017 $'000
Finished goods at cost	**144,653**	103,587
Less: Provision for inventory write-down	**(15,349)**	(18,546)
	129,304	85,041

Inventories recognised as expense during the year ended 31 December 2018 amounted to $1,105 million (2017: $960 million).

Note 9 Current assets – Derivative financial instruments

	2018 $'000	2017 $'000
Cross currency swaps – related entities to Vodafone Group Plc	**14,581**	-
Cross currency swaps – related entities to CK Hutchison Holdings Limited	**14,672**	-
Forward foreign exchange contracts – cash flow hedges	**191**	-
	29,444	-

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in and foreign exchange rates.

The Group procures a portion of its handsets and network equipment from global suppliers. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts, in a number of currencies, primarily US Dollar and Euro.

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for purchases are scheduled to be made.

The Group has a US$3.5 billion syndicated loan facility with a syndicate of lenders. The facility is based on the 3 month US LIBOR plus a margin and the term was extended for a further 3 years in November 2017 to mature in 2020. In order to protect against exchange rate movements, the Group has in place cross currency swaps to coincide with the maturity of the loan. The swaps in place cover 100.0% of the outstanding loan balance and have a fixed exchange rate and effectively swap US Dollar debt for Australian Dollar debt. The Group's effective rate of interest is based on the Australian 3 month BBSW plus a margin. The swaps were entered into with related parties associated with the jointly controlling parent entities (refer to Note 29(g)).

The cross currency swaps are settled in full on the same date as the interest payment is made to the facility agent.

The gain or loss on the hedging instrument is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and is expected to broadly offset the revaluation on the syndicated loan facility.

Note 10 Current assets – Other

	2018 $'000	2017 $'000
Prepayments and other current assets	**107,862**	133,753

Note 11 Non-current assets – Trade and other receivables

	2018 $'000	2017 $'000
Handset and accessories receivables	**69,195**	96,276
Less: Provision for impairment of receivables	**(24,747)**	(30,882)
	44,448	65,394
Beginning of the year	**(30,882)**	(25,959)
Provision for impairment recognised during the year	**(21,879)**	(12,503)
Reclass AASB 15	**15,159**	-
Change in estimate	**9,090**	2,077
Net unwinding of unbilled receivables and write offs	**3,765**	5,503
End of the year	**(24,747)**	(30,882)

The Consolidated Entity is party to a risk transfer arrangement with an external bank to sell certain handset receivables. As the relevant criteria in AASB 9 *Financial Instruments* were satisfied, the fair value of the non-current receivables sold were derecognised from the financial statements. The impact of any variable consideration included in the risk transfer agreement is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. In addition, under AASB 9, net receivables above is adjusted for expected credit losses. As described in Note 1, the Group has assessed the provision for impairment described above.

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Note 12 Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2018 and 31 December 2017 on a recurring basis:

At 31 December 2017	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets				
Foreign currency swaps	-	745,760	-	745,760
Total financial assets	-	745,760	-	745,760
Financial liabilities				
Foreign currency swaps	-	1,285	-	1,285
Total financial liabilities	-	1,285	-	1,285

At 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Foreign currency swaps	-	111,728	-	111,728
Total financial assets	**-**	**111,728**	**-**	**111,728**
Financial liabilities				
Foreign currency swaps	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2018.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Valuation techniques used to determine fair values

The fair value of foreign currency hedging derivatives is determined using Bloomberg valuations at the balance sheet date.

All of the resulting fair value estimates are included in level 2 of the fair value hierarchy.

Vodafone Hutchison Australia Pty Limited

Notes to the Financial Statements

Note 13 Investments

(a) Material subsidiaries

The Group's principal subsidiaries at 31 December 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation is also their principal place of business.

Name of Entity	Notes	Country of Incorporation	Equity Holding 2018 %	Equity Holding 2017 %
Vodafone Hutchison Finance Pty Limited		Australia	**100**	100
Vodafone Hutchison Spectrum Pty Limited	(b)	Australia	**100**	-
Vodafone Hutchison Receivables Pty Limited	(b)	Australia	**100**	100
H3GA Properties (No. 3) Pty Limited	(b)	Australia	**100**	100
Vodafone Foundation Australia Pty Limited	(b)	Australia	**100**	100
Entered into a Deed of Cross Guarantee and member of the Closed Group[4][5]:				
Vodafone Australia Pty Limited	(a)	Australia	**100**	100
Vodafone Pty Limited	(b)	Australia	**100**	100
Vodafone Network Pty Limited	(b)	Australia	**100**	100
Mobileworld Operating Pty Ltd	(b)	Australia	**100**	100
Mobileworld Communications Pty Ltd	(b)	Australia	**100**	100

(a) Pursuant to the ASIC Instrument, these wholly-owned subsidiaries within the Closed Group are relieved from the requirement to prepare and lodge separate financial reports for the year ended 31 December 2018.
(b) These are small proprietary companies as defined in the *Corporations Act 2001* (Cth) and are exempt from the requirement to prepare financial reports.

(b) Interests in Joint Ventures

Name of Entity	Notes	Country of Incorporation	Equity Holding 2018 %	Equity Holding 2017 %
Mobile JV Pty Limited	(a)	Australia	**50**	-

(a) The equity holding in this entity is through Vodafone Hutchison Spectrum Pty Limited. The entity was established as a joint venture between the Group and TPG Telecom to purchase 3.6GHz spectrum at the auction conducted in November 2018. The entity had no material balances as at 31 December 2018. The entity will be accounted for using the equity method.

(i) Commitments in respect of Joint Ventures

Mobile JV Pty Limited, a joint venture with TPG Telecom, was a successful bidder in the recent auction for 3.6GHz spectrum. Mobile JV Pty Limited will pay $263.3m in March 2020 for the lots it acquired in this auction. VHA is responsible for funding one half of the purchase price, being $131.65m, at the time of payment.

4 As defined in ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (ASIC Instrument).

5 There are no other members of the Extended Closed Group (as defined in the ASIC Instrument).

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

	Land and Building $'000	Fixtures, fitting & other equipment $'000	Computer equipment $'000	Network equipment and infrastructure $'000	Asset under construction $'000	Total $'000
Cost						
At 1 January 2017	105	100,952	311,496	3,436,576	482,126	4,331,255
Additions	-	-	-	-	901,089	901,089
Transfers	-	331	71,007	676,262	(912,814)	(165,214)
Revaluation	-	-	-	886	-	886
Write off	-	(21,731)	(17,511)	(42,866)	(72,644)	(154,752)
Closing balance	105	79,552	364,992	4,070,858	397,757	4,913,264
Depreciation						
At 1 January 2017	-	(50,885)	(201,348)	(1,572,486)	(64,173)	(1,888,892)
Depreciation charge	-	(18,183)	(63,232)	(410,700)	(14,816)	(506,931)
Write off	-	21,731	17,511	42,866	72,644	154,752
Closing balance	-	(47,337)	(247,069)	(1,940,320)	(6,345)	(2,241,071)
At 31 December 2017						
Cost	105	79,552	364,992	4,070,858	397,757	4,913,264
Accumulated depreciation	-	(47,337)	(247,069)	(1,940,320)	(6,345)	(2,241,071)
Net book amount	**105**	**32,215**	**117,923**	**2,130,538**	**391,412**	**2,672,193**

	Land and Building $'000	Fixtures, fitting & other equipment $'000	Computer equipment $'000	Network equipment and infrastructure $'000	Asset under construction $'000	Total $'000
Cost						
At 1 January 2018	105	79,552	364,992	4,070,858	397,757	4,913,264
Additions	-	-	-	-	604,015	604,015
Transfers	-	15,738	94,383	456,152	(671,817)	(105,544)
Revaluation	-	-	-	-	-	-
Write off	-	-	(366)	(3,455)	(2,029)	(5,850)
Closing balance	105	95,290	459,009	4,523,555	327,926	5,405,885
Depreciation						
At 1 January 2018	-	(47,337)	(247,069)	(1,940,320)	(6,345)	(2,241,071)
Depreciation charge	-	(14,215)	(67,931)	(442,198)	(8,047)	(532,391)
Write off	-	-	366	3,455	2,029	5,850
Closing balance	-	(61,552)	(314,634)	(2,379,063)	(12,363)	(2,767,612)
At 31 December 2018						
Cost	105	95,290	459,009	4,523,555	327,926	5,405,885
Accumulated depreciation	-	(61,552)	(314,634)	(2,379,063)	(12,363)	(2,767,612)
Net book amount	**105**	**33,738**	**144,375**	**2,144,492**	**315,563**	**2,638,273**

Leased assets

Property Plant and equipment includes the following amounts where the Group is a lessee under a finance lease (refer to Note 25).

Leased Equipment

	2018 $'000	2017 $'000
Cost	**608,472**	499,577
Accumulated depreciation	**(81,945)**	(39,846)
Net Book amount	**526,527**	459,731

Vodafone Hutchison Australia Pty Limited

Notes to the Financial Statements

Note 15 Non-current assets – Intangible assets

	Brand Name $'000	Spectrum Licence $'000	Computer Software $'000	Contract Costs $'000	Goodwill $'000	Total $'000
Cost						
At 1 January 2017	1,640	914,710	991,017	109,234	2,412,807	4,429,408
Additions	-	613,553	-	47,255	-	660,808
Transfers	-	1,660	163,554	-	-	165,214
Write off	-	-	(12,533)	(57,793)	-	(70,326)
Closing balance	1,640	1,529,923	1,142,038	98,696	2,412,807	5,185,104
Amortisation						
At 1 January 2017	(54)	(356,050)	(648,543)	(52,613)	-	(1,057,260)
Amortisation charge	(329)	(81,321)	(151,784)	(56,742)	-	(290,176)
Write off	-	-	12,533	57,793	-	70,326
Closing balance	(383)	(437,371)	(787,794)	(51,562)	-	(1,277,110)
At 31 December 2017						
Cost	1,640	1,529,923	1,142,038	98,696	2,412,807	5,185,104
Accumulated amortisation	(383)	(437,371)	(787,794)	(51,562)	-	(1,277,110)
Net book amount	**1,257**	**1,092,552**	**354,244**	**47,134**	**2,412,807**	**3,907,994**

	Brand Name $'000	Spectrum Licence $'000	Computer Software $'000	Contract Costs $'000	Goodwill $'000	Total $'000
Cost						
At 1 January 2018	1,640	1,529,923	1,142,038	98,696	2,412,807	5,185,104
AASB 15 Opening Balance adjustment	-	-	-	(9,695)	-	(9,695)
Revised 1 January 2018	1,640	1,529,923	1,142,038	89,001	2,412,807	5,175,409
Additions	-	293,144	-	90,947	-	384,091
Transfers	-	-	105,544	-	-	105,544
Write off	-	(228,790)	(497,351)	(41,747)	-	(767,888)
Closing balance	1,640	1,594,277	750,231	138,201	2,412,807	4,897,156
Amortisation						
At 1 January 2018	(383)	(437,371)	(787,794)	(51,562)	-	(1,277,110)
Amortisation charge	(329)	(109,191)	(139,581)	(87,198)	-	(336,299)
Write off	-	228,790	497,351	41,747	-	767,888
Closing balance	(712)	(317,772)	(430,024)	(97,013)	-	(845,521)
At 31 December 2018						
Cost	1,640	1,594,277	750,231	138,201	2,412,807	4,897,156
Accumulated amortisation	(712)	(317,772)	(430,024)	(97,013)	-	(845,521)
Net book amount	**928**	**1,276,505**	**320,207**	**41,188**	**2,412,807**	**4,051,635**

Note 16 Non-current assets – Derivative financial instruments

	2018 $'000	2017 $'000
Cross currency swaps – related entities to CK Hutchison Holdings Limited	**41,142**	372,880
Cross currency swaps – related entities to Vodafone Group Plc	**41,142**	372,880
	82,284	745,760

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in and foreign exchange rates.

The Group procures a portion of its handsets and network equipment from global suppliers. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts, in a number of currencies, primarily US Dollar and Euro. These contracts are hedging highly probable forecasted purchases for ensuing financial year. The contracts are timed to mature when payments for purchases are scheduled to be made.

The Group has a US$3.5 billion syndicated loan facility with a syndicate of lenders. The facility is based on the 3 month US LIBOR plus a margin and the term was extended for a further 3 years in November 2017 to mature in 2020. In order to protect against exchange rate movements, the Group has in place cross currency swaps to coincide with the maturity of the loan. The swaps in place cover 100.0% of the outstanding loan balance and have a fixed exchange rate and effectively swap US Dollar debt for Australian Dollar debt. The Group's effective rate of interest is based on the Australian 3 month BBSW plus a margin. The swaps were entered into with related parties associated with the jointly controlling parent entities (refer to Note 29(g)).The cross currency swaps are settled in full on the same date as the interest payment is made to the facility agent.

The gain or loss on the hedging instrument is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and is expected to broadly offset the revaluation on the syndicated loan facility.

Note 17 Current liabilities – Trade and other payables

	2018 $'000	2017 $'000
Trade creditors and accruals	**874,213**	683,715
Other creditors	**182,415**	91,269
Payables to related parties (refer to note 29(e))	**49,062**	84,090
Interest payables to entities within jointly controlled parents' Group (refer to note 29(e))	**857**	1,677
	1,106,547	860,751

Note 18 Current liabilities – Borrowings

	2018 $'000	2017 $'000
Unsecured - at amortised cost		
Bank loans	**1,700,000**	-
Loans from shareholders (note 29(f))	**321,529**	472,000
Guarantee fees payable to entities within jointly controlled parents' Group (note 29(e))	**1,928**	-
Finance lease liabilities (note 25)	**25,583**	25,227
Other	**1,721**	1,720
	2,050,761	498,947

The Group's effective rate of interest on bank loans is based on the Australian 1 month BBSY plus margin for its $1.7 billion loan facility. Bank loans are guaranteed by the shareholders for which the Consolidated Entity pays a guarantee fee.

Total undrawn borrowing facilities as at 31 December 2018 is $1,178 million (31 December 2017: $1,028 million). The fair value of the loans approximate to their carrying amounts as the interest payable is either close to current market rates or the borrowings are of a short-term nature.

Note 19 Current liabilities – Provisions

	2018 $'000	2017 $'000
Employee benefits	**8,590**	7,987
Decommissioning	**10,323**	14,801
Other provisions	**16,000**	11,308
Onerous contracts	**5,917**	4,812
	40,830	38,908

Movement in provisions	Beginning of the year $'000	Addition $'000	Utilised $'000	**End of the year $'000**
Employee benefits	7,987	29,308	(28,705)	**8,590**
Decommissioning	14,801	4,156	(8,634)	**10,323**
Other provision	11,308	7,000	(2,308)	**16,000**
Onerous contracts	4,812	4,244	(3,139)	**5,917**
	38,908	44,708	(42,786)	**40,830**

Employee benefits
The provision for employee benefits represents long service leave entitlements accrued and compensation claims made by employees.

Decommissioning
The provision for decommissioning costs represents costs for decommissioning network, IT and store assets. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of that particular asset.

Onerous contracts
This provision relates to present obligations arising under onerous contracts relating to lease arrangements at a number of Mobile Telephone Exchange ("MTX") and corporate sites that have been or will be vacated prior to the lease exit dates.

Note 20 Current liabilities – Derivative financial instruments

	2018 $'000	2017 $'000
Cross currency swaps – related entities to CK Hutchison Holdings Limited	**-**	551
Cross currency swaps – related entities to Vodafone Group Plc	**-**	502
Forward foreign exchange contracts – cash flow hedges	**-**	232
	-	1,285

The current liabilities on the cross currency swaps have arisen as a result of the Consolidated Entity entering into cross currency swaps with related parties to the jointly controlling parent entities (refer to Note 29(g)).

Note 21 Current liabilities – Other

	2018 $'000	2017 $'000
Unearned income	**25,088**	147,499
Other	**45,285**	229,671
	70,373	377,170

Government grants of $27 million (2017: $32 million) are included in 'Other'. The government grants are recognised as deferred income and credited to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the expected lives of the related assets.

Note 22 Non-current liabilities – Borrowings

	2018 $'000	2017 $'000
Unsecured		
Bank loans at amortised cost	**4,969,471**	6,180,343
Guarantee fees payable to entities within jointly controlled parents' Group (refer to note 29(e))	**5,276**	768,246
Finance lease liabilities (note 25)	**566,017**	469,326
Other	**3,440**	5,160
	5,544,204	7,423,075

The Group's effective rate of interest on bank loans is based on the Australian 3 month BBSW plus margin for US$3.5 billion syndicated loan facility. Bank loans are guaranteed by the shareholders for which the Consolidated Entity pays a guarantee fee.

The fair value of the loans approximate to their carrying amounts as the interest payable is either close to current market rates or that have recently been tested in the market.

Note 23 Non-current liabilities – Provisions

	2018 $'000	2017 $'000
Employee benefits	**7,225**	5,837
Decommissioning	**14,380**	19,735
	21,605	25,572

Movement in provisions	Beginning of the year $'000	Addition $'000	Utilised $'000	**End of the year $'000**
Employee benefits	5,837	1,388	-	**7,225**
Decommissioning	19,735	208	(5,563)	**14,380**
	25,572	1,596	(5,563)	**21,605**

Note 24 Non-current liabilities – Other

	2018 $'000	2017 $'000
Site accruals	**67,798**	73,454
Unearned income	**14,424**	-
Other payables	**75,769**	-
Interest payables to entities within jointly controlled parents' Group (refer to note 29(e))	**-**	9,347
	157,991	82,801

Note 25 Obligations under finance leases

Leasing arrangements
The Consolidated Entity leased certain assets related to network equipment under finance leases. The lease term is 15 years (2017: 3 to 15 years).

Interest rates underlying all obligations under finance leases are fixed at the contract date and average 6.1% (2017: Average 6.1%) per annum.

	2018 $'000	2017 $'000
Finance lease liabilities		
Not later than 1 year	**25,583**	25,227
Later than 1 year but not later than 5 years	**123,908**	90,754
Greater than 5 years	**442,109**	378,572
	591,600	494,553

Note 26 Contributed equity

	2018 Shares	2017 Shares	**2018 $'000**	2017 $'000
(a) Share capital				
Ordinary shares (fully paid)	**1,100,096,986**	1,100,096,986	**6,046,890**	6,046,890
Fully paid ordinary shares	**1,100,096,986**	1,100,096,986	**6,046,890**	6,046,890

(b) 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.

Ordinary shares have no par value and the Consolidated Entity does not have a limited amount of authorised capital.

(c) Movement in ordinary shares

There has been no movement in the number of shares issued during the years ended 31 December 2018 and 31 December 2017.

Note 27 Reserves

	2018 $'000	2017 $'000
Cash flow hedging reserve	**191**	(232)
Movements in the reserves		
Beginning of the year	**(232)**	181
Changes in value of cash flow hedges	**423**	(413)
End of the year	**191**	(232)

Cash flow hedging reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Note 28 Accumulated Losses

	2018 $'000	2017 $'000
Accumulated Losses	**(6,969,147)**	(6,839,505)
Movement in retained (losses)		
Beginning of the year	**(6,839,505)**	(6,661,661)
Adjustment on adoption of AASB 15	**(5,199)**	-
	(6,844,704)	(6,661,661)
Loss for the year	**(124,443)**	(177,844)
End of the year	**(6,969,147)**	(6,839,505)

Note 29 Related party transactions

(a) Parent entities

The Group is jointly controlled by the following immediate parent entities

Name of entity	Type	Country of incorporation	Equity holding 2018	2017
Hutchison 3G Australia Holdings Pty Limited	Immediate Australian jointly controlling parent entity	Australia	**50%**	50%
Hutchison Telecommunications (Australia) Ltd	Ultimate Australian jointly controlling parent entity	Australia	**50%**	50%
Vodafone Oceania Limited	Immediate jointly controlling parent entity	United Kingdom	**50%**	50%

The Group is jointly controlled by the following ultimate parent entities

Name of entity	Type	Country of incorporation	Equity holding 2018	2017
CK Hutchison Holdings Ltd	Ultimate jointly controlling parent entity	Cayman Islands	**43.93%**	43.93%
Vodafone Group Plc	Ultimate jointly controlling parent entity	United Kingdom	**50%**	50%

(b) Interests in Other Entities

Interests in other entities are set out in Note 13.

(c) Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2018 $’000	2017 $’000
Short term employee benefits	**8,306**	8,688
Long term benefits	**3,398**	3,556
Termination benefits	**2,060**	2,719
Totals	**13,764**	14,963

Note 29 Related party transactions (continued)

(d) Transactions with related parties

	2018 $'000	2017 $'000
Purchases of goods and services		
Purchases of equipment from other related parties	**22,751**	23,335
Service fee paid/payable to other related parties	**49,023**	55,432
Roaming fee paid/payable to other related parties	**23,632**	30,591
IOT fee paid/payable to other related parties	**503**	765
Provision of services		
Service fee received/receivable from other related parties	**3,066**	2,965
Roaming income received/receivable from other related parties	**5,572**	6,343
IOT income received/receivable from other related parties	**51**	443
Other transactions		
Services outsourced to other related parties	**1,160**	1,265
Guarantee fee paid/payable to parent entity		
CK Hutchison Holdings Limited and Hutchison Whampoa Limited	**72,079**	74,919
Vodafone Group Plc	**73,014**	74,919
Interest expenses to parent entity		
Hutchison Telecommunications (Australia) Limited	**10,369**	6,073
Vodafone Oceania Limited	**10,369**	6,011

(e) Outstanding balances arising from sales/purchases of goods and services

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

	2018 $'000	2017 $'000
Current receivable		
Other related parties	**241**	982
Hutchison Telecommunications (Australia) Limited	**153**	75
Mobile JV Pty Limited	**31**	-
Vodafone Group Plc	**1,788**	-
Swap interest receivable from entities within jointly controlled parents' Group	**1,228**	-
	3,441	1,057
Current payable		
Guarantee fees payable to CK Hutchison Holdings Limited	**964**	-
Guarantee fees payable to Vodafone Group Plc	**964**	-
Trade payables with other related parties	**49,062**	84,090
Interest payable to entities within jointly controlled parents' Group	**857**	1,677
	51,847	85,767
Non-current payable		
Guarantee fees payable to CK Hutchison Holdings Limited	**2,638**	384,123
Guarantee fees payable to Vodafone Group Plc	**2,638**	384,123
Interest payable to entities within jointly controlled parents' Group	**-**	9,347
	5,276	777,593

(f) Loans from related parties

	2018 $'000	2017 $'000
Loans from entities within jointly controlled parents' Group		
Beginning of the year	**472,000**	84,762
Loans advanced	**80,000**	400,000
Loans (repaid)	**(230,471)**	(12,762)
End of the year	**321,529**	472,000

Note 29 Related party transactions (continued)

(g) Derivative transactions with related parties

	2018 $'000	2017 $'000
Swaps entered with related entities of CK Hutchison Holdings Limited		
Current assets	**14,671**	-
Current liabilities	**-**	551
Non-current assets	**41,142**	372,880
Net interest revenue/(expense)	**22,792**	(11,625)
Swaps entered with related entities of Vodafone Group Plc		
Current assets	**14,581**	-
Current liabilities	**-**	502
Non-current assets	**41,142**	372,880
Net interest revenue/(expense)	**22,652**	(12,226)

As mentioned in Notes 9 and 16, the Group has a US$3.5 billion syndicated loan facility. In order to protect against exchange rate movements, the Group uses currency swaps to coincide with the maturity of the loan. The swaps were entered into with the related parties of the jointly controlling parent entities.

(h) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 30 Contingencies

Details and estimates of maximum amounts of contingent liabilities as at 31 December 2018 are as follows:

	2018 $'000	2017 $'000
Guarantees		
Secured guarantees	**46,195**	92,181
Unsecured guarantees	**18,935**	22,611
	65,130	114,792

The Company has provided bankers' guarantees to support various commercial and regulatory obligations of $65.1 million as at 31 December 2018 (2017: $114.8 million). In order to support the issuance of the guarantees, the Company has placed $23.1 million on deposit with the issuing bank.

In the ordinary course of business, the company takes part in commercial negotiations and can be subject to claims by third parties, the outcomes of which are unknown. As at 31 December 2018, management has considered all material contracts and is not aware of any disputes or concerns that could lead to a material claim against the Company that is not reflected in the financial statements of the Company at the reporting date.

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

Note 31 Commitments

	2018 $'000	2017 $'000
Capital commitments		

Property, plant and equipment
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	**253,372**	304,290
Later than 1 year but not later than 5 years	**107,429**	204,282
Later than 5 years	**-**	-
	360,801	508,572

Mobile JV Pty Limited
Commitments for the acquisition of spectrum contracted for at the reporting date by Mobile JV Pty Limited, a joint venture with TPG Telecom, for which the Group is responsible to fund one half of the purchase price of $263.3m. This amount is not included in the above commitments numbers.

Not later than 1 year	**-**	**-**
Later than 1 year but not later than 5 years	**131,650**	**-**
Later than 5 years	**-**	**-**
	131,650	**-**

Lease commitments

Commitments, in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

Operating leases	**2018 $'000**	2017 $'000
Not later than 1 year	**181,760**	144,198
Later than 1 but not later than 5 years	**586,237**	506,499
Later than 5 years	**992,481**	902,957
	1,760,478	1,553,654
Representing:		
Non-cancellable operating leases	**1,760,478**	1,553,654

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

Finance leases	**2018 $'000**	2017 $'000
Not later than 1 year	**331**	6,314
Later than 1 but not later than 5 years	**4,751**	47,113
Later than 5 years	**13,396**	129,596
	18,478	183,023
Representing:		
Non-cancellable finance leases	**18,478**	183,023

Finance lease commitments relates to a network unit agreement with a 15 year term. The agreement contains two extension options of 5 years each.

Other commitments
Commitments, for payment of information technology and network support services under contracts in existence at the reporting date but not recognised as liabilities, payable:

	2018 $'000	2017 $'000
Not later than 1 year	**67,049**	151,707
Later than 1 but not later than 5 years	**48,753**	97,232
Later than 5 years	**11,864**	16,377
	127,666	265,316

Note 32 Parent entity financial information

(a) Summary financial information

	2018 $'000	2017 $'000
Financial position		
ASSETS		
Current Assets	**1,454,739**	1,192,318
Non-current Assets	**8,720,912**	8,749,280
Total Assets	**10,175,651**	9,941,598
LIABILITIES		
Current Liabilities	**8,313,071**	10,451,861
Non-current Liabilities	**8,208,916**	6,720,098
Total Liabilities	**16,521,987**	17,171,959
Net Assets	**(6,346,336)**	(7,230,361)
EQUITY		
Contributed equity	**6,046,890**	6,046,890
Cash flow hedge reserve	**191**	(232)
Accumulated losses	**(12,393,417)**	(13,277,019)
Shareholder deficiency	**(6,346,336)**	(7,230,361)
Financial performance		
Profit for the year	**900,739**	627,810
Total comprehensive profit for the year	**901,161**	628,223

(b) Guarantee entered into by the parent entity

	2018 $'000	2017 $'000
Guarantees		
Secured guarantees	**46,195**	92,181
Unsecured guarantees	**18,935**	22,611
	65,130	114,792

(c) Commitments

	2018 $'000	2017 $'000

Capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:

	2018 $'000	2017 $'000
Property, plant and equipment		
Not later than 1 year	**253,372**	304,290
Later than 1 year but not later than 5 years	**107,429**	204,282
Later than 5 years	**-**	-
	360,801	508,572

Lease commitments

Commitments, in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

	2018 $'000	2017 $'000
Operating leases		
Not later than 1 year	**181,760**	144,198
Later than 1 but not later than 5 years	**586,237**	506,499
Later than 5 years	**992,481**	902,957
	1,760,478	1,553,654
Representing:		
Non-cancellable finance leases	**1,760,478**	1,553,654

Note 32 Parent entity financial information (continued)

(c) Commitments (continued)

	2018	2017
Finance leases	**$'000**	$'000
Not later than 1 year	**331**	6,314
Later than 1 but not later than 5 years	**4,751**	47,113
Later than 5 years	**13,396**	129,596
	18,478	183,023
Representing:		
Non-cancellable finance leases	**18,478**	183,023

Other commitments

Commitments, for payment of information technology and network support services under contracts in existence at the reporting date but not recognised as liabilities, payable:

Not later than 1 year	**67,049**	151,707
Later than 1 but not later than 5 years	**48,753**	97,232
Later than 5 years	**11,864**	16,377
	127,666	265,316

Note 33 Deed of cross guarantee

The parties to the deed of cross guarantee are those as disclosed in Note 13. Each entity that is a party to the deed of cross guarantee has guaranteed the debts of the other parties. By entering into the deed, each of the wholly-owned entities that would otherwise be subject to the requirement to prepare a financial report and director's report have been relieved from that requirement under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

Set out below is the summarised consolidated statement of profit or loss and other comprehensive income for the entities that are parties to the deed of cross guarantee.

	2018 $'000	2017 $'000
Revenue from continuing activities		
Revenue from operating activities	**3,626,760**	3,444,630
Other revenue	**20,130**	13,301
Cost of interconnection and other variable costs	**(367,765)**	(396,131)
Other direct costs of provision of telecommunication services and goods	**(474,688)**	(488,321)
Cost of handsets sold	**(1,127,230)**	(1,029,190)
Employee benefits expense	**(235,932)**	(250,332)
Advertising and promotion expenses	**(76,102)**	(82,798)
Other operating expenses	**(259,124)**	(235,173)
Depreciation and amortisation expense	**(868,690)**	(797,107)
Finance costs	**(348,254)**	(356,719)
Loss before income tax	**(110,895)**	(177,840)
Income tax expense	**-**	-
Loss for the year	**(110,895)**	(177,840)
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax		
Changes in the fair value of cash flow hedges	**423**	(413)
Total comprehensive loss for the year	**(110,472)**	(178,253)
Accumulated losses at 1 January	**(6,840,200)**	(6,662,360)
Opening balance adjustment for AASB 15	**(5,199)**	-
Loss for the year	**(110,895)**	(177,840)
Accumulated losses at 31 December	**(6,956,294)**	(6,840,200)

Note 33 Deed of cross guarantee (continued)

Set out below is the consolidated statement of financial position for the deed of cross guarantee.

	2018 $'000	2017 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	**631,903**	356,031
Trade and other receivables	**461,465**	549,317
Inventories	**129,304**	85,041
Derivative financial instruments	**191**	-
Other	**97,557**	130,657
Total Current Assets	**1,320,420**	1,121,046
Non-current Assets		
Trade and other receivables	**44,448**	65,394
Property, plant and equipment	**2,638,273**	2,672,193
Intangible assets	**4,051,635**	3,907,994
Total Non-current Assets	**6,734,356**	6,645,581
Total Assets	**8,054,776**	7,766,627
LIABILITIES		
Current Liabilities		
Trade and other payables	**1,086,573**	850,657
Borrowings	**2,061,523**	498,947
Provisions	**40,830**	38,908
Derivative financial instruments	**-**	232
Contract liabilities	**118,971**	-
Other	**70,375**	377,170
Total Current Liabilities	**3,378,272**	1,765,914
Non-current Liabilities		
Borrowings	**5,406,121**	6,695,228
Provisions	**21,605**	25,572
Other	**157,991**	73,455
Total Non-current Liabilities	**5,585,717**	6,794,255
Total Liabilities	**8,963,989**	8,560,169
Net Assets	**(909,213)**	(793,542)
EQUITY		
Contributed equity	**6,046,890**	6,046,890
Reserves	**191**	(232)
Accumulated losses	**(6,956,294)**	(6,840,200)
Total Equity	**(909,213)**	(793,542)

Note 34 Cash and cash equivalents

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2018	2017
	$'000	$'000
Total cash and cash equivalents	**642,713**	356,210

(a) Restricted cash

The cash and cash equivalents disclosed above and in the statement of cash flows include $23.1 million (2017: $46.6 million) which are held by VHA. These deposits are subject to restrictions (see note 30 Contingent Liabilities) and are therefore not available for general use by the other entities within the Group.

(b) Non-cash investing and financing activities	**2018**	2017
	$'000	$'000
Acquisition of plant and equipment by means of finance lease (i)	**108,895**	331,635
Termination of cross currency swap contracts (ii)	**1,145,019**	-
Repayment of accrued guarantee fees and associated interest (ii)	**(914,548)**	-
Repayment of working capital facilities (ii)	**(230,471)**	-
Use of supply chain financing for trade creditors	**90,630**	-

(i) Represents network equipment that has been acquired by means of finance leases throughout the year.

(ii) On 14 December 2018, the existing cross currency swap contracts with the shareholders were terminated. The proceeds from the termination of the swap assets were used to repay the guarantee fees owed to the shareholders as at 14 December 2018 with the excess used to partially pay down the existing working capital facility debt with the shareholders. The bulk of the transaction was settled via payment directions as all transactions were with the shareholders.

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2018	2017
	$'000	$'000
Cash and cash equivalents	**642,713**	356,210
Borrowings - repayable within one year	**(2,050,760)**	(498,947)
Borrowings - repayable after one year	**(5,544,204)**	(7,423,075)
Derivative financial asset	**111,537**	744,707
	(6,840,714)	(6,821,105)
Cash and cash equivalents	**642,713**	356,210
Gross debt - fixed interest rates	**(603,964)**	(1,269,679)
Gross debt - variable interest rates	**(6,991,000)**	(6,652,343)
Derivative financial asset	**111,537**	744,707
	(6,840,714)	(6,821,105)

Note 34 Cash and cash equivalents (continued)

	Cash	Finance leases	Borrowings	Derivative Financial Asset	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Net debt as at 1 January 2017	271,129	(159,979)	(7,261,533)	1,126,162	(6,024,221)
Cash flows	85,081	10,948	16,831	-	112,860
Acquisition - finance leases	-	(331,635)	-	-	(331,635)
Interest unwinding	-	(13,887)	(63)	-	(13,950)
Foreign exchange adjustments	-	-	375,305	(381,455)	(6,150)
Proceeds from Borrowings	-	-	(408,170)	-	(408,170)
Guarantee Fees	-	-	(149,839)	-	(149,839)
Net debt as at 31 December 2017	**356,210**	**(494,553)**	**(7,427,469)**	**744,707**	**(6,821,105)**
Net debt as at 1 January 2018	356,210	(494,553)	(7,427,469)	744,707	(6,821,105)
Cash flows	286,503	46,162	1,137,391	-	1,470,056
Acquisition - finance leases	-	(108,895)	-	-	(108,895)
Interest unwinding	-	(34,314)	-	-	(34,314)
Foreign exchange adjustments	-	-	(489,128)	511,728	22,600
Realisation of derivative financial asset	-	-	-	(1,144,898)	(1,144,898)
Proceeds from Borrowings	-	-	(80,000)	-	(80,000)
Guarantee Fees	-	-	(144,158)	-	(144,158)
Net debt as at 31 December 2018	**642,713**	**(591,600)**	**(7,003,364)**	**111,537**	**(6,840,714)**

Note 35 Financial risk management

The Group's activities are exposed to a variety of financial risks which include market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management seeks to minimise the potential adverse effects of these risks on the financial performance of the Group.

(a) Market risk

(i) Interest rate risk

The Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Group. The Group manages its interest rate risks on its interest income by placing the cash balances on varying maturities and interest rate terms. Based on the closing cash balance, an increase in interest rates of 50 basis points on the unhedged position (mostly cash and cash equivalents) will generate a profit of $3.2 million to the profit or loss, a similar decrease in interest rates will generate a $3.2 million loss to the profit or loss.

The Group's borrowings include bank borrowings, shareholder loans and finance leases. The borrowings expose the Group to interest rate risk. As at 31 December 2018 approximately 8% (31 December 2017: 12%) of the Group's borrowings were at fixed rates of interest. As at 31 December 2018, assuming that the market interest rate is 50 basis points higher or lower and with no change to the other variables, the annualised interest expense on borrowings would be higher or lower by $34.3 million (2017: $29.4 million).

As at the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	31 December 2018			31 December 2017		
	Weighted average interest rate	**Balance**	**% of total loans**	Weighted average interest rate	Balance	% of total loans
	%	**$'000**		%	$'000	
Bank overdrafts and bank loans	**3.22%**	**6,991,000**	**100.00%**	3.03%	6,652,343	97.26%
Cross Currency Swaps	**3.18%**	**(4,969,471)**		2.98%	(4,480,343)	
Cross Currency Swaps (notional principal amount)	**3.43%**	**4,844,291**		2.25%	3,710,260	
Net exposure to interest rate risk		**6,865,820**	**98.21%**		5,882,260	88.42%

(ii) Foreign currency risk

The Group is mainly exposed to the United States dollar (USD), and Euro (EUR) with minor exposures to other currencies. The following table details the Group's sensitivity to movements in the Australian dollar against relevant foreign currencies. The percentages disclosed below represent changes in spot foreign exchange rates (i.e. forward exchange points and discount factors have been kept constant). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a given percentage change in foreign exchange rates. A positive number indicates a before-tax increase in profit and equity and a negative number indicates a before-tax decrease in profit and equity.

	Profit/Loss (i)		**Equity(ii)**	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
USD Impact				
10%	**1,334**	1,059	**(1,178)**	(764)
-10%	**(1,631)**	(1,295)	**1,439**	933
EUR Impact				
10%	**1,727**	1,021	**(737)**	(675)
-10%	**(2,111)**	(1,248)	**901**	825

(i) This is mainly as a result of the changes in the value of forward foreign exchange contracts not designated in a hedge relationship, foreign currency investments, receivables and payables.

(ii) This is as a result of the changes in the value of forward foreign exchange contracts designated as cash flow hedges

Note 35 Financial risk management (continued)

Amounts recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	2018 $'000	2017 $'000
Amounts recognised in profit or loss		
Net gain / (losses) on foreign currency derivatives	**489,128**	(375,305)
Exchange (losses) / gains on foreign currency borrowing	**(488,244)**	376,336
Other foreign exchange (losses)	**(1,022)**	(1,427)
Total net foreign exchange (losses) recognised in profit before income tax for the year	**(138)**	(396)
Net gains / (losses) recognised in other comprehensive income		
Cash flow hedges	**423**	(413)

(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 related parties. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of handsets and services; and
- unbilled receivables for handsets and accessories.

Receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade Receivables

31 December 2017	Current $'000	More than 30 days past due $'000	More than 60 days past due $'000	More than 120 days past due $'000	Total $'000
Expected loss rate	3.3%	13.8%	28.5%	63.1%	
Gross carrying amount - trade receivables	144,517	33,284	6,303	16,496	200,600
Loss allowance	4,710	4,602	1,796	10,403	21,511

31 December 2018	**Current $'000**	**More than 30 days past due $'000**	**More than 60 days past due $'000**	**More than 120 days past due $'000**	**Total $'000**
Expected loss rate	**2.0%**	**10.7%**	**20.2%**	**68.5%**	
Gross carrying amount - trade receivables	**118,106**	**31,771**	**6,531**	**9,986**	**166,394**
Loss allowance	**2,306**	**3,387**	**1,317**	**6,839**	**13,849**

The table above covers the expected credit loss rate of trade receivables and other debtors. Collectability of receivables are reviewed on an ongoing basis. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The remaining receivables balance of $136 million (2017: $197 million) included at Note 7 are reviewed on a case by case basis or when debtors are over 90 days for expected credit losses and an allowance raised as required.

Note 35 Financial risk management (continued)

Handsets and accessories receivables ageing profile for unbilled receivables from customers are as follows:

Handset and Accessories Receivables	Within 12 months $'000	More than 12 months $'000	Total $'000
As at 31 December 2017	236,182	96,276	332,458
As at 31 December 2018	**200,677**	**69,195**	**269,872**

(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 Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. 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.

As at 31 December 2018, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cashflows $'000	Carrying Amount (assets)/ liabilities $'000
At 31 December 2017							
Non-derivatives							
Trade Payables	860,751	-	-	-	-	860,751	860,751
Borrowings (excluding finance leases)	860	860	2,410,490	5,015,259	-	7,427,469	7,427,469
Finance lease liabilities	12,084	23,040	46,477	200,056	478,898	760,555	494,553
Total non-derivatives	873,695	23,900	2,456,967	5,215,315	478,898	9,048,775	8,782,773
At 31 December 2018							
Non-derivatives							
Trade Payables	1,106,547	-	75,769	-	-	1,182,316	1,182,316
Borrowings (excluding finance leases)	860	2,024,318	4,978,187	-	-	7,003,365	7,003,365
Finance lease liabilities	28,206	28,750	59,642	188,788	596,552	901,938	591,600
Total non-derivatives	**1,135,613**	**2,053,068**	**5,113,598**	**188,788**	**596,552**	**9,087,619**	**8,777,281**

Note 35 Financial risk management (continued)

(d) Fair value measurement

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

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of cross currency swaps is calculated as the present value of estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date; and
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

The following table summarises information on how the fair values of financial assets and financial liabilities measured at fair value are determined.

Description	**Unobservable inputs**
Cross-currency swaps	Discounted cash flow. Future cash flows are estimated based on market forward interest rates as at the end of the reporting period and the contract interest rates, discounted at a rate that reflects the credit risk of the respective counterparties.
Forward foreign exchange contracts	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted by the observable yield curves of the respective currency.

(e) Capital risk management

The capital structure of the Group consists of debt and equity. The Group may vary its capital structure by adjusting the amount of dividends, returning capital to shareholders, issuing new shares or increasing or reducing debt. The Group's objectives when managing capital are to safeguard its ability to operate as a going concern so that it can meet all its financial obligations when they fall due, provide adequate returns to shareholders, maintain an appropriate capital structure to optimise its cost of capital, and to ensure ongoing access to funding.

Covenants on financing facilities
VHA's working capital facilities contain undertakings to comply with financial covenants. These require that the Group operates within certain financial ratios. The financial covenants which the Group is subject to are Total Debt, Interest Coverage Ratio and Leverage. Financial covenants testing is undertaken and reported to senior management on a monthly basis. VHA's Multi Option Facility requires that the aggregate Total Assets and aggregate Revenue of the guarantors meet minimum threshold amounts of consolidated Total Assets and consolidated Revenue of the Group. Reporting of financial covenants to financiers occurs semi-annually. VHA was in compliance with all its financial covenants throughout the year and as at 31 December 2018.

Note 36 Remuneration of Auditors

Our external auditor of the Group is PricewaterhouseCoopers (PwC). In addition to the audit and review of our financial reports, PwC provides other services throughout the year. This note shows the total fees to external auditors split between audit, audit related and non-audit services.

	2018	2017
	$	$
Audit and other assurance services		
Audit and review of the financial statements	**1,129,250**	702,900
Other assurance services	**-**	-
Government grant audit	**8,000**	16,000
Total remuneration for audit and other assurance services	**1,137,250**	718,900

Note 37 Events occurring after the reporting date

There has been no matter or circumstance that has arisen after the reporting 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.