Vodafone Hutchison Australia Pty Limited

ACN 096 304 620

Annual report
for the year ended 31 December 2019

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 21 February 2020. 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 (the "Consolidated Entity" or the "Group") at the end of, or during, the year ended 31 December 2019.

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

FOK Kin Ning, Canning
Vivek BADRINATH
Francesco BIANCO
Amanda HARKNESS
LAI Kai Ming, Dominic
Miguel Angel Marin PILZ
Barry ROBERTS-THOMSON
Frank John SIXT
Ronald SPITHILL
Thomas REISTEN

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

Dividends
No dividend was declared or paid during the year (2018: $nil).

VHA Operating and Financial Review

The loss after income tax amounted to $279.3 million (2018: $124.4 million loss).

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

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

Key 2019 achievements and highlights:

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

2019 financial results
In a challenging regulatory environment and amidst continued aggressive competition, VHA produced a steady underlying financial performance.

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

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

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

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

VHA's total revenue decreased 2.8% YoY to $3,523.4 million from $3,626.4 million, due to the change in customer base.

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

VHA Operating and Financial Review (continued)

2019 financial results (continued)
VHA's EBITDA increased 6.9% YoY to $1,178.7 million from $1,102.2 million. This includes a positive $142.1 million impact from the AASB 16 accounting change. The underlying decline of $65.6 million was due to a decline in revenue partially mitigated by continued focus on managing costs. In a year-on-year comparison without AASB 16, VHA's EBITDA would have been $1,036.6 million, a 6.0% decrease.

VHA's net loss was $279.3 million, a 124.5% YoY increase from $124.4 million, driven by the EBITDA result, lower commission capitalisation, increased depreciation and amortisation, and interest costs.

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

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

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

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

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

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

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

VHA continues to lead customer sentiment, lowest complaints rate
VHA continued its track record as an industry leader in customer service in 2019 with the highest Net Promoter Score of the major mobile network operators, while its rate of customer complaints to the Telecommunications Industry Ombudsman was less than half the industry average.

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

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

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

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

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

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

Vodafone Foundation expands positive impact
In 2019, Vodafone Foundation continued to help improve the health and wellbeing of Australians through its technology-driven partnerships with the Garvan Institute of Medical Research and Hello Sunday Morning.

Directors' Report (continued)

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

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

Outlook

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

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

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

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

VHA financial and operating metrics

	December 2019	December 2018	YoY Change
Total Revenue ($m)	**3,523.4**	**3,626.4**	**(2.8%)**
Service Revenue ($m)[1]	**2,394.3**	**2,454.0**	**(2.4%)**
EBITDA ($m)[2]	**1,178.7**	**1,102.2**	**6.9%**
Net EBITDA adjustment AASB 16[3]	142.1	0.0	
Net EBITDA without AASB 16	1,036.6	1,102.2	(6.0%)
Net Loss of VHA ($m)	**(279.3)**	**(124.4)**	**124.5%**
Net loss adjustment AASB 16[3]	(48.0)	0.0	
Net loss without AASB 16	(231.3)	(124.4)	85.9%
Postpaid customers ('000)	3,416	3,454	(1.1%)
Prepaid customers ('000)	2,018	2,209	(8.6%)
VHA customers subtotal ('000)	**5,434**	**5,663**	**(4.0%)**
MVNO customers ('000)	310	356	(12.9%)
Total network customers ('000)[4]	**5,744**	**6,019**	**(4.6%)**
Fixed customers ('000)	**114**	**33**	**245.5%**
Mobile ARPU VHA customers ($)[5]	33.35	35.05	(4.9%)

[1] Service revenue refers to postpaid, prepaid, MVNO, fixed broadband revenue and other net recurring income. Reclassification of $11.9 million content costs into service revenue. The December 2018 figures reclassed for comparative was $16.7 million.
[2] EBITDA is defined as earnings before net financing costs, tax and depreciation and amortisation.
[3] AASB 16 became effective for the Group on 1 January 2019. AASB 16 establishes principles for the recognition and measurement of leasing arrangements. EBITDA for the year ended 31 December 2019 has increased as adopted AASB 16 leases are no longer accounted for as operating expenses. Net losses for the year ended 31 December 2019 reflects the increase in EBITDA offset by depreciation expense of the right-of-use assets and interest expense on lease liabilities relating to adopted AASB 16 leases.
[4] Network customers represent 3 month active mobile customers.
[5] Mobile ARPU represents a rolling 12 month average net service revenue per user per month at the end of the year excluding MVNOs and including Kogan and Lebara. Updated ARPU reflects the change in basis of calculation as a result of the reclassification of content costs into service revenue, and the exclusion of M2M IOT revenue. The prior year comparative has also been updated based on this change.

Going concern
At 31 December 2019, the Consolidated Entity and the Company had a deficiency of net current assets of $5,206 million and $8,807 million, respectively (2018: a deficiency in net current assets of $2,030 million and $8,846 million, respectively). Additionally, the Consolidated Entity and the Company had a deficiency of net assets of $1,202 million and $1,134 million, respectively (2018: deficiency of net assets of $922 million and a deficiency of net assets of $849 million, respectively).

The deterioration in the Consolidated Entity's net current assets position is mainly driven by the classification of the USD$3.5bn (AUD$5.0bn) shareholder guaranteed loan facility as current liabilities as the loan is due for repayment in November 2020 offset by the classification of the $1.7bn shareholder guaranteed loan facility to non-current liabilities as it was refinanced for 3 years in September 2019. The USD$3.5bn (AUD$5.0bn) 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 2020. The Group has a history of successful debt refinancing.

The Group has a history of generating positive operating cash flows. Operating cash flows during the year ended 31 December 2019 was $1,277 million (2018: $1,125 million).

The Company has a $1,500 million working capital facility with its shareholders, of which $1,348 million remains unused (2018: $1,178 million) as at 31 December 2019 and is available for it to drawdown from as required. This facility has been extended to February 2021 under similar terms and conditions in February 2020.

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, unless the merger is effective within the twelve month period. In the event the merger takes place within the next twelve months, a condition precedent to the merger is the restructure of the Group, which involves the repayment of existing debt facilities and the establishment of new debt facilities.

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.

Matters subsequent to the reporting date

Proposed merger with TPG Telecom Limited
On 30 August 2018, VHA and TPG Telecom entered into a Scheme Implementation Deed ("SID") 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 24 June 2019, following the ACCC's 8 May 2019 announcement that it would not provide competition clearance to the proposed merger between the two companies, VHA and TPG Telecom filed a legal action in the Federal Court of Australia seeking a declaration that the merger is not prohibited under Section 50 of the *Competition and Consumer Act* 2010.

On 13 February 2020, the Federal Court decided that the merger would not substantially lessen competition and granted the declaration sought by VHA. The decision may be appealed by the ACCC within 28 days of the Court orders.

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

Working capital facility extension
The working capital facility has been extended to February 2021 under similar terms and conditions in February 2020.

There has been no other matter or circumstance that has arisen after the reporting date that has significantly affected or may significantly affect:
(i) the operations of the 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.

Vodafone Hutchison Australia Pty Limited

Directors' Report (continued)

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
21 February 2020	21 February 2020

Auditor's Independence Declaration

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

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

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

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

S Prakash
Partner
PricewaterhouseCoopers

Sydney
21 February 2020

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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:

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

S Prakash
Partner

Sydney
21 February 2020

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 2019 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 12 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 Notes 12 and 27.

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 section 295(5) of the *Corporations Act 2001* on behalf of the Directors.

Director

21 February 2020

Director

21 February 2020

Vodafone Hutchison Australia Pty Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

Revenue from continuing operations	Notes	2019 $'000	2018 $'000
Revenue from contracts with customers	4	**3,513,164**	3,610,045
Other income	5	**10,250**	16,321
Cost of provision of telecommunication services		**(695,747)**	(745,240)
Cost of handsets sold		**(1,100,925)**	(1,182,324)
Employee benefits expense	5	**(232,291)**	(233,162)
Other operating expenses	5	**(315,745)**	(363,399)
Depreciation and amortisation expense	5	**(1,021,356)**	(868,690)
Results from operations		**157,350**	233,551
Finance income	5	**7,344**	3,808
Finance expenses	5	**(444,005)**	(361,802)
Net financing costs	5	**(436,661)**	(357,994)
Loss before income tax		**(279,311)**	(124,443)
Income tax expense	6	**-**	-
Loss for the year		**(279,311)**	(124,443)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges	21	**(988)**	423
Other comprehensive (loss)/ income for the year, net of tax		**(988)**	423
Total comprehensive loss for the year		**(280,299)**	(124,020)
Loss for the year attributable to owners of the parent		**(279,311)**	(124,443)
Total comprehensive loss for the year attributable to owners of the parent		**(280,299)**	(124,020)

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

Vodafone Hutchison Australia Pty Limited

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	**733,569**	642,713
Trade and other receivables	8	**390,814**	441,300
Inventories	9	**102,981**	129,304
Derivative financial instruments	10	**129,421**	29,444
Other current assets	11	**64,391**	107,862
Total Current Assets		**1,421,176**	1,350,623
Non-current Assets			
Trade and other receivables	8	**77,173**	56,723
Investments	12	**0**	0
Property, plant and equipment	13	**1,864,490**	2,638,273
Right-of-use assets	14	**1,453,826**	-
Intangible assets	15	**3,929,102**	4,051,635
Derivative financial instruments	10	**-**	82,284
Total Non-current Assets		**7,324,591**	6,828,915
Total Assets		**8,745,767**	8,179,538
LIABILITIES			
Current Liabilities			
Trade and other payables	16	**1,047,834**	1,100,249
Contract liabilities	4	**122,304**	123,095
Borrowings	17	**5,254,892**	2,050,761
Lease liabilities	14	**84,117**	-
Provisions	18	**24,475**	40,830
Derivative financial instruments	10	**797**	-
Other current liabilities	19	**92,751**	65,754
Total Current Liabilities		**6,627,170**	3,380,689
Non-current Liabilities			
Borrowings	17	**1,742,748**	5,544,204
Lease liabilities	14	**1,544,220**	-
Provisions	18	**21,708**	21,605
Other non-current liabilities	19	**12,286**	155,106
Total Non-current Liabilities		**3,320,962**	5,720,915
Total Liabilities		**9,948,132**	9,101,604
Net Liabilities		**(1,202,365)**	(922,066)
EQUITY			
Contributed equity	20	**6,046,890**	6,046,890
Reserves	21	**(797)**	191
Accumulated losses	22	**(7,248,458)**	(6,969,147)
Total Deficiency in Equity	1(b)	**(1,202,365)**	(922,066)

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 2019

	Contributed equity $'000	Cash flow hedging reserve $'000	Accumulated losses $'000	Total equity $'000
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)
Balance at 1 January 2019	**6,046,890**	**191**	**(6,969,147)**	**(922,066)**
Loss for the year	-	-	(279,311)	(279,311)
Changes in the fair value of cash flow hedges	-	(988)	-	(988)
Total comprehensive loss for the year	**-**	**(988)**	**(279,311)**	**(280,299)**
Balance at 31 December 2019	**6,046,890**	**(797)**	**(7,248,458)**	**(1,202,365)**

The above consolidated statement of changes in equity 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 2019

	Notes	**2019 $'000**	2018 $'000
Cash Flows from Operating Activities			
Loss for the year		**(279,311)**	(124,443)
Adjustments for:			
Depreciation and amortisation expense		**1,021,356**	868,690
Net financing costs		**436,661**	357,994
		1,178,706	1,102,241
Movements in operating assets and liabilities:			
Decrease in trade and other receivables		**49,263**	124,996
Decrease / (Increase) in inventories		**26,323**	(44,263)
(Increase) / Decrease in other assets		**(2,424)**	19,414
Increase / (Decrease) in trade and other payables		**12,122**	(75,845)
(Decrease) / Increase in contract liabilities		**(44)**	10,984
Increase / (Decrease) in other liabilities		**33,078**	(6,275)
(Decrease) in provisions		**(19,844)**	(6,408)
Net cash generated from operating activities		**1,277,180**	1,124,844
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(315,349)**	(350,370)
Payments for intangible assets		**(302,594)**	(340,978)
Net cash outflows from investing activities		**(617,943)**	(691,348)
Cash Flows from Financing activities			
Proceeds from borrowings – related parties		**-**	80,000
Repayment of borrowings – related parties		**(169,529)**	-
Repayment of borrowings - other		**(1,721)**	(1,718)
Repayment of principal elements of lease (2018 - finance lease)		**(109,627)**	(46,162)
Finance costs paid		**(287,504)**	(179,113)
Net cash outflows from financing activities		**(568,381)**	(146,993)
Net increase in cash and cash equivalents		**90,856**	286,503
Cash and cash equivalents at 1 January		**642,713**	356,210
Cash and cash equivalents at 31 December	7	**733,569**	642,713

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", "the Parent Entity" or "VHA") 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 26.

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.

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

(b) Going concern

At 31 December 2019, the Consolidated Entity and the Company had a deficiency of net current assets of $5,206 million and $8,807 million, respectively (2018: a deficiency in net current assets of $2,030 million and $8,846 million, respectively). Additionally, the Consolidated Entity and the Company had a deficiency of net assets of $1,202 million and $1,134 million, respectively (2018: deficiency of net assets of $922 million and a deficiency of net assets of $849 million, respectively).

The deterioration in the Consolidated Entity's net current assets position is mainly driven by the classification of the USD$3.5bn (AUD$5.0bn) shareholder guaranteed loan facility as current liabilities as the loan is due for repayment in November 2020 offset by the classification of the $1.7bn shareholder guaranteed loan facility to non-current liabilities as it was refinanced for 3 years in September 2019. The USD$3.5bn (AUD$5.0bn) 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 2020. The Group has a history of successful debt refinancing.

The Group has a history of generating positive operating cash flows. Operating cash flows during the year ended 31 December 2019 was $1,277 million (2018: $1,125 million).

The Company has a $1,500 million working capital facility with its shareholders, of which $1,348 million remains unused (2018: $1,178 million) as at 31 December 2019 and is available for it to drawdown from as required. This facility has been extended to February 2021 under similar terms and conditions in February 2020.

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, unless the merger is effective within the twelve month period. In the event the merger takes place within the next twelve months, a condition precedent to the merger is the restructure of the Group, which involves the repayment of existing debt facilities and the establishment of new debt facilities.

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 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 (wholesale) and fixed broadband, insurance and content services. 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. Revenue from insurance and content services is recognised on a net basis.

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 for instalment payments 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.

(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, right-of-use, 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 have not been 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 operating expenses 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.

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, other connectivity 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 21. 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, and non deliverable forward contracts are 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

The Group has leases for various network sites, offices, retail stores and data centres. Rental contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Prior to 1 January 2019, leases of property, plant and equipment were classified as either finance leases or operating leases, see Note 3 for details. From 1 January 2019, in accordance with AASB 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received and makes adjustments specific to the lease, e.g. term of lease.

Note 1 Summary of significant accounting policies (continued)

(p) Leases (continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and typically have an underlying value of less than $10,000AUD.

Subleases

The Group has entered into lease agreements as an intermediate lessor for various retail stores and offices. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. The net investment in each sublease is determined by discounting the rental payments expected to be received from the sublessee over the term of the sublease. The interest income associated with the discounting of the rental payments is recognised over the term of the sublease.

Site Sharing Agreements

The Group has entered into a Site Sharing Agreement for various network sites. The purpose of this agreement is to share the costs relating to telecommunication equipment on certain network sites. Under this Agreement, access to network sites is granted to the other party in return for an access fee, which is settled on a net basis each quarter.

The Group considers the core purpose of the Agreement is for the convenience of each party rather than to generate lease income. The Group accounts for the subleases arising from the exchange of access fees on a net basis, as the exchanged right-of-use assets are similar in nature, the timing of cash flows between the parties mirrors the timing of receipts/payments under the head lease agreements, and the amount of cash flows is not expected to be materially different between the exchanged right-of-use assets. The Group is in a net payment position under the Agreement, and as a result the Group recognises a right-of-use asset and lease liability for the net payment portion in accordance with AASB 16.

Determining the lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Group considers historical lease durations, costs and business disruption required to replace the leased asset or relocate the site, and the existence of termination penalties when assessing whether an option is reasonably certain to be exercised.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

Note 1 Summary of significant accounting policies (continued)

(p) Leases (continued)

Accounting policy for leases prior to 1 January 2019

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.

(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 acquiree 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

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.

Note 1 Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

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)).

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)).

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.

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.

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.

Note 1 Summary of significant accounting policies (continued)

(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 contractual arrangements not subject to AASB 16 Leases, 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.

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

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.

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.

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.

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.

Note 1 Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

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.

(w) Contributed equity

Ordinary shares are classified as equity. Refer to Note 20 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.

(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 26 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 the below 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 2019:

- AASB 16 Leases
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting AASB 16. The Group elected to adopt the new rules retrospectively and recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 3. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

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

Note 2 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

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.

(b) Significant accounting estimates and assumptions

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, the provision for trade receivables percentage was reviewed against and updated to align with actual debtor collectability using latest available data. Reassessments of the provision for impairment for receivables estimate were reflected in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Collectability of handset and accessories revenue

As set out in Note 1(e), for the purposes of recognising handset and accessories revenue, the Group estimates the impacts of risks associated with the recovery of unsold handset receivables paid through instalments and potential future buy-backs of sold receivables, which are dependent on debtor collectability trends, and other loss risks relating to factors such as 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 to the original transaction price. Reassessments of this variable consideration are reflected in hardware revenue in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Note 2 Critical estimates, judgements and errors (continued)

(b) Significant accounting estimates and assumptions (continued)

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 2019 and 2018 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 forecasts 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 the 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, product and pricing mix changes, forecast employee headcount and wage inflation, marketing costs and other overheads. These assumptions are determined based both on an extrapolation of historical performance and company plans projecting future market developments and company performance in these areas.
- 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 2.0% 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 9.69% 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, management has identified that a reasonable possible change in EBITDA could cause the carrying amount to exceed the recoverable amount. Cumulative Annual Growth Rate (CAGR) of EBITDA would need to change by 1.04% individually for the estimated recoverable amount to be equal to the carrying amount.

  Due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on others and individual variables rarely change in isolation. Additionally, management can be expected to respond to movements, to mitigate downsides and take advantage of upsides, as circumstances allow. Consequently, it is impracticable to estimate the indirect impact that a change in one assumption has on other variables and hence, to estimate the likelihood, or extent, of impairments, or reversals of impairments, under different sets of assumptions in subsequent reporting periods.

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.

On 30 December 2019, VHA announced its partnership with Nokia to commence the rollout of its 5G network in the first half of 2020. The agreement between Vodafone and Nokia is for a term of at least 5 years and includes hardware and software for 5G RAN, IP Optical, and Microwave, together with deployment services. VHA has reassessed the useful lives of existing 3G and 4G network infrastructure impacted by the 5G rollout, and have reflected the impact of the changes in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in accordance with Australian Accounting Standards.

Note 3 Changes in accounting policies

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

The Group adopted AASB 16 from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged between 4.15% to 8.10% depending on the remaining lease term on adoption.

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

(i) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by 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 lease term. Further, management has assessed that discount rates across each portfolio of leases are similar taking into consideration feedback from surveyed financial institutions on incremental borrowing rates available for the Group as a lessee, and the nature of each lease portfolio. These discount rates range between 4.15% to 8.10% depending on the lease term;
- The 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.

(ii) Measurement of lease liabilities

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

Note 3 Changes in accounting policies (continued)

(iii) Measurement of right-of-use assets

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

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

(iv) Adjustments recognised in the balance sheet on 1 January 2019

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

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

There was no impact on retained earnings on 1 January 2019.

Note 4 Revenue from contracts with customers

	Timing of revenue recognition	2019 $'000	2018 $'000
(a) Revenue from contracts with customers			
Postpaid service revenue	Over time	**1,836,511**	1,900,419
Prepaid service revenue	Over time	**433,996**	474,070
Other service revenue	Over time	**123,776**	79,514
Hardware revenue	Point in time	**1,118,881**	1,156,042
		3,513,164	3,610,045

(b) Assets and liabilities related to contracts with customers

	2019 $'000	2018 $'000
Contract Costs (Note 15)	**38,251**	41,188

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.

	2019 $'000	2018 $'000
Contract Liabilities	**122,304**	123,095

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 liabilities relating to prior year released during the year were $123 million (2018: $119 million).

Note 5 Other profit and loss items

	2019 $'000	2018 $'000
(a) Other income		
Grant income	**9,913**	6,942
Other income	**337**	9,379
	10,250	16,321
(b) Employee benefits expense		
Superannuation expense	**18,551**	22,339
Other employee benefits expense	**213,740**	210,823
	232,291	233,162
(c) Other operating expenses		
Advertising and promotion expenses	**71,970**	76,434
Consulting and outsourced services costs	**115,982**	129,630
IT and facilities expenses	**16,958**	58,204
Administration and other expenses	**110,835**	99,131
	315,745	363,399
Net exchange loss recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**473**	138
(d) Depreciation and amortisation expense		
Depreciation from property, plant equipment	**507,356**	532,391
Depreciation from right-of-use assets	**165,012**	-
Amortisation from intangible assets	**348,988**	336,299
	1,021,356	868,690
(e) Net financing costs		
Finance income		
Interest income	**7,344**	3,808
Finance expenses		
Amortisation of borrowing costs	**6,500**	6,477
Interest and finance charges paid / payable	**437,505**	355,325
	444,005	361,802

Note 6 Income Tax

(a) Income tax expense

	2019	2018
	$'000	$'000
Current tax (credit)/expense on loss for the year	**(32,105)**	5,479
Relating to origination and reversal of temporary difference	**23,503**	(135,392)
Adjustments for tax of prior periods	**4,647**	(8,507)
Deferred tax assets not recognised	**3,955**	138,420
Total income tax expense	**-**	-
Deferred tax expense movement		
(Increase) in deferred tax assets	**10,346**	(128,645)
(Decrease) in deferred tax liabilities	**(17,992)**	(351)
Adjustments for deferred tax of prior periods	**31,149**	(6,396)
	23,503	(135,392)

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

Loss from operations before income tax	**279,311**	124,443
Income tax benefit at the Australian tax rate of 30% (2018: 30%)	**83,793**	37,333
Tax effect of amounts which are (not deductible)/taxable in calculating taxable income:		
- Non-deductible and non-assessable items		
- Interest expense	**(51,577)**	(44,623)
- Entertainment	**(111)**	(259)
- Other	**-**	2,070
- Previously unrecognised tax losses now recouped to reduce current tax expense	**-**	5,479
- Current year tax losses incurred, not booked	**(32,105)**	-
Income tax expense	**-**	-

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	**4,356,439**	4,344,266
Potential tax benefit at 30% (2018: 30%)	**1,306,932**	1,303,280

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.

Note 6 Income Tax (continued)

(d) Deferred tax assets and liabilities

(i) Deferred tax assets

The balance comprises temporary differences attributable to:

	2019	2018
	$'000	$'000
Employee benefits	**8,383**	6,606
Contract liabilities	**7,088**	8,555
Property, plant and equipment	**142,616**	84,354
Provisions and accruals	**49,555**	86,751
Unrealised foreign exchange movements	**63,529**	94,844
Lease liabilities#	**316,024**	-
Other	**5,477**	2,200
Total deferred tax assets	**592,672**	283,310
Set off tax liabilities pursuant to set-off provisions	**(290,880)**	(242)
Deferred tax assets not recognised	**(300,423)**	(283,068)
Net deferred tax assets	**-**	-

(ii) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2019	2018
	$'000	$'000
Prepayments	**104**	242
Right-of-use assets#	**288,671**	-
Other	**2,105**	-
	290,880	242
Set off tax liabilities pursuant to set-off provisions	**(290,880)**	(242)
Net deferred tax liabilities	**-**	-

#The change in accounting policy arising from the adoption of AASB 16 *Leases* has resulted in an opening balance increase in the deferred tax liability of $308,630,000 in relation to right-of-use assets and an opening balance increase in the deferred tax asset of $319,708,000 in relation to lease liabilities on 1 January 2019.

Note 7 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:

	2019	2018
	$'000	$'000
Cash and cash equivalents	**733,569**	642,713

(a) Restricted cash

The cash and cash equivalents disclosed above and in the statement of cash flows include $38.6 million (2018: $23.1 million) held by VHA which were subject to restrictions and therefore not available for general use by other entities within the Group. These deposits support various bank guarantees (see Note 24 Contingencies) and a corporate credit card facility.

(b) Non-cash investing and financing activities	2019	2018
	$'000	$'000
Acquisition of right-of-use assets (i)	**91,176**	108,895
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)
Movement in use of supply chain financing for trade creditors	**130,893**	90,630

(i) Current year network equipment acquisitions that would have been recorded as finance leases prior to 1 January 2019 are reflected as right-of-use acquisitions in 2019.

(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 was used to repay the guarantee fees owed to the shareholders as at 14 December 2018 with the excess used to pay down the existing working capital facility debt with the shareholders. The transaction was netted and consequently there were no cash flows through the bank accounts 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.

	2019	2018
	$'000	$'000
Cash and cash equivalents	**733,569**	642,713
Borrowings - repayable within one year	**(5,254,892)**	(2,025,178)
Borrowings - repayable after one year	**(1,742,748)**	(4,978,187)
Lease Liabilities - repayable within one year	**(84,117)**	(25,583)
Lease Liabilities - repayable after one year	**(1,544,220)**	(566,017)
Derivative financial asset – cross currency swap	**129,421**	111,537
	(7,762,987)	(6,840,715)
Cash and cash equivalents	**733,569**	642,713
Gross debt - fixed interest rates	**(1,791,346)**	(603,965)
Gross debt - variable interest rates	**(6,834,631)**	(6,991,000)
Derivative financial asset – cross currency swap	**129,421**	111,537
	(7,762,987)	(6,840,715)

Note 7 Cash and cash equivalents (continued)

(c) Net debt reconciliation (continued)

	Cash	Finance leases	Borrowings	Derivative Financial Asset	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
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	-	-	(489,129)	511,728	22,599
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)**	**(7,003,365)**	**111,537**	**(6,840,715)**

	Cash	Leases#	Borrowings	Derivative Financial Asset	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Net debt as at 1 January 2019	642,713	(591,600)	(7,003,365)	111,537	(6,840,715)
AASB 16 Leases Impact	-	(1,065,694)	-	-	(1,065,694)
Cash flows	90,856	208,235	171,249	-	470,340
Acquisition - leases	-	(91,176)	-	-	(91,176)
Interest unwinding	-	(97,779)	-	-	(97,779)
Lease revaluations and terminations	-	9,677	-	-	9,677
Foreign exchange adjustments	-	-	(13,159)	17,884	4,725
Realisation of derivative financial asset	-	-	-	-	-
Proceeds from Borrowings	-	-	-	-	-
Guarantee Fees	-	-	(152,365)	-	(152,365)
Net debt as at 31 December 2019	**733,569**	**(1,628,337)**	**(6,997,640)**	**129,421**	**(7,762,987)**

#Prior to 1 January 2019, the Group only recognised and included as part of net debt lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases*. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of AASB 16 on 1 January 2019, please refer to Note 3.

Note 8 Trade and other receivables

	2019 $'000	2018 $'000
Current		
Trade receivables	**191,799**	216,081
Less: Provision for impairment of receivables	**(10,964)**	(13,847)
	180,835	202,234
Handset and accessories receivables	**115,620**	139,502
Accrued revenue	**48,456**	56,811
Receivable from entity within jointly controlling parent Group	**298**	2,213
Other receivables	**45,605**	40,540
	390,814	441,300
Non-Current		
Handset and accessories receivables	**69,783**	56,723
Other receivables	**7,390**	-
	77,173	56,723
Movements in the provisions		
Beginning of the year	**(13,847)**	(21,510)
Provision for impairment recognised during the year	**(2,349)**	(5,802)
Change in estimate	**2,324**	4,976
Adjustments and receivables written off during the year	**2,908**	8,489
End of the year	**(10,964)**	(13,847)
Handset and accessories receivables (current and non-current)		
Handset and accessories receivables	**264,612**	297,425
Net collectability of unbilled handset revenue	**(79,209)**	(101,200)
	185,403	196,225
Handset receivables sale expense	**55,248**	65,100

As set out in Note 1(e), for the purposes of recognising handset and accessories revenue, the Group estimates the impacts of collectability risks associated with bad debt of unsold handset receivables paid through instalments, potential future buy-backs of sold receivables, and other loss risks relating to factors such as 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 to the original transaction price. An increase of the variable consideration amount of $26.1 million has been reflected in hardware revenue in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The Consolidated Entity is party to a risk transfer arrangement with external banks to sell certain handset receivables. As the relevant criteria in AASB 9 *Financial Instruments* were satisfied, the fair value of the receivables sold were derecognised from the financial statements. The handset receivable expense represents the difference between the face value and the consideration received that is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. At 31 December 2019, $115.1 million of its unsold handset receivables (2018: $153.0 million) has yet to satisfy the qualifying criteria required under the risk transfer arrangement with the external banks.

Note 9 Inventories

	2019 $'000	2018 $'000
Current		
Finished goods at cost	**118,096**	144,653
Less: Provision for inventory write-down	**(15,115)**	(15,349)
	102,981	129,304

Inventories recognised as expense during the year ended 31 December 2019 amounted to $1,012 million (2018: $1,100 million).

Note 10 Derivative financial instruments

	2019 $'000	2018 $'000
Current Assets		
Cross currency swaps – Vodafone Group Plc	**64,707**	14,581
Cross currency swaps – related entities to CK Hutchison Holdings Limited	**64,714**	14,672
Forward foreign exchange contracts – cash flow hedges	**-**	191
	129,421	29,444
Non-current Assets		
Cross currency swaps – Vodafone Group Plc	**-**	41,142
Cross currency swaps – related entities to CK Hutchison Holdings Limited	**-**	41,142
	-	82,284
Current Liabilities		
Forward foreign exchange contracts – cash flow hedges	**797**	-
	797	-

(a) Cross currency swaps

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 it will mature in November 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% 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 23(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.

(b) Forward foreign exchange contracts

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

The Group procures a portion of its handsets, network equipment and technology support services 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, Euro and Indian Rupee.

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.

Note 11 Other current assets

	2019 $'000	2018 $'000
Prepayments and other current assets	**64,391**	107,862

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Note 12 Investments

The Group's principal subsidiaries and interests in joint ventures at 31 December 2019 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.

(a) Subsidiaries

Name of Entity	Notes	Country of Incorporation	Equity Holding 2019 %	Equity Holding 2018 %
Vodafone Hutchison Finance Pty Limited		Australia	**100**	100
Vodafone Hutchison Spectrum Pty Limited	(i)	Australia	**100**	100
Vodafone Hutchison Receivables Pty Limited	(i)	Australia	**100**	100
H3GA Properties (No. 3) Pty Limited	(i)	Australia	**100**	100
Vodafone Foundation Australia Pty Limited	(i)	Australia	**100**	100
Entered into a Deed of Cross Guarantee and member of the Closed Group[1,2]:				
Vodafone Australia Pty Limited	(i)(ii)	Australia	**100**	100
Vodafone Pty Limited	(i)(ii)	Australia	**100**	100
Vodafone Network Pty Limited	(i)(ii)	Australia	**100**	100
Mobileworld Operating Pty Ltd	(i)(ii)	Australia	**100**	100
Mobileworld Communications Pty Ltd	(i)(ii)	Australia	**100**	100

(i) These companies meet the definition of small proprietary companies as defined in the *Corporations Act 2001* (Cth) and are not required to prepare financial reports.

(ii) Pursuant to the ASIC Instrument, these wholly-owned subsidiaries within the Closed Group are relieved from the *Corporations Act 2001* (Cth) requirements to prepare and lodge separate financial reports for the year ended 31 December 2019 (to the extent they apply).

(b) Interests in Joint Ventures

Name of Entity	Notes	Country of Incorporation	Equity Holding 2019 %	Equity Holding 2018 %
Mobile JV Pty Limited	(iii)	Australia	**50**	50
3GIS Pty Limited		Australia	**50**	50
3GIS Properties (No 1) Pty Limited		Australia	**50**	50
3GIS Properties (No 2) Pty Limited		Australia	**50**	50
Tovodan Pty Limited		Australia	**50**	50
Mondjay Pty Limited		Australia	**50**	50

(iii) The equity holding in this entity is through Vodafone Hutchison Spectrum Pty Limited. This entity was established as a joint venture between the Company 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 2019 and 31 December 2018. The entity will be accounted for using the equity method.

Commitments in respect of Joint Ventures

Mobile JV Pty Limited, a joint venture between the Company and TPG Telecom, was a successful bidder in the auction for 3.6GHz spectrum conducted in November 2018. Mobile JV Pty Limited will pay $263.3 million in March 2020 for the lots it acquired in this auction. VHA is responsible for funding one half of the purchase price, being $131.65 million, at the time of payment.

1 As defined in ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (“the ASIC Instrument”).

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

Note 13 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 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**

	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 2019	**105**	**95,290**	**459,009**	**4,523,555**	**327,926**	**5,405,885**
Adjustment for adoption of AASB 16	-	-	-	(585,769)	(1,245)	(587,014)
Revised as at 1 January 2019	105	95,290	459,009	3,937,786	326,681	4,818,871
Additions	-	-	-	-	419,538	419,538
Transfers	-	9,710	46,866	298,968	(514,982)	(159,438)
Revaluation	-	-	-	-	-	-
Write off	-	(2,794)	(18,064)	(115,674)	8,977	(127,555)
Closing balance	**105**	**102,206**	**487,811**	**4,121,080**	**240,214**	**4,951,416**
Depreciation						
At 1 January 2019	-	(61,552)	(314,634)	(2,379,063)	(12,363)	(2,767,612)
Adjustment for adoption of AASB 16	-	-	-	60,487	-	60,487
Revised as at 1 January 2019	-	(61,552)	(314,634)	(2,318,576)	(12,363)	(2,707,125)
Depreciation charge	-	(13,368)	(73,623)	(437,193)	16,828	(507,356)
Transfers	-	-	-	-	-	-
Write off	-	2,794	18,064	115,674	(8,977)	127,555
Closing balance	**-**	**(72,126)**	**(370,193)**	**(2,640,095)**	**(4,512)**	**(3,086,926)**
At 31 December 2019						
Cost	105	102,206	487,811	4,121,080	240,214	4,951,416
Accumulated depreciation	-	(72,126)	(370,193)	(2,640,095)	(4,512)	(3,086,926)
Net book amount	**105**	**30,080**	**117,618**	**1,480,985**	**235,702**	**1,864,490**

Leased assets

As at 31 December 2018, property, plant and equipment included the following amounts where the Group is a lessee under a finance lease. From 2019 leased assets are presented as a separate line item in the balance sheet, see Note 14. Refer to Note 3 for details about the changes in accounting policy.

	2019 $'000	2018 $'000
Cost	-	587,014
Accumulated depreciation	-	(60,487)
Net book amount	-	526,527

Note 14 Right-of-use Assets and Lease liabilities

	2019 $'000	1 January 2019# $'000
Right-of-use assets		
Commercial properties	**199,878**	-
Network properties	**1,253,948**	-
	1,453,826	-
Lease liabilities		
Current	**84,117**	-
Non-current	**1,544,220**	-
	1,628,337	-

Additions to the right-of-use assets during the 2019 financial year were $91,176,000.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income shows the following amounts relating to leases:

	2019 $'000	2018 $'000
Depreciation charge of right-of-use assets		
Commercial properties	**44,064**	-
Network properties	**120,948**	-
	165,012	-
Interest expense (included in finance expenses)	**97,779**	-
Expense relating to short-term leases (included in other expenses)	**9,732**	-
Expense relating to leases of low-value assets that not shown above as short-term leases (included in other expenses)	**882**	-

The total cash outflow for leases in 2019 was $214,775,000.

#In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases*. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of AASB 16 on 1 January 2019, please refer to Note 3.

Note 15 Intangible assets

	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**

	Brand Name $'000	Spectrum Licence $'000	Computer Software $'000	Contract Costs $'000	Goodwill $'000	Total $'000
Cost						
At 1 January 2019	1,640	1,594,277	750,231	138,201	2,412,807	4,897,156
Additions	-	-	-	68,177	-	68,177
Transfers	-	-	159,438	-	-	159,438
Write off	-	-	(2,577)	(99,474)	-	(102,051)
Closing balance	1,640	1,594,277	907,092	106,904	2,412,807	5,022,720
Amortisation						
At 1 January 2019	(712)	(317,772)	(430,024)	(97,013)	-	(845,521)
Amortisation charge	(327)	(115,442)	(162,105)	(71,114)	-	(348,988)
Transfers	-	-	(1,160)	-	-	(1,160)
Write off	-	-	2,577	99,474	-	102,051
Closing balance	(1,039)	(433,214)	(590,712)	(68,653)	-	(1,093,618)
At 31 December 2019						
Cost	1,640	1,594,277	907,092	106,904	2,412,807	5,022,720
Accumulated amortisation	(1,039)	(433,214)	(590,712)	(68,653)	-	(1,093,618)
Net book amount	**601**	**1,161,063**	**316,380**	**38,251**	**2,412,807**	**3,929,102**

Note 16 Trade and other payables

	2019 $'000	2018 $'000
Trade creditors and accruals	**702,381**	867,916
Other creditors	**307,328**	182,414
Payables to related parties (refer to Note 23(e))	**37,739**	49,062
Interest payables to entities within jointly controlled parents' Group (refer to Note 23(e))	**386**	857
	1,047,834	1,100,249

Note 17 Borrowings

	2019 $'000	2018 $'000
Current		
Unsecured - at amortised cost		
Bank loans	**4,982,631**	1,700,000
Loans from shareholders (Note 23(f))	**152,000**	321,529
Guarantee fees payable to entities within jointly controlled parents' Group (Note 23(e))	**118,541**	1,928
Lease liabilities (Note 14)#	**-**	25,583
Other	**1,720**	1,721
	5,254,892	2,050,761
Non-current		
Unsecured – at amortised cost		
Bank loans	**1,700,000**	4,969,471
Guarantee fees payable to entities within jointly controlled parents' Group (Note 23(e))	**41,028**	5,276
Lease liabilities (Note 14)#	**-**	566,017
Other	**1,720**	3,440
	1,742,748	5,544,204

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

The Group’s effective rate of interest on bank loans for its US$3.5 billion syndicated loan facility is based on the Australian 3 month BBSW plus a margin. 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.

Total undrawn borrowing facilities as at 31 December 2019 is $1,348 million (2018: $1,178 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.

#Refer to Note 3 for details about the impact from changes in accounting policies.

Note 18 Provisions

	2019 $'000	2018 $'000
Current		
Employee benefits	**9,819**	8,590
Decommissioning and make good	**9,352**	12,866
Other provisions	**5,100**	16,000
Onerous contracts	**204**	3,374
	24,475	40,830
Non-current		
Employee benefits	**4,808**	7,225
Decommissioning	**16,900**	14,380
	21,708	21,605

Movement in provisions	Employee benefits $'000	Decommissioning and make good $'000	Other provisions $'000	Onerous contracts $'000	Total provisions $'000
Beginning of the year	15,815	27,246	16,000	3,374	62,435
Adoption of AASB 16 Leases	-	-	-	(3,383)	(3,383)
Addition	24,394	5,000	-	1,738	31,132
Utilised	(25,582)	(5,994)	(10,900)	(1,525)	(44,001)
End of the year	**14,627**	**26,252**	**5,100**	**204**	**46,183**

(a) Employee benefits

The provision for employee benefits represents long service leave entitlements and superannuation accrued.

(b) Decommissioning and make good

The provision for decommissioning and make good 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.

(c) Onerous contracts

Prior to 1 January 2019, this provision related 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 were to be vacated prior to the lease exit dates. From 1 January 2019, this provision relates to present obligations arising under onerous contracts relating to contractual arrangements, which are not treated as a lease under AASB 16 *Leases*.

Note 19 Other Liabilities

	2019 $'000	2018 $'000
Current		
Government grants	**22,557**	26,782
Other	**70,194**	38,972
	92,751	65,754

	2019 $'000	2018 $'000
Non-current		
Site accruals	**-**	67,798
Other payables	**12,286**	87,308
	12,286	155,106

Note 20 Contributed Equity

	2019 Shares	2018 Shares	**2019 $'000**	2018 $'000
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

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.

Movement in ordinary shares

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

Note 21 Reserves

	2019 $'000	2018 $'000
Cash flow hedge reserve	**(797)**	191
Movements in the reserves		
Beginning of the year	**191**	(232)
Changes in value of cash flow hedges	**(988)**	423
End of the year	**(797)**	191

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 22 Accumulated Losses

	2019 $'000	2018 $'000
Accumulated Losses	**(7,248,458)**	(6,969,147)
Movement in retained (losses)		
Beginning of the year	**(6,969,147)**	(6,839,505)
Adjustment on adoption of AASB 15	**-**	(5,199)
Revised balance at beginning of the year	**(6,969,147)**	(6,844,704)
Loss for the year	**(279,311)**	(124,443)
End of the year	**(7,248,458)**	(6,969,147)

Note 23 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 2019	Equity holding 2018
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 2019	Equity holding 2018
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 12.

(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:

	2019 $'000	2018 $'000
Short term employee benefits	**9,305**	8,128
Post-employment benefits	**209**	177
Long term benefits	**3,291**	2,828
Termination benefits	**-**	2,060
Total	**12,805**	13,193

Note 23 Related Party Transactions (continued)

(d) Transactions with related parties

	2019 $'000	2018 $'000
Purchases of goods and services		
Purchases of equipment from other related parties	**24,105**	22,751
Service fee paid/payable to other related parties	**44,373**	49,023
Roaming fee paid/payable to other related parties	**14,692**	23,632
IOT fee paid/payable to other related parties	**-**	503
Provision of services		
Service fee received/receivable from other related parties	**2,047**	3,066
Roaming income received/receivable from other related parties	**5,900**	5,572
IOT income received/receivable from other related parties	**1,065**	51
Other transactions		
Services outsourced to other related parties	**-**	1,160
Guarantee fee paid/payable to parent entity		
CK Hutchison Holdings Limited	**76,183**	72,079
Vodafone Group Plc	**76,183**	73,014
Interest expenses to related parties		
Hutchison Telecommunications (Australia) Limited	**5,400**	10,369
Vodafone Investments Luxemburg Sarl	**5,400**	10,369

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

(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:

	2019 $'000	2018 $'000
Current receivable		
Other related parties	**298**	241
Hutchison Telecommunications (Australia) Limited	**300**	153
Mobile JV Pty Limited	**61**	31
Vodafone Group Plc	**-**	1,788
Swap interest receivable from entities within jointly controlled parents' Group	**4,094**	1,228
	4,753	3,441
Current payable		
Guarantee fees payable to CK Hutchison Holdings Limited	**59,271**	964
Guarantee fees payable to Vodafone Group Plc	**59,271**	964
Trade payables with other related parties	**37,739**	49,062
Interest payable to entities within jointly controlled parents' Group	**386**	857
	156,667	51,847
Non-current payable		
Guarantee fees payable to CK Hutchison Holdings Limited	**20,514**	2,638
Guarantee fees payable to Vodafone Group Plc	**20,514**	2,638
	41,028	5,276

(f) Loans from related parties

	2019 $'000	2018 $'000
Loans from entities within jointly controlled parents' Group		
Beginning of the year	**321,529**	472,000
Loans advanced	**-**	80,000
Loans (repaid)	**(169,529)**	(230,471)
End of the year	**152,000**	321,529

Note 23 Related Party Transactions (continued)

(g) Derivative transactions with related parties

	2019 $'000	2018 $'000
Swaps entered with related entities of CK Hutchison Holdings Limited		
Current assets	**64,714**	14,671
Non-current assets	**-**	41,142
Net interest revenue	**18,608**	22,792
Swaps entered with Vodafone Group Plc		
Current assets	**64,707**	14,581
Non-current assets	**-**	41,142
Net interest revenue	**18,691**	22,652

As mentioned in Note 10, 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 jointly controlling parent entities or their related parties.

Note 24 Contingencies

Details and estimates of maximum amounts of contingent liabilities are as follows:

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

The Company has provided bankers' guarantees to support various commercial and regulatory obligations of $51.8 million as at 31 December 2019 (2018: $65.1 million). In order to support the issuance of the guarantees, the Company has placed $18.6 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 2019, 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 25 Commitments

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:

	2019 $'000	2018 $'000
Not later than 1 year	**360,838**	253,372
Later than 1 year but not later than 5 years	**17,588**	239,079
Later than 5 years	**-**	-
	378,426	492,451

On 30 December 2019, VHA announced its partnership with Nokia to commence the rollout of its 5G network in the first half of 2020. The agreement between Vodafone and Nokia is for a term of at least 5 years and includes hardware and software for 5G RAN, IP Optical, and Microwave, together with deployment services. There is no committed minimum spend under this agreement.

Lease commitments

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

	2019 $'000	2018 $'000
Not later than 1 year	-	181,760
Later than 1 but not later than 5 years	-	586,237
Later than 5 years	-	992,481
	-	1,760,478
Representing:		
Non-cancellable operating leases	-	1,760,478

The Consolidated Entity leases various network 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.

From 1 January 2019, the Group has recognised right-of-use assets and lease liabilities for these leases, except for short-term and low-value leases, see Note 14 and Note 3 for further information.

Right-of-use assets (2018: Finance leases)
Commitments in relation to lease arrangements contracted for at the reporting date but not recognised as liabilities, payable:

Not later than 1 year	**694**	331
Later than 1 but not later than 5 years	**3,875**	4,751
Later than 5 years	**17,574**	13,396
	22,143	18,478
Representing:		
Non-cancellable finance leases	**22,143**	18,478

Other commitments

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

	2019 $'000	2018 $'000
Not later than 1 year	**86,056**	67,049
Later than 1 but not later than 5 years	**83,313**	48,753
Later than 5 years	**10,879**	11,864
	180,248	127,666

Note 26 Parent Entity Financial Information

The parent entity financial information for the year ended 31 December 2019 has been prepared on the basis that the transactions and balances of the Group (other than those of Vodafone Hutchison Finance Pty Limited, Vodafone Hutchison Receivables Pty Limited, and Vodafone Foundation Australia Pty Limited) are all recorded in the Parent Entity of the Group, being VHA. Comparatives have been prepared in the same manner to enhance comparability.

(a) Summary financial information

	2019	2018
Financial position	**$'000**	$'000
ASSETS		
Current Assets	**1,282,183**	1,320,420
Non-current Assets	**9,253,099**	8,723,447
Total Assets	**10,535,282**	10,043,867
LIABILITIES		
Current Liabilities	**10,089,104**	10,166,368
Non-current Liabilities	**1,579,934**	726,262
Total Liabilities	**11,669,038**	10,892,630
Net Liabilities	**(1,133,756)**	(848,763)
EQUITY		
Contributed equity	**6,046,890**	6,046,890
Cash flow hedge reserve	**(797)**	191
Accumulated losses	**(7,179,849)**	(6,895,844)
Shareholder deficiency	**(1,133,756)**	(848,763)
Financial performance		
Loss for the year	**(284,005)**	(110,893)
Total comprehensive loss for the year	**(284,993)**	(110,470)

(b) Guarantee entered into by the parent entity

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

(c) Commitments

	2019	2018
	$'000	$'000

Capital commitments

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

	2019	2018
Property, plant and equipment		
Not later than 1 year	**360,838**	253,372
Later than 1 year but not later than 5 years	**17,588**	239,079
Later than 5 years	**-**	-
	378,426	492,451

Lease commitments

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

	2019	2018
Operating leases		
Not later than 1 year	**-**	181,760
Later than 1 but not later than 5 years	**-**	586,237
Later than 5 years	**-**	992,481
	-	1,760,478
Representing:		
Non-cancellable finance leases	**-**	1,760,478

Note 26 Parent Entity Financial Information (continued)

(c) Commitments (continued)

Lease liabilities (2018: Finance Leases)	**2019 $'000**	2018 $'000
Not later than 1 year	**694**	331
Later than 1 but not later than 5 years	**3,875**	4,751
Later than 5 years	**17,574**	13,396
	22,143	18,478
Representing:		
Non-cancellable finance leases	**22,143**	18,478

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	**86,056**	67,049
Later than 1 but not later than 5 years	**83,313**	48,753
Later than 5 years	**10,879**	11,864
	180,248	127,666

Note 27 Deed of Cross Guarantee

The parties to the deed of cross guarantee are those as disclosed in Note 12. 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.

Revenue from continuing operations	**2019 $'000**	2018 $'000
Revenue from contracts with customers	**3,513,164**	3,609,987
Other income	**10,250**	16,321
Cost of provision of telecommunication services	**(695,747)**	(745,240)
Cost of handsets sold	**(1,100,925)**	(1,182,324)
Employee benefits expense	**(232,291)**	(233,162)
Other operating expenses	**(322,190)**	(369,971)
Depreciation and amortisation expense	**(1,021,356)**	(868,690)
Results from operations	**150,905**	226,921
Finance income	**7,319**	3,808
Finance expenses	**(442,229)**	(341,624)
Net financing costs	**(434,910)**	(337,816)
Loss before income tax	**(284,005)**	(110,895)
Income tax expense	**-**	-
Loss for the year	**(284,005)**	(110,895)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of cash flow hedges	**(988)**	423
Other comprehensive (loss) / income for the year, net of tax	**(988)**	423
Total comprehensive loss for the year	**(284,993)**	(110,472)
Loss for the year attributable to owners of the parent	**(284,005)**	(110,895)
Total comprehensive loss for the year attributable to owners of the parent	**(284,993)**	(110,472)

Note 27 Deed of Cross Guarantee (continued)

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

	2019	2018
ASSETS	**$'000**	$'000
Current Assets		
Cash and cash equivalents	**733,217**	631,903
Trade and other receivables	**390,785**	479,418
Inventories	**102,981**	129,305
Derivative financial instruments	**-**	191
Other current assets	**55,200**	97,557
Total Current Assets	**1,282,183**	1,338,374
Non-current Assets		
Trade and other receivables	**77,173**	16,817
Property, plant and equipment	**1,864,490**	2,638,273
Right-of-use assets	**1,453,826**	-
Intangible assets	**3,929,102**	4,051,635
Total Non-current Assets	**7,324,591**	6,706,725
Total Assets	**8,606,774**	8,045,099
LIABILITIES		
Current Liabilities		
Trade and other payables	**1,032,015**	1,080,277
Contract liabilities	**122,304**	123,095
Borrowings	**6,864,587**	6,898,187
Lease liabilities	**84,117**	-
Provisions	**24,475**	40,830
Derivative financial instruments	**797**	-
Other current liabilities	**92,751**	65,755
Total Current Liabilities	**8,221,046**	8,208,144
Non-current Liabilities		
Borrowings	**1,720**	569,457
Lease liabilities	**1,544,220**	-
Provisions	**21,708**	21,605
Other non-current liabilities	**12,286**	155,106
Total Non-current Liabilities	**1,579,934**	746,168
Total Liabilities	**9,800,980**	8,954,312
Net Liabilities	**(1,194,206)**	(909,213)
EQUITY		
Contributed equity	**6,046,890**	6,046,890
Reserves	**(797)**	191
Accumulated losses	**(7,240,299)**	(6,956,294)
Total Deficiency in Equity	**(1,194,206)**	(909,213)

Note 28 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 $3.7 million to the profit or loss, a similar decrease in interest rates will generate a $3.7 million loss to the profit or loss.

The Group's borrowings include bank borrowings, shareholder loans and leases. The borrowings expose the Group to interest rate risk. As at 31 December 2019, approximately 20% (2018: 8%) of the Group's borrowings were at fixed rates of interest. Note: excluding leases under AASB 16, 8% of borrowings were at fixed rates. As at 31 December 2019, assuming that the market interest rate is 50 basis points higher or lower and with no change in other variables, the annualised interest expense on borrowings would be higher or lower by $33.5 million (2018: $34.3 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 2019			31 December 2018		
	Weighted average interest rate	**Balance**	**% of total loans**	Weighted average interest rate	Balance	% of total loans
	%	**$'000**		%	$'000	
Bank overdrafts and bank loans	**2.54%**	**6,834,632**	**100.00%**	3.22%	6,991,000	100.00%
Cross Currency Swaps	**2.72%**	**(4,982,632)**		3.18%	(4,969,471)	
Cross Currency Swaps (notional principal amount)	**2.73%**	**4,844,291**		3.43%	4,844,291	
Net exposure to interest rate risk		**6,696,291**	**100.00%**		6,865,820	98.21%

(ii) Foreign currency risk

The Group is mainly exposed to the United States dollar (USD), Euro (EUR), and Indian Rupee (INR) 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)**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
USD Impact				
10%	**608**	1,334	**(258)**	(1,178)
-10%	**(743)**	(1,631)	**316**	1,439
EUR Impact				
10%	**784**	1,727	**(667)**	(737)
-10%	**(959)**	(2,111)	**815**	901
INR Impact				
10%	**-**	-	**(2,978)**	-
-10%	**-**	-	**3,639**	-

(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 28 Financial Risk Management (continued)

(a) Market risk (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:

	2019	2018
	$'000	$'000
Amounts recognised in profit or loss		
Net gain on foreign currency derivatives	**13,160**	489,128
Exchange (losses) on foreign currency borrowing	**(13,214)**	(488,244)
Other foreign exchange (losses)	**(419)**	(1,022)
Total net foreign exchange (losses) recognised in profit before income tax for the year	**(473)**	(138)
Net (losses) / gains recognised in other comprehensive income		
Cash flow hedges	**(988)**	423

(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 – trade receivables for sales of handsets and services
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 2018	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
	$'000	$'000	$'000	$'000	$'000
Expected loss rate	1.8%	5.3%	16.0%	52.5%	
Gross carrying amount - trade receivables	130,501	64,298	8,243	13,039	216,081
Loss allowance	2,304	3,387	1,317	6,839	13,847

31 December 2019	**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	**1.4%**	**6.1%**	**12.1%**	**25.4%**	
Gross carrying amount - trade receivables	**118,950**	**37,975**	**13,694**	**21,180**	**191,799**
Loss allowance	**1,608**	**2,309**	**1,662**	**5,385**	**10,964**

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.

Note 28 Financial risk management (continued)

(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 2019, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	**Less than 6 months**	**6-12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual cashflows**	**Carrying Amount liabilities**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2018							
Non-derivatives							
Trade Payables	1,100,249	-	75,769	-	-	1,176,018	1,176,018
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	1,129,315	2,053,068	5,113,598	188,788	596,552	9,081,321	8,770,983
At 31 December 2019							
Non-derivatives							
Trade Payables	1,047,834	-	-	-	-	1,047,834	**1,047,834**
Borrowings (excluding finance leases)	152,860	5,102,032	1,720	1,741,028	-	6,997,640	**6,997,640**
Lease liabilities	111,828	105,220	204,197	579,904	1,455,000	2,456,149	**1,628,337**
Total non-derivatives	**1,312,522**	**5,207,252**	**205,917**	**2,320,932**	**1,455,000**	**10,501,623**	**9,673,811**

Note 28 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) 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 2019 and 31 December 2018 on a recurring basis:

At 31 December 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Handset receivables	-	153,047	-	153,047
Foreign currency swaps	-	111,537	-	111,537
Forward foreign exchange contracts	-	191	-	191
Total financial assets	**-**	**264,775**	**-**	**264,775**
Financial liabilities				
Foreign currency swaps	-	-	-	-
Total financial liabilities	-	**-**	**-**	**-**

At 31 December 2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Handset receivables	**-**	115,052	-	115,052
Foreign currency swaps	-	129,421	-	129,421
Total financial assets	**-**	**244,473**	**-**	**244,473**
Financial liabilities				
Forward foreign exchange contracts	-	797	-	797
Total financial liabilities	**-**	**797**	**-**	**797**

Note 28 Financial risk management (continued)

(e) Fair value hierarchy (continued)

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 2019 (2018 Nil).

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.

(f) 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.

(g) 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 2019.

Note 29 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.

	2019	2018
	$	$
Audit and other assurance services		
Audit and review of the financial statements	**1,123,120**	1,129,250
Other assurance services	**63,500**	-
Government grant audit	**8,000**	8,000
Total remuneration for audit and other assurance services	**1,194,620**	1,137,250

Note 30 Events occurring after the reporting date

On 13 February 2020 the Federal Court ruled that the proposed merger between VHA and TPG Telecom would not substantially lessen competition and should be allowed to proceed. The decision may be appealed by the ACCC within 28 days of the Court orders. VHA, along with TPG Telecom, will work to complete the merger in mid-2020, subject to the remaining regulatory and shareholder approvals and any appeal by the ACCC. This announcement does not significantly impact the financial performance for the year ended and financial position of VHA as at 31 December 2019.

The working capital facility has been extended to February 2021 under similar terms and conditions in February 2020.

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

(i) the operations of the 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.