Hutchison 3G UK Holdings Limited

Company Number 03918124

Report and Financial Statements

For the Year Ended 31 December 2016

Hutchison 3G UK Holdings Limited

Registered Number	03918124
Directors	Canning Fok Victor Li Frank Sixt Dominic Lai Edith Shih Christian Salbaing David Dyson Neil McGee
Independent Auditors	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH
Bankers	HSBC Bank plc 62-76 Park Street London SE1 9DZ
Registered Office	Star House 20 Grenfell Road Maidenhead Berkshire SL6 1EH

Hutchison 3G UK Holdings Limited

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Strategic Report for the year ended 31 December 2016

The directors present their Strategic Report on Hutchison 3G UK Holdings Limited (the "Company") for the year ended 31 December 2016.

a) Business review

The Company is an indirect wholly owned subsidiary of CK Hutchison Holdings Limited ("CKHH"), a limited liability Cayman Islands company registered and listed in Hong Kong.

The Company is a holding company and its business is to invest in its subsidiaries and to provide them with funding. This funding is financed by borrowings from CKHH Group companies (the "CKHH Group").

Net assets of the Company were £729 million at 31 December 2016 (2015: £521 million).

In 2015, the CKHH Group agreed definitive terms with Telefónica, S.A. for the potential acquisition by the CKHH Group, of Telefónica, S.A.'s UK subsidiary, O2 UK. The transaction was blocked by the European Commission ("EC") in 2016. Subsequent to the EC decision, the Company has continued to focus on its existing investment in its main subsidiary, Hutchison 3G UK Limited, and its operations.

Investments in Hutchison Westminster Limited and Hutchison Lambeth Limited were transferred during the year to a fellow group undertaking, Hutchison Whampoa (UK) Limited, at their carrying value.

Intercompany borrowing carried at £215 million on the balance sheet was waived during the year and is included as a capital contribution in these financial statements.

Subsequent to the year end, Hutchison 3G UK Limited, one of the subsidiaries of the Company, has signed an agreement with PCCW Limited and Seamless Industries Limited for the potential acquisition by the Hutchison 3G UK Limited of Transvision Investments Limited, a company incorporated in the British Virgin Islands and operating in the UK through UK Broadband Limited under the "Relish" brand, for an indicative price of £300 million. The transaction remains subject to regulatory approvals and final completion.

b) Key performance indicators

As the Company is a holding company the main business is securing finance from CKHH Group companies to support its subsidiaries, the key financial performance indicator for internal performance analysis is its interest expense as shown in the table below:

	For the Year Ended 31 December	
	2016	2015
	£'m	£'m
Interest payable and similar charges	**145**	206

c) Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties faced by the Company. The Company's key risks and the activities in place to manage them are monitored on a regular basis. The key risks and uncertainties affecting the Company are considered below:

c) Principal risks and uncertainties (continued)

Financial risk management

The Company's major non-derivative financial instruments include borrowings and cash that arise directly from its operations.

The Company's treasury function sets financial risk management policies in accordance with the CKHH Group's policies and procedures as approved by its directors. The Company's treasury policies are designed to minimise the Company's financial risk.

(a) Liquidity risk

The Company has obtained financing from its ultimate parent company, CKHH, in order to meet its funding requirements. This funding is raised centrally by the CKHH Group's finance companies, which mitigates the risk to the Company.

(b) Interest rate cash flow risk

The Company has interest-bearing liabilities linked with the financing from the CKHH Group's finance companies (details of this financing can be found in Note 15 to the financial statements). While the floating rate borrowings expose the Company to cash flow interest rate risk, management believes that this risk is managed as the funding is provided by the shareholders.

(c) Investment risk

The Company has significant investments in its subsidiary undertakings. These investments are reviewed for impairment on an annual basis, when there is an indication that they may be impaired. If such an indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss, if any.

On behalf of the Board

David Dyson
Director
15 March 2017

Directors' Report for the year ended 31 December 2016

The directors present their report and the audited financial statements of the Company with registered number 03918124 for the year ended 31 December 2016.

Directors

The directors who held office during the year and up to the date of signing the financial statements are as follows:

Canning Fok
Victor Li
Susan Chow (Resigned 1 August 2016)
Frank Sixt
Dominic Lai
Edith Shih
Christian Salbaing
David Dyson
Neil McGee

Directors' indemnities

The Company has granted third party indemnities to the above directors, capped at an individual limit of US$20 million for any one claim and in the annual aggregate inclusive of costs and expenses, in relation to certain losses and liabilities which they may incur in the course of acting as directors of the Company or of one or more of its subsidiaries.

The indemnities are categorised as qualifying third-party indemnities for the purposes of the Companies Act 2006 and will continue in force for the benefit of directors and officers for as long as they remain in their positions. The third-party indemnity was in force during the financial year and also at the date of approval of the financial statements.

Future Developments

The directors do not expect any change in the Company's activities in the foreseeable future.

Financial risk management

Please refer to the Principal risks and uncertainties section of the Strategic Report for the Company's financial risk management policies.

Dividend

The directors do not recommend the payment of a dividend for the year (2015: nil).

Statement of directors' responsibilities

The directors are responsible for preparing the Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Directors' Report for the year ended 31 December 2016 (continued)

Statement of directors' responsibilities (continued)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors believe that the adoption of the going concern basis in the preparation of the financial statements is appropriate as the Company's ultimate parent entity, CKHH, has confirmed that, because the Company is its wholly owned subsidiary, it will provide ongoing financial support or procure alternative financing to the Company and its subsidiaries to enable the Company and its subsidiaries to continue to trade and to meet their liabilities as and when they fall due under all foreseen circumstances covering the period ending on the date that is twelve months following the date of signing of the statutory financial statements of the Company for the year ended 31 December 2016.

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps that ought to be taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to be reappointed and are deemed to be reappointed as auditors unless otherwise resolved by the directors or shareholders.

On behalf of the Board

David Dyson
Director
15 March 2017

Independent auditors' report to the members of Hutchison 3G UK Holdings Limited

Report on the financial statements

Our opinion
In our opinion, Hutchison 3G UK Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Hutchison 3G UK Holdings Limited (Continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Christopher Boreham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
15 March 2017

Hutchison 3G UK Holdings Limited

Income Statement for the Year Ended 31 December 2016

	Note	2016 £000	2015* Restated £000
Interest receivable and similar income	5	–	191,284
Interest payable and similar charges	6	(145,458)	(205,805)
Exceptional items	7	(23,802)	(6,251,265)
Loss on ordinary activities before taxation		**(169,260)**	**(6,265,786)**
Tax credit on loss on ordinary activities	9	162,540	58,221
Loss for the financial year		**(6,720)**	**(6,207,565)**
Other comprehensive income		**–**	**–**
Total comprehensive loss		**(6,720)**	**(6,207,565)**

**Particulars of the restatement are included in note 2(a) of these financial statements.*

All the results relate to activities which are continuing.

The notes on pages 12 to 24 form an integral part of these financial statements.

Hutchison 3G UK Holdings Limited

Registered number 03918124

Balance Sheet as at 31 December 2016

	Note	31 Dec 2016 £000	31 Dec 2015 £000
Fixed assets			
Investments	10	6,028,618	6,028,618
Current assets			
Debtors – amounts falling due within one year	11	120,845	44,240
Deferred tax asset	12	85,935	–
		206,780	44,240
Current liabilities			
Creditors – amounts falling due within one year	13	(1,945,407)	(4,642,888)
Net current liabilities		**(1,738,627)**	**(4,598,648)**
Total assets less current liabilities		**4,289,991**	**1,429,970**
Creditors – amounts falling due after more than one year	14	**(3,560,498)**	**(908,829)**
Net assets		**729,493**	**521,141**
Capital and reserves			
Called up share capital	16	4,445,487	4,445,487
Retained earnings deficit		(3,715,994)	(3,924,346)
Total shareholders' funds		**729,493**	**521,141**

The notes on pages 12 to 24 form an integral part of these financial statements.

The financial statements on pages 9 to 24 were approved by the Board of Directors on 15 March 2017 and were signed on its behalf by:

David Dyson
Director

Hutchison 3G UK Holdings Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Called up share capital £000	Retained earnings deficit Restated £000	Total Shareholders' funds Restated £000
At 1 January 2015	4,445,487	2,056,828	6,502,315
Loss for the financial year	–	(6,207,565)	(6,207,565)
Other comprehensive income	–	–	–
Total comprehensive income for the financial year	–	(6,207,565)	(6,207,565)
Transition adjustments	–	226,391	226,391
At 31 December 2015	4,445,487	(3,924,346)	521,141
Loss for the financial year	–	(6,720)	(6,720)
Other comprehensive income	–	–	–
Total comprehensive income for the financial year	–	(6,720)	(6,720)
Capital contribution	–	215,072	215,072
At 31 December 2016	**4,445,487**	**(3,715,994)**	**729,493**

**Particulars of the restatement are included in note 2(a) of these financial statements.*

Notes to the financial statements for the year ended 31 December 2016

1 General information

Hutchison 3G UK Holdings Limited (the "Company") is a private limited company, incorporated and domiciled in England and Wales having its registered office at Star House, 20 Grenfell Road, Maidenhead, Berkshire, SL6 1EH.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare consolidated financial statements as it is an indirect wholly owned subsidiary of CK Hutchison Holdings Limited ("CKHH"), a company listed on The Stock Exchange of Hong Kong Limited, which prepares consolidated financial statements. The Company is included in the consolidation of CKHH and the consolidated financial statements of CKHH are publicly available.

The principal accounting policies applied in the preparation of these financial statements are set out in Note 2. These policies have been consistently applied to all the years presented, unless otherwise stated.

2 Accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 under the historical cost convention. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purpose of FRS 101 and Note 18 gives details of the Company's ultimate parent company and where its consolidated financial statements may be obtained from.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are the requirements of:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  – 10(d), (statement of cash flows); – 16 (statement of compliance with all IFRS);
  – 38A (requirement for minimum of two primary statements, including cash flow statements);
  – 38B-D (additional comparative information); – 111 (cash flow statement information);
  – 134-136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group; and

2 Accounting policies (continued)

(a) Basis of preparation (continued)

- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business. The directors believe that the adoption of the going concern basis in the preparation of the financial statements is appropriate as the Company's ultimate parent entity, CKHH, has confirmed that, because the Company is its wholly owned subsidiary, it will provide ongoing financial support or procure alternative financing to the Company and its subsidiaries to enable the Company and its subsidiaries to continue to trade and to meet their liabilities as and when they fall due under all foreseen circumstances covering the period ending on the date that is twelve months following the date of signing of the statutory financial statements of the Company for the year ended 31 December 2016.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Prior year restatement
In the 2015 financial statements, an FRS 101 transition adjustment totalling £10.6m was disclosed within other comprehensive income rather than being disclosed directly within equity. The comparatives have been adjusted to reclassify this balance to equity. There is no impact on the overall profit or equity recorded and disclosed by the Company.

(b) Investment in subsidiaries

Investments in subsidiaries are recorded at cost, less accumulated impairment losses.

(c) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Accounting policies (continued)

(c) Taxation (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority.

Tax provisions are based on management's best estimate of the likelihood of settlement. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks.

(d) Interest payable and similar charges

Costs incurred in raising debt finance are deducted from the amount raised and amortised over the period of the debt facility to produce a constant rate of financing charge. Other finance costs are charged to the income statement on an accruals basis.

(e) Debtors

Debtors are stated at the amount loaned to subsidiary companies. Loans receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less any provision for impairments. A provision is established for impairments when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the loan. Interest income, together with losses arising when the loans are impaired, are recognised using the Effective Interest Rate method ("EIR") in the income statement.

(f) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less provision for impairment. Interest calculated using the effective interest method is recognised in the income statement.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets where changes in fair value are recognised in the income statement in the period in which they arise. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value. In addition, any dividends or interests earned on these financial assets are recognised in the income statement.

(g) Loans

Obligations for loans are recognised when the Company becomes party to the contract. They are measured initially at the fair value and subsequently at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included as an interest charge in the income statement.

2 Accounting policies (continued)

(h) Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

(i) Transitional reserve

Adjustments as a result of the transition from the previous UK GAAP to FRS 101 are taken to a transitional reserve and transferred to retained earnings as the adjustments unwind. The transitional reserves have fully unwound during the year and have been combined with retained earnings.

3 Critical accounting estimates and judgements

The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the financial statements. The Company bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions, estimates and judgments, as well as the accounting policies and methods used in the preparation of the financial statements.

3.1 Critical accounting estimates and assumptions

(a) *Taxation*

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge involves estimation and judgement in respect of certain matters where the tax impact is uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows. Resolving tax issues can take many years as it is not always within the control of the Company and often depends on the efficiency of legal process.

The recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future.

Judgement is required when determining probable future taxable profits. The Company assesses the availability of future taxable profits using the same undiscounted five year forecasts for the Company's operations. Where tax losses are forecast to be recovered beyond the five year period, the availability of taxable profits is assessed using the cash flows and long-term growth rates used for the value in use calculations.

The cash flows inherent in these forecasts include the unsystematic risks of operating in the telecommunications business including the potential impacts of changes in the market structure, trends in customer pricing, the costs associated with the acquisition and retention of customers, future technological evolutions and potential regulatory changes.

Changes in the assumptions which underpin the Company's forecasts could have an impact on the amount of future taxable profits and could have a significant impact on the period over which the deferred tax asset would be recovered.

3 Critical accounting estimates and judgements (continued)

3.2 Critical judgements in applying the entity's accounting policies

(a) Impairment of Investments

The Company has significant investments in its subsidiary undertakings. These investments are carried at cost and reviewed for impairment on an annual basis, and when there is an indication that they may be impaired. If such an indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an investment's fair value less costs to dispose and value in use. Such impairment loss is recognised in the income statement.

In the 2015 financial statements an impairment charge was recognised (see Notes 7 and 10). Judgement is required in assessing impairment, particularly in determining the recoverable amount of the investment.

(b) Taxation

Judgement is required when determining probable future taxable profits. The Company assesses the availability of future taxable profits using the same undiscounted five year forecasts for the Company's operations. Where tax losses are forecast to be recovered beyond the five year period, the availability of taxable profits is assessed using the cash flows and long-term growth rates used for the value in use calculations.

The cash flows inherent in these forecasts include the unsystematic risks of operating in the telecommunications business including the potential impacts of changes in the market structure, trends in customer pricing, the costs associated with the acquisition and retention of customers, future technological evolutions and potential regulatory changes.

Changes in the assumptions which underpin the Company's forecasts could have an impact on the amount of future taxable profits and could have a significant impact on the period over which the deferred tax asset would be recovered.

4 Directors and employees

The emoluments of directors are not paid to them in their capacity as directors of the Company and are payable by other group companies for services wholly attributable to those companies. Emoluments were paid to one director (2015: one director) by a subsidiary undertaking in their capacity as director of that undertaking and for services wholly attributable to that subsidiary undertaking. The other directors are paid by other group companies for services rendered to those companies. Accordingly, no charge has been included in the income statement of the Company.

There were no employees of the Company during the year (2015: nil).

5 Interest receivable and similar income

	2016	2015
	£000	£000
Interest receivable from group undertakings	–	191,284
	–	191,284

Notes to the financial statements for the year ended 31 December 2016

6 Interest payable and similar charges

	2016	2015
	£000	£000
Interest payable on amount owed to group undertakings	**144,962**	205,336
Amortisation of loan facility fee owed to group undertakings	**496**	469
	145,458	205,805

7 Exceptional items

During the year the Company did not identify any indicators of impairment of its investments in subsidiary undertakings (2015: £6,228 million). The Company incurred expenses of £24 million (2015: £23 million) in relation to the planned O2 UK acquisition which did not go ahead, as described in the Strategic Report.

8 Auditors' remuneration

	2016	2015
	£000	£000
Statutory audit – relating to current year	**30**	30
Other non-audit services	**454**	2,290
	484	2,320

Audit fees relating to the Company were borne by its subsidiary, Hutchison 3G UK Limited ("3 UK"). Non-audit services fees relate to professional services costs in relation to potential acquisitions and are included in exceptional items (note 7).

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2016

9 **Tax credit on loss on ordinary activities**

	2016	2015
	£000	£000
Current tax		
Adjustments in respect of prior years	**76,605**	13,981
Current tax credit	–	44,240
Total current tax	**76,605**	58,221
Deferred tax		
Deferred tax credit (Note 12)	**85,935**	–
Total tax credit on loss on ordinary activities	**162,540**	58,221

The tax credit for the year is higher (2015: lower) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The difference is explained below:

	2016	2015
	£000	£000
Loss on ordinary activities before taxation	**(169,260)**	(6,265,786)
Tax on loss on ordinary activities at the standard UK corporation tax rate at 20.00% (2015: 20.25%)	**33,852**	1,268,822
Effect of:		
Income not subject to tax	**613**	38,735
Expenses not deductible for tax purposes	**(4,531)**	(1,274,921)
Utilisation of previously unrecognised tax losses	**8,323**	57,366
Loss arising in the period not recognised	**(38,257)**	(25,323)
Adjustment in respect of prior years	**76,605**	13,981
Loss arising in the period surrendered via group relief not paid for	–	(20,439)
Recognition of deferred tax credit	**85,935**	–
Tax credit on loss on ordinary activities	**162,540**	58,221

The Finance Act 2013 reduced the main rate of corporation tax from 21% to 20% as of 1 April 2015. The Finance (No.2) Act 2015 provided that the main rate of corporation tax as of 1 April 2017 will be 19% and per the Finance Bill 2016 as of 1 April 2020 will be 17%. These reductions were substantively enacted at the balance sheet date and have been used to calculate the deferred tax asset.

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2016

10 Investments

	2016	2015
	£000	£000
At 31 December	**6,028,618**	6,028,618

The above represents capital invested in Hutchison 3G UK Limited of £11,657 million, an impairment recorded against this investment, in 2015, reducing its carrying value by £6,228 million which was reflected in the income statement under exceptional costs due to its significance and non-recurring nature, and an uplift of £575 million as a result of fair value adjustments to an interest free loan to a subsidiary under FRS 101, that was repaid in 2015.

In 2015, the Company acquired 100% of the issued ordinary share capital of CK Telecoms UK Investments Limited (Formerly Hutchison 3G UK Investments Limited) and invested further capital of £25 million.

During the year, ownership of Hutchison Westminster Limited and Hutchison Lambeth Limited was transferred to fellow group undertaking, Hutchison Whampoa (UK) Limited and ownership of Hutchison UK Receivable Limited and Hutchison UK Receivables Hove Limited was transferred to a fellow group undertaking, Hutchison Whampoa (Europe) Limited.

Shareholdings in subsidiary and related companies are as follows:

Entity Name	**Country of Incorporation**	**Percentage Holding**	**Ordinary Shares 2016**	**Ordinary Shares 2015**	**Cost 2016**	**Cost 2015**	**Principal activity**
Hutchison 3G UK Limited*	UK	100%	201	201	£201	£201	Provision of 3G communication services
CK Telecoms UK Investments Limited (Formerly Hutchison 3G UK Investments Limited)*	UK	100%	102	102	£102	£102	Holding company
Hutchison Westminster Limited**	British Virgin Islands	0%	-	1	-	US$1	Leverage 3G customer relationships
Hutchison Lambeth Limited**	British Virgin Islands	0%	-	1	-	US$1	Leverage 3G customer relationships
Advanced Telecoms Debt Collection Services Limited***	UK	100%	1	1	£1	£1	Collect overdue customer debt
Fanster Gain Limited**	British Virgin Islands	100%	1	1	US$1	US$1	Dormant company
3UK Retail Limited****	UK	100%	1,000	1,000	£1,000	£1,000	Holding store leases for the Company
Hutchison UK Receivables Limited*	UK	100%	2	2	£2	£2	Purchase and sale of handset receivables

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2016

10 Investments (continued)

Entity Name	Country of Incorporation	Percentage Holding	Ordinary Shares 2016	Ordinary Shares 2015	Cost 2016	Cost 2015	Principal activity
Hutchison UK Receivables Hove Limited*	UK	100%	2	2	£2	£2	Purchase and sale of handset receivables
ID Communications Limited*	UK	100%	1	1	£1	£1	Provision of mobile services in the UK
Mobile Broadband Network Limited*****	UK	50% (indirectly held)	10 million	10 million	£10 million	£10 million	Operation and maintenance of mobile networks
Digital Mobile Spectrum Limited******	UK	25% (indirectly held)	1	1	£1	£1	Solution provider to mitigate interference to digital terrestrial television

*These companies have their registered offices at Star House, 20 Grenfell Road, Maidenhead, Berkshire SL6 1EH, United Kingdom
**As of 13 February, 2017, these companies have their registered offices at Vistra Corporate Services Centre, Wickhams Cayll, Road Town, Tortola, VG1110, British Virgin Islands
***This company has its registered office at 100 New Bridge Street, London, EC4V 6JA, United Kingdom
****This company has its registered office at Hutchison House, 5 Hester Road, Battersea, London, SW11 4AN, United Kingdom
*****This company has its registered office at 6 Anglo Office Park, 67 White Lion Road, Amersham, Buckinghamshire, HP7 9FB, United Kingdom
******This company has its registered office at 83 Baker Street, London, W1U 6AG, United Kingdom

11 Debtors – amounts falling due within one year

	2016	2015
	£000	£000
Amounts owed by group undertakings		
Amounts falling due within one year - trading balances	**120,845**	44,240

Amounts owed by group undertakings are non-interest bearing, unsecured and repayable on demand.

12 Deferred tax assets

The provision for deferred tax consists of the following deferred tax assets:

	2016	2015
	£000	£000
Deferred tax asset due within 12 months	**51,205**	–
Deferred tax asset due after 12 months	**34,730**	–
Total deferred tax asset	**85,935**	–

	2016	2015
	£000	£000
Non trade losses	**51,205**	–
Other temporary differences	**34,730**	–
Total deferred tax asset	**85,935**	–

	2016	2015
	£000	£000
Deferred tax asset at the start of the year	**–**	–
Increase in deferred tax asset	**85,935**	–
Total deferred tax asset	**85,935**	–

The net recognised deferred tax asset of £86 million at 31 December 2016 (2015: £nil million) relates to historical tax losses and temporary differences. The Company has an unrecognised deferred tax asset of £26 million (2015: £185 million) in respect of other losses. The deferred tax asset has been recognised to the extent that it is regarded as recoverable from future taxable profits.

Deferred tax assets have been calculated at the corporation tax rates that will be in force at the time the assets are expected to unwind. The Finance (No.2) Act 2015 provided that the main rate of corporation tax as of 1 April 2017 will be 19% and per the Finance Bill 2016 as of 1 April 2020 will be 17%. These reductions were substantively enacted at the balance sheet date and have been used to calculate the deferred tax asset.

13 Creditors – amounts falling due within one year

	2016	2015
	£000	£000
Amounts owed to group undertakings - trading balances	**433,156**	118,712
Amounts owed to group undertakings - loans (Note 15)	**544,976**	3,551,028
Amounts owed to group undertakings - accrued interest	**967,275**	973,148
	1,945,407	4,642,888

Trading balances due to group undertakings are unsecured, non-interest bearing and repayable on demand. Accrued interest and loans due to group undertakings are unsecured. The terms of the loans are disclosed in Note 15.

14 Creditors – amounts falling due after more than one year

	2016	2015
	£000	£000
Amount owed to group undertakings – loans (Note 15)	**3,560,498**	908,829

Amounts owed to group undertakings are unsecured. The terms of the loans are disclosed in Note 15.

15 Loans and other borrowings

Maturity of debt	2016 £000	2015 £000
Amounts owed to group undertakings		
In less than one year (Note 13)	**544,976**	3,551,028
In one to two years (Note 14)	–	–
In two to five years (Note 14)	**3,162,029**	298,639
In greater than five years (Note 14)	**398,469**	610,190
	4,105,474	4,459,857

Lender	Facility (GBP in millions)	Interest	Repayment date	Fair value of drawdown (GBP in millions) 2016	2015
Hutchison 3G UK Investments S.à r.l.	6,300	LIBOR + 2.32%	March 2016	-	389
Hutchison Whampoa Europe Investments S.à r.l.	1,500	LIBOR + 2.32%	June 2021	**1,300**	1,300
Hutchison Whampoa Europe Investments S.à r.l.	1,000	LIBOR + 3.02%	June 2021	**662**	662
Hutchison Whampoa Europe Investments S.à r.l.	1,200	LIBOR + 2.32%	June 2021	**1,200**	1,200
Hutchison Whampoa Finance UK plc	300	5.625%	November 2017	**299**	298
Hutchison Whampoa Finance UK plc	400	5.625%	November 2026	**398**	397
Hutchison Whampoa Europe Investments S.à r.l.	4,000	Interest free	June 2065	-	212
New Millennium Corp	446	Interest free	On demand	**246**	-

During the year an interest-free loan with Hutchison Whampoa Europe Investments S.à r.l., carried at £215 million (2015: £212 million), having an original repayment date of June 2065, was assigned to CK Hutchison Global Investments Limited, a fellow group undertaking. The loan was subsequently waived resulting in a £3.4 billion transfer from the Transitional Reserve to Retained Earnings and the carrying value of the loan being treated as capital contribution.

Notes to the financial statements for the year ended 31 December 2016

16 Called up share capital

	2016	2015
	£000	£000
Allotted and fully paid:		
4,445,486,753 (2015: 4,445,486,753) ordinary shares of £1 each	**4,445,487**	4,445,487

17 Related party transactions

As the Company is an indirect wholly owned subsidiary of CKHH, it has taken advantage of the exemption provided in FRS 101 not to disclose details of transactions with the CKHH Group companies. The Company is included in the consolidation of CKHH and the consolidated financial statements are publicly available.

There are no transactions between the Company and any related parties that are not wholly owned by the CKHH Group.

18 Ultimate controlling party

The immediate controlling party is Hutchison 3G UK Investments S.à r.l., a company incorporated in Luxembourg, which owns 50.1% of the share capital and voting rights of the Company.

CKHH, a limited liability Cayman Islands company registered and listed in Hong Kong, is the largest and smallest group to consolidate these financial statements, and is the Company's ultimate controlling party and owns, through Hutchison 3G UK Investments S.à r.l. and other CKHH Group companies, 100% of the share capital and voting rights of the Company.

Copies of the group financial statements of CKHH may be obtained from the Company Secretary at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong or www.ckh.com.hk.

19 Post balance sheet events

Subsequent to the year end, Hutchison 3G UK Limited, one of the subsidiaries of the Company, has signed an agreement with PCCW Limited and Seamless Industries Limited for the potential acquisition by the Hutchison 3G UK Limited of Transvision Investments Limited, a company incorporated in the British Virgin Islands and operating in the UK through UK Broadband Limited under the "Relish" brand, for an indicative price of £300 million. The transaction remains subject to regulatory approvals and final completion.