

Hutchison 3G UK Holdings Limited

Registered Number 3918124

Annual Report

Year Ended 31 December 2001



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Hutchison 3G UK Holdings Limited

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2001.

Principal activities and review of the business

The principal activity of the Group (the Company and Hutchison 3G UK Limited) during the year was the continuation of the development of the infrastructure and services to provide third generation mobile multi media services in the UK. Much progress has been made regarding site acquisitions, network roll-out and products and services development.

On 23 February 2001 the Group agreed to lease space on sites managed by Crown Castle UK Limited. These sites are to be used to construct the infrastructure required to operate the Group's third generation mobile multi media services in the UK.

On 30 March 2001 the Group secured a £3.2 billion interim financing facility to be made available over a three-year period and which may be extended for an additional year, comprising financing from banks, vendors and Hutchison Whampoa Limited group.

Also on 30 March 2001 Nokia UK Limited was selected as the core network provider. The radio access network contract was awarded jointly to Nokia UK Limited and NEC (UK) Limited.

On 25 June 2001 a three-year agreement was reached between the Group and The FA Premier League Limited to secure the exclusive rights to provide exclusive Premier League content to mobile phones and other wireless devices.

Agreements were reached between the Group and i) Nortel Networks UK Limited (on 2 August 2001) and ii) 186K Limited, a part of the Lattice Group (on 25 July 2001), to provide a backbone fibre optic network.

On 7 December 2001 a national roaming agreement was reached between the Group and BT Cellnet Limited, a subsidiary of MM02 Plc, which enables the Group to provide roaming services to its customers.

The Directors are satisfied with progress to date.

Post Balance Sheet Events

Particulars of important events since the year-end are set out in note 26 to the financial statements.

Research and development

The Group continues an active research and development programme for the enhancement of third generation mobile multi media services.

Results and dividends

The Group's loss for the year amounted to £45,671,000 (2000: £28,293,000). The Directors do not recommend the payment of a dividend (2000: nil).

Hutchison 3G UK Holdings Limited

Directors' Report

Directors and their interests

The Directors who held office during the year were as follows:

Canning Fok		
Victor Li		
Susan Chow		
Lord Derwent LVO		
Edith Shih		
Frank Sixt		
Colin Tucker	Appointed 03/09/2001	
Koichi Harada		
Akira Hirooka		
Shiro Kanazu		
Marcus de Jong	Appointed 05/11/2001	
Diederik Karsten	Resigned 05/11/2001	
Stanley Miller		
Gert Hofsteenge	Appointed 19/04/2001	Resigned 05/11/2001
– alternate director to Diederik Karsten		

The interests of Directors in shares in or debentures of the Company or any body corporate of the same group as at 31 December 2001 and, if applicable, as at the beginning of the year ended on 31 December 2001 (or, if not then a Director, when he or she became one) as required to be recorded in the register maintained under section 325 of the Companies Act 1985 were as follows:

(a) Interests in the Company

Dr. Colin Tucker had at the date of his appointment as a director, and as at 31 December 2001, an option over 9,122,500 shares in the Company. Options issued under the scheme will vest and be exercisable partly on the initial public offering of shares in the Company and partly at predetermined dates thereafter. The expiry date for these options is 20 April 2011.

(b) Interests in other bodies corporate of the group

Mr. Canning Fok had: (i) as at the date of his appointment as a Director, an interest in 1,001,097 shares (of which 38,500 shares were held through a corporation) in Hutchison Whampoa Limited and, as at 31 December 2001, a corporate interest in 1,260,875 shares in Hutchison Whampoa Limited, (ii) as at the date of his appointment as a Director and as at 31 December 2001, an interest in 100,000 shares in Hutchison Telecommunications (Australia) Limited, and as at 31 December 2001, a corporate interest in 1,000,000 shares in Hutchison Telecommunications (Australia) Limited, (iii) as at the date of his appointment as a Director, a corporate interest in a nominal amount of US\$11,000,000 in the 6.95% Notes due 2007 issued by Hutchison Whampoa Finance (CI) Limited, and (iv) as at 31 December 2001, a corporate interest in a nominal amount of US\$32,500,000 in the 7.00% Notes due 2011 issued by Hutchison Whampoa International (01/11) Limited.

Mr. Victor Li had, (a) as at the date of his appointment as a Director, an interest in: (i) 8,800,000 shares in Hutchison Whampoa Limited (see note a), (ii) 971,000 shares in Hutchison Whampoa Limited (see

Hutchison 3G UK Holdings Limited

note b), and (iii) 5,428,000 shares in Cheung Kong Infrastructure Holdings Limited (see note c), and (b) as at 31 December 2001, an interest in: (i) 10,470,000 shares in Hutchison Whampoa Limited (see note d), (ii) 1,086,770 shares in Hutchison Whampoa Limited (see note b), (iii) 5,428,000 shares in Cheung Kong Infrastructure Holdings Limited (see note c) and (iv) a corporate interest in a nominal amount of US\$5,000,000 in the 7.00% Notes due 2011 issued by Hutchison Whampoa International (01/11) Limited.

Notes:

- (a) These shares are held by a unit trust. All issued and outstanding units of such unit trust are held by discretionary trusts. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Victor Li and his wife and their two daughters.
- (b) These shares are held by companies in which Mr. Victor Li controls one-third or more of the voting rights at their general meetings.
- (c) These shares are held by companies controlled by Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust"). All the issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Victor Li and his wife and their two daughters.
- (d) These shares are held by a unit trust and company controlled by such unit trust. All issued and outstanding units of such unit trust are held by discretionary trusts. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Victor Li and his wife and their two daughters.

Mrs. Susan Chow had, as at 31 December 2001, an interest in 50,000 shares in Hutchison Whampoa Limited.

Lord Derwent had, as at the date of his appointment as a Director, an interest in 11,000 shares in Hutchison Whampoa Limited and, as at 31 December 2001, an interest in 15,500 shares in Hutchison Whampoa Limited.

Ms. Edith Shih had: (i) as at the date of her first appointment as a Director, an interest in 5,000 shares in Hutchison Whampoa Limited and, as at 31 December 2001, a personal interest and a family interest in aggregate of 17,100 shares in Hutchison Whampoa Limited, (ii) as at the date of her first appointment as a Director and as at 31 December 2001, an interest in a nominal amount of US\$205,000 in the 6.95% Notes due 2007 issued by Hutchison Whampoa Finance (CI) Limited and (iii) as at 31 December 2001, a personal interest and a family interest in an aggregate nominal amount of US\$400,000 in the 7% Notes due 2011 issued by Hutchison Whampoa International (01/11) Limited.

Mr. Frank Sixt had, (i) as at the date of his appointment as a Director, an interest in a nominal amount of US\$530,000 in the 7% convertible bonds due 2001 issued by Hutchison Delta Finance Limited and, (ii) as at 31 December 2001, an interest in 50,000 shares in Hutchison Whampoa Limited.

Save as disclosed above, as at 31 December 2001, no Director had, according to the register, any interests in shares in or debentures of the Company or any body corporate in the same group, or any right to subscribe for such shares or debentures.

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Employees

Consultation with employees or their representatives is maintained, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. Communication with all employees continues through the intranet newsletters, workshops and briefing groups.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who offer themselves for re-appointment.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



Director

16 May 2002

Hutchison 3G UK Holdings Limited

Independent Auditors' Report to the Members of Hutchison 3G UK Holdings Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

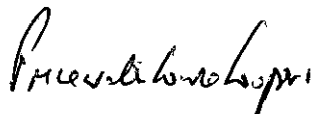
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH

16 May 2002

Hutchison 3G UK Holdings Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2001

		2001 £000	11 months ended 31/12/2000 £000
	Notes		
Turnover		-	-
Gross Profit		-	-
Administrative expenses	2	(42,162)	(24,992)
Operating loss		(42,162)	(24,992)
Interest receivable and similar income	6	1,087	14
Interest payable and similar charges	7	(4,596)	(3,315)
Loss on ordinary activities before taxation		(45,671)	(28,293)
Tax on loss on ordinary activities	8	-	-
Retained loss for the year	18	(45,671)	(28,293)

The results relate to activities, which are continuing.

The Group has no recognised gains or losses other than the loss for the year as shown above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

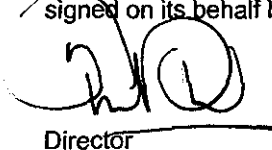
The notes on pages 9 to 21 form an integral part of these financial statements.

Hutchison 3G UK Holdings Limited

Balance Sheet as at 31 December 2001

	Notes	Group		Company	
		2001 £000	2000 £000	2001 £000	2000 £000
Fixed assets					
UMTS and other licences	9	4,481,598	4,445,598	-	-
Tangible fixed assets	10	390,587	10,398	-	-
Investments	11	-	-	4,445,487	4,445,487
		4,872,185	4,455,996	4,445,487	4,445,487
Current assets					
Stocks	12	32,585	-	-	-
Debtors	13	42,456	7,151	-	-
Cash at bank and in hand		544	18,204	-	-
		75,585	25,355	-	-
Creditors (Amounts falling due within one year)	14	(135,941)	(64,157)	-	-
Net current (liabilities)/assets		(60,356)	(38,802)	-	-
Total assets less current liabilities		4,811,829	4,417,194	4,445,487	4,445,487
Creditors (amounts falling due after more than one year)	15	(440,306)	-	-	-
Net assets		4,371,523	4,417,194	4,445,487	4,445,487
Capital and reserves					
Called up share capital	17	4,445,487	4,445,487	4,445,487	4,445,487
Profit and loss account	18	(73,964)	(28,293)	-	-
Equity shareholders' funds	19	4,371,523	4,417,194	4,445,487	4,445,487

The financial statements on pages 6 to 21 were approved by the board of directors on 16 May 2002 and were signed on its behalf by:



Director

Hutchison 3G UK Holdings Limited

Consolidated Cash Flow Statement for the year ended 31 December 2001

	Notes	2001 £000	2000 £000
Net cash outflow from operating activities	20	(50,833)	(12,202)
Returns on investments and servicing of finance			
Interest received		1,095	14
Interest paid		(30,530)	(223)
Issue costs of new loans		(70,685)	(3,000)
Net cash outflow from returns on investments and servicing of finance		(100,120)	(3,209)
Taxation		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(307,088)	(9,166)
Purchase of licences		(4,500)	-
Net cash outflow from capital expenditure and financial investment		(311,588)	(9,166)
Net cash outflow before financing		(462,541)	(24,577)
Financing			
Increase in borrowings	22	444,881	42,781
Net cash inflow from financing		444,881	42,781
Net (decrease) / increase in cash	21	(17,660)	18,204
Reconciliation to net debt		2001 £000	2000 £000
Net debt at 1 January 2001		(24,577)	-
(Decrease) / increase in net cash	21	(17,660)	18,204
Other non-cash items	21	(2,629)	-
Movement in borrowings	21	(374,196)	(42,781)
Net debt at 31 December 2001	21	(419,062)	(24,577)

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

1 Accounting policies

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

(2) Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred with the exception of expenditure on the development of products and services where the outcome of those projects are assessed as being reasonably certain as regards commercial viability and technical feasibility. As at 31 December 2001, no development expenditure has been capitalised.

(3) Pension costs

The Group contributes to a defined contribution personal pension plan in respect of its employees. Pension costs are charged to the profit and loss account in the year to which the contributions relate.

(4) Foreign currency transactions

Transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Monetary assets or liabilities denominated in foreign currencies, which are held at the end of the year, are translated at the year-end rate of exchange. Exchange differences on monetary items are taken to the profit and loss account.

(5) UMTS and other licences

The UMTS and other licences are stated at cost less accumulated amortisation.

Amortisation is charged on a straight-line basis from the commencement of service of the network determined in relation to the development of the network infrastructure.

In accordance with UK Financial Reporting Standards 10 and 11, regular reviews are conducted on the licences carrying values and where impairment is judged to have occurred a provision is made for diminution in value and charged to the profit and loss account in that period.

(6) Fixed assets and depreciation

Tangible fixed assets are stated at cost of acquisition or at construction cost, less accumulated depreciation.

The cost of fixed assets includes only those costs directly attributable to bringing the asset into working condition for its intended use, including associated borrowing costs. Borrowings are stated at the amount of the net proceeds received. Finance costs of debt are allocated to periods over the term of the debt at a constant rate on the carrying amount.

Assets held under leases or other arrangements which confer rights and obligations similar to those attaching to owned assets are capitalised as tangible fixed assets.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful lives from the time they are brought into use at the following rates:

Leasehold improvements	over the lease term
Plant and equipment	10% - 33.3%

In accordance with UK FRS 11 tangible fixed assets are tested for impairment if and when an event that might adversely effect their values has occurred. Where an impairment is judged to have occurred a provision is made for diminution of value, and charged to the profit and loss account in that period.

(7) Leased assets

Where the Group has substantially all the risks and rewards of ownership of an asset subject to lease, that lease is treated as a finance lease with the equivalent cost recorded as both a fixed asset and a liability. Depreciation is provided in line with the Group accounting policy for the underlying assets. Finance charges, included in interest, are allocated over each lease to produce a constant rate of charge on the outstanding balance.

All other leases are accounted for as operating leases and the rental costs are charged to the profit and loss account on a straight-line basis over the term of the lease.

(8) Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

2 Administrative expenses (including amounts capitalised)

	2001 £000	2000 £000
Administrative expenses have been stated after charging:		
Staff costs (note 4)	61,935	5,861
Auditors' remuneration (Company: nil)	296	49
Amounts paid to auditors in respect of non audit work	5,180	281
Depreciation (note 10)	6,083	361
Operating lease expenditure – plant & machinery	1,868	7
Operating lease expenditure – other	14,536	2,357
Research and development	1,407	213

A proportion of these costs have been capitalised in accordance with the Group's accounting policies set out on pages 9 and 10.

Audit fees relating to the Company were borne by the subsidiary, Hutchison 3G UK Limited.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

3 Directors' emoluments

	2001 £000	2000 £000
Aggregate emoluments	314	-
Pension contributions	25	-
	339	-

The above emoluments including pension contributions under a money purchase scheme were paid to one director, who was also the highest paid director.

4 Staff costs (including amounts capitalised)

	2001 £000	2000 £000
Wages and salaries	52,331	4,979
Social security costs	6,380	604
Pension costs	3,224	278
	61,935	5,861

A proportion of these costs have been capitalised in accordance with the Group's accounting policies set out on pages 9 and 10.

5 Employee information

The year-end number of people (including executive directors) employed permanently by the Group was:

	2001 Number	2000 Number
Operations	1,176	102
Administration	213	149
	1,389	251

The average number of people employed during the year was 937.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

6 Interest receivable and similar income

	2001 £000	2000 £000
Interest receivable from bank deposits	1,087	14

7 Interest payable and similar charges

	2001 £000	2000 £000
Interest payable on amount due to a group undertaking	1,700	-
Interest payable on other loans	3,434	-
Interest payable on bank loans and overdrafts	10,979	3,315
	16,113	3,315
Finance costs capitalised	(11,517)	-
	4,596	3,315

8 Tax on loss on ordinary activities

	2001 £000	2000 £ 000
Provision for the year:		
Corporation tax charged at 30%	-	-

There is no tax charge arising in the year as no chargeable profits were made.

No deferred tax asset has been recognised in the financial statements in respect of tax losses available to offset future profits.

The expenses recorded in the profit and loss account of the Company's subsidiary, Hutchison 3G UK Limited, may be tax deductible when the subsidiary commences to trade. To the extent they are tax deductible, they will constitute a deferred tax asset.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

9

UMTS and other licences

	UMTS licence £000	Other licences £000	Total £000
Cost			
At 1 January 2001	4,445,598	-	4,445,598
Additions	-	36,000	36,000
At 31 December 2001	4,445,598	36,000	4,481,598
Amortisation			
At 1 January 2001	-	-	-
Charge for the year	-	-	-
At 31 December 2001	-	-	-
Net book value			
At 31 December 2001	4,445,598	36,000	4,481,598
At 31 December 2000	4,445,598	-	4,445,598

Included in the UMTS licence is the cost of a UK UMTS licence and associated bid costs. Other licences relate to the rights to distribute content.

The UMTS licence acquired in 2000 to operate third generation mobile services in the United Kingdom provides an allocation of frequency spectrum and the right to deliver voice, data and other services to mobile users for 21 years, expiring on 31 December 2021.

In accordance with UK Financial Reporting Standards 10 and 11, the Group has reviewed the carrying value of the licence based on management's expectation of future economic, and operating conditions in the United Kingdom third generation mobile multi-media market. These conditions are subject to uncertainty that may affect future profits and cash flows. The directors have concluded that no provision for impairment is required at 31 December 2001.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

10 Tangible fixed assets

	Leasehold improvements £000	Plant and equipment £000	Assets in the course of construction £000	Total £000
Cost				
At 1 January 2001	236	3,219	7,304	10,759
Additions	13,567	17,667	355,038	386,272
Transfers	842	2,435	(3,277)	-
At 31 December 2001	14,645	23,321	359,065	397,031
Depreciation				
At 1 January 2001	(68)	(293)	-	(361)
Charge for the year	(505)	(5,578)	-	(6,083)
At 31 December 2001	(573)	(5,871)	-	(6,444)
Net book value				
At 31 December 2001	14,072	17,450	359,065	390,587
At 31 December 2000	168	2,926	7,304	10,398

Assets in the course of construction include assets held under a capital lease with a cost on 31 December 2001 of £32 million (31 December 2000: nil). Finance costs capitalised on the indebtedness incurred on construction and development of tangible fixed assets during the year amounted to £11,517,000 (2000: nil).

11 Investments

Investments in subsidiary undertakings

Company	Shares 2001 £000	Loans 2001 £000	Total 2001 £000
Cost			
At 1 January 2001	-	4,445,487	4,445,487
Additions in the period	-	-	-
At 31 December 2001	-	4,445,487	4,445,487

The Company owns 100% of the issued ordinary shares of Hutchison 3G UK Limited. The principal activity of the subsidiary is the development of the infrastructure and services necessary to provide third generation mobile multi media services in the UK.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

12 Stocks

	2001 £000	2000 £000
Payments on account	32,585	-
	32,585	-

13 Debtors - due within one year

	2001 £000	2000 £000
Group		
Other debtors	12,620	3,655
Amounts owed by group undertakings	1,740	688
Prepayments and deferred expenditure	28,096	2,808
	42,456	7,151

Amounts owed by group undertakings are unsecured, interest free and receivable on demand.

14 Creditors - amounts falling due within one year

	2001 £000	2000 £000
Group		
Bank loans and overdraft	-	42,781
Trade creditors	35,182	7,896
Amounts due to group undertakings	2,317	2,283
Taxation and social security	3,008	496
Other creditors	6,784	173
Accruals	88,650	10,528
	135,941	64,157

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

15 Creditors – amounts falling due after more than one year

	2001 £000	2000 £000
Amount due to a group undertaking	46,542	-
Bank loans	276,625	-
Other loans	96,439	-
Other creditors	20,700	-
	440,306	-

On 30 March 2001 the Group secured a £3.2 billion interim financing facility to be made available over a three year period and which may be extended for an additional year, comprising financing from banks, vendors and Hutchison Whampoa Limited group.

Bank loans, other loans and amount due to a group undertaking are secured by fixed and floating charges over the assets of Hutchison 3G UK Holdings Limited.

Other creditors include:

£13.5 million payable in more than one year, but no more than two years

£7.2 million payable in more than two years, but no more than five years

16 Loans and other borrowings

Maturity of debt	2001 £000	2000 £000
Amounts due to a group undertaking		
In more than two years, but not more than five years	46,542	-
Bank and other loans		
In one year or less, or on demand	-	42,781
In more than two years, but not more than five years	373,064	-
	419,606	42,781

17 Called up share capital

	2001 £000	2000 £000
Group and Company		
Authorised:		
5 billion ordinary shares of £1 each	5,000,000	5,000,000
Allotted and fully paid:		
4,445,486,753 ordinary shares of £1 each	4,445,487	4,445,487

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

17 Called up share capital (continued)

Potential issues of ordinary shares

Certain employees hold options to subscribe for shares in the Company at prices ranging from 100p to 135p under the share option scheme approved by shareholders in April 2001. The number of shares subject to options, the years in which they were granted and the years in which they may be exercised are given below:

Year of grant	Exercise price	Exercise year	2001 Number	2000 Number
2001	100p	At flotation	33,605,500	-
2001	135p	At flotation	138,296,000	-

18 Profit and loss account

	2001 £000	2000 £000
Group		
At 1 January 2001	(28,293)	-
Loss for the year	(45,671)	(28,293)
Retained losses at 31 December 2001	(73,964)	(28,293)

19 Reconciliation of movements in shareholders' funds

	2001 £000	2000 £000
Group		
At 1 January 2001	4,417,194	-
Loss for the year	(45,671)	(28,293)
Proceeds of issue of ordinary shares	-	4,445,487
Shareholders' funds at 31 December	4,371,523	4,417,194
Company		
At 1 January 2001	4,445,487	-
Loss for the year	-	-
Proceeds of issue of ordinary shares	-	4,445,487
Shareholders' funds at 31 December 2001	4,445,487	4,445,487

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

20 Reconciliation of operating loss to net cash outflow from operating activities

	2001 £000	2000 £000
Group		
Operating loss	(42,162)	(24,992)
Depreciation	6,083	361
(Increase) in stocks	(32,585)	-
(Increase) in debtors	(17,973)	(7,151)
Increase in creditors	35,804	19,580
Net cash outflow from operating activities	(50,833)	(12,202)

21 Analysis of movement in net debt

	At 1 January 2001 £000	Cash flow £000	Other non-cash changes £000	At 31 December 2001 £000
Cash at bank and in hand	18,204	(17,660)	-	544
Debts due after one year	-	(416,977)	(2,629)	(419,606)
Debts due within one year	(42,781)	42,781	-	-
		(374,196)		
Net debt	(24,577)	(391,856)	(2,629)	(419,062)

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

22 Movement in borrowings

	£000
Group	
Due within one year:	
Repayment of bank loan	(42,781)
Due after one year:	
New secured loans	487,662
Increase in borrowings	444,881
Issue cost of new secured loans	(70,685)
Cash inflow	374,196

23 Operating lease commitments

At 31 December 2001, the Group had lease agreements in respect of buildings, office equipment, and motor vehicles for which the payments extend over a number of years.

	Buildings	Office equipment	Motor vehicles	Total	Buildings	Office equipment	Motor vehicles	Total
	2001	2001	2001	2001	2000	2000	2000	2000
	£000	£000	£000	£000	£000	£000	£000	£000
Annual commitments under non cancellable operating leases expiring:								
Within one year	3,429	-	7	3,436	3,351	-	-	3,351
Within two to five years	260	8	1,234	1,502	123	14	195	332
After five years	11,743	-	-	11,743	4,154	-	-	4,154
	15,432	8	1,241	16,681	7,628	14	195	7,837

24 Pensions

The Group operates a defined contribution personal pension plan. The pension plan is voluntary. Group employees have the option to join the scheme on the commencement date of employment.

	2001 £000	2000 £000
Pension costs	3,224	278

At 31 December 2001, the pension contribution payable was £974,000 (2000: nil).

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

25 Capital commitments

At 31 December 2001, the Group had contracted capital commitments of £488 million (2000: nil) which relate to the development of the infrastructure and services to provide third generation mobile multi-media services in the UK.

26 Post balance sheet events

On 10 January 2002, the Group selected BBC Technology Ltd, to manage the production of the audio-visual content, initially over a five-year contract period, which the Group will deliver as part of its third generation mobile multi-media services.

On 25 January 2002 the Group selected Emap Performance, a division of Emap Plc to provide, initially over a two-year period, content from its range of music and lifestyle magazines, which the Group will deliver as part of its third generation mobile multi-media services.

On 31 January 2002, the Group selected British Telecom Plc to provide leased bandwidth, initially over a two-year contract period.

27 Related party transactions

Transactions with companies in the Hutchison Whampoa Limited group, all of which are under common control, are shown below.

Company	Profit & loss			
	Balances at	account	Balance sheet	Balances at
	31 Dec 2000	transactions	transactions	31 Dec 2001
	£000	£000	£000	£000
Hutchison Whampoa Limited	-	-	65	64
Hutchison Telecommunications International Limited	18	-	101	12
Hutchison 3G Europe Investments S.à r.l.	-	(1,700)	(51,848)	(53,271)
Hutchison 3G Austria GmbH	41	-	165	206
Hutchison 3G Italia S.p.A.	-	-	31	(29)
HI3G Access AB	321	-	93	164
Hutchison Whampoa Europe Investments S.à r.l.	308	-	175	35
Hutchison Telecommunications (Australia) Limited	-	-	77	43
Hutchison Whampoa 3G IP S.à r.l.	-	-	(7,467)	(8,167)
Hutchison Whampoa (Europe) Limited	(2,283)	-	(9)	(2,287)
Hutchison Whampoa 3G Procurement S.à r.l.	-	-	(32,585)	(32,585)
Hutchison Whampoa Three G Enterprises (Bahamas) Limited	-	-	1,039	1,039
Powwow Water (Midlands) Limited	-	5	-	-

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2001

27 Related party transactions (continued)

Transactions relate to operating expenses incurred on behalf of, or by, other group companies.

Within Hutchison 3G Europe Investments S.à r.l. is a loan of £54,423,000 which is part of the £3.2 billion interim financing facility comprising financing from banks, vendors and internal resources from Hutchison Whampoa Limited group. Included in the finance costs of £9,377,000 paid to Hutchison 3G Europe Investments S.à r.l., £1,700,000 has been recognised as profit and loss transactions during the year.

28 Ultimate Parent Undertaking

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

Hutchison Whampoa Limited, a company listed on The Stock Exchange of Hong Kong Limited and incorporated in Hong Kong, is the smallest and largest group to consolidate these accounts, and is the Company's ultimate parent undertaking and owns, through Hutchison 3G UK Investments S.à r.l. and other Hutchison Whampoa Limited group companies, 65% of the share capital and voting rights of this Group.

Copies of the group accounts of Hutchison Whampoa Limited may be obtained from the Company Secretary at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.