

**Hutchison 3G UK Holdings Limited**

**Registered Number 3918124**

**Annual Report**

**Year Ended 31 December 2005**



# Hutchison 3G UK Holdings Limited

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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 2005.

## Principal activities and review of the business, and future developments

Hutchison 3G UK Holdings Limited's (the "Company") principal activity is to act as a holding company for its wholly owned subsidiaries, Hutchison 3G UK Limited and Hutchison 3G Ireland Limited. The principal activity of the Company and its subsidiaries, (together, the "Group") is the provision of third generation video mobile multi-media and communication services.

The Group continued to roll out its network and at the year-end, 6,685 UK cell sites were in operation with a footprint coverage of 86.8% of the UK population and over 99% UK coverage via a 2G national roaming agreement with O2. This footprint coverage was further extended to include the Republic of Ireland following the acquisition of Hutchison 3G Ireland Limited.

During 2006, the Group signed a 2G national roaming agreement with Orange Personal Communications Services Limited, which will replace the existing agreement with O2 from 1 January 2007. In addition, the Group launched its 'Wepay' offering in the UK to prepay customers, rewarding them with free airtime for their usage.

On 12 December 2005, the Group entered into a managed service agreement with Ericsson Limited ("Ericsson"). Under the agreement, the Group retains ownership of the network and IT assets and their strategic development. Ericsson is responsible for the management of the Group's network and IT infrastructure.

The Group disposed of its investment in Hutchison Whampoa Services Limited on 31 December 2005 and acquired a 100% interest in Hutchison 3G Ireland Limited on 30 December 2005, extending its network coverage to the whole of the British Isles.

The Group continues to launch various new price plans and content offerings.

## Post balance sheet events

Post balance sheet events are set out in note 31 to the financial statements.

## Research and development

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

## Results and dividends

The Group's loss for the year amounted to £1,369,386,000 (2004: £1,474,306,000). The Directors do not recommend the payment of a dividend (2004: £nil).

# Hutchison 3G UK Holdings Limited

## Directors' Report (continued)

### Directors and their interests

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

Canning Fok  
Victor Li  
Susan Chow  
Lord Derwent LVO  
Robert Fuller  
Dominic Lai  
Vincenzo Novari  
Edith Shih  
Frank Sixt  
Colin Tucker

Resigned 31/10/2005

The interests of Directors in shares or debentures of the Company or any body corporate of the same group as at 31 December 2005 and, if applicable, as at the beginning of the year ended 31 December 2005 (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, as at 1 January 2005 and 31 December 2005, an option over 9,122,500 shares in the Company. Subject to compliance with applicable legal and regulatory requirements of the Company and any of its parent companies, 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 Hutchison Whampoa Group

Mr. Canning Fok had (i) as at 1 January 2005, a corporate interest in 2,510,875 ordinary shares in Hutchison Whampoa Limited ("HWL"), the Company's ultimate parent undertaking and as at 31 December 2005, a corporate interest in 4,310,875 ordinary shares in HWL, and as at 1 January 2005, a corporate interest in a nominal amount of USD5,000,000 notes due 2005 of HWL and ceased to have such interest as at 31 December 2005, (ii) as at 1 January 2005 and 31 December 2005, a corporate interest in 5,000,000 ordinary shares in Hutchison Harbour Ring Limited, (iii) as at 1 January 2005, an interest in 100,000 ordinary shares and a corporate interest in 1,000,000 ordinary shares in Hutchison Telecommunications (Australia) Limited ("HTAL") and as at 31 December 2005, an interest in 4,100,000 ordinary shares and a corporate interest in 1,000,000 ordinary shares in HTAL, (iv) as at 1 January 2005 and 31 December 2005, an interest in 134,000 5.5% unsecured convertible notes due 2007 issued by HTAL ("HTAL Notes") and a corporate interest in 1,340,001 HTAL Notes, (v) as at 1 January 2005, a corporate interest in 10,000,000 ordinary shares in Hutchison Global Communications Holdings Limited ("HGCHL") and ceased to have such interest as at 31 December 2005, (vi) as at 1 January 2005, a corporate interest in 250,000 ordinary shares in Hutchison Telecommunications International Limited ("HTIL") and ceased to have a disclosable interest in HTIL as at 31 December 2005 due to HTIL no longer being a subsidiary of the parent company of the Company as at that date, (vii) as at 1 January 2005, a corporate interest in a nominal amount of EUR20,900,000 in the 5.875% notes due 2013 issued by Hutchison Whampoa Finance (03/13) Limited and ceased to have such interest as at 31 December 2005, (viii) as at 1 January 2005 and 31 December 2005, a corporate interest in a nominal amount of USD6,500,000 in the 6.25% notes due 2014 issued by Hutchison Whampoa International (03/33) Limited ("HWI (03/33)"), (ix) as at 31 December 2005, a corporate interest in a nominal amount of EUR12,600,000 in the 4.125% notes due 2015 issued by Hutchison Whampoa Finance (05) Limited.

# Hutchison 3G UK Holdings Limited

## Directors' Report (continued)

### (b) Interests in other bodies corporate of the Hutchison Whampoa Group (continued)

Mr. Victor Li had, (i) (a) as at 1 January 2005 and 31 December 2005, an interest in 11,496,000 ordinary shares in HWL (see note (a), and (b)) as at 1 January 2005 and 31 December 2005, and a corporate interest in 1,086,770 ordinary shares in HWL (see note b), (ii) as at 1 January 2005 and 31 December 2005, an interest in 5,428,000 ordinary shares in Cheung Kong Infrastructure Holdings Limited (see note (c)), (iii) as at 1 January 2005, a corporate interest in 26,300,000 ordinary shares in HGCHL and ceased to have such interest as at 31 December 2005, (iv) as at 1 January 2005, a corporate interest in 14,489 ordinary shares in HTIL and ceased to have a disclosable interest in HTIL as at 31 December 2005, (v) as at 1 January 2005, an interest in 153,280 ordinary shares in HTIL (see note (d)) and ceased to have a disclosable interest in HTIL as at 31 December 2005, (vi) as at 1 January 2005, a corporate interest in a nominal amount of US\$2,000,000 and as at 31 December 2005, a corporate interest in a nominal amount of US\$12,000,000 in the 7% notes due 2011 issued by Hutchison Whampoa International (01/11) Limited, and (vii) as at 1 January 2005, a corporate interest in a nominal amount of US\$11,000,000 and as at 31 December 2005, a corporate interest in a nominal amount of US\$21,000,000 in the 6.5% notes due 2013 issued by Hutchison Whampoa International (03/13) Limited ("HWI (03/13)").

#### Notes:

- (a) These shares are held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3").  
The discretionary beneficiaries of each of the two discretionary trusts ("DT3" and "DT4") are, inter alia, Mr. Victor Li, his wife and children. Each of the trustees of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust.  
The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr. Victor Li is interested in one-third of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of HWL by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of HWL independently without any reference to Castle Holdco or Mr. Victor Li as a holder of the shares of Castle Holdco as aforesaid.  
As Mr. Victor Li is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, Mr. Victor Li is taken to have a duty of disclosure in relation to the said shares of HWL held by TUT3 as trustee of UT3.
- (b) These shares are held by certain companies in which Mr. Victor Li is interested in the entire issued share capital.
- (c) These shares are held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1"). The entire issued share capital of TUT1 and of the trustees of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr. Victor Li is interested in one-third of the entire issued share capital of Unity Holdco.  
Each of Li Ka-Shing Unity Trustee Corporation Limited as trustee of DT1 and Li Ka-Shing Unity Trustcorp Limited as trustee of DT2 holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Victor Li, his wife and children. By virtue of the above, Mr. Victor Li is taken to have a duty of disclosure in relation to the said shares of Cheung Kong Infrastructure Holdings Limited held by TUT1 as trustee of UT1.

# Hutchison 3G UK Holdings Limited

## Directors' Report (continued)

### (b) Interests in other bodies corporate of the Hutchison Whampoa Group (continued)

- (d) These shares are held by TUT3 as trustee of UT3. In the same manner as described in note (a) above, Mr. Victor Li is taken to have a duty of disclosure in relation to the said shares of HTIL held by TUT3 as trustee of UT3.

Mrs. Susan Chow had, (i) as at 1 January 2005 and 31 December 2005, an interest in 150,000 ordinary shares in HWL, and (ii) as at 1 January 2005, an interest in 250,000 ordinary shares in HTIL and ceased to have a disclosable interest in HTIL as at 31 December 2005.

Mr. Robert Fuller had, as at 1 January 2005 an option over 1,490,313 shares and as at 31 December 2005 an option over 1,004,470 shares in 3 Italia S.p.A..

Mr. Dominic Lai had, as at 1 January 2005 and 31 December 2005, an interest in 50,000 ordinary shares in HWL.

Mr. Vincenzo Novari had, as at 1 January 2005 an option over 1,490,313 shares and as at 31 October 2005 (date of resignation) an option over 2,892,695 shares in 3 Italia S.p.A..

Ms. Edith Shih had (i) as at 1 January 2005 and 31 December 2005, an interest in 27,200 ordinary shares in and a family interest in 7,400 ordinary shares in HWL, (ii) as at 1 January 2005 and 31 December 2005, an interest in a nominal amount of US\$500,000 and a family interest in a nominal amount of US\$100,000 both in the 6.5% notes due 2013 issued by HWI (03/13), and (iii) as at 1 January 2005 and 31 December 2005, an interest in a nominal amount of US\$300,000 and a family interest in a nominal amount of US\$100,000 both in the 6.25% notes due 2014 issued by HWI (03/33).

Mr. Frank Sixt had, (i) as at 1 January 2005 and 31 December 2005, an interest in 50,000 ordinary shares in HWL, (ii) as at 1 January 2005, an interest in 17,000 American Depositary Shares (representing 255,000 ordinary shares) in HTIL and ceased to have a disclosable interest in HTIL as at 31 December 2005, and (iii) as at 31 December 2005, an interest in 1,000,000 ordinary shares in HTAL.

Save as disclosed above, as at 31 December 2005, 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 had any right to subscribe for such shares or debentures.

# Hutchison 3G UK Holdings Limited

## Directors' Report (continued)

### Financial Risk Management

The Group's major financial instruments, other than derivatives, include borrowings and cash that arise directly from its operations. The Group's borrowings are raised centrally by HWL Group finance companies which are then on-lent to operating subsidiaries.

The Group also uses derivatives, principally foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and managing the Group's assets and liabilities. It is not the Group's policy to enter into derivative transactions for speculative purposes.

The Group's treasury function sets financial risk management policies in accordance with HWL Group policies and procedures as approved by its Directors. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to minimise the Group's financial risk.

#### (a) Price risk and currency risk

The Group is primarily exposed to price risk on the purchase of handsets which are in US dollars. Exposure to movements in exchange rates on individual transactions directly relating to the underlying business is minimised using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist.

#### (b) Credit risk

Financial instruments which potentially subject the Group to concentration of credit risk consist principally of cash. Management believes the concentration of credit risk associated with the Group's cash is mitigated by the fact that these amounts are placed in what management believes to be high quality financial institutions. The Group has not experienced any losses to date on its deposited cash.

The Group is exposed to its customers defaulting on their payments of their debts. The Group mitigates this risk by performing credit assessments on all of its postpay customers prior to sales.

#### (c) Liquidity risk

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

#### (d) Interest rate cash flow risk

The Group had interest-bearing liabilities linked with the financing from subsidiaries of the HWL Group, which is dependent upon LIBOR (details of this financing can be found in note 17). The interest was accounted for through the profit and loss account. With effect from 1 January 2006 it was agreed by the respective lenders that no interest would be payable under these liabilities.

# Hutchison 3G UK Holdings Limited

## Directors' Report (continued)

### 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 and that all employees are aware of the financial and economic performance of their business units and the Company and Group as a whole. 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.

### Charitable Donations

The Group made charitable donations of £107,150 during the year (2004: £nil).

### Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming Annual General Meeting.

### Statement of Directors' responsibilities

Company Law requires the Directors to prepare financial statements for each financial year that 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. The Directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently except for changes as detailed in note 1(b). They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that 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 1985. They 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.

By Order of the Board



Robert Fuller  
Director

Date: 27/10/06



# Hutchison 3G UK Holdings Limited

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

We have audited the Group and Parent Company financial statements (the "financial statements") of Hutchison 3G UK Holdings Limited for the year ended 31 December 2005 which comprise Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

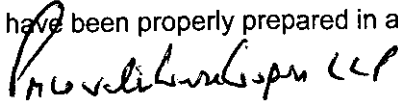
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 31 December 2005 and of the Group's loss and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

  
**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

London

Date: 27 October 2006

# Hutchison 3G UK Holdings Limited

## Consolidated Profit and Loss Account for the Year Ended 31 December 2005

	Notes	2005 £000	2004 £000
Turnover	2(a)	1,045,006	413,339
Cost of sales		(1,393,623)	(1,007,481)
<b>Gross loss</b>		<b>(348,617)</b>	<b>(594,142)</b>
Other operating income	2(b)	5,791	31,867
Administrative expenses		(724,248)	(731,114)
<b>Operating loss</b>	3	<b>(1,067,074)</b>	<b>(1,293,389)</b>
Interest receivable and similar income	7	907	3,159
Interest payable and similar charges	8	(320,183)	(224,754)
<b>Loss on ordinary activities before taxation</b>		<b>(1,386,350)</b>	<b>(1,514,984)</b>
Tax credit on loss on ordinary activities	9	16,964	40,678
<b>Loss on ordinary activities after taxation</b>		<b>(1,369,386)</b>	<b>(1,474,306)</b>
<b>Retained loss for the financial year</b>	20	<b>(1,369,386)</b>	<b>(1,474,306)</b>

The results relate to activities which are continuing.

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 Group has no recognised gains and losses other than those included in the losses above, and therefore no separate statement of recognised gains and losses has been prepared.

The notes on pages 12 to 31 form an integral part of these financial statements.

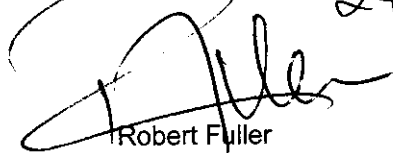
# Hutchison 3G UK Holdings Limited

Balance Sheets as at 31 December 2005

	Notes	Group		Company	
		2005 £000	2004 £000	2005 £000	2004 £000
<b>Fixed assets</b>					
Intangible assets	10	3,858,859	4,039,063	-	-
Tangible fixed assets	11	2,045,711	1,805,961	-	-
Investments	12	-	-	4,445,487	4,445,487
		<b>5,904,570</b>	<b>5,845,024</b>	<b>4,445,487</b>	<b>4,445,487</b>
<b>Current assets</b>					
Stock	13	107,622	145,286	-	-
Debtors	14	638,918	738,167	1,145,420	1,086,318
Cash at bank and in hand		56,695	18,930	-	-
		<b>803,235</b>	<b>902,383</b>	<b>1,145,420</b>	<b>1,086,318</b>
<b>Creditors - amounts falling due within one year</b>	15	<b>(560,550)</b>	<b>(632,971)</b>	<b>-</b>	<b>-</b>
<b>Net current assets</b>		<b>242,685</b>	<b>269,412</b>	<b>1,145,420</b>	<b>1,086,318</b>
<b>Total assets less current liabilities</b>		<b>6,147,255</b>	<b>6,114,436</b>	<b>5,590,907</b>	<b>5,531,805</b>
<b>Creditors - amounts falling due after more than one year</b>	16	<b>(5,657,037)</b>	<b>(4,253,884)</b>	<b>(1,145,420)</b>	<b>(1,086,318)</b>
<b>Provisions for liabilities and charges</b>	18	<b>(26,996)</b>	<b>(27,944)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>463,222</b>	<b>1,832,608</b>	<b>4,445,487</b>	<b>4,445,487</b>
<b>Capital and reserves</b>					
Called up share capital	19	4,445,487	4,445,487	4,445,487	4,445,487
Profit and loss account	20	(3,982,265)	(2,612,879)	-	-
<b>Equity shareholders' funds</b>	21	<b>463,222</b>	<b>1,832,608</b>	<b>4,445,487</b>	<b>4,445,487</b>

The financial statements on pages 9 to 31 were approved by the Board of Directors on and were signed on its behalf by:

27/10/06

  
Robert Fuller  
Director

# Hutchison 3G UK Holdings Limited

## Consolidated Cash Flow Statement for the Year Ended 31 December 2005

	Notes	2005 £000	2004 £000
<b>Net cash outflow from operating activities</b>	<b>22</b>	<b>(581,799)</b>	<b>(1,134,560)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		907	3,725
Interest paid, finance costs and similar charges		(234,763)	(123,195)
Net cash outflow from returns on investments and servicing of finance		(233,856)	(119,470)
<b>Taxation</b>			
Group relief received		27,709	-
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(375,858)	(515,930)
Purchase of licences		(7,105)	(9,568)
Net cash outflow for capital expenditure and financial investment		(382,963)	(525,498)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertaking		-	-
Net cash balances acquired/disposed with subsidiaries		2,365	-
Sale of subsidiary undertaking		-	-
Net cash outflow from acquisitions and disposals		2,365	-
<b>Net cash outflow before use of liquid resources and financing</b>		<b>(1,168,544)</b>	<b>(1,779,528)</b>
<b>Management of liquid resources</b>		<b>-</b>	<b>343,084</b>
<b>Financing</b>	<b>24</b>	<b>1,206,309</b>	<b>1,451,684</b>
Net cash flow from financing		1,206,309	1,451,684
<b>Net increase in cash</b>	<b>23</b>	<b>37,765</b>	<b>15,240</b>
<b>Reconciliation to net debt</b>			
		2005 £000	2004 £000
Net debt at 1 January 2005	23	(4,269,497)	(2,410,544)
Increase in net cash	23	37,765	15,240
Movement in liquid resources		-	(343,084)
Purchase of subsidiary undertaking	23	(127,219)	-
Other non-cash items	23	(63,176)	(79,425)
Movement in borrowings	23	(1,206,309)	(1,451,684)
Net debt at 31 December 2005	23	(5,628,436)	(4,269,497)

The notes on pages 12 to 31 form an integral part of these financial statements.

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 1 Significant Accounting Policies

#### (a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards. Significant accounting policies, which have been applied consistently, are set out below:

##### *Use of estimates*

The preparation of financial statements requires Management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure and valuation of contingent assets and liabilities and the reported amounts of income and expenditure. Actual results may differ from estimates included in the financial statements. Estimates are used when accounting for certain items such as deferred tax assets, provision for bad and doubtful debts, valuation of stock, depreciation and amortisation and in the assumptions adopted in respect of the impairment review of tangible and intangible fixed assets.

##### *Basis for consolidation*

The consolidated financial statements for the year ended 31 December 2005 consolidate the accounts of Hutchison 3G UK Holdings Limited (the "Company") and its subsidiary undertakings, Hutchison 3G UK Limited and Hutchison 3G Ireland Limited, (together, the "Group"). Results of subsidiary undertakings acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2005 or up to the dates of disposal as the case may be. The acquisition of Hutchison 3G Ireland Limited has been accounted for using the acquisition method.

#### (b) Changes In Accounting Policies

The Group has adopted the following Financial Reporting Standards ('FRS') in these financial statements:

- FRS 21 'Events after the balance sheet'
- FRS 25 'Financial instruments: Disclosure and Presentation'
- FRS 28 'Corresponding amounts'

As permitted, the Group adopted only the presentation requirements of FRS 25 defined in paragraphs 15 to 50.

The adoption of each of these standards represent changes in accounting policies for the Group, although none of the changes resulted in amendment to the Company's balance sheet or profit and loss account for either the current or prior year.

#### (c) Revenue

Revenue represents amounts earned for services rendered, net of value-added tax and discounts. Revenue from third generation video mobile multi-media and communication services comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging and the provision of other mobile telecommunication services, including data services and information provision.

Access charges and airtime used by contract customers are invoiced and recorded as part of a periodic billing cycle and recognised as revenue over the related access period. Unbilled revenue resulting from services already provided from the billing cycle date to the end of each period is accrued, and unearned monthly access charges relating to periods after each accounting period are deferred.

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 1 Significant Accounting Policies (continued)

#### (c) Revenue (continued)

The revenue from the sales of the phone services is recognised over the period of the contract. Revenue from data services and information provision is recognised when the Group has performed the related service and depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

#### (d) 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 with regards to commercial viability and technical feasibility. As at 31 December 2005, no development expenditure has been capitalised.

#### (e) Customer Acquisition Costs

The delivery of a handset to customers and third party dealers is not accounted for as a separate sale and the handset cost together with any net commission payment to third party dealers are accounted for as customer acquisition cost ("CAC").

Costs to acquire customers that enter into a fixed term contract are recorded in 'Deferred expenditure' and expensed to 'Cost of Sales' over the term of the contract, where the recovery of the acquisition cost is considered as probable.

Costs to acquire customers that do not enter into a fixed term contract are expensed as incurred and recorded within 'Cost of sales'.

#### (f) 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.

#### (g) 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.

Net assets of foreign subsidiary undertakings, including goodwill, are translated into sterling at the rates prevailing at the balance sheet date. The profit or loss and cash flows for the year of foreign subsidiary undertakings are translated at the average rates of exchange for the year end.

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 1 Significant Accounting Policies (continued)

#### (h) Goodwill

Goodwill, arising from the purchase of subsidiary undertakings, represents the excess of the fair value of the purchase consideration over the fair value of the net assets acquired.

The goodwill arising is capitalised as an intangible asset and amortised on a straight-line basis from the time of acquisition over a period estimated by management to be its useful economical life. The useful economical lives do not exceed 20 years and are the periods over which the directors estimate that the value of the underlying businesses are expected to exceed the value of the underlying net assets in accordance with FRS 10 Goodwill and intangible assets.

The goodwill arising on the acquisition of Hutchison 3G Ireland Limited is amortised over a period of 17 years as this reflects the remaining useful life of the Ireland UMTS licence

#### (i) UMTS and Other Licences

The Licences are stated at cost. The cost of Universal Mobile Telecommunication System ("UMTS") and other licences comprises upfront payments made for acquiring the licences plus capitalised present value of fixed periodic payments to be made in subsequent years, together with interest accrued prior to the date when the licence is available for use. Licence cost is amortised from the later of the start of the licences or the date when the Licence is available for use, to the end of the licence period on a straight-line basis. The licence amortisation is included within Administrative Expenses. Interest accrued on the present value of fixed periodic payments to be made in subsequent years is charged to interest payable and similar charges in the profit and loss account.

In accordance with FRS 10 Goodwill and intangible assets and FRS 11 Impairment of fixed assets and goodwill, 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.

#### (j) 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 include only those costs directly attributable to bringing the asset to working condition for its intended use, including any associated borrowing costs. 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.

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 or the useful life if shorter
Plant and equipment	20% - 33.3% per annum
Network infrastructure	5% - 33.3% per annum

Included in Network infrastructure are costs estimated by management to restore the cell sites to their original state on the relocation of the cell site equipment in accordance with the lease agreement.

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 1 Significant Accounting Policies (continued)

#### (j) Fixed Assets and Depreciation (continued)

Payments on account and assets in the course of construction are not depreciated. In accordance with FRS 15, *Tangible Fixed Assets*, the Group's policy is to review the useful economic life of tangible fixed assets at the end of each reporting period and revise the lives if expectations are significantly different from previous estimates. In assessing the useful economic lives of network infrastructure assets, the Directors have had regard to the expected use of the assets by the Company after taking into account the upgrade, replacement and repair and maintenance programmes of the Company and the expected economic or technological obsolescence of the network infrastructure. If the useful economic life of any tangible fixed asset category is revised, the carrying amount of the tangible fixed asset at the date of revision is then depreciated over the revised remaining useful economic life.

Tangible fixed assets are reviewed for impairment if and when an event that might adversely affect their values has occurred. 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.

#### (k) 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's 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 for the use of assets 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.

#### (l) Deferred Taxation

Deferred tax is provided in full on all timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### (m) Finance Costs

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 charge.

#### (n) Stock

Stock comprises handsets and other goods for resale and is valued at the lower of cost and net realisable value.



# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 1 Significant Accounting Policies (continued)

#### (o) Debtors

Debtors are stated at the invoiced amount less provision for accounts that are estimated by Management to be doubtful. Provisions are maintained in respect of bad and doubtful debts for estimated losses resulting from the inability of customers to make the required payments. Estimates are based on the ageing of the debt balances and historical experience.

#### (p) Derivative Financial Instruments

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. All derivative financial instruments are accounted for as hedges when they alter the risk profile of an underlying exposure of the Group. All derivative financial instruments held for hedging purposes are identified as hedges of the underlying asset or liability from inception.

#### (q) Liquid Resources

Liquid resources include surplus cash which is placed on short-term deposit which is disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

### 2(a) Turnover

The Group's activities consist solely of the provision of third generation video mobile multi-media, communication and related services.

The Group's revenue comprises:

	2005	2004
	£000	£000
Services	1,036,059	408,921
Other	8,947	4,418
	<u>1,045,006</u>	<u>413,339</u>

### 2(b) Other Operating Income

Other operating income includes compensation from suppliers, site share rental income, insurance claims, and other income. In 2004, the compensation from suppliers amounted to £31 million.

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 3 Operating Loss

	2005	2004
	£000	£000
Staff costs (note 5)	130,964	126,435
Amortisation (note 10)	245,286	255,919
Depreciation, including amounts written off (note 11)	215,408	210,310
Deferred expenditure amortised during the year	611,876	253,259
Operating lease expenditure – other	2,111	3,644
Operating lease expenditure – land & buildings	58,152	68,676
Charitable donations	107	-
<i>Auditors' remuneration:</i>		
Audit services		
-Statutory audit	439	430
-Audit related regulatory reporting	162	158
Taxation compliance	72	47

A proportion of these costs has been capitalised in accordance with the Group's accounting policies.

Audit fees relating to the Company were borne by its subsidiary, Hutchison 3G UK Limited. None of the auditors' remuneration has been capitalised.

### 4 Directors' Emoluments

	2005	2004
	£000	£000
Aggregate emoluments	1,711	1,585
Pension contributions	74	61
	<b>1,785</b>	<b>1,646</b>

The above emoluments, including pension contributions under a money purchase scheme, were paid to two directors (2004: two directors). The highest paid director received emoluments of £1,249,000 (2004: £1,273,000) and pension contributions of £nil (2004: £35,000).

### 5 Staff Costs

	2005	2004
	£000	£000
Wages and salaries	108,417	103,767
Social security costs	13,140	13,251
Pension costs (note 26)	9,407	9,417
	<b>130,964</b>	<b>126,435</b>

A proportion of these costs has been capitalised in accordance with the Group's accounting policies.

No staff costs have been incurred by the Company (2004: £nil).

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 6 Employee Information

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

	2005 Number	2004 Number
Operations	1,427	2,133
Administration	302	325
	<b>1,729</b>	<b>2,458</b>

In December 2005, the Group entered into a managed service agreement with Ericsson for its network and IT infrastructure. Under this agreement, approximately 1,000 employees transferred to Ericsson.

The average monthly number of people employed during the year was 2,383 (2004: 2,348). The Company had no employees during the year (2004: nil).

### 7 Interest Receivable and Similar Income

	2005 £000	2004 £000
Interest receivable from bank deposits	907	3,159

### 8 Interest Payable and Similar Charges

	2005 £000	2004 £000
Interest payable on amount due to group undertakings	329,222	175,769
Interest payable on other loans	-	4,335
Interest payable on bank loans and overdrafts	59	69,539
Interest accretion	1,465	-
	<b>330,746</b>	<b>249,643</b>
Finance costs capitalised	(10,563)	(24,889)
	<b>320,183</b>	<b>224,754</b>

Finance costs are capitalised at a rate of LIBOR plus 2.25% (2004: LIBOR plus 2.25%) on the 'Payments on account and assets in the course of construction' balance on a monthly basis.

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 9 Tax Credit On Loss On Ordinary Activities

	2005 £000	2004 £ 000
<b>Provision for the year:</b>		
<b>Current tax</b>		
UK Corporation tax credit on losses for the period	(16,964)	(4,884)
Adjustment in respect of prior period group relief at 30%	-	(35,794)
<b>Total tax credit</b>	<b>(16,964)</b>	<b>(40,678)</b>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30%. The difference is explained below:

	2005 £000	2004 £ 000
Loss on ordinary activities before tax	(1,386,350)	(1,514,984)
Loss on ordinary activities at the current rate of corporation tax rate at 30% (2004: 30%)	(415,905)	(454,495)
Tax losses for the period carried forward (not recognised as deferred tax)	398,941	441,428
Permanent differences	-	750
Group relief surrendered for nil consideration	-	7,500
Adjustment to tax for group relief in respect of prior periods	-	(35,861)
<b>Total tax credit</b>	<b>(16,964)</b>	<b>(40,678)</b>

The Group has an unrecognised deferred tax asset of approximately £1.1 billion (2004: £0.7 billion) in respect of losses which will be recoverable when sufficient future taxable profits have been earned.

### 10 Intangible Assets

#### Group

	Goodwill £000	UMTS licences £000	Other licences £000	Total £000
<b>Cost</b>				
At 1 January 2005	-	4,445,598	14,352	4,459,950
Acquisition of Hutchison 3G Ireland Limited	37,339	27,492	251	65,082
At 31 December 2005	37,339	4,473,090	14,603	4,525,032
<b>Amortisation</b>				
At 1 January 2005	-	(418,377)	(2,510)	(420,887)
Charge for the year	-	(240,550)	(4,736)	(245,286)
At 31 December 2005	-	(658,927)	(7,246)	(666,173)
<b>Net book value</b>				
At 31 December 2005	37,339	3,814,163	7,357	3,858,859
At 31 December 2004	-	4,027,221	11,842	4,039,063

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

10

### Intangible Assets (continued)

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

The UK UMTS licence was acquired in 2000 to operate third generation video mobile services in the United Kingdom and 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. Amortisation of the UK UMTS and other UK licences commenced when the underlying UK network assets and licences became available for use.

The Ireland UMTS licence was acquired in 2002 to operate third generation video mobile services in the Republic of Ireland and provides an allocation of frequency spectrum and the right to deliver voice, data and other services to mobile users for 20 years, expiring on 31 December 2022. Amortisation of the Ireland UMTS commenced when the underlying Ireland network assets and licences became available for use.

The Group commenced commercial operations in 2003 and in accordance with initial business plans is incurring start-up losses as the business develops. A review has been undertaken based on the Group's most up to date cash flow projections, to assess whether the carrying value of the Group's UK UMTS licence is supported by the net present value of future cash flows derived from these assets using cash flow projections in accordance with FRS 10 and FRS 11. The value in use has been derived from discounted cash flow projections; cash projections cover a 10-year period as the Directors of the Group considers that the growth in the business will exceed the average growth rate for the UK over 10 years. After the 10-year period, the projections use a long-term growth rate compatible with projections for the UK economy. The result of the review undertaken indicated that no impairment charge was necessary.

Cash flow projections for the Group reflect investments in network infrastructure to provide voice and non-voice value-added services such as content, multimedia messaging and video services which are forecast to be significant drivers of future revenues as well as investments in customer acquisitions. Capital expenditure and customer acquisition costs are heaviest in the early years of projections but are forecast to decline progressively as a percentage of revenues. Forecast revenue growth and profitability are driven by a combination of new customers and improving operating margins driven in part by a change in the mix of voice and non-voice revenues and enhanced customer promotions. While the cash flow projections and the discount rate applied to the cash flows are based upon the Directors' best estimates, these estimates are subject to uncertainty. The actual outcome may differ and the Directors' estimates may alter to reflect changes in the key assumptions noted above.

### Goodwill

Goodwill has arisen on the acquisition of Hutchison 3G Ireland Limited from Hutchison 3G Ireland Investment S.à r.l., a HWL group company, on 30 December 2005. The assets and liabilities were purchased for cash consideration of €2, at the fair values stated below:

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 10 Intangible Fixed Assets (continued)

	Fair value of assets and liabilities acquired £000
<b>Net liabilities acquired</b>	
UMTS and other licences	27,743
Tangible fixed assets	110,653
Stock	379
Debtors	6,678
Cash at bank and on hand	2,512
Creditors – amounts due within one year	(39,554)
Creditors - amounts due after more than one year	(145,580)
Provision for liabilities and charges	(170)
	(37,339)
<b>Goodwill</b>	<b>37,339</b>
	-
<b>Satisfied by</b>	
Cash	-

There is no material differences between the book values and fair values of the assets acquired.

The loss after tax and minority interests for Hutchison 3G Ireland Limited for the year ended 31 December 2005 was £17,715,000 (2004: loss of £3,660,000).

### 11 Tangible Fixed Assets

#### Group

	Leasehold improvements £000	Plant and equipment £000	Network infrastructure £000	Payments on account and assets in the course of construction £000	Total £000
<b>Cost</b>					
At 1 January 2005	123,311	50,635	1,793,347	184,020	2,151,313
Additions	197	7,123	33	345,259	352,612
Related to subsidiary acquired	-	9	78,452	32,192	110,653
Disposals	(4,483)	(4)	(63,152)	-	(67,639)
Transfers	11,985	674	384,672	(397,331)	-
At 31 December 2005	131,010	58,437	2,193,352	164,140	2,546,939
<b>Depreciation</b>					
At 1 January 2005	(24,948)	(42,621)	(277,783)	-	(345,352)
Charge for the year	(4,345)	(8,815)	(202,248)	-	(215,408)
Disposals	3,792	4	55,736	-	59,532
At 31 December 2005	(25,501)	(51,432)	(424,295)	-	(501,228)
<b>Net book value</b>					
At 31 December 2005	105,509	7,005	1,769,057	164,140	2,045,711
At 31 December 2004	98,363	8,014	1,515,564	184,020	1,805,961

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 11 Tangible Fixed Assets (continued)

Network infrastructure includes assets held under a capital lease with a cost on 31 December 2005 of £32,000,000 (31 December 2004: £32,000,000), net book value on 31 December 2005 of £27,306,000 (31 December 2004: £29,013,000), and depreciation charge for the year ended 31 December 2005 of £1,707,000 (31 December 2004: £1,707,000).

Aggregate finance costs capitalised relating to expenditure incurred on construction and development of tangible fixed assets amounts to £185,943,000 (2004: £175,380,000).

### 12 Investments in Subsidiary Undertakings

Company	Shares	Loans	Total
	£000	£000	£000
<b>Cost</b>			
Opening balance at 1 January 2005	-	4,445,487	4,445,487
Acquisition of Hutchison 3G Ireland Limited	-	-	-
Disposal of Hutchison Whampoa Services Limited	-	-	-
<b>At 31 December 2005</b>	<b>-</b>	<b>4,445,487</b>	<b>4,445,487</b>

On 30 December 2005, the Company acquired 100% of the share capital of Hutchison 3G Ireland Limited. Cash consideration of €2 was paid on acquisition.

On 31 December 2005, the Group disposed of its 100% interest in Hutchison Whampoa Services Limited ("HWS"), a business incorporated and operated in the UK. The disposal was for a consideration of £1 and resulted in a profit on disposal of £227,000, which being immaterial has not been separately disclosed in the profit and loss account. During the year ended 31 December 2005, HWS business contributed £6.3 million to the Group's turnover and a profit before tax of £0.6 million. The disposal of HWS has not been classified as discontinued operations since it does not have a material effect on the nature and focus of the Group's operations nor result in a material reduction in turnover.

At 31 December 2005, the Company owned 100% of the issued ordinary shares of Hutchison 3G UK Limited and 100% of the issued ordinary shares of Hutchison 3G Ireland Limited. The principal activities of these subsidiaries are the provision of third generation video mobile multi-media and communication services.

### 13 Stock

	2005	2004
	£000	£000
<b>Group</b>		
Finished goods	107,370	141,445
Payments on account	252	3,841
	<b>107,622</b>	<b>145,286</b>

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 14 Debtors

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade debtors	132,702	285,154	-	-
Amounts owed by group undertakings	35,571	55,741	1,145,420	1,086,318
Other debtors	19,443	31,918	-	-
Deferred expenditure – Customer Acquisition Costs	375,001	270,999	-	-
Prepayments and accrued income	76,201	94,355	-	-
	<b>638,918</b>	<b>738,167</b>	<b>1,145,420</b>	<b>1,086,318</b>

Amounts owed by group undertakings are unsecured and receivable on normal commercial terms.

### 15 Creditors - Amounts Due Within One Year

	2005	2004
	£000	£000
<b>Group</b>		
Bank overdrafts	65,511	45,951
Trade creditors	71,627	131,082
Amounts due to group undertakings	123,261	91,817
Taxation and social security	6,345	7,731
Other creditors	3,486	4,397
Accruals and deferred income	290,320	351,993
	<b>560,550</b>	<b>632,971</b>

Amounts due to group undertakings are unsecured and settled on normal commercial terms.

### 16 Creditors – Amounts Due After More Than One Year

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amount due to group undertakings	5,619,620	4,242,476	1,145,420	1,086,318
Other creditors	25,394	11,408	-	-
Accruals and deferred income	12,023	-	-	-
	<b>5,657,037</b>	<b>4,253,884</b>	<b>1,145,420</b>	<b>1,086,318</b>

Amounts due to group undertakings are secured by fixed and floating charges over the assets of the Company.



# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 17 Loans and Other Borrowings

Maturity of debt	2005 £000	2004 £000
<b>Amounts due to group undertakings</b>		
In two to five years	4,346,982	3,156,158
In greater than five years	1,272,638	1,086,318
<b>Bank and other loans</b>		
In less than one year	65,511	45,951
	<b>5,685,131</b>	<b>4,288,427</b>

Subsequent to the year ended 31 December 2005, the Group reached an agreement with Hutchison Whampoa Finance S.A. to increase the facility to £4.5 billion with the maturity on the facility extended through to 30 March 2008. This facility carried an interest rate at LIBOR plus 2.25% (2004: LIBOR plus 2.25%) up to 31 December 2005. With effect from 1 January 2006, it was agreed that no interest would be payable under this facility.

Amounts due to a group undertaking in more than five years of £1,145.4 million (2004: £1,086.3 million), represents a £1 billion loan provided by Hutchison Europe Telecommunications S.à r.l. plus accrued interest. The loan plus accrued interest is repayable in full in May 2013 and carries an interest rate of LIBOR plus 1% (2004: LIBOR plus 1%).

Also included in amounts due to a group undertaking in more than five years is a loan provided by Hutchison 3G Ireland Investments S.à r.l. including accrued interest of £127.3 million. The interest payable on the loan is at a rate of the aggregate of (a) 0.03% and (b) 85% of the aggregate of (i) EURIBOR and (ii) 3% pa. The loan is repayable in full in July 2032.

### 18 Provisions For Liabilities and Charges

	Asset retirement obligation £000	Onerous lease provision £000	Total provision for charges and liabilities £000
1 January 2005	23,605	4,339	27,944
Related to subsidiary acquired	170	-	170
Charge for the year	-	-	-
Discount accretion	1,165	300	1,465
Utilisation in the period	(1,096)	(1,487)	(2,583)
<b>Closing balance at 31 December 2005</b>	<b>23,844</b>	<b>3,152</b>	<b>26,996</b>

The Group has an obligation under the terms of its cell site leases to restore the sites to their original state on the relocation of the cell site equipment. This requires the Directors to make estimates about the expected cost to restore the sites and the timing of the restoration of the sites and a provision has been created for the present value of this expected liability. The discount accretion is charged to the profit and loss account through interest.

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 18 Provisions For Liabilities and Charges (continued)

The Group also has obligations under operating leases for buildings which are surplus to requirements. A provision has been made for the present value of these future lease obligations net of any income from subleasing.

### 19 Called Up Share Capital

	2005 £000	2004 £000
<b>Group and Company</b>		
Authorised:		
5,000,000,000 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

#### Employee share option scheme

Certain employees hold options to subscribe for shares in the Company at prices ranging from 100p to 135p under the share option scheme, which is subject to compliance with applicable legal and regulatory requirements of the Company and any of its parent companies, as approved by shareholders in April 2001. The number of shares subject to options, the years in which they were granted and the prices at which they may be exercised are given below:

Year of grant	Exercise Price	2005 Number	2004 Number
		18,342,000	18,787,000
2001	100p	59,046,000	71,584,750
2001	135p	4,093,000	5,483,500
2002	135p	875,000	1,175,000
2003	135p	7,612,500	7,852,500
2004	135p	6,138,750	-
2005	135p		

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.

### 20 Profit And Loss Account

	2005 £000	2004 £000
<b>Group</b>		
Balance at the beginning of the year	(2,612,879)	(1,138,573)
Loss for the year	(1,369,386)	(1,474,306)
<b>Retained losses at 31 December 2005</b>	<b>(3,982,265)</b>	<b>(2,612,879)</b>

As permitted by section 230 of the Companies Act (1985), the Company's profit and loss account has not been included in these financial statements. The Company's results for the period are £nil (2004: £nil).

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 21 Reconciliation Of Movements In Equity Shareholders' Funds

	2005 £000	2004 £000
<b>Group</b>		
Balance at the beginning of the year	1,832,608	3,306,914
Loss for the year	(1,369,386)	(1,474,306)
<b>Equity shareholders' funds at 31 December 2005</b>	<b>463,222</b>	<b>1,832,608</b>

<b>Company</b>		
Balance at the beginning of the year	4,445,487	4,445,487
Loss for the year	-	-
<b>Equity shareholders' funds at 31 December 2005</b>	<b>4,445,487</b>	<b>4,445,487</b>

### 22 Reconciliation of Operating Loss To Net Cash Outflow From Operating Activities

	2005 £000	2004 £000
<b>Group</b>		
Operating loss	(1,067,074)	(1,293,389)
Amortisation of UMTS and other licences	245,286	255,919
Depreciation including loss on disposal and amounts written off	215,408	210,568
Deferred expenditure amortised during the year	611,876	253,259
Provision for bad and doubtful debts	53,055	32,851
Provision for stock obsolescence	4,873	52,967
Provision for liabilities and charges	-	27,944
Profit on disposal of subsidiary undertakings	(227)	-
Decrease (increase) in stock	33,170	(137,753)
(Increase) in debtors	(588,366)	(846,699)
Decrease (increase) in creditors	(89,800)	309,773
<b>Net cash outflow from operating activities</b>	<b>(581,799)</b>	<b>(1,134,560)</b>

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 23 Analysis of Movement In Net Debt

	At 1 January 2005 £000	Cash flow £000	Acquisition of subsidiary undertaking £000	Other non-cash changes £000	At 31 December 2005 £000
Cash at bank and in hand	18,930	35,253	2,512	-	56,695
Debts due after one year	(4,242,476)	(1,186,749)	(127,219)	(63,176)	(5,619,620)
Debts due within one year	(45,951)	(19,560)	-	-	(65,511)
Net debt	(4,269,497)	(1,171,056)	(124,707)	(63,176)	(5,628,436)

Debts due within one year represent bank overdrafts which are payable on demand. Other non-cash charges are accrued loan interest.

Included in net debt acquired upon acquisition of subsidiary undertaking is a non-cash amount of £5.5 million relating to accrued loan interest.

### 24 Movement in Borrowings

	2005 £000	2004 £000
<b>Group</b>		
Due within one year:	19,560	45,951
Due after one year:	1,186,749	1,405,733
Increase in borrowings	1,206,309	1,451,684
Cash inflow	1,206,309	1,451,684

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

### 25 Operating Lease Commitments

At 31 December 2005, the Group had lease agreements in respect of land and buildings, office equipment and motor vehicles for which the payments extend over a number of years.

	2005			2004		
	Land & buildings	Other	Total	Land & buildings	Other	Total
	£000	£000	£000	£000	£000	£000
<b>Annual commitments under non cancellable operating leases expiring:</b>						
Within one year	795	937	1,732	280	704	984
Within two to five years	2,867	645	3,512	1,277	1,063	2,340
After five years	64,213	853	65,066	55,178	-	55,178
	<b>67,875</b>	<b>2,435</b>	<b>70,310</b>	<b>56,735</b>	<b>1,767</b>	<b>58,502</b>

### 26 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 commencement of employment.

	2005 £000	2004 £000
Pension costs	<b>9,407</b>	9,417

At 31 December 2005, the pension contribution payable was £756,000 (2004: £1,386,000).

### 27 Financial Commitments

On 12 December 2005, the Group entered into an exclusive seven-year managed service agreement with Ericsson. Under the agreement, the Group retains ownership of the network and IT assets and their strategic development. Ericsson is responsible for the management of the Group's network and IT infrastructure.

The agreement includes confidentiality clauses which preclude the Company from disclosing commercial terms of the agreement. The amounts payable under the agreement and charged in the profit and loss account each year reflect, inter alia, the expected traffic growth in the business over the term of the agreement.

### 28 Capital Commitments

At 31 December 2005, the Group had contracted capital commitments of £876 million (2004: £203 million), with £301 million being due within one year and £575 million being due between one and seven years. These capital commitments relate to the development of the infrastructure and services to provide third generation video mobile multi-media and communication services by the Group.

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

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### Related Party Transactions

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

Company	Profit & loss			Balances at 31 Dec 2005 £000
	Balances at 31 Dec 2004 £000	account transactions £000	Balance sheet transactions £000	
Hutchison Network Services UK Limited	19	(1,253)	-	(74)
Hutchison International Limited	(79)	(1,321)	-	(1,263)
Hutchison Whampoa Finance S.A.	(3,203,408)	(265,678)	(1,186,748)	(4,424,948)
Hutchison Europe Telecommunications S.à r.l.	(1,084,772)	(60,253)	-	(1,145,420)
Hutchison 3G Austria GmbH	(5,853)	641	-	-
3 Italia S.p.A (formerly known as Hutchison 3G Italia S.p.A.)	(305)	198	-	-
Hi3G Access AB	(2,141)	579	-	(1,605)
Hutchison Whampoa Europe Investments S.à r.l.	542	(1,456)	-	-
Hutchison 3G Australia Pty Limited	2	(3)	-	(3)
Hutchison Whampoa 3G IP S.à r.l.	(13,133)	(105)	6,400	(3,866)
Hutchison Whampoa (Europe) Limited	106	(1,130)	-	106
Hutchison Whampoa 3G Procurement S.à r.l.	(15,019)	2,019	-	(251)
Hutchison 3G Enterprises S.à r.l.	4,909	(3,297)	2,462	(869)
Hutchison Whampoa Three G Enterprises (Bahamas) Limited	1,344	(1,345)	-	-
Hutchison Whampoa 3G Content S.à r.l.	(3,176)	(1,258)	-	(528)
Hutchison 3G Ireland Limited	2,368	26,987	-	-
3 Global Services Private Limited	4,401	1,654	-	(1,654)
Hutchison 3G HK Limited	(3,111)	3,111	-	(1)
Hutchison Whampoa IT Services S.à r.l.	(43)	-	-	-
H3G Procurement Services S.à r.l.	(755)	(293,464)	-	(34,882)
Hutchison OMF Limited	(955)	-	-	-
Hutchison Whampoa Limited	-	(368)	-	(88)
Hutchison Whampoa Properties (Europe) Limited	95	94	-	95
Hutchison Whampoa Services Limited	-	-	-	64
Hutchison Telecommunications International Limited	-	84	-	3
Vidiator Technology (US) Inc.	26	224	-	(1)
Vidiator (Netherlands) B.V.	-	(5)	-	(5)
Harwich International Port Limited	-	(5)	-	(5)
Port of Felixstowe Limited	-	(2,002)	-	-
Superdrug Stores plc	22,604	10,123	-	28,774
Savers Health and Beauty Limited	9,204	873	-	873
New Millennium Corp.	-	275	-	(349)
Hutchison 3G Ireland Investments S.à r.l.	-	-	-	(127,128)
WPCS (UK) Finance Limited	5,522	-	-	-
Kruidvat UK Limited	1,610	-	-	-
A.S. Watson Card Services (UK) Limited	1,373	-	-	-

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

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### Related Party Transactions (continued)

The amounts owed to Hutchison Whampoa Finance S.A. of £4.5 billion represent loan amounts drawn down on the Group's £4.4 billion credit facility (see notes 17 and 31).

Within the balance due to Hutchison Europe Telecommunications S.à r.l. (formerly Hutchison 3G Europe Investments S.à r.l.) is a loan of £1 billion plus accrued interest to the Group (2004: £1 billion) (see Note 17).

Within the balance due to Hutchison 3G Ireland Investments S.à r.l. is a loan of £128 million which represents loan amounts drawn by Hutchison 3G Ireland Limited plus accrued interest on the loan facility of £128 million (see note 17).

The Group has agreements with Superdrug Stores plc, Savers Health & Beauty Limited and Hutchison Whampoa 3G Procurement S.à r.l., for the supply of mobile handsets and accessories. All three companies are subsidiaries of HWL (see note 30). Transactions between these companies are shown above.

Included in the transactions above are amounts relating to Group losses surrendered to Port of Felixstowe Limited (£2 million) and Superdrug Stores Limited (£15 million).

Included within the transactions with Superdrug Stores plc are charges in respect of store space occupied by the Group amounting to £7.5 million.

The Group acquires and provides certain services and assets to/from other HWL controlled companies including Hutchison Whampoa Europe Investments S.à r.l., Hutchison Whampoa 3G IP S.à r.l. and Hutchison Whampoa 3G Procurement S.à r.l., as shown above.

The Group acquires and provides certain services and assets to/from other 3G group companies, including Hutchison 3G Austria GmbH, 3 Italia S.p.A (formerly known as Hutchison 3G Italia S.p.A)., HI3G Access AB, Hutchison 3G Australia Pty Limited, Hutchison 3G HK Limited and H3G Procurement Services S.à r.l..

The Group's investment in Hutchison Whampoa Services Limited was sold on the 31 December 2005 and therefore only the closing balance as at 31 December 2005 is disclosed above. The transactions during the year, up to the date of disposal, are eliminated on consolidation.

Hutchison 3G Ireland Limited was acquired by the Group on 30 December 2005 and hence only the opening balance and transactions during the year, up to the date of acquisition, are disclosed in the above table.

# Hutchison 3G UK Holdings Limited

## Notes to the accounts for the year ended 31 December 2005

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.

HWL, 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 HWL group companies, 100% of the share capital and voting rights of the Group.

Copies of the group accounts of HWL may be obtained from the Company Secretary at 22<sup>nd</sup> Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

### 31 Post Balance Sheet Events

Subsequent to the year ended 31 December 2005, the Group's credit facility with Hutchison Whampoa Finance S.A. has been amended as disclosed in note 17 above and in addition, a credit facility with an HWL group company has been provided to the Company.

On 20 April 2006, the Group acquired 100% of the share capital of Hutchison Westminster Limited.

During 2006, the Group signed a 2G National roaming agreement with Orange Personal Communications Services Limited, which will replace the existing agreement with O2 from 1 January 2007.