

Hutchison 3G UK Holdings Limited

Registered Number 3918124

Annual Report

Year Ended 31 December 2006

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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 of the Company for the year ended 31 December 2006. For the purposes of this report, "Company" means Hutchison 3G UK Holdings Limited and "Group" means the Company and its subsidiary undertakings, Hutchison 3G UK Limited, Hutchison 3G Ireland Limited and Hutchison Westminster Limited.

Business Review

Hutchison 3G UK Holdings Limited is a wholly owned subsidiary of Hutchison Whampoa Limited, a company listed on The Stock Exchange of Hong Kong Limited and incorporated in Hong Kong.

The Company is required to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2006 and of the position of the Group at the end of that financial year and a description of the principal risks and uncertainties facing the group (known as a 'Business Review'). The information that fulfils the requirement of the Business Review is set out below.

(a) Review of operations

The Group, which trades under the name "3", is engaged in the provision of mobile communications, entertainment and information services in the UK and the Republic of Ireland, through its wholly-owned subsidiaries Hutchison 3G UK Limited ("3 UK") and Hutchison 3G Ireland Limited ("3 Ireland").

During the year, the Group has continued to rollout its 3G networks in the UK and Ireland. In the UK the 3G network has reached 90% population coverage with over 99% coverage via national roaming agreements with Orange and O₂. In Ireland the 3G network has reached 85% population coverage with over 99% coverage via a national roaming agreement with Vodafone. In October 2006, 3 UK entered into an agreement for the acquisition of over 90 prime-location stores from the Link and O₂, as part of a strategy to build a nationwide retail presence designed to give 3 UK greater control over the entire customer experience.

(b) Review of the financial performance of the business and key performance indicators

The key financial performance indicators used for internal performance analysis are revenue and EBITDA. These are detailed in the table below.

	Year Ended 31 December	
	2006	2005
	£'m	£'m
Revenue	1,353	1,045
EBITDA*	(322)	(610)

*EBITDA is operating loss before net finance costs, tax, depreciation, amortisation and exceptional items. 2005 restated as set out in note 1(b) to the financial statements.

The combined registered customer base of 3 UK and 3 Ireland, where the 3G business is still at a relatively early stage of development, has grown steadily by 14% from 31 December 2005 to 3.9 million at 31 December 2006. The moderate growth in the overall combined customer base is attributable to the strategy of focusing more on the higher-value contract customers, which grew by 22% during the year, and limited activity in the prepaid customer market. The benefit of this strategy can be seen in the improved revenue which grew 29% during the year.

Hutchison 3G UK Holdings Limited

Directors' Report (continued)

Business Review (continued)

EBITDA decreased from £610 million in the year ended 31 December 2005 to £322 million in the year ended 31 December 2006, a decrease of 47%. This reflects the growth in customer revenues and improvement in margin.

The results of the Group for the year ended 31 December 2006 are a loss of £666 million (2005 £1,373 million). The decline in the loss year on year was due to the improved operating results of the Group together with a profit of £55 million from the sale of 8 data centres during the year, which has been reflected as an exceptional item, and the waiver of interest on the Group's loan facilities which was effective from 1 January 2006.

(c) Principal Risks and Uncertainties

The management of the business and the execution of the Company and Group's strategy are sensitive to risks and uncertainties faced by the Company and the Group. The key risks and uncertainties affecting the Company and the Group are considered to relate to competition from other mobile service providers, customer take-up and churn, technological advances and regulation. The Group's key risks and the activities in place to manage them are monitored on a regular basis.

(d) Outlook

The rollout of High Speed Downlink Packet Access ("HSDPA") across the UK is being phased to provide coverage in major cities in the latter half of 2007. HSDPA will give customers a greater quality and range of communication, entertainment and information services. 3 UK will continue to expand its retail base nationwide with the acquisition of further retail stores.

Post balance sheet events

Post balance sheet events are set out in note 33 to the financial statements.

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 the Hutchison Whampoa Limited Group ("HWL Group") finance companies which are 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.

Hutchison 3G UK Holdings Limited

Directors' Report (continued)

(b) Credit risk

Financial instruments which potentially subject the Group to concentration of credit risk with a specific counter party 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 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. No credit is given to prepay customers.

(c) Liquidity risk

The Group has obtained financing from other Hutchison Whampoa Limited ("HWL") group companies in order to meet its funding requirements. The fact that this funding is raised centrally by HWL Group finance companies 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 18 to the financial statements).

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
Edith Shih
Frank Sixt
Colin Tucker
Christian Salbaing
Kevin Russell

Resigned 1 January 2007
Appointed 7 February 2007
Appointed 7 February 2007

The interests of Directors in shares or debentures of the Company or any body corporate of the same group as at 31 December 2006 and, if applicable, as at the beginning of the year ended 31 December 2006 (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 2006 and 31 December 2006, 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.

Hutchison 3G UK Holdings Limited

Directors' Report (continued)

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

Mr Canning Fok had, (i) as at 1 January 2006 and 31 December 2006, a corporate interest in 4,310,875 ordinary shares in Hutchison Whampoa Limited ("HWL"), the Company's ultimate parent undertaking, (ii) as at 1 January 2006 and 31 December 2006, a corporate interest in 5,000,000 ordinary shares in Hutchison Harbour Ring Limited, (iii) as at 1 January 2006 and 31 December 2006, an interest in 4,100,000 ordinary shares and a corporate interest in 1,000,000 ordinary shares in Hutchison Telecommunications (Australia) Limited ("HTAL"), (iv) as at 1 January 2006 and 31 December 2006, 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 2006, a corporate interest in a nominal amount of US\$6,500,000 in the 6.25% notes due 2014 issued by Hutchison Whampoa International (03/33) Limited ("HWI (03/33)") and as at 31 December 2006, a corporate interest in a nominal amount of US\$2,500,000 in the 6.25% notes due 2014 issued by HWI (03/33), (vi) as at 31 December 2006, a corporate interest in a nominal amount of US\$2,000,000 in the 7.45% notes due 2033 issued by HWI (03/33), (vii) as at 31 December 2006, a corporate interest in a nominal amount of US\$2,500,000 in the 5.45% notes due 2010 issued by HWI (03/33), (viii) as at 1 January 2006, 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 ("HWF (05)") and as at 31 December 2006 a corporate interest in a nominal amount of EUR4,600,000 in the 4.125% notes due 2015 issued by HWF (05), and (ix) as at 31 December 2006, a corporate interest in a nominal amount of US\$2,500,000 in the 6.5% notes due 2013 issued by Hutchison Whampoa International (03/13) Limited ("HWI (03/13)")

Mr Victor Li had, (i) (a) as at 1 January 2006 and 31 December 2006, an interest in 11,496,000 ordinary shares in HWL (see note (a)) and (b) as at 1 January 2006 and 31 December 2006, an interest in 1,086,770 ordinary shares in HWL (see note (b)), (ii) as at 1 January 2006 and 31 December 2006, an interest in 5,428,000 ordinary shares in Cheung Kong Infrastructure Holdings Limited ("CKI") (see note (c)), (iii) as at 1 January 2006 and as at 31 December 2006, 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, (iv) as at 1 January 2006 and 31 December 2006, a corporate interest in a nominal amount of US\$21,000,000 in the 6.5% notes due 2013 issued by HWI (03/13), and (v) as at 31 December 2006, a corporate interest in (a) a nominal amount of US\$8,000,000 in the 6.25% notes due 2014 and (b) a nominal amount of US\$15,000,000 in the 7.45% notes due 2033 both issued by HWI (03/33)

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 interested in the shares of HWL by reason only of its obligation and power to hold interests only 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.

Hutchison 3G UK Holdings Limited

Directors' Report (continued)

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

- (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 CKI held by TUT1 as trustee of UT1.

Mrs Susan Chow had, as at 1 January 2006 and 31 December 2006, an interest in 150,000 ordinary shares in HWL.

Lord Derwent LVO had, as at 1 January 2006 and 31 December 2006, an interest in 15,500 ordinary shares in HWL.

Mr Robert Fuller had, as at 1 January 2006 and 31 December 2006 an option over 1,004,470 shares in 3 Italia S p A.

Mr Dominic Lai had, as at 1 January 2006 and 31 December 2006, an interest in 50,000 ordinary shares in HWL.

Ms Edith Shih had, (i) as at 1 January 2006 and 31 December 2006, an interest in 27,200 ordinary shares and a family interest in 7,400 ordinary shares in HWL, (ii) as at 1 January 2006 and 31 December 2006, 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 2006 and 31 December 2006, 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 2006 and 31 December 2006, an interest in 50,000 ordinary shares in HWL, and (ii) as at 1 January 2006 and 31 December 2006, an interest in 1,000,000 ordinary shares in HTAL.

Save as disclosed above, as at 31 December 2006, 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.

Employees

Consultation with employees or their representatives is maintained, with the aims of ensuring that their views are taken into account when decisions are made that are likely to affect their interests, and ensuring 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.

Hutchison 3G UK Holdings Limited

Directors' Report (continued)

Employees (continued)

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 £968 during the year (2005 £107,150)

Auditors and disclosure of information to auditors

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

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) to the financial statements. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 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 22 March 2007



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 2006 which comprise Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses, 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we also report to you if, in our opinion, 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 or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

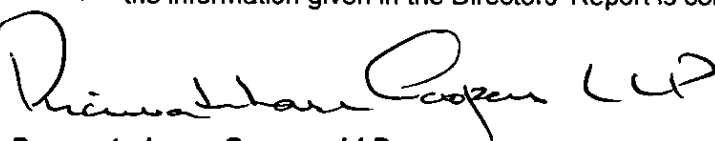
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2006 and of the Group's loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

Date 22 March 2007

Hutchison 3G UK Holdings Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2006

	Notes	2006 £000	2005 £000 Restated*
Turnover	2(a)	1,353,100	1,045,006
Cost of sales		(1,457,289)	(1,393,623)
Gross loss		(104,189)	(348,617)
Other operating income	2(b)	43,760	5,845
Administrative expenses		(742,004)	(727,702)
Operating loss	3	(802,433)	(1,070,474)
Profit on sale of fixed assets	7	54,937	-
Interest receivable and similar income	8	1,872	907
Interest payable and similar charges	9	(95,038)	(320,183)
Loss on ordinary activities before taxation		(840,662)	(1,389,750)
Tax credit on loss on ordinary activities	10	174,574	16,964
Loss on ordinary activities after taxation		(666,088)	(1,372,786)
Retained loss for the financial year	22	(666,088)	(1,372,786)

*Details of the restatement are set out in note 1(b) to the financial statements

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 notes on pages 13 to 30 form an integral part of these financial statements

Hutchison 3G UK Holdings Limited

Consolidated Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2006

	2006 £000	2005 £000 Restated*
Loss for the year	(666,088)	(1,372,786)
Exchange adjustments on subsidiaries	(1,107)	-
Total recognised gains and losses relating to the year	(667,195)	(1,372,786)
Prior year adjustments recognised in equity	(4,854)	
Total gains and losses recognised since last annual report	(672,049)	

* Details of the restatement are set out in note 1(b) to the financial statements

The notes on pages 13 to 30 form an integral part of these financial statements

Hutchison 3G UK Holdings Limited

Balance Sheets as at 31 December 2006

	Notes	Group		Company	
		2006 £000	2005 £000 Restated*	2006 £000	2005 £000
Fixed assets					
Intangible assets	11	3,660,775	3,921,645	-	-
Tangible fixed assets	12	2,078,809	1,982,778	-	-
Investments in subsidiary undertakings	13	-	-	4,445,487	4,445,487
		5,739,584	5,904,423	4,445,487	4,445,487
Current assets					
Stock	14	102,285	107,622	-	-
Debtors – amounts due within one year	15	899,157	638,210	660,234	-
Debtors – amounts due after more than one year	15	-	-	1,145,420	1,145,420
Cash at bank and in hand		44,737	56,695	-	-
Investments in liquid resources		26,600	-	-	-
		1,072,779	802,527	1,805,654	1,145,420
Creditors - amounts falling due within one year	16	(1,479,769)	(559,842)	(987,472)	-
Net current (liabilities)/assets		(406,990)	242,685	818,182	1,145,420
Total assets less current liabilities		5,332,594	6,147,108	5,263,669	5,590,907
Creditors - amounts falling due after more than one year	17	(5,505,741)	(5,656,890)	(891,081)	(1,145,420)
Provisions for liabilities and charges	19	(28,025)	(26,996)	-	-
Net (liabilities)/assets		(201,172)	463,222	4,372,588	4,445,487
Capital and reserves					
Called up share capital	20	4,445,487	4,445,487	4,445,487	4,445,487
Other reserves	21	6,548	4,854	-	-
Profit and loss account	22	(4,653,207)	(3,987,119)	(72,899)	-
Equity shareholders' (deficit)/funds	23	(201,172)	463,222	4,372,588	4,445,487

*Details of the restatement are set out in note 1(b) to the financial statements

The financial statements on pages 9 to 30 were approved by the Board of Directors on 22 March 2007 and were signed on its behalf by

Robert Fuller
Director

Hutchison 3G UK Holdings Limited

Consolidated Cash Flow Statement for the Year Ended 31 December 2006

	Notes	2006 £000	2005 £000 Restated*
Net cash outflow from operating activities	24	(339,729)	(581,799)
Returns on investments and servicing of finance			
Interest received		1,862	907
Interest paid, finance costs and similar charges		(112,341)	(234,763)
Loan facility fees paid		(142)	-
Net cash outflow from returns on investments and servicing of finance		(110,621)	(233,856)
Taxation			
Group relief received		1,640	27,709
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(354,772)	(375,858)
Purchase of licences		(3,569)	(7,105)
Receipts from sale of tangible fixed assets		62,670	-
Net cash outflow for capital expenditure and financial investment		(295,671)	(382,963)
Acquisitions and disposals			
Net cash balances acquired/disposed with subsidiaries		-	2,365
Net cash outflow from acquisitions and disposals		-	2,365
Net cash outflow before use of liquid resources and financing		(744,381)	(1,168,544)
Management of liquid resources	25	(26,600)	-
Financing	26	759,023	1,206,309
Net cash flow from financing		759,023	1,206,309
Net (decrease)/increase in cash	25	(11,958)	37,765
Reconciliation to net debt		2006 £000	2005 £000
Net debt at 1 January 2006	25	(5,628,288)	(4,269,497)
Increase in net cash	25	(11,958)	37,765
Movement in liquid resources	25	26,600	-
Purchase of subsidiary undertaking	25	-	(127,218)
Other non-cash items	25	(54,386)	(63,029)
Movement in borrowings	26	(759,023)	(1,206,309)
Net debt at 31 December 2006	25	(6,427,055)	(5,628,288)

*Details of the restatement are set out in note 1(b) to the financial statements. The restatement effected Net debt, 'Other non-cash items'

The notes on pages 13 to 30 form an integral part of these financial statements

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

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 reviews of tangible and intangible fixed assets.

Basis for consolidation

The consolidated financial statements for the year ended 31 December 2006 consolidate the accounts of Hutchison 3G UK Holdings Limited and its subsidiary undertakings (together, the "Group"). Results of subsidiary undertakings acquired or disposed of during the year are included as from their effective dates of acquisition to the earlier of 31 December 2006 and, to the dates of their disposals.

(b) Changes in Accounting Policies

Share-Based Payment

The Group has adopted FRS 20 'Share-based payment' ("FRS 20") in these financial statements.

The adoption of the standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The recognition of the cost of the equity instruments issued after 7 November 2002 that had not vested by 1 January 2006 has resulted in a share-based payment charge and a credit to other reserves of £587,000 (2005: £3,400,000) and £5,441,000 (2005: £4,854,000) respectively.

(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. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

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.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

1 Significant Accounting Policies (continued)

(d) Customer Acquisition Costs

The delivery of a handset to customers and third party dealers is not accounted for as a separate sale. The handset cost together with any net commission payment to third party dealers are accounted for as customer acquisition costs ("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 probable. Where the recovery of the acquisition cost is not considered probable, it is expensed to 'Cost of Sales' immediately.

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

(e) 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.

(f) Share-Based Payment

The Group adopted the requirements of FRS 20, Share-based payment, on 1 January 2006. The fair value of equity-settled share-based payments to employees, determined at the date of grant, is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest. The fair value is adjusted for changes in non-market based vesting conditions over the vesting period. In the case of options granted, fair value is measured using a binomial pricing model.

(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. Exchange differences on all other items are taken to the profit and loss account.

(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 date of acquisition over its estimated useful economic life. The useful economic lives do not exceed 20 years and are the periods over which the value of the businesses acquired are expected to exceed the value of the underlying net assets.

The goodwill arising on the acquisition of Hutchison 3G Ireland Limited is amortised over a period of 17 years from 30 December 2005 being date of acquisition as this reflects the remaining useful life of the Irish Universal Mobile Telecommunication System ("UMTS") licence.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

1 Significant Accounting Policies (continued)

(i) UMTS and Other Licences

Licences are stated at cost less accumulated amortisation. The cost of UMTS and other similar licences comprises upfront payments made for acquiring the licences together with the capitalised present value of fixed periodic payments to be made in subsequent years and acquisition costs capitalised prior to the date when the licence is available for use. Licence cost is amortised from the later of the start of the licence or the date when the licence is first 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.

Software licences and other similar licences are stated at cost and amortised over their useful lives.

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 finance 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 to their expected recoverable amount 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.

Payments on account and assets in the course of construction are not depreciated. The useful economic lives of tangible fixed assets are reviewed at the end of each reporting period and the lives are revised if expectations are significantly different from previous estimates. In determining the useful economic lives, the expected use of the assets by the Group is taken into consideration, including the upgrade, replacement and repair and maintenance programmes of the Group and the expected economic or technological obsolescence of the network infrastructure. If the useful economic lives of any tangible fixed assets are revised, the carrying amounts of the tangible fixed assets at the date of revision are then depreciated over the revised remaining useful economic lives.

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.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

1 Significant Accounting Policies (continued)

(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.

Finance costs that are directly attributable to the construction of a tangible fixed asset are capitalised as part of the cost of the relevant asset and depreciated over the asset's life. The capitalisation rate in any given period is based on the weighted average of the rates incurred on the relevant company's borrowings outstanding during the period. Capitalisation of interest ceases when substantially all the activities necessary to get the tangible fixed asset ready for use are complete.

Other finance costs are charged to the profit and loss account on an accruals basis.

(n) Stock

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

(o) Debtors

Debtors are stated at the invoiced amount less provision for bad and doubtful debts. 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 aging 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.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

1 Significant Accounting Policies (continued)

(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) Group Segmental Reporting

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

Geographical analysis

	Turnover		Profit/(loss) before tax		Net assets/(liabilities)	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
United Kingdom	1,340,421	1,045,006	(772,649)	(1,389,750)	(104,099)	463,222
Republic of Ireland	12,679	-	(68,013)	-	(97,073)	-
	1,353,100	1,045,006	(840,662)	(1,389,750)	(201,172)	463,222

Geographical analysis is based on the country in which the order is received. It would not be materially different if based on the country in which the customer is located.

2(b) Other Operating Income

Other operating income includes non-trading income of £41,000,000 (2005: £2,254,000) and other income of £2,760,000 (2005: £3,591,000) consisting primarily of site share rental income.

3 Operating Loss

	2006 £000	2005 £000
Staff costs (note 5)	81,031	134,364
Amortisation (note 11)	261,593	256,379
Depreciation (note 12)	218,349	204,315
Deferred expenditure - customer acquisition costs charged in the year	612,304	611,876
Operating lease expenditure - other	785	2,111
Operating lease expenditure - land & buildings	71,093	58,152
Charitable donations	1	107
Auditors' remuneration		
Audit services		
- Statutory audit	583	439
- Audit related regulatory reporting	244	162
- Other audit work	110	-
Taxation compliance	102	72

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.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

4 Directors' Emoluments

	2006 £000	2005 £000
Aggregate emoluments	1,124	1,711
Pension contributions	19	74
	<u>1,143</u>	<u>1,785</u>

The above emoluments, including pension contributions under a money purchase scheme, were paid to two directors (2005 two directors). The highest paid director received emoluments of £1,004,000 (2005 £1,249,000) and pension contributions of £nil (2005 £nil).

None of the Directors exercised any share options during the year (2005 Nil)

5 Staff Costs (including directors' emoluments)

	2006 £000	2005 £000 Restated
Wages and salaries	66,214	111,817
Social security costs	9,620	13,140
Pension costs (note 28)	5,197	9,407
	<u>81,031</u>	<u>134,364</u>

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 (2005 £nil).

6 Employee Information

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

	2006 Number	2005 Number
Operations	1,973	1,427
Administration	376	302
	<u>2,349</u>	<u>1,729</u>

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 were transferred to Ericsson.

In October 2006, the Group entered into an agreement with O₂ (UK) to purchase 95 O₂/Link stores. Under this agreement, approximately 300 employees were transferred into the Group by 31 December 2006.

The average monthly number of people employed during the year was 1,874 (2005 2,383). The Company had no employees during the year (2005 nil).

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

7 Exceptional Items

	2006 £000	2005 £000
Profit on disposal of fixed assets	<u>54,937</u>	-

On 21 June 2006, the Group disposed of its 8 data centres to Ericsson for £102 million realising a profit on disposal of £54,937,000

8 Interest Receivable and Similar Income

	2006 £000	2005 £000
Interest receivable from bank deposits	<u>1,872</u>	907

9 Interest Payable and Similar Charges

	2006 £000	2005 £000
Interest payable on amount due to group undertakings	93,722	329,222
Interest payable on bank loans and overdrafts	474	59
Unwinding of discounts	<u>1,864</u>	<u>1,465</u>
	96,060	330,746
Finance costs capitalised	(1,022)	(10,563)
	<u>95,038</u>	<u>320,183</u>

In 2006, Hutchison 3G Ireland Limited capitalised finance costs at a rate of 5-6% per annum (2005 4-6% per annum) on the 'Payments on account and assets in the course of construction' balance on a monthly basis. Hutchison 3G UK Limited did not bear any finance costs in 2006 (2005 LIBOR plus 2.25%)

10 Tax Credit On Loss On Ordinary Activities

	2006 £000	2005 £000
Provision for the year		
Current tax		
UK Corporation tax credit on loss for the year	(11,700)	(16,964)
Adjustment in respect of prior period group relief at 30%	<u>(12,874)</u>	-
Total current tax	(24,574)	(16,964)
Deferred tax		
Deferred tax credit	<u>(150,000)</u>	-
Total deferred tax	(150,000)	-
Total tax credit	<u>(174,574)</u>	<u>(16,964)</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2005 30%). The difference is explained below

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

10 Tax Credit On Loss On Ordinary Activities (continued)

	2006 £000	2005 £ 000 Restated
Loss on ordinary activities before tax	(840,662)	(1,389,750)
Loss on ordinary activities at the current rate of corporation tax rate at 30% (2005 30%)	(252,199)	(416,925)
Tax losses for the period carried forward (not recognised as deferred tax)	27,009	399,961
Fixed asset timing differences not recognised	56,601	
Permanent differences	6,889	-
Prior period group relief surrenders	(12,874)	-
Total tax credit	(174,574)	(16,964)

The Group has an unrecognised deferred tax asset of approximately £1.1 billion (2005 £1.1 billion) in respect of losses and other timing differences which would be recoverable when sufficient future taxable profits have been earned.

11 Intangible Assets

Group

	Goodwill £000	UMTS licences £000	Other licences £000	Total £000
Cost				
At 1 January 2006	35,612	4,474,483	105,295	4,615,390
Exchange difference	-	(456)	(5)	(461)
Additions	-	-	1,151	1,151
Disposals	-	-	(929)	(929)
At 31 December 2006	35,612	4,474,027	105,512	4,615,151
Amortisation				
At 1 January 2006	-	(658,927)	(34,818)	(693,745)
Exchange difference	-	30	3	33
Charge for the year	(2,095)	(242,298)	(17,200)	(261,593)
Disposals	-	-	929	929
At 31 December 2006	(2,095)	(901,195)	(51,086)	(954,376)
Net book value				
At 31 December 2006	33,517	3,572,832	54,426	3,660,775
At 31 December 2005	35,612	3,815,556	70,477	3,921,645

Included in the UMTS licences are the cost of both the UK UMTS licence and the Irish UMTS licence together with 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. It 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 Irish UMTS licence was acquired in 2002 to operate third generation video mobile services in the Republic of Ireland. It provides an allocation of frequency spectrum and the right to deliver voice, data and other services to mobile users for 20 years, expiring on 30 June 2022. Amortisation of the Irish UMTS commenced when the underlying Ireland network assets and licences became available for use.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

11 Intangible Assets (continued)

The Group commenced commercial operations in 2003 in the UK and in 2005 in Ireland, 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 values of the Group's UK and Irish UMTS licences are supported by the net present value of future cash flows derived from these assets using cash flow projections. The values in use have been derived from discounted cash flow projections, cash projections cover a 10-year period as the Group considers that the growth in the businesses will exceed the average growth rates for the UK and Ireland over 10 years. After the 10-year period, the projections use long-term growth rates compatible with projections for the UK and Irish economies. The results of the reviews 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 investment in customer acquisitions. Capital expenditure and CAC are heaviest in the early years of the 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 also through enhanced customer promotions. While the cash flow projections and the discount rate applied to the cash flows are based upon the Management's best estimates which are subject to uncertainty. The actual outcome may differ and the Management's estimates may alter to reflect changes in the key assumptions noted above.

Goodwill

Goodwill arose on the acquisition of Hutchison 3G Ireland Limited from Hutchison 3G Ireland Investments S à r l, a HWL group company, on 30 December 2005. The assets and liabilities were purchased for cash consideration of €2. The fair values included in the 2005 statutory accounts were provisional. The Group has finalised its fair value assessment during the year. This resulted in a reduction to goodwill of £1,727,000.

Reclassification of software licences

Other licences include software licence costs. These have been reclassified from the tangible fixed asset category 'Network infrastructure'.

The effect on intangible assets was to increase the opening cost by £90,692,000 and the opening accumulated amortisation by £27,572,000. Therefore, the opening net book value increased by £63,120,000, with a corresponding adjustment to tangible fixed assets (see note 12 to the financial statements).

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

12

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
Cost					
At 1 January 2006	131,010	58,428	2,114,758	152,239	2,456,435
Exchange difference	(9)	(27)	(1,928)	(324)	(2,288)
Additions	664	2,035	19,000	353,583	375,282
Disposals	(69,986)	(5,364)	(14,255)	(511)	(90,116)
Transfers	14,626	2,927	313,604	(331,157)	-
At 31 December 2006	76,305	57,999	2,431,179	173,830	2,739,313
Depreciation					
At 1 January 2006	(25,501)	(51,432)	(396,724)	-	(473,657)
Exchange difference	-	-	119	-	119
Charge for the year	(16,249)	(2,764)	(199,336)	-	(218,349)
Disposals	12,503	4,980	13,900	-	31,383
At 31 December 2006	(29,247)	(49,216)	(582,041)	-	(660,504)
Net book value					
At 31 December 2006	47,058	8,783	1,849,138	173,830	2,078,809
At 31 December 2005	105,509	6,996	1,718,034	152,239	1,982,778

Network infrastructure includes assets held under a finance lease with a cost on 31 December 2006 of £32,000,000 (31 December 2005 £32,000,000), net book value on 31 December 2006 of £25,599,000 (31 December 2005 £27,306,000) and depreciation charge for the year ended 31 December 2006 of £1,707,000 (31 December 2005 £1,707,000)

Cumulative aggregate finance costs capitalised relating to expenditure incurred on construction and development of tangible fixed assets amounts to £186,965,000 (2005 £185,943,000). The net book value of these finance costs at the year end was £81,664,000 (2005 £106,691,000)

13

Investments in Subsidiary Undertakings

Company	Loans £000	Total £000
Cost		
Opening balance at 1 January 2006	4,445,487	4,445,487
Acquisition of Hutchison Westminster Limited	-	-
Acquisition of Fanster Gain Limited	-	-
Acquisition of Advanced Telecoms Debt Collection Services Limited	-	-
At 31 December 2006	4,445,487	4,445,487

On 28 April 2006, the Group acquired 100% of the issued ordinary share capital of Hutchison Westminster Limited for US\$1.00

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

13 Investments in Subsidiary Undertakings (continued)

On 18 December 2006, the Company acquired 100% of the issued ordinary share capital of Fanster Gain Limited for US\$1 00

On 19 December 2006, the Group acquired 100% of the issued ordinary share capital of Advanced Telecoms Debt Collection Services Limited for £1 00

At 1 January and 31 December 2006, 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. At 31 December 2006, Hutchison 3G UK Limited owned 100% of the issued ordinary shares of Hutchison Westminster Limited.

The Company's investment in Hutchison 3G UK Limited comprises of 1 share (2005: 1), held at cost of £1 (2005: £1). The Company's investment in Hutchison 3G Ireland Limited comprises of 1 share (2005: 1), held at cost of €2 (2005: €2).

At 1 January and 31 December 2006, the Company had an interest-free loan investment in Hutchison 3G UK Limited of £4,445 million (2005: £4,445 million).

14 Stock

	2006 £000	2005 £000
Group		
Finished goods	102,261	107,370
Payments on account	24	252
	102,285	107,622

15 Debtors

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Trade debtors	87,153	132,702	-	-
Amounts owed by group undertakings	52,285	35,571	-	-
Amounts owed by subsidiaries	-	-	1,805,654	1,145,420
Other debtors	96,597	18,735	-	-
Deferred expenditure – Customer Acquisition Costs	418,917	375,001	-	-
Prepayments and accrued income	94,205	76,201	-	-
Deferred tax assets	150,000	-	-	-
	899,157	638,210	1,805,654	1,145,420

Amount owed by subsidiaries includes £1,145.4 million (2005: £1,145.4 million) which represents a £1,000 million long-term loan, plus accrued interest provided to Hutchison 3G UK Limited. The interest on this loan has been waived from 1 January 2006 (2005: LIBOR plus 1%).

Also included in amounts owed by subsidiaries are an interest-free loan provided to Hutchison Westminster Limited of £648.3 million (2005: £nil) which is repayable in March 2007, together with £12 million of other amounts receivable.

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

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

16 Creditors - Amounts Due Within One Year

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Group				
Bank overdrafts	66,125	65,511	-	-
Trade creditors	78,526	71,627	-	-
Amounts due to group undertakings – trading balances	71,331	123,261	-	-
Amounts due to group undertakings – loans	948,349	-	987,472	-
Derivative financial instruments	123	-	-	-
Other taxation and social security	15,916	6,345	-	-
Other creditors	7,942	3,486	-	-
Accruals and deferred income	291,457	289,612	-	-
	1,479,769	559,842	987,472	-

Trading balances due to group undertakings are unsecured and settled on normal commercial terms
Loan balances due to group undertakings are secured by fixed and floating charges over the assets of the Company

Derivative financial instruments

All derivative financial instrument liabilities held by the Group are forward foreign exchange contracts and are classified as cashflow hedges which are due to mature within 12 months of the balance sheet date

17 Creditors – Amounts Due After More Than One Year

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Amount due to group undertakings	5,483,919	5,619,473	891,081	1,145,420
Other creditors	21,822	25,394	-	-
Accruals and deferred income	-	12,023	-	-
	5,505,741	5,656,890	891,081	1,145,420

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

18 Loans and Other Borrowings

Maturity of debt	2006	2005
	£000	£000
		Restated*
Amounts due to group undertakings		
In less than one year	948,349	-
In one to two years	4,366,175	4,346,982
In greater than five years	1,117,744	1,272,491
Bank and other loans		
In less than one year	66,125	65,511
	6,498,392	5,684,984

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

18 Loans and Other Borrowings (continued)

In November and December 2006, the Company entered into a series of loan agreements for an aggregate principal amount of £1.2 billion

These comprised two loan agreements with Hutchison Whampoa Finance UK PLC for £295 million (principal value £300 million) and £392 million (principal value £400 million), which both carry an interest rate of 5.625% and are repayable in November 2017 and November 2026, respectively. The Company also entered into two shorter term £250 million loans with Hutchison Whampoa Finance UK PLC, which both carry an interest rate of LIBOR plus 0.2% and are repayable in May 2007. The Company had drawn £150 million on each of the shorter term loans at 31 December 2006. In January 2007, the Company drew the remaining £200 million on the loans and entered into an agreement to extend the maturity of the loans from May 2007 to June 2008.

In November and December 2006, some of the proceeds raised with Hutchison Whampoa Finance UK PLC were used to repay £994 million of an existing £1 billion (principal value) loan from Hutchison Europe Telecommunications S à r l.

Amounts due to group undertakings in less than one year of £948 million (2005: £Nil), represent a £648 million loan provided by Hutchison OMF Limited, which carries an interest rate of LIBOR plus 3.02% and is repayable in March 2007, and £300 million drawn under the loan agreements with Hutchison Whampoa Finance UK PLC, as noted above.

Amounts due in one to two years of £4,366 million (2005: £4,346 million), represent amounts drawn on a loan facility with Hutchison Whampoa Finance S A by Hutchison 3G UK Limited, a subsidiary of the Company. During the year, Hutchison 3G UK Limited reached an agreement with Hutchison Whampoa Finance S A to increase this facility to £4.5 billion with the maturity on the facility extended through to 30 March 2008. This facility carries an interest rate of 0% (2005: LIBOR plus 2.25%).

Amounts due to group undertakings in more than five years of £1,118 million (2005: £1,145 million), represent a balance with Hutchison Europe Telecommunications S à r l of £204 million (remaining outstanding principal of £6 million plus accrued interest of £198 million), carrying an interest rate of LIBOR plus 1% (2005: LIBOR plus 1%) repayable in May 2013, £295 million and £392 million loan notes provided by Hutchison Whampoa Finance UK PLC, and a £227 million loan (2005: £127 million), including interest, provided by Hutchison 3G Ireland Investments S à r l which carries an aggregate interest rate of (a) 0.03% and (b) 85% of the aggregate of (i) EURIBOR and (ii) 3% pa and is repayable in July 2032.

In March 2007, the Company entered into an interest-bearing facility with Hutchison Whampoa Europe Investments S à r l of £1.5 billion, carrying an interest rate of LIBOR plus 2.32% with a repayment date of June 2008 and an interest-free facility of £3.5 billion from Hutchison Whampoa Europe Investments S à r l repayable in June 2008. This £5 billion is to be used by the Company to provide financing to Hutchison 3G UK Limited.

In March 2007, the Company also entered into an interest-bearing facility of £1 billion with Hutchison Whampoa Europe Investments S à r l carrying an interest rate of LIBOR plus 3.02% with a repayment date of March 2012. These funds were used by the Company to provide financing to Hutchison Westminster Limited.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

19 Provisions For Liabilities and Charges

	Asset retirement obligation	Onerous lease provision	Redundancy provision	Total provision for charges and liabilities
	£000	£000	£000	£000
At 1 January 2006	23,844	3,152	-	26,996
Additions	1,860	51	-	1,911
Charge for the year	26	786	5,237	6,049
Unwinding of discount	700	163	-	863
Utilisation in the period	(469)	(1,158)	-	(1,627)
Release of provision	(6,167)	-	-	(6,167)
At 31 December 2006	19,794	2,994	5,237	28,025

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. The provision for asset retirement obligation represents the present value of the best estimate of the future outflow of economic benefits that will be required to settle these obligations at the balance sheet date. The unwinding of the discount is taken to the profit and loss account as an interest charge. The release of the provision is associated with the sale of the data centres to Ericsson (see note 7 to the financial statements).

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 subletting.

In November 2006, the Group restructured its UK operations which resulted in approximately 110 employees being made redundant.

20 Called Up Share Capital

	2006 £000	2005 £000
Group and Company		
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. 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. The number of options exercisable at 31 December 2006 was 79,680,000 (2005: 96,107,000).

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

21 Other Reserves

	Exchange Reserve £000	Share Option Reserve £000	Total £000
Opening Balance at 1 January as previously reported	-	-	-
Prior year adjustment (See note 1b)		4,854	4,854
Opening balance as restated	-	4,854	4,854
Currency translational differences on foreign subsidiary	1,107	-	1,107
Share-based charge for the year	-	587	587
Closing Balance at 31 December	1,107	5,441	6,548

22 Profit And Loss Account

	2006 £000	2005 £000
Group		
Closing balance at 31 December as previously reported	3,982,265	2,612,879
Prior year adjustment - Share-based payments	4,854	1,454
Closing balance at 31 December as restated	3,987,119	2,614,333
Loss for the year	666,088	1,372,786
Closing balance at 31 December	4,653,207	3,987,119

As permitted by section 230 of the Companies Act (1985), the Company's profit and loss account has not been included in the financial statements. The Company's loss for the period is £72,899,000 (2005: £nil).

*Details are set out in note 1(b) to the financial statements. The restatement resulted in an increase in retained losses at 1 January 2005 of £1,454,000.

23 Reconciliation Of Movements In Equity Shareholder's Funds

	2006 £000	2005 £000 Restated*
Group		
Balance at the beginning of the year as previously stated	463,222	1,831,154
Loss for the year (prior year restated)	(666,088)	(1,372,786)
Movement on Other reserves	1,694	4,854
Equity shareholder's (deficits)/funds at 31 December	(201,172)	463,222
Company		
Balance at the beginning of the year	4,445,487	4,445,487
Loss for the year	(72,899)	-
Equity shareholder's funds at 31 December	4,372,588	4,445,487

*Details are set out in note 1(b) to the financial statements. The restatement resulted in an increase in retained losses at 1 January 2005 of £1,454,000.

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

24 Reconciliation of Operating Loss To Net Cash Outflow From Operating Activities

	2006 £000	2005 £000
Group		
Operating loss	(802,433)	(1,070,474)
Amortisation of intangible assets	261,593	256,379
Depreciation	218,349	204,315
Deferred expenditure – customer acquisition costs charged in the year	612,304	611,876
Provision for bad and doubtful debts	74,123	53,055
Provision for stock obsolescence	(38,709)	4,872
Provision for liabilities and charges	5,263	-
Profit on disposal of subsidiary undertakings	-	(227)
Decrease in stock	44,046	33,170
(Increase) in debtors	(723,430)	(588,365)
(Increase) in creditors	4,869	(89,800)
Other non-cash movements	4,296	3,400
Net cash outflow from operating activities	(339,729)	(581,799)

25 Analysis of Movement In Net Debt

	At 1 January 2006 £000	Cash flow £000	Other cash changes £000	non- At 31 December 2006 £000
Cash at bank and in hand	56,695	(11,958)	-	44,737
Investments in liquid resources	-	26,600	-	26,600
Debts due after one year	(5,619,472)	189,940	(54,386)	(5,483,918)
Debts due within one year	(65,511)	(948,963)	-	(1,014,474)
Net debt	(5,628,288)	(744,381)	(54,386)	(6,427,055)

Debts due within one year represent bank overdrafts which are payable on demand. Other non-cash charges relate to accrued loan interest and the unwinding of discounts.

26 Movement in Borrowings

	2006 £000	2005 £000
Group		
Due within one year	948,963	19,560
Due after one year	(189,940)	1,186,749
Increase in borrowings	759,023	1,206,309
Cash inflow	759,023	1,206,309

Hutchison 3G UK Holdings Limited

Notes to the accounts for the year ended 31 December 2006

27 Operating Lease Commitments

At 31 December 2006, 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

	2006			2005		
	Land & buildings	Other	Total	Land & buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Annual commitments under non-cancellable operating leases expiring:						
Within one year	163	102	265	795	937	1,732
Within two to five years	3,345	651	3,996	2,867	645	3,512
After five years	73,317	1,045	74,362	64,213	853	65,066
	76,825	1,798	78,623	67,875	2,435	70,310

28 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.

	2006	2005
	£000	£000
Pension costs	5,197	9,407

At 31 December 2006, the pension contribution payable was £463,500 (2005 £756,000)

29 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 Group 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.

30 Capital Commitments

At 31 December 2006, the Group had contracted capital commitments of £661 million (2005 £876 million), with £194 million being due within one year and £467 million being due after more than one year. 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 2006

31 Related Party Transactions

As the Company is a wholly owned subsidiary of HWL, it has taken advantage of the exemption provided in FRS 8 not to disclose details of transactions with members of the HWL Group

However, Hutchison Telecommunications International Limited ('HTIL') is not a wholly owned subsidiary of the HWL Group. The following transactions have occurred with HTIL during the year, the Group invoiced HTIL for staff costs of £42,000 (2005 £84,000). The amount owed by HTIL at the beginning of the year was £3,500 and the amount owed by HTIL at the end of the year was £11,000.

32 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.

HWL, a company listed on The Stock Exchange of Hong Kong Limited and incorporated in Hong Kong, is the 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. Hutchison International Limited, an intermediate holding company, 100% owned by HWL, is the smallest group to consolidate these accounts.

Copies of the group accounts of HWL may be obtained from the Company Secretary at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong or www.hutchison-whampoa.com

33 Post Balance Sheet Events

Subsequent to the year ended 31 December 2006, the Group's credit facilities have been amended as disclosed in note 18 to the financial statements.

On 1 January 2007, the trade and net assets of the Group's retail stores was sold to 3UK Retail Limited, a wholly-owned subsidiary of HWL, for a cash consideration equal to the net book value of the assets.