Hutchison 3G UK Holdings Limited

Registered Number 3918124

Annual Report

Year Ended 31 December 2007

Hutchison 3G UK Holdings Limited

Contents

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 2007 For the purposes of this report, "Company" means Hutchison 3G UK Holdings Limited and "Group" means the Company and its subsidiary undertakings, as set out in note 13

Business Review

Hutchison 3G UK Holdings Limited is a wholly-owned subsidiary of Hutchison Whampoa Limited ("HWL"), 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 2007 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 roll out its 3G networks in the UK and the Republic of Ireland In the UK the 3G network has in excess of 89% population coverage with over 99% coverage via national roaming agreement with Orange and O_2 Continued expansion of its High-Speed Downlink Packet Access ("HSDPA") services has now created the largest HSDPA network in the UK

In 3 Ireland, the 3G network has reached in excess of 85% population coverage with over 99% coverage via a national roaming agreement with Vodafone

During 2007, the Group launched Mobile Broadband to the UK and Ireland markets, offering three new tariffs providing customers with full internet capability on the move at high speed download rates using the HSDPA network capability This was followed by the innovative launch of Mix and Match contract tariffs in October 2007, providing customers with the flexibility to choose the combination of minutes, text and handset type they preferred

During December 2007, 3 UK and another mobile network operator entered into a network sharing arrangement The arrangement will mean an accelerated roll-out of a more expansive 3G network for both parties and is expected to generate significant long term cost benefits for 3 UK The shared network is scheduled to be completed in just over two years and will provide 99% UK population coverage capable of supporting high-speed 3G mobile broadband services The combined 3G access network will share physical assets and offer greater capacity than the two operators' existing independent 3G networks

Hutchison 3G UK Holdings Limited

Directors' Report

Business Review (continued)

(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	
	2007	**2006**
	£'m	**£'m**
Revenue	1,301	1,353
EBITDA*	(353)	(322)

*EBITDA is earnings before net financing costs, tax, depreciation, amortisation and exceptional items See note 3(b) for a reconciliation of EBITDA to Operating Loss

The combined registered customer base of 3 UK and 3 Ireland has grown steadily by 10% from 3 9 million at 31 December 2006 to 4 3 million at 31 December 2007 This has been driven primarily by growth in the higher value contract base Revenue has been constrained by aggressive competitor activity in the market for contract customers together with regulatory actions, including the introduction of regulated 3G mobile termination rates commencing in April 2007

EBITDA in the year ended 31 December 2007 was a £353 million loss compared to a £322 million loss in the year ended 31 December 2006 The movement has resulted from accelerated charge of customer acquisition costs, deferred promotional discounts and the impact of regulatory actions

The net result of the Group (including the effect of exceptional items) for the year ended 31 December 2007 is a loss of £1,031 million (2006 £666 million loss) The change in net result year-on-year was mainly driven by the movement in EBITDA, a £172 million reduction in the tax benefit recorded year-on-year, an increase in interest expense of £141 million as a result of refinancing in the year together with the one-off disposal gain of £55 million in 2006 related to the disposal of fixed assets that did not reoccur in 2007

(c) Principal Risks and Uncertainties

The management of the business and the execution of the Company's 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 implementation of the network share agreement with another mobile network operator will begin early in 2008 with the benefits starting to arise in the latter part of 2008 Expansion of HSDPA in both the UK and Ireland will continue throughout 2008, giving customers a greater quality and range of communication, entertainment and information services

Directors' Report (continued)

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 (the "HWL Group") finance companies and are on-lent to operating subsidiaries

The Group also uses derivatives, principally 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 It is also the Group's policy not to invest in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure

The Group's treasury function sets financial risk management policies in accordance with the HWL Group's 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 where active markets for the relevant currencies exist

(b) Credit risk

Financial instruments which potentially subject the Group to concentration of credit risk with a specific counterparty consist principally of cash and investments in liquid resources Management believes the concentration of credit risk associated with the Group's cash and liquid resources 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 the payment of their debts. The Group mitigates this risk by performing credit assessments on all of its contract customers prior to customer acceptance No credit is given to prepay customers

(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 the HWL Group's finance companies, which mitigates the risk to the Group

(d) Interest rate cash flow risk

The Group has interest-bearing liabilities linked with the financing from the HWL Group's finance companies, which is dependent upon LIBOR (details of this financing can be found in note 18 to the financial statements) As set out in note 1(l), interest is capitalised when it is directly attributable to financing the cost of a fixed asset, otherwise the interest is accounted for through the profit and loss account

Directors' Report (continued)

Directors

The Directors who held office during the year are as follows

Canning Fok	
Victor Li	
Susan Chow	
Lord Derwent LVO	Resigned 1 January 2008
Frank Sixt	
Dominic Lai	
Edith Shih	
Christian Salbaing	Appointed 7 February 2007
Kevin Russell	Appointed 7 February 2007
Robert Fuller	Resigned 26 June 2007
Colin Tucker	Resigned 1 January 2007

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

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 £8,538 during the year (2006 £968), being £3,188 in sponsorship and £5,350 in donations

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

Hutchison 3G UK Holdings Limited

Directors' Report (continued)

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 Group and the Company and of the profit or loss of the Group 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 Group or the Company will continue in business The Directors believe that the adoption of going concern basis in the preparation of the financial statements is appropriate as sufficient funding is available through HWL Group finance companies

The Directors confirm that suitable accounting policies have been used and applied consistently They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2007 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 Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By Order of the Board

Kevin Russell
Director
Date 25 March 2008

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 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses 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 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

Hutchison 3G UK Holdings Limited

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 2007 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 27 March 2008

Hutchison 3G UK Holdings Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2(a)	1,301,037	1,353,100
Cost of sales		(1,516,770)	(1,457,289)
Gross loss		(215,733)	(104,189)
Other operating income before exceptional item	2(b)	44,782	43,760
Exceptional item	7(b)	1,275,852	-
Other operating income		1,320,634	43,760
Administrative expenses before exceptional items		(646,158)	(742,004)
Exceptional items	7(a)(c)	(1,258,870)	-
Administrative expenses		(1,905,028)	(742,004)
Operating loss	3(a)	(800,127)	(802,433)
Profit on sale of fixed assets	7(d)	-	54,937
Interest receivable and similar income	8	1,836	1,872
Interest payable and similar charges	9	(235,632)	(95,038)
Loss on ordinary activities before taxation		(1,033,923)	(840,662)
Tax credit on loss on ordinary activities	10	2,498	174,574
Loss on ordinary activities after taxation		(1,031,425)	(666,088)
Retained loss for the financial year	22	(1,031,425)	(666,088)

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 34 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 2007

	2007 £000	2006 £000
Loss for the year	**(1,031,425)**	(666,088)
Exchange adjustments on subsidiaries	**(11,447)**	(1,107)
Total recognised gains and losses relating to the year	**(1,042,872)**	(667,195)

The notes on pages 13 to 34 form an integral part of these financial statements

Balance Sheets as at 31 December 2007

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**£000**	£000	**£000**	£000
Fixed assets					
Intangible assets	**11**	**3,417,021**	3,660,775	**-**	-
Tangible fixed assets	**12**	**2,567,795**	2,078,809	**-**	-
Investments in subsidiary undertakings	**13**	**-**	-	**4,450,314**	4,450,928
		5,984,816	5,739,584	**4,450,314**	4,450,928
Current assets					
Stock	**14**	**49,946**	102,285	**-**	-
Debtors – amounts due within one year	**15**	**697,226**	899,157	**3,994,701**	660,234
Debtors – amounts due after more than one year	**15**	**-**	-	**2,170,303**	1,145,420
Cash at bank and in hand		**218,617**	44,737	**-**	-
Investments in liquid resources		**52,217**	26,600	**-**	-
		1,018,006	1,072,779	**6,165,004**	1,805,654
Creditors - amounts falling due within one year	**16**	**(6,028,221)**	(1,479,769)	**(5,622,845)**	(987,472)
Net current (liabilities)/assets		**(5,010,215)**	(406,990)	**542,159**	818,182
Total assets less current liabilities		**974,601**	5,332,594	**4,992,473**	5,269,110
Creditors - amounts falling due after more than one year	**17**	**(1,833,058)**	(5,505,741)	**(891,829)**	(891,081)
Provisions for liabilities and charges	**19**	**(386,201)**	(28,025)	**-**	-
Net (liabilities)/assets		**(1,244,658)**	(201,172)	**4,100,644**	4,378,029
Capital and reserves					
Called up share capital	**20**	**4,445,487**	4,445,487	**4,445,487**	4,445,487
Other reserves	**21**	**(5,513)**	6,548	**4,827**	5,441
Profit and loss account	**22**	**(5,684,632)**	(4,653,207)	**(349,670)**	(72,899)
Shareholders' (deficit)/funds	**23**	**(1,244,658)**	(201,172)	**4,100,644**	4,378,029

The financial statements on pages 9 to 34 were approved by the Board of Directors on 25 March 2008 and were signed on its behalf by

Kevin Russell
Director

Hutchison 3G UK Holdings Limited

Consolidated Cash Flow Statement for the Year Ended 31 December 2007

	Notes	2007 £000	2006 £000
Net cash outflow from operating activities	24	**(272,530)**	(339,729)
Returns on investments and servicing of finance			
Interest received		**1,845**	1,862
Interest paid, finance costs and similar charges		**(77,509)**	(112,341)
Loan facility fees paid		**(142)**	(142)
Net cash outflow from returns on investments and servicing of finance		**(75,806)**	(110,621)
Taxation			
Group relief received		**19,950**	1,640
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(294,011)**	(354,772)
Payment for licences		**(2,946)**	(3,569)
Receipts from sale of tangible fixed assets		**51,000**	62,670
Net cash outflow for capital expenditure and financial investment		**(245,957)**	(295,671)
Net cash outflow before use of liquid resources and financing		**(574,343)**	(744,381)
Management of liquid resources	25	**(25,617)**	(26,600)
Financing	25	**612,186**	759,023
Net cash inflow from financing		**612,186**	759,023
Net increase/(decrease) in cash	25	**12,226**	(11,958)

Reconciliation to net debt		2007 £000	2006 £000
Net debt at 1 January 2007	25	**(6,427,055)**	(5,628,288)
Increase/(decrease) in net cash	25	**12,226**	(11,958)
Movement in liquid resources	25	**25,617**	26,600
Other non-cash items	25	**(163,200)**	(54,386)
Movement in borrowings	25	**(612,186)**	(759,023)
Net debt at 31 December 2007	25	**(7,164,598)**	(6,427,055)

The notes on pages 13 to 34 form an integral part of these financial statements

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

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 as set out below

Use of estimates

The preparation of financial statements requires the Group 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, the assumptions adopted in respect of the impairment reviews of tangible and intangible fixed assets and the calculation of provisions for liabilities and charges

Carrier revenue and payments to other operators when telephony traffic is carried by other operators, the Group incurs interconnect and roaming costs The Group also carries traffic on behalf of other operators for which it earns interconnect and roaming revenue

The Group reviews its interconnect and roaming costs and revenue, and reviews on a regular basis and adjusts the rate at which these costs are charged, or revenue is recognised, in the profit and loss account in accordance with the estimated interconnect and roaming costs, or revenue for the current period The prices at which these services are charged are often regulated and can be subject to retrospective adjustment Estimates are used in assessing the likely impact of these retrospective adjustments

Basis for consolidation

The consolidated financial statements for the year ended 31 December 2007 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 2007 and up to the date of their disposals

(b) 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 telecommunications 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

Revenue from the sale of 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

1 Significant Accounting Policies (continued)

(c) Customer Acquisition Costs

The delivery of a handset to customers and third party dealers is not accounted for as a separate sale The net 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'

(d) 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

(e) Share-Based Payment

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

(f) 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 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

(g) 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 Goodwill is recorded at the exchange rate at the acquisition date

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

1 Significant Accounting Policies (continued)

(h) 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 the respective licence terms These licences range in useful economic life from 3 year to 20 years

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

(i) 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 amounts 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	2 5% - 33 3% per annum

Included in Network infrastructure are estimated costs 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 including the Group's ability to extend and/or renew related operating agreements 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

In line with the Group's policy to annually review asset lives, the Group has undertaken an exercise to reassess the appropriateness of the useful economic lives of the Group's tangible fixed assets As a consequence, in 2007, the useful lives of certain parts of the Group's network infrastructure assets were assigned a useful economic life of 40 years as compared to 20 years previously The useful economic lives of the tangible fixed assets therefore change to a range of 3 to 40 years

In determining the useful economic lives of these parts of the network infrastructure assets, the Group has considered the expected use of the assets having regard to the upgrade and replacement and repair and

1 **Significant Accounting Policies (continued)**

Fixed Assets and Depreciation (continued)

maintenance programmes of the Group and the expected economic or technological obsolescence of the network infrastructure including the Group's ability to extend and/or renew related operating agreements

The financial impact to the Group of the change in the useful economic lives is to decrease the depreciation charge in the year ended 31 December 2007 by £25 million and to increase the carrying amounts of tangible fixed assets by the same amount

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

Compensation from third parties for fixed assets that have been impaired, lost or given up is included in profit or loss when the compensation becomes receivable

Where the compensation is in the form of non-monetary assets, it is measured at the fair value of the asset received, unless neither the asset given up nor the asset received can be reliably measured If that is the case the asset received is measured instead at the carrying amount of the asset giving up

(j) **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

(k) **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

1 Significant Accounting Policies (continued)

(l) 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

(m) Stock

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

(n) 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 customers not making the required payments Estimates are based on the aging of the debt balances and historical experience

(o) 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

(p) 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

(q) Exceptional Items

The Group separately identifies and discloses one-off or unusual items (termed "exceptional items") These items are identified as exceptional by virtue of their size or incidence The Group believes this provides meaningful analysis of the trading results of the Group and aids readers' understanding of the impact of such items Therefore, in the discussion of the Group's results of operations, reference is made to measurements before and after exceptional items Exceptional items may not be comparable to similarly titled measures used by other companies

Notes to the financial statements for the year ended 31 December 2007

1 **Significant Accounting Policies (continued)**

(r) **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation The increase in the provision due to passage of time is recognised as interest expense

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract

(s) **Investments**

Investments in subsidiaries are initially recorded at cost, less provision for any impairment

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		Loss before tax		Net liabilities	
	2007	2006	**2007**	2006	**2007**	2006
	£000	£000	**£000**	£000	**£000**	£000
United Kingdom	**1,268,284**	1,340,421	**(967,081)**	(772,649)	**(1,064,223)**	(104,099)
Republic of Ireland	**32,753**	12,679	**(66,842)**	(68,013)	**(180,435)**	(97,073)
	1,301,037	1,353,100	**(1,033,923)**	(840,662)	**(1,244,658)**	(201,172)

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**

Non exceptional Other operating income includes non trading income of £42,048,098 (2006 £41,000,000) and £2,733,880 (2006 £2,760,000) consisting primarily of site share rental income

See note 7(b) for details of the exceptional Other income

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

3(a) **Operating Loss**

	2007	2006
	£000	£000
Other operating income (see notes 2(b) and 7(b))	**(1,320,634)**	(43,760)
Exceptional administrative costs (see note 7(c))	**458,370**	-
Staff costs (note 5)	**69,112**	81,031
Amortisation (note 11)	**246,365**	261,593
Depreciation (note 12 and note 7(a))	**1,018,244**	218,349
Loss on disposal of fixed asset	**2,721**	-
Deferred expenditure - customer acquisition costs charged in the year	**556,554**	612,304
Operating lease expenditure – land & buildings	**71,924**	71,093
Operating lease expenditure – other	**392**	785
Charitable donations	**9**	1
Services provided by the Group's auditor and network of firms		
Fee payable to the auditor for the audit of the parent company and consolidated financial statements	**30**	28
Fees payable to the auditors and its associates for other services		
Audit of the Company's subsidiaries	**636**	647
Tax services	**230**	102
Other services	**328**	244

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

3(b) **Reconciliation of Operating Loss to EBITDA**

	2007	2006
	£000	£000
Operating Loss	**(800,127)**	(802,433)
Net exceptional items (note 7)	(16,982)	-
Depreciation (note 12 excluding exceptional item in note 7 (a))	217,744	218,349
Amortisation (note 11)	246,365	261,593
EBITDA*	**(353,000)**	(322,491)

*EBITDA is earnings before net financing costs, tax, depreciation, amortisation and exceptional items

4 **Directors' Emoluments**

	2007	2006
	£000	£000
Aggregate emoluments	**2,128**	1,124
Pension contributions	**-**	19
	2,128	1,143

The above emoluments, including pension contributions under a money purchase scheme, were paid to two directors (2006 two directors) Included in the above is a payment of £175,000 to Mr Fuller on his retirement

The highest paid director received emoluments of £1,587,000 (2006 £1,004,000) and pension contributions of £nil (2006 £nil)

None of the Directors exercised any share options during the year (2006 Nil)

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

5 **Staff Costs (including directors' emoluments)**

	2007 £000	2006 £000
Wages and salaries	**57,955**	66,214
Social security costs	**6,700**	9,620
Pension costs (note 28)	**4,457**	5,197
	69,112	81,031

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 (2006 £nil)

6 **Employee Information**

The average monthly number of people (including Executive Directors) employed during the year was

	2007 Average number	2006 Average number
Operations	**474**	354
Administration	**450**	1,520
	924	1,874

In January 2007, 3 UK transferred part of its trade and assets relating to its retail operations to a newly formed company 3UK Retail Limited ("3UK Retail") As part of this transaction 1,144 employees were transferred from 3 UK to 3UK Retail on 1 January 2007 under a Transfer Undertakings (Protection of Employment) Regulations ("TUPE") arrangement

The company had no employees (2006 nil)

7 **Exceptional Items**

	2007 £000	2006 £000
Exceptional depreciation (a)	**(800,500)**	-
Exceptional other income (b)	**1,275,852**	-
Exceptional administrative costs (c)	**(458,370)**	-
Profit on disposal of fixed assets (d)	**-**	54,937
	16,982	54,937

(a) On 19 December 2007, the Group entered into an agreement with another mobile network operator to share certain network assets Under the terms of the agreement, the Group agreed to decommission certain network sites and assets An exceptional charge of £801 million has been recorded as part of the depreciation charge for the year, within Administrative expenses

(b) The Group obtained compensation for the decommissioning of these assets in the form of a right to access certain infrastructure and network assets of the other mobile network operator The non-cash compensation in the form of the right of access has been recorded at a fair value of £1,276 million within 'Tangible fixed assets' The compensation, which is a non-cash item, became receivable on the date it was granted Accordingly the credit has been recorded as exceptional 'Other operating Income'

7 Exceptional Items (continued)

(c) In entering into the network share arrangement, the Group has committed to incurring certain costs, including onerous contracts and payments made to vary agreements to facilitate the network share agreement The costs eligible for provision of £302 million under the guidelines of FRS 12, have been provided for (see note 19) and recorded as an exceptional charge within Administrative expenses Other exceptional costs totalling £156 million paid in the year arising for the network share agreement have also been recorded as exceptional items in Administrative expenses

(d) 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 The proceeds were paid in two instalments of £51 million, the second of which was received in 2007

8 Interest Receivable and Similar Income

	2007	2006
	£000	£000
Interest receivable from bank deposits	**1,836**	1,872

9 Interest Payable and Similar Charges

	2007	2006
	£000	£000
Interest payable on amount due to group undertakings	**234,456**	93,722
Interest payable on bank loans and overdrafts	**307**	474
Unwinding of discounts	**1,093**	1,864
Amortisation of Loan Facility Fee	**302**	-
	236,158	96,060
Finance costs capitalised	**(526)**	(1,022)
	235,632	95,038

In 2007, 3 Ireland capitalised finance costs at a rate of 5-6% per annum (2006 5-6% per annum) on the 'Payments on account and assets in the course of construction' balance on a monthly basis 3 UK did not have any capitalised finance costs in 2007 (2006 nil)

10 Tax Credit On Loss On Ordinary Activities

	2007	2006
	£000	£ 000
Provision for the year		
Current tax		
UK Corporation tax credit on loss for the year	**(8,769)**	(11,700)
Adjustment in respect of prior period group relief at 30%	**(3,729)**	(12,874)
Total current tax	**(12,498)**	(24,574)
Deferred tax		
Deferred tax charge/(credit)	**10,000**	(150,000)
Total tax credit	**(2,498)**	(174,574)

10 Tax Credit On Loss On Ordinary Activities (continued)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2006 30%) The difference is explained below

	2007 £000	2006 £ 000
Loss on ordinary activities before tax	**(1,033,923)**	(840,662)
Loss on ordinary activities at the current rate of corporation tax rate at 30% (2006 30%)	**(310,177)**	(252,199)
Tax losses for the period carried forward (not recognised as deferred tax)	-	27,009
Net timing differences arising in the current period (not recognised as deferred tax)	**24,602**	-
Depreciation in excess of capital allowances not recognised	**257,585**	56,601
Permanent differences	**29,221**	6,889
Prior period group relief surrenders	**(3,729)**	(12,874)
Total tax credit	**(2,498)**	(174,574)

The Group has an unrecognised deferred tax asset of approximately £1 0 billion (2006 £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 2007	35,612	4,474,027	105,512	4,615,151
Exchange difference	-	2,466	28	2,494
Additions	-	-	530	530
Disposals	-	-	(14,210)	(14,210)
At 31 December 2007	35,612	4,476,493	91,860	4,603,965
Amortisation				
At 1 January 2007	(2,095)	(901,195)	(51,086)	(954,376)
Exchange difference	-	(394)	(19)	(413)
Charge for the year	(2,095)	(242,456)	(1,814)	(246,365)
Disposals	-	-	14,210	14,210
At 31 December 2007	(4,190)	(1,144,045)	(38,709)	(1,186,944)
Net book value				
At 31 December 2007	**31,422**	**3,332,448**	**53,151**	**3,417,021**
At 31 December 2006	33,517	3,572,832	54,426	3,660,775

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 and software licence costs

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 became available for use

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

11 Intangible Assets (continued)

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 licence commenced when the underlying Irish network assets became available for use

The Group commenced commercial operations in 2003 in the UK and in 2005 in Ireland, and 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 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 data, 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 data revenue tariff structures through enhanced customer propositions

While the cash flow projections and the discount rate applied to the cash flows are based upon Management's best estimates, these are subject to uncertainty and the actual outcome may differ Management's estimates may alter to reflect changes in the key assumptions noted above

Goodwill

Goodwill arose on the acquisition of 3 Ireland from Hutchison 3G Ireland Investments S à r l , a HWL group company, on 30 December 2005

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

12 **Tangible Fixed Assets**

Group

	Leasehold improvements	Plant and equipment	Network infrastructure	Payments on account and assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2007	**76,305**	**57,999**	**2,431,179**	**173,830**	**2,739,313**
Exchange difference	77	461	10,836	2,076	13,450
Additions	49,439	1,818	1,302,610	178,420	1,532,287
Disposals	(12,112)	(6,115)	(206,814)	(33,602)	(258,643)
Transfers	(11,341)	(11,584)	274,505	(251,580)	-
At 31 December 2007	**102,368**	**42,579**	**3,812,316**	**69,144**	**4,026,407**
Depreciation					
At 1 January 2007	**(29,247)**	**(49,216)**	**(582,041)**	-	**(660,504)**
Exchange difference	(2)	(135)	(838)	-	(975)
Charge for the year[1]	(6,513)	(3,791)	(1,007,940)	-	(1,018,244)
Disposals	8,182	6,115	206,814	-	221,111
Transfers	(461)	15,906	(15,445)	-	-
At 31 December 2007	**(28,041)**	**(31,121)**	**(1,399,450)**	-	**(1,458,612)**
Net book value					
At 31 December 2007	**74,327**	**11,458**	**2,412,866**	**69,144**	**2,567,795**
At 31 December 2006	47,058	8,783	1,849,138	173,830	2,078,809

[1] includes exceptional depreciation as explained below

As set out in note 7(b), in December 2007, the Group entered into a network sharing agreement The Group's right of access to another mobile network operator's network assets has been recorded at a fair value of £1,276 million within additions An exceptional depreciation charge of £801 million has been recorded as set out in note 7(a)

Included in disposals are assets with net book value of £34 million relating to 3 UK's retail operations disposed to 3UK Retail on 1 January 2007

Network infrastructure includes assets held under finance leases with a cost on 31 December 2007 of £32,000,000 (31 December 2006 £32,000,000), net book value on 31 December 2007 of £23,892,000 (31 December 2006 £25,599,000) and a depreciation charge for the year ended 31 December 2007 of £1,707,000 (31 December 2006 £1,707,000)

12 Tangible Fixed Assets (continued)

Cumulative aggregate finance costs capitalised relating to expenditure incurred on construction and development of tangible fixed assets amounts to £187,348,306 (2006 £186,965,000) The net book value of these finance costs at the year end was £63,173,648 (2006 £81,664,000)

During the year, the Group has revised the estimate of the useful economic lives of elements of the network infrastructure assets during the year See Note 1 (i) for further details

13 Investments in Subsidiary Undertakings

Company	**Loans £000**
Cost	
Opening balance at 1 January 2007	4,450,928
Change in the year	(614)
At 31 December 2007	**4,450,314**

At 1 January and 31 December 2007, the Company owned 100% of the issued ordinary shares of 3 UK and 100% of the issued ordinary shares of 3 Ireland The principal activities of these subsidiaries are the provision of third generation video mobile multi-media and communication services At 1 January and 31 December 2007, the Company owned 100% of the issued ordinary shares of Fanster Gain Limited, a dormant company

On 10 July 2007, the Group acquired 100% of the issued ordinary share capital of Hutchison Lambeth Limited, a company incorporated in the British Virgin Islands The principal activity of this subsidiary is to leverage 3G customer relationships

At 1 January and 31 December 2007, the Group owned 100% of the issued ordinary shares of Hutchison Westminster Limited, an undertaking whose principal activity is to leverage 3G customer relationships, and 100% of the issued ordinary shares of Advanced Telecoms Debt Collection Services Limited ("ATDCS"), an undertaking whose principal activity is to collect overdue customer debt

The Company's investment in 3 UK comprises 1 share (2006 1), held at a cost of £1 (2006 £1) The Company's investment in 3 Ireland comprises 1 share (2006 1), held at a cost of €2 (2006 €2) The Company's investment in Fanster Gain Limited comprises 1 share (2006 1), held at a cost of US$1 (2006 US$1)

The Group's investment in Hutchison Westminster Limited comprises 1 share (2006 1), held at a cost of US$1 (2006 US$1) The Group's investment in Hutchison Lambeth Limited comprises 1 share (2006 nil), held at a cost of US$1 (2006 nil) The Group's investment in ATDCS comprises 1 share (2006 1), held at a cost of £1 (2006 £1)

At 1 January and 31 December 2007, the Company had an interest-free loan investment in 3 UK of £4,445 million (2006 £4,445 million)

14 Stock

	2007 £000	2006 £000
Group		
Finished goods	**49,946**	102,261
Payments on account	**-**	24
	49,946	102,285

15 Debtors

	Group		Company	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Trade debtors	**88,228**	87,153	-	-
Amounts owed by group undertakings – less than one year	**133,937**	52,285	**57,555**	648,300
Amounts owed by group undertakings – more than one year	-	-	**1,024,883**	-
Amounts owed by subsidiaries - less than one year	-	-	**3,937,146**	11,934
Amounts owed by subsidiaries - more than one year	-	-	**1,145,420**	1,145,420
Other debtors	**61,659**	96,597	-	-
Deferred expenditure – Customer Acquisition Costs	**220,669**	418,917	-	-
Prepayments and accrued income	**52,733**	94,205	-	-
Deferred tax assets	**140,000**	150,000	-	-
	697,226	899,157	**6,165,004,**	1,805,654

Amounts owed by subsidiaries to the Company, include £1,145 4 million (2006 £1,145 4 million) which represents a £1,000 million long-term loan, plus accrued interest of £145 4 million, provided to 3 UK and is repayable in March 2013 and an interest-free loan provided to 3 UK of £3,937 million (2006 £nil) repayable in June 2008

Included in amounts owed by group undertakings to the Company, are an interest-free loan provided to Hutchison Westminster Limited of £1,025 million (2006 £648 3 million) which is repayable in March 2012 and an interest-free advance provided to Hutchison Lambeth Limited of £57 6 million (2006 £nil) which is repayable on demand

On 25 March 2008, the Company provided an interest-free loan facility of £450 million to Hutchison Lambeth Limited repayable on 31 August 2012 On 25 March 2008, the Company agreed to extend its facility with 3 UK to 30 June 2012

Amounts owed by group undertakings are unsecured

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

16 Creditors - Amounts Due Within One Year

	Group		Company	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Group				
Bank overdrafts	**227,779**	66,125	-	-
Trade creditors	**43,626**	78,526	-	-
Amounts due to group undertakings – trading balances	**46,397**	71,331	-	-
Amounts due to group undertakings – loans (note 18)	**5,397,047**	948,349	**5,622,845**	987,472
Derivative financial instruments	-	123	-	-
Other taxation and social security	**7,200**	15,916	-	-
Other creditors	**17,231**	7,942	-	-
Accruals and deferred income	**288,941**	291,457	-	-
	6,028,221	1,479,769	**5,622,845**	987,472

Trading balances due to group undertakings are unsecured and settled on normal commercial terms
Loan balances due to group undertakings are unsecured

Derivative financial instruments

All derivative financial instrument liabilities held by the Group are forward foreign exchange contracts and are classified as cash flow 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	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Amount due to group undertakings – loans (note 18)	**1,810,606**	5,483,919	**891,829**	891,081
Other creditors	**22,452**	21,822	-	-
	1,833,058	5,505,741	**891,829**	891,081

Amounts due to group undertakings are unsecured

18 Loans and Other Borrowings

	2007	2006
Group		
Maturity of debt	**£000**	£000
Amounts due to group undertakings		
In less than one year	**5,397,047**	948,348
In one to two years	-	4,366,175
In two to five years	-	-
In greater than five years	**1,810,606**	1,117,744
Bank and other loans		
In less than one year	**227,779**	66,125
	7,435,432	6,498,392

18 Loans and Other Borrowings (continued)

In March 2007, the Company obtained an interest-bearing facility from Hutchison Whampoa Europe Investments S a r l of £1,500 million, carrying an interest rate of LIBOR plus 2 32% with a repayment date of June 2008 and an interest-free facility of £3,500 million from Hutchison Whampoa Europe Investments S à r l repayable in June 2008 This £5,000 million was used by the Company to provide financing to 3 UK

In March 2007, the Company also obtained an interest-bearing facility of £1,000 million with Hutchison Whampoa Europe Investments S à r l , carrying an interest rate of LIBOR plus 3 02% with a repayment date in March 2012 These funds were used by the Company to provide financing to Hutchison Westminster Limited and Hutchison Lambeth Limited

Amounts due in less than one year represent

- interest payable by December 2008 to Hutchison Whampoa Finance S A from 3 UK, a subsidiary of the Company, of £389 million (2006 nil),
- amounts drawn on the Company's interest-bearing facility with Hutchison Whampoa Europe Investments S à r l , of £1,440 million (2006 nil) payable by June 2008 including accrued interest of £140 million,
- amounts drawn on the Company's interest-free facility with Hutchison Whampoa Europe Investments S à r l , of £2,714 million (2006 nil) due by June 2008 including accrued interest of £5 million,
- amounts drawn on three interest-bearing facilities with Hutchison Whampoa Finance UK plc of £855 million (2006 £300 million) payable by June 2008 including accrued interest of £5 million (2006 nil), and
- in 2006, the Group had an amount outstanding of £648 million representing a loan from Hutchison OMF Limited which was fully repaid in 2007

The amount due in one to two years in 2006 of £4,366 million represents amounts the Group drew on the loan facility with Hutchison Whampoa Finance S A This balance was fully repaid during 2007

Amounts due over five years represent

- amounts drawn under two loan agreements with Hutchison Whampoa Finance UK plc for £297 million (2006 £295 million) and £397 million (2006 £392 million), which both carry an interest rate of 5 625% and are repayable in November 2017 and November 2026, respectively,
- the accrued interest of £198 million (2006 £204 million), repayable in March 2013, remaining from the old £1 billion facility with Hutchison Europe Telecommunications S à r l, which has been repaid in 2006,
- amounts drawn on the Company's interest-bearing facility with Hutchison Whampoa Europe Investments S à r l , of £574 million (2006 nil) due by March 2012, and
- a £345 million loan (2006 £227 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

Subsequent to the year-end, all facilities originally due for repayment in June 2008 have been extended to June 2012

19 Provisions for Liabilities and Charges

Group	Network restructuring provision	Provision for regulatory actions	Asset retirement obligation	Onerous lease provision	Redundancy provision	Total provision for charges and liabilities
	£000	£000	£000	£000	£000	£000
At 1 January 2007	-	-	19,794	2,994	5,237	28,025
Additions	131,675	63,800	21,685	149,340	-	366,500
Discount Accretion	-	-	996	97	-	1,093
Utilisation in the period	(2,162)	-	-	(2,018)	(5,237)	(9,417)
At 31 December 2007	**129,513**	**63,800**	**42,475**	**150,413**	**-**	**386,201**

The Group has obligations arising from the network share agreement with another mobile network operator to restructure its network in order to facilitate network sharing The network restructuring provision represents the Group's best estimate of the present value of these costs The costs are expected to be incurred over the next 3 years

Provision for regulatory actions reflects the Group's best estimate of the expected outcome at the balance sheet date of various inter-operators' regulatory disputes

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 increase in the provision is the Group's best estimate of the increase and acceleration of obligations resulting from the network share agreement The unwinding of the discount is taken to the profit and loss account as an interest charge

The Group also has obligations under operating leases for cell sites and the amounts provided in 2007 relate to the present value of cell site rentals identified as surplus to requirements as a result of the network share agreement In addition, the Group 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 expected to be received from subletting The onerous lease costs are expected to be incurred up to 2021

20 Called Up Share Capital

	2007 £000	2006 £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

20 Called Up Share Capital (continued)

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 10 years from the grant date The number of options exercisable at 31 December 2007 was 50,592,750 (2006 79,680,000)

21 Other Reserves

	Exchange Reserve £000	Share Option Reserve £000	Total £000
Group			
Opening balance at 1 January	1,107	5,441	6,548
Currency translational differences on foreign subsidiary	(11,447)	-	(11,447)
Share-based charge for the year	-	3,714	3,714
Share options lapsed	-	(4,328)	(4,328)
Closing balance at 31 December	**(10,340)**	**4,827**	**(5,513)**
Company			
Opening balance at 1 January	-	5,441	5,441
Share-based charge for the year	-	3,714	3,714
Share options lapsed	-	(4,328)	(4,328)
Closing balance at 31 December	-	**4,827**	**4,827**

22 Profit and Loss Account

	2007 £000	2006 £000
Group		
Opening balance at 1 January	**4,653,207**	3,987,119
Loss for the year	**1,031,425**	666,088
Closing balance at 31 December	**5,684,632**	4,653,207

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 £276,771,000 (2006 £72,899,000)

23 Reconciliation of Movements In Shareholders' Funds

	2007 £000	2006 £000
Group		
Balance at the beginning of the year	**(201,172)**	463,222
Loss for the year	**(1,031,425)**	(666,088)
Movement on other reserves	**(12,061)**	1,694
Shareholders' deficit at 31 December	**(1,244,658)**	(201,172)
Company		
Balance at the beginning of the year	**4,378,029**	4,445,487
Loss for the year	**(276,771)**	(72,899)
Movement on other reserves	**(614)**	5,441
Shareholders' funds at 31 December	**4,100,644**	4,378,029

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

	2007 £000	2006 £000
Group		
Operating loss	**(800,127)**	(802,433)
Amortisation of intangible assets	**246,365**	261,593
Depreciation	**1,018,244**	218,349
Loss on fixed asset disposals	**2,721**	
Deferred expenditure – customer acquisition costs charged in the year	**556,554**	612,304
Provision for bad and doubtful debts	**2,244**	74,123
Provision for stock obsolescence	**(3,276)**	(38,709)
Provision for liabilities and charges	**366,501**	5,263
Decrease in stock	**55,615**	44,046
Increase in debtors	**(276,024)**	(723,430)
(Decrease)/Increase in creditors	**(31,572)**	4,869
Other non-cash movements	**(1,409,775)**	4,296
Net cash outflow from operating activities	**(272,530)**	(339,729)

Notes to the financial statements for the year ended 31 December 2007

25 Analysis of Movement In Net Debt

	At 1 January 2007 £000	Cash flow £000	Other non-cash changes £000	At 31 December 2007 £000
Cash at bank and in hand	**44,737**	173,880	-	**218,617**
Bank Overdraft	**(66,125)**	(161,654)	-	**(227,779)**
	(21,388)	12,226	-	**(9,162)**
Investments in liquid resources	**26,600**	25,617	-	**52,217**
Debts due after one year	**(5,483,918)**	(612,186)	4,285,498	**(1,810,606)**
Debt due within one year	**(948,349)**	-	(4,448,698)	**(5,397,047)**
Net debt	**(6,427,055)**	(574,343)	(163,200)	**(7,164,598)**

Investment in liquid resources are short-term deposits that are not repayable on demand Included in debts due after one year are other non-cash charges related to accrued loan interest and the unwinding of discounts

26 Movement in Borrowings

	2007 £000	2006 £000
Group		
Due within one year	**4,448,698**	948,963
Due after one year	**(3,836,512)**	(189,940)
Increase in borrowings	**612,186**	759,023
Cash inflow	**612,186**	759,023

27 Operating Lease Commitments

At 31 December 2007, 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

	2007			2006		
Group	**Land & buildings £000**	**Other £000**	**Total £000**	Land & buildings £000	Other £000	Total £000
Annual commitments under non-cancellable operating leases expiring						
Within one year	**487**	**386**	**873**	163	102	265
Within two to five years	**7,384**	**292**	**7,676**	3,345	651	3,996
After five years	**70,639**	**1,124**	**71,763**	73,317	1,045	74,362
	78,510	**1,802**	**80,312**	76,825	1,798	78,623

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

	2007 £000	2006 £000
Group Pension costs	**4,457**	5,197

At 31 December 2007, the pension contribution payable was £538,365 (2005 £463,500)

29 Financial Commitments

On 12 December 2005, the Group entered into an exclusive seven-year managed service agreement with a network operator Under the agreement the Group retained ownership of network and IT assets and their strategic development whilst Ericsson retained responsibility for the operation and maintenance of the Group's network and IT infrastructure The amounts payable under this 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

The agreement includes confidentiality clauses which preclude the Group from disclosing commercial terms of the agreement

30 Capital Commitments

At 31 December 2007, the Group had contracted capital commitments of £317 million (2006 £661 million), with £179 million (2006 £194 million) being due within one year and £140 million (2006 £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

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 HWL group companies (the "HWL Group")

However, there are some subsidiaries that are not wholly owned by the HWL Group, with one of which there were material transactions during the year as follows

The amount owed by The Felixstowe Dock and Railway Company at the beginning of the year was £7,112,323 This represented the surrender of losses and group relief This amount was paid during the year and the balance at year end was nil

32 Ultimate Controlling Party

The immediate controlling party 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 financial statements, and is the Company's ultimate controlling party 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 financial statements

Copies of the group financial statements 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

On 25 March 2008, the Company provided an interest free loan facility of £450 million to Hutchison Lambeth Limited repayable on 31 August 2012

On 25 March 2008, the Company agreed to extend its £5,000 million loan interest-free facility to Hutchison 3G UK Limited to 30 June 2012

On 25 March 2008, the Company reached agreement with Hutchison Whampoa Finance UK plc to extend its three interest-bearing facilities to June 2012

On 25 March 2008, the Company reached agreement with Hutchison Whampoa Investments S à r l to extend its interest-free facility of £3,500 million and its interest-bearing facility of £1,500 million to 2012