

Hutchison 3G UK Holdings Limited

Company Number 03918124

Annual Report and Financial Statements

For the Year Ended 31 December 2022



Hutchison 3G UK Holdings Limited

Registered Number 03918124

Directors
Victor T K Li
Canning Fok
Frank Sixt
Dominic Lai (alternate to Victor T K Li)
Edith Shih (alternate to Canning Fok)
Christian Salbaing (alternate to Frank Sixt)
David Dyson
Robert Finnegan
Elaine Carey
Clemence Cheng
Asim Ghosh

Independent Auditors
PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
Berkshire
RG1 3JH

Bankers
HSBC Bank plc
62-76 Park Street
London
SE1 9DZ

Registered Office
450 Longwater Avenue
Green Park
Reading
Berkshire
RG2 6GF

Hutchison 3G UK Holdings Limited

Contents	Page(s)
Strategic Report	3 – 5
Directors' Report	6 – 7
Independent Auditors' Report	8 – 11
Statement of Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15 – 26

Hutchison 3G UK Holdings Limited

Strategic Report for the year ended 31 December 2022

The directors present their Strategic Report on Hutchison 3G UK Holdings Limited (the "Company") for the year ended 31 December 2022.

a) Business review and future developments

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

The Company is a holding company, and its business is to invest in its subsidiaries and to provide them with funding. This funding is financed primarily by borrowings from CKHH Group companies (the "CKHH Group"). For more details, please refer to Note 14 of the financial statements.

Net assets of the Company were £275 million as at 31 December 2022 (2021: £228 million).

The Company will continue to focus on its investment in its main wholly owned subsidiary, Hutchison 3G UK Limited, and its operations.

b) Key performance indicators

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

	2022	2021
	£m	£m
Interest payable and similar expenses	158	87

Interest and similar expenses have increased compared with prior year due to higher average debt and increased interest rates across the year.

c) Principal risks and uncertainties

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

Financial risk management

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

Hutchison 3G UK Holdings Limited

Strategic Report for the year ended 31 December 2022 (continued)

c) Principal risks and uncertainties (continued)

Financial risk management (continued)

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

(a) Liquidity risk

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

All intercompany loans have been transitioned to Sterling Overnight Index Average ("SONIA") from London Interbank Offered rate ("LIBOR") as at December 2022 and all agreements have been executed to this effect in 2023.

(b) Cash flow interest rate risk

The Company has interest-bearing liabilities linked with the financing from the CKHH Group's finance companies (details of this financing can be found in Note 14 to the financial statements). While the floating rate borrowings expose the Company to cash flow interest rate risk, management believes that this risk is managed as the funding is provided by the members.

(c) Investment risk

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

d) Statement by the directors in performance of their statutory duties in accordance with Section 172 of the Companies Act 2006

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires directors to have regard amongst other matters to, the:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the Company.

In discharging our section 172 duties, we have regard to the factors set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of members of the Group. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we aim to make sure that our decisions are consistent.

Hutchison 3G UK Holdings Limited

Strategic Report for the year ended 31 December 2022 (continued)

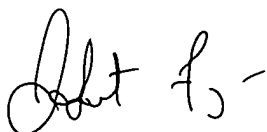
d) Statement by the directors in performance of their statutory duties in accordance with Section 172 of the Companies Act 2006 (continued)

We delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically where the directors consider the Company's activities and make decisions. As a part of those meetings, the directors receive information in a range of different formats to ensure that they have regard to section 172 matters when making relevant decisions. For example, each year we assess the strength of the Company's balance sheet and prospects relative to market uncertainties and make decisions about the payment of dividends. In making our decision, we considered a range of factors. These included the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in our business and the expectations of our member as the supplier of long-term equity capital to the Company.

As the principal activity of the Company is to act as a holding company for the other entities in the group to provide loan facilities to subsidiary and fellow subsidiary undertakings, the Company has had no commercial business, and no employees, customers or suppliers other than other CKHH Group companies during the year and as such the breadth of stakeholders and other considerations that would apply in many other companies have generally not applied to the decisions made by the directors.

As the Board of directors, our intention is to behave responsibly towards our members and treat them fairly and equally, so they too may benefit from the successful delivery of our plan. Also, in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours, and in doing so, will contribute to the delivery of our plan. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviours.

On behalf of the Board



Robert Finnegan
Director
29 September 2023

Hutchison 3G UK Holdings Limited

Directors' Report for the year ended 31 December 2022

The directors present their report and the audited financial statements of the Company with registered number 03918124 for the year ended 31 December 2022.

Directors

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

Victor T K Li
Canning Fok
Frank Sixt
Dominic Lai (alternate to Victor T K Li)
Edith Shih (alternate to Canning Fok)
Christian Salbaing (alternate to Frank Sixt)
David Dyson
Robert Finnegan
Elaine Carey
Clemence Cheng
Asim Ghosh

Directors' indemnities

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

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

Future developments

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

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the intermediate holding company, CK Hutchison Group Telecom Holdings Limited ("CKHGTH"). The directors have received confirmation that CKHGTH intends to support the Company for at least one year after these financial statements are signed.

Financial risk management

Please refer to the 'Principal risks and uncertainties' section on pages 3 and 4 of the Strategic Report for the Company's financial risk management policies.

Dividend

The directors recommended an interim dividend of £1,869 million (2021: nil) which was paid in the year.

Hutchison 3G UK Holdings Limited

Directors' Report for the year ended 31 December 2022 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

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

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

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

Directors' confirmations

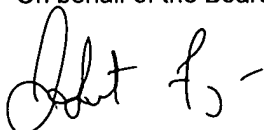
In the case of each director in office at the date the directors' report is approved:

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

Independent auditors

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

On behalf of the Board



Robert Finnegan

Director

29 September 2023

Hutchison 3G UK Holdings Limited

Independent auditors' report to the members of Hutchison 3G UK Holdings Limited Report on the audit of the financial statements

Opinion

In our opinion, Hutchison 3G UK Holdings Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Hutchison 3G UK Holdings Limited

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

Report on the audit of the financial statements (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Hutchison 3G UK Holdings Limited

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

Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax laws relevant to the Company's operations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of the financial statements through posting fraudulent journals. Audit procedures performed by the engagement team included:

- Enquiries with management and those charged with governance to understand any actual or potential litigation and claims, and any instances of non-compliance with laws and regulations.
- Reviewing minutes of meetings of those charged with governance.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness and evaluating the business rationale of significant contracts and transactions entered into by the Company during the year.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Hutchison 3G UK Holdings Limited

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

Report on the audit of the financial statements (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Christopher Boreham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
29 September 2023

Hutchison 3G UK Holdings Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Operating income	5	2,018,752	—
Operating result		2,018,752	—
Interest payable and similar expenses	6	(157,671)	(86,789)
Profit / (loss) before taxation		1,861,081	(86,789)
Tax credit on profit / (loss)	8	55,150	30,755
Profit / (loss) for the financial year		1,916,231	(56,034)
Other comprehensive income		—	—
Total comprehensive income / (loss)		1,916,231	(56,034)

All the results relate to activities which are continuing.

The notes on pages 15 to 26 form an integral part of these financial statements.

Hutchison 3G UK Holdings Limited

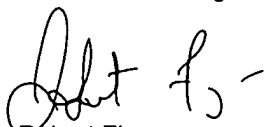
Registered number 03918124

Statement of Financial Position as at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Investments	9	6,028,618	6,028,618
Current assets			
Deferred tax assets <i>(Including £144m (2021: £96m) after 12 months)</i>	10	157,239	114,818
Debtors	11	358,563	-
		515,802	114,818
Current liabilities			
Creditors - amounts falling due within one year	12	(2,037,183)	(3,115,314)
Net current liabilities		(1,521,381)	(3,000,496)
Total assets less current liabilities		4,507,237	3,028,122
Creditors – amounts falling due after more than one year	13	(4,232,141)	(2,800,000)
Net assets		275,096	228,122
Capital and reserves			
Called up share capital	15	4,445	4,445
Accumulated profits		270,651	223,677
Total shareholders' funds		275,096	228,122

The notes on pages 15 to 26 form an integral part of these financial statements.

The financial statements on pages 12 to 26 were approved by the Board of Directors on 12 September 2023 and were signed on its behalf by:


Robert Finnegan
Director
29 September 2023

Hutchison 3G UK Holdings Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Called up share capital	Accumulated (losses)/profits	Total shareholders' funds
	£000	£000	£000
At 1 January 2021	4,445,487	(4,161,331)	284,156
Loss for the financial year	—	(56,034)	(56,034)
Capital reduction (Note 15)	(4,441,042)	4,441,042	—
Other comprehensive income	—	—	—
At 31 December 2021	4,445	223,677	228,122
Profit for the financial year	—	1,916,231	1,916,231
Dividends paid (Note 15)	—	(1,869,257)	(1,869,257)
Other comprehensive income	—	—	—
At 31 December 2022	4,445	270,651	275,096

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022

1 General information

Hutchison 3G UK Holdings Limited (the "Company") is a private company limited by shares, incorporated and domiciled in the United Kingdom having its registered office at 450 Longwater Avenue, Green Park, Reading, Berkshire, RG2 6GF.

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

2 Significant accounting policies

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

(a) Basis of preparation

The Company has taken advantage of the exemption under Section 401 of the Companies Act 2006 not to prepare consolidated financial statements as it is an indirect wholly owned subsidiary of CK Hutchison Holdings Limited ("CKHH"), a company listed on The Stock Exchange of Hong Kong Limited, which prepares consolidated financial statements. The Company is included in the consolidation of CKHH and the consolidated financial statements of CKHH are publicly available.

These financial statements have been prepared in accordance with UK Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 under the historical cost convention. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") as adopted in the UK. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards) but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

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

- IFRS 7 'Financial instruments: disclosures';
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities),
- Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information);
 - 134-136 (capital management disclosures);
- IAS 7 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24 'Related party disclosures' (key management compensation);
- IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group; and
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(e) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

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

Going concern

The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business. The directors believe that the adoption of the going concern basis in the preparation of the financial statements is appropriate as the Company's intermediate holding entity, CKHGTH, has confirmed that, because the Company is its indirect wholly owned subsidiary, it will provide ongoing financial support or procure alternative financing to the Company and its subsidiaries to enable the Company and its subsidiaries to continue to trade and to meet their liabilities as and when they fall due under all foreseen circumstances covering the period ending on the date that is twelve months following the date of signing of the statutory financial statements of the Company for the year ended 31 December 2022.

(b) Investment in subsidiaries

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

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

(c) Taxation

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

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

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

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

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

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

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

On 23 May 2023, the IASB issued a narrow-scope amendment to IAS 12, 'Income Taxes', that provides a temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules. The exemption has now been endorsed by the UK endorsement board.

(d) Interest payable and similar charges

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

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

(e) Financial assets

The Company classifies its financial assets as financial assets at fair value through profit and loss and financial assets subsequently measured at amortised cost. The classification depends on the business model and the contractual terms of the financial asset. Management determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets subsequently measured at amortised cost

These financial assets are initially recognised at fair value and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at amortised cost using effective interest rate (EIR) less provision for impairment. Interest calculated using EIR is recognised in the statement of comprehensive income.

Financial assets at fair value through profit or loss

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

(f) Loans

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

3 Critical accounting estimates and judgements

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

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

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Critical accounting estimates and judgements (continued)

3.1 Critical judgements in applying the Company's accounting policies

(a) Taxation

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

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

3.2 Critical accounting estimates

(a) Impairment of Investments

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

4 Directors and employees

The emoluments of directors are not paid to them in their capacity as directors of the Company and are payable by other group companies for services wholly attributable to those companies. Emoluments were paid to two directors (2021: two directors) by a subsidiary undertaking in their capacity as director of that undertaking and for services wholly attributable to that subsidiary undertaking. The other directors are paid by other group companies for services rendered to those companies. Accordingly, no charge has been included in the statement of comprehensive income of the Company.

There were no employees of the Company during the year (2021: none).

5 Operating income

	2022 £000	2021 £000
Dividend income	2,018,752	—

The Company's operating income relates to dividend received from subsidiary, Hutchison 3G UK Limited.

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

6 Interest payable and similar expenses

	2022 £000	2021 £000
Interest payable on amount owed to group undertakings	157,671	86,789

7 Auditors' remuneration

Audit fees of £35,000 (2021: £32,000) relating to the Company were borne by its wholly owned subsidiary, Hutchison 3G UK Limited.

8 Tax credit on profit / (loss)

	2022 £000	2021 £000
Current tax		
Adjustments to group relief in respect of prior years	12,729	16,646
Total current tax	12,729	16,646
Deferred tax		
Adjustment in respect of prior years	(12,729)	(16,621)
Deferred tax credit	55,150	30,730
Total deferred tax (Note 10)	42,421	14,109
Total tax credit on profit / (loss) before taxation	55,150	30,755

The tax credit for the year is higher (2021: higher) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The difference is explained below:

	2022 £000	2021 £000
Profit / (Loss) before taxation	1,861,081	(86,789)
Tax on profit / (loss) before taxation at the standard UK corporation tax rate at 19% (2021: 19%)	(353,605)	16,490
Effect of:		
Income not subject to tax	383,563	-
Re-measurement of deferred tax	19,270	12,628
Adjustment in respect of prior years group relief	-	25
Others	5,922	1,612
Tax credit on profit / (loss)	55,150	30,755

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

8 Tax credit on profit / (loss) (continued)

Finance Act 2021 increased the UK corporation tax rate from 19% to 25% effective from 1 April 2023. This increase was enacted at the balance sheet date and has been used to calculate the deferred tax asset.

9 Investments

	2022 £000	2021 £000
At 31 December	6,028,618	6,028,618

The above represents capital invested in Hutchison 3G UK Limited of £11,657 million stated after impairment of £6,228 million and an uplift of £575 million as a result of fair value adjustments to an interest free loan to a subsidiary under FRS 101, that was repaid in 2015.

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

On 30 October 2020, CK Hutchison Networks (UK) Limited was incorporated with share capital of £1. On 26 March 2021, the Company sold 100% of its investment in CK Hutchison Networks (UK) Limited for consideration of £1, for no gain or loss, to fellow group undertaking CK Hutchison Networks Europe Investments S.à r.l.

Shareholdings in subsidiary and related companies are as follows:

Entity Name	Country of Incorporation	Percentage Holding	Ordinary Shares 2022	Ordinary Shares 2021	2022	2021	Principal activity
Directly held Subsidiaries:							
Hutchison 3G UK Limited*	UK	100%	201	201	£6,003.6 million	£6,003.6 million	Provision of mobile communication, entertainment and information services
CK Telecoms UK Investments Limited**	UK	100%	102	102	£25 million	£25 million	Financing and investment holding company
Total direct investment					£6,028.6 million	£6,028.6 million	
Indirectly held Subsidiaries/Associates:							
UK Broadband Limited*	UK	100% (i)	1,000	1,000	£292.5 million	£292.5 million	Owns and operates retail broadband business
3UK Retail Limited**	UK	100% (i)	1,000	1,000	£1,000	£1,000	Holding store leases for a group company
ID Communications Limited*	UK	100% (i)	1	1	£1	£1	Provision of mobile communication services in the UK
Mobile Broadband Network Limited***	UK	50% (i)	10 million	10 million	£10 million	£10 million	Operation, development and maintenance of mobile network

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

9 Investments (continued)

Entity Name	Country of Incorporation	Percentage Holding	Ordinary Shares 2022	Ordinary Shares 2021	2022	2021	Principal activity
Indirectly held Subsidiaries/Associates:							
Digital Mobile Spectrum Limited****	UK	25% (i)	1	1	£1	£1	Solution provider to mitigate interference to digital terrestrial television

(i) Indirectly held through a wholly owned subsidiary

*These companies have their registered offices at 450 Longwater Avenue, Green Park, Reading, Berkshire, RG2 6GF, United Kingdom.

**These companies have their registered offices at Hutchison House, 5 Hester Road, Battersea, London, SW11 4AN, United Kingdom.

***This company has its registered office at Sixth Floor, Thames Tower, Station Road, Reading, RG1 1LX, United Kingdom.

****This company has its registered office at 24/25 The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom.

10 Deferred tax assets

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

	2022 £000	2021 £000
Deferred tax assets - within 12 months	13,243	18,963
Deferred tax assets - after 12 months	143,996	95,855
Total deferred tax assets	157,239	114,818
Non trade losses	109,332	66,912
Other temporary differences	47,907	47,906
Total deferred tax assets	157,239	114,818
Deferred tax assets at the start of the year	114,818	100,709
Adjustments in respect of prior periods	(12,729)	(16,621)
Increase in deferred tax assets due to change in tax rates	9,810	12,628
Increase in deferred tax assets	45,340	18,102
Total deferred tax assets	157,239	114,818

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

10 Deferred tax assets (continued)

	Non trade losses	Other*	Total
Deferred tax assets analysis	£000	£000	£000
At 1 January 2021	64,300	36,409	100,709
Credited to the Statement of Comprehensive Income (note 8)	2,611	11,498	14,109
At 31 December 2021	66,911	47,907	114,818
Credited to the Statement of Comprehensive Income (note 8)	42,421	-	42,421
At 31 December 2022	109,332	47,907	157,239

* Other, relates to unpaid interest which will create current year tax deductions when it is paid.

The net recognised deferred tax asset of £157 million at 31 December 2022 (2021: £115 million) relates to historic tax losses and temporary differences. The deferred tax asset has been recognised to the extent that it is regarded recoverable in future periods. The Company has an unrecognised deferred tax asset of £40 million (2021: £40 million) in respect of non-trade losses carried forward from periods prior to 1 April 2017, which currently have no expiry date.

The Company's corporation tax rate for the year ended 31 December 2022 is 19.00% (2021: 19.00%).

Deferred tax assets have been calculated at the corporation tax rates that will be in force at the time the assets are expected to unwind. Finance Act 2021 increased the UK corporation tax rate from 19% to 25% effective 1 April 2023. This increase was substantively enacted at the balance sheet date and has been used to calculate the deferred tax asset.

11 Debtors

	2022 £000	2021 £000
Amounts owed by group undertakings	358,563	—

Trading balances due from group undertakings are unsecured, non-interest bearing and repayable on demand.

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

12 Creditors – amounts falling due within one year

	2022 £000	2021 £000
Amounts owed to group undertakings		
- trading balances	–	33,175
- loans (Note 14)	1,749,002	2,868,839
- accrued interest (Note 14)	288,181	213,300
	2,037,183	3,115,314

Trading balances due to group undertakings are unsecured, non-interest bearing and repayable on demand. Accrued interest and loans due to group undertakings are unsecured. The terms of the loans are disclosed in Note 14.

13 Creditors – amounts falling due after more than one year

	2022 £000	2021 £000
Amount owed to group undertakings – loans (Note 14)	4,232,141	2,800,000

Amounts owed to group undertakings and banks are unsecured. The terms of the loans are disclosed in Note 14.

14 Loans and other borrowings

Maturity of debt	2022 £000	2021 £000
In less than one year (Note 12)	2,037,183	3,082,139
In two to five years (Note 13)	4,232,141	2,800,000
	6,269,324	5,882,139

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

14 Loans and other borrowings (continued)

Lender	Facility (GBP in millions)	Interest	Repayment date	Carrying value of drawdown (GBP in millions)	
				2022	2021
Hutchison Europe Telecommunications S.à r.l.	1,600	SONIA* + 2.2%	June 2026	1,600	1,600
Hutchison Europe Telecommunications S.à r.l.	1,200	SONIA* + 2.2%	June 2026	1,200	1,200
Hutchison 3G UK Limited	1,166	0.74%	On demand	1,166	1,166
Hutchison Europe Telecommunications S.à r.l.	1,868	SONIA + 1.62%	July 2025	1,432	-
Hutchison Europe Telecommunications S.à r.l.	583	SONIA + 0.8%	December 2023	583	-
Hutchison Europe Telecommunications S.à r.l.	1,370	1.63%	July 2022	-	1,357
Lcxley Limited	1,280	Interest free	On demand	-	66
Hutchison Europe Telecommunications S.à r.l.	1,084	0.18%	On demand	-	280

*These facilities are carried forward from prior years and the benchmarking interest rate was changed from LIBOR to SONIA during the year ended 31 December 2022.

15 Called up share capital

	2022 £000	2021 £000
Allotted and fully paid:		
4,445,486,753 (2021: 4,445,486,753) ordinary shares of £0.001 each (2021: £0.001 each)	4,445	4,445

The directors recommended an interim dividend of £1,869 million (2021: nil), £0.42 per share (2021: nil) which was paid in the year.

On 21 December 2021, the Company reorganised its capital structure by means of a capital reduction exercise. The nominal value of the issued share capital of the company was reduced from £1 to £0.001 per share which reduced its issued share capital by £4,441 million and increased its accumulated profits by the same amount.

16 Post balance sheet events

On 7 March 2023, 1,000,000 shares were issued with a nominal value of £1,000 and a share premium of £410 million.

Hutchison 3G UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

16 Post balance sheet events (continued)

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Company is reviewing these rules to understand any potential impacts.

In June 2023, CK Hutchison Group Telecom Holdings Limited ("CKHGTH"), the Company's intermediary holding company, and Vodafone Group Plc ("Vodafone") have entered into binding agreements in relation to a combination of their UK telecommunications businesses (the "Transaction"). Following the closing of the Transaction, the combined business will be owned as to 51% by Vodafone and 49% by CKHGTH and it is expected that the merger of businesses will have substantial impact on the financial position and performance of the Company and its subsidiaries. As at the date of approval of these financial statements, the Transaction is subject to regulatory approvals and other customary closing conditions and is pending for completion. As such, the actual financial impact of the merger would only be reflected and disclosed in the subsequent financial period following the Transaction is completed.

17 Related party transactions

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

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

18 Ultimate controlling party

The immediate controlling party of the Company is Gensis Lake Limited, a company incorporated in the British Virgin Islands, which directly owns 50.1% of the share capital and the voting rights of the Company.

CKHH, a limited liability company, registered in the Cayman Islands and listed on The Stock Exchange of Hong Kong Limited, is the largest group to consolidate the financial statements of the Company, and is the Company's ultimate controlling party and owns, through Gensis Lake Limited and other CKHH Group companies, 100% of the share capital and voting rights of the Company.

The smallest group to consolidate these financial statements is CKHGTH, the Company's intermediate holding company.

Copies of the consolidated financial statements of CKHH may be obtained from the Company Secretary at 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong or www.ckh.com.hk.

The consolidated financial statements of CKHGTH are available on www.ckhutchisontelecom.com.