Our financial performance

The increased commercial investments we began to make in the prior year have translated into better performance with revenue trends improving in each of the last three quarters.

My priorities

When I became CFO last April, I highlighted three clear priorities which I believe will have a significant impact on our future financial performance: the execution of Project Spring according to the financial plan; the integration of acquisitions, most notably KDG and Ono; and a continued focus on cost efficiency. On all three, we are on track to deliver, but there is still much more to do.

Our results are reviewed in more detail on pages 40 to 48 of this report, but overall I am satisfied that we have made important progress in stabilising the financial performance of the business.

Project Spring execution

Our £19 billion, two-year investment programme began in earnest early in 2014. From both a logistical and financial perspective, we believe this is the biggest and most intensive programme ever undertaken by any telecoms operator. Vittorio has covered many aspects of the execution in his review on page 16, demonstrating the clear progress we have made to date.

I am satisfied overall with deployment against plan. We are a little ahead on our network rollout in AMAP, particularly India, and we are in line in Europe, with a couple of exceptions. Our 4G build and network modernisation in the UK is slightly behind schedule, hampered by the complexity of site access and planning restrictions. In Italy, our fibre to the cabinet ('FTTC') roll-out started late, as a result of negotiations with other operators in the market which were eventually aborted. However, we are now making very rapid progress.

Capital spend is on target, with total capex for the year of £9.2 billion – up 46% year-on-year. Cash flow generation was, as expected, depressed by the level of spending. I remain very confident that, once Project Spring is completed, we will return to a more normal level of capital intensity and generate strong and growing cash flows.

Acquisition integration

We commenced integration of KDG in April 2014 and of Ono in August 2014. In total we expect to generate combined annual cost and capex synergies of approximately €540 million in the 2018 financial year, mainly from migrating fixed and mobile customers onto our own infrastructure and combining backhaul and core networks.

In terms of standalone business performance, KDG has continued to grow strongly and even showed some acceleration through the year, supported by firm pricing and improved subscriber growth. Ono's performance has been a little below expectations, with ARPU coming under more pressure than anticipated as a result of aggressive pricing at the premium end of the market.

The teams have made solid progress on all aspects of integration. In Germany, we have started to connect Vodafone base station sites to KDG fibre backhaul, and have migrated 77,000 customers to date off our DSL platform (on which we pay high monthly fees) onto KDG's cable infrastructure. 70% of IP traffic has now been combined, and we have launched our combined fixed/mobile proposition, "All in One".

In Spain, we have so far connected over 500 mobile base station sites to Ono's fibre to save on backhaul costs. We also signed an agreement with Telefónica, the host of Ono's MVNO, to accelerate the migration of traffic to our own network. We are launching a truly integrated, single-billed, fixed/mobile proposition this summer.

Cost efficiency

Progress on costs was good this year, with operating costs in Europe flat in organic terms, despite the cost growth driven by the Project Spring network roll-out. Savings came from further development of our shared services platform, increased centralised procurement, headcount reductions and other efficiencies.

Looking ahead, for a relatively lean organisation such as Vodafone, a pure focus on "cost cutting" can be an over-simplistic approach that could compromise the quality of service we provide to customers, which would clearly be self-defeating.

Instead, we are looking at cost in two ways which can make a significant long term difference to our overall efficiency. First, we are focusing on productivity improvements – doing the same things better at a lower cost, by developing cross-functional programmes and benchmarking more forensically between different parts of the business. In some cases, this will require us to invest more in the short term – for example, in new, standardised IT systems – to deliver transformational efficiencies longer term.

Second, we are embedding a stronger cost-conscious culture at an individual level throughout the business, including personal objectives on efficiency targets for senior management incentives. Both of these elements will be underpinned by more granular and consistent cost and productivity reporting across markets and functions.

We have instigated a programme called "Fit for Growth" to encompass both of these objectives, and to develop an organisation with improved competitiveness and agility for the long term.

Performance against 2015 financial year guidance

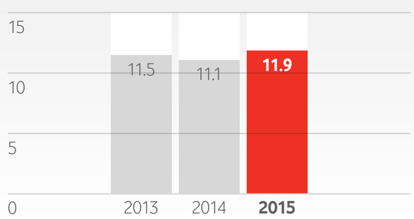
Based on guidance foreign exchange rates, our EBITDA was £11.7 billion, within our guidance range of £11.3 billion to £11.9 billion set in May 2014, and our range of £11.6 billion to £11.9 billion set in November 2014. On the same basis our free cash flow was £1.3 billion, in line with our guidance of positive free cash flow.

Looking ahead

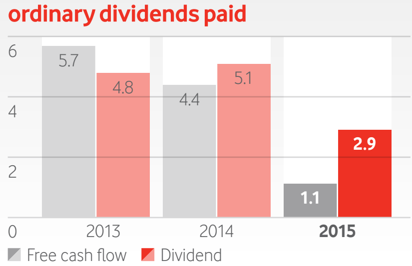
The key goals for the year ahead are to build on the improving commercial execution evident last year, and to complete the second half of the Project Spring programme as successfully as the first half. We expect EBITDA to be in the range of £11.5 billion to £12.0 billion[1], with further tight control on costs and good progress on the integration of our cable acquisitions. We expect free cash flow to be positive[1] even after the second year of elevated Project Spring capex, giving us confidence that we will return to a dividend that is comfortably covered by free cash flow when capex returns to more normal levels in future years.

Nick Read
Chief Financial Officer

EBITDA £ billion



Free cash flow and ordinary dividends paid £ billion



Note:
1 Guidance for the 2016 financial year is based on our current assessment of the global macroeconomic outlook and assumes foreign exchange rates of £1:€1.37, £1:INR 95.2, £1:ZAR 18.1. It excludes the impact of licences and spectrum purchases, material one-off tax-related payments, restructuring costs and any fundamental structural changes to the eurozone. It also assumes no material change to the current structure of the Group.

Our financial performance

This section presents our operating performance, providing commentary on how the revenue and the EBITDA performance of the Group and its operating segments within the Europe and AMAP regions, together with Common Functions, have developed over the last year. See pages 175 to 179 for commentary on the 2014 financial year. The results in this section are presented on a statutory basis, in accordance with IFRS accounting principles, as this is assessed as being the most insightful presentation and is how the Group's operating performance is reviewed by management.

Group[1]

	Europe £m	AMAP £m	Other[2] £	Eliminations £m	2015 £m	2014 £m	% change £	% change Organic
Revenue	28,071	13,482	754	(80)	42,227	38,346	10.1	(0.8)
Service revenue	25,972	12,035	569	(79)	38,497	35,190	9.4	(1.6)
Other revenue	2,099	1,447	185	(1)	3,730	3,156		
EBITDA	7,924	4,097	(106)	–	11,915	11,084	7.5	(6.9)
Adjusted operating profit	**1,763**	**1,813**	**(69)**	**–**	**3,507**	**4,310**	**(18.6)**	**(24.1)**
Adjustments for:								
Impairment loss					–	(6,600)		
Restructuring costs					(157)	(355)		
Amortisation of acquired customer bases and brand intangible assets					(1,269)	(551)		
Other income and expense					(114)	(717)		
Operating profit/(loss)					**1,967**	**(3,913)**		
Non-operating income and expense					(19)	(149)		
Net financing costs					(853)	(1,208)		
Income tax credit					4,765	16,582		
Profit for the financial year from continuing operations					**5,860**	**11,312**		
Profit for the financial year from discontinued operations					**57**	**48,108**		
Profit for the financial year					**5,917**	**59,420**		

Notes:
1 2015 results reflect average foreign exchange rates of £1:€1.28, £1:INR 98.51 and £1:ZAR 17.82.
2 Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.

Revenue

Group revenue increased by 10.1% to £42.2 billion and service revenue increased 9.4% to £38.5 billion. Reported growth rates reflect the acquisitions of KDG in October 2013 and of Ono in July 2014, as well as the consolidation of Italy after we increased our ownership to 100% in February 2014.

In Europe, organic service revenue declined by 4.7%* as growing demand for 4G and data services continues to be offset by challenging competitive and macroeconomic pressures and the impact of MTR cuts.

In AMAP, organic service revenue increased by 5.8%* driven by continued growth in India, Turkey, Ghana, Qatar and Egypt, partially offset by declines in Vodacom and New Zealand.

EBITDA

Group EBITDA rose 7.5% to £11.9 billion, with organic EBITDA down 6.9%*, mainly affected by revenue declines in Europe. The Group EBITDA margin fell 0.7 percentage points to 28.2%, or 1.8* percentage points on an organic basis.

This reflects ongoing revenue declines in Europe and the growth in operating expenses as a result of Project Spring, partially offset by operating efficiencies. H2 EBITDA fell 3.6%*, with the improved trend supported by the better revenue performance and continued good cost control.

Operating profit

Adjusted operating profit excludes certain income and expenses that we have identified separately to allow their effect on the results of the Group to be assessed (see page 202). The items that are included in operating profit but are excluded from adjusted operating profit are discussed below.

No impairment losses were recognised in the current financial year (2014: £6,600 million). Further detail is provided in note 4 to the Group's consolidated financial statements.

Restructuring costs of £157 million (2014: £355 million) have been incurred to improve future business performance and reduce costs.

Amortisation of intangible assets in relation to customer bases and brands are recognised under accounting rules after we acquire businesses and amounted to £1,269 million (2014: £551 million). Amortisation charges increased in the year as a result of the acquisitions of KDG, Vodafone Italy and Ono.

Other income and expense decreased by £0.6 billion due to the inclusion in the prior year of £0.7 billion loss arising from our acquisition of a controlling interest in Vodafone Italy.

Including the above items, operating profit increased to £2.0 billion from a £3.9 billion loss primarily as a result of the £6.6 billion impairment charge in the year ended 31 March 2014.

Net financing costs

	2015 £m	2014 £m
Investment income	883	346
Financing costs	(1,736)	(1,554)
Net financing costs	**(853)**	**(1,208)**

Net financing costs includes £526 million of foreign exchange gains (2014: £21 million gain), £134 million of mark-to-market losses (2014: £118 million gain) and in the prior year, a £99 million loss on US bond redemption. Excluding these items, net financing costs decreased by 7.4% primarily due to the impact of lower average net debt levels following the disposal of the Group's investment in Verizon Wireless and the acquisition of Ono.

Taxation

	2015 £m	2014 £m
Income tax		
Continuing operations before recognition of deferred tax	703	2,736
Recognition of additional deferred tax – continuing operations	(5,468)	(19,318)
Total income tax credit – continuing operations	**(4,765)**	**(16,582)**
Tax on adjustments to derive adjusted profit before tax	305	290
Recognition of deferred tax asset for losses in Germany and Luxembourg	3,341	19,318
Deferred tax recognised on additional losses in Luxembourg	2,127	–
Tax liability on US rationalisation and reorganisation	–	(2,210)
Deferred tax on use of Luxembourg losses	(439)	113
Adjusted income tax expense	**569**	**929**
Share of associates' and joint ventures' tax	117	173
Adjusted income tax expense for calculating adjusted tax rate	**686**	**1,102**
Profit/(loss) before tax		
Continuing operations	1,095	(5,270)
Adjustments to derive adjusted profit before tax (see earnings per share on page 42)	1,122	8,450
Adjusted profit before tax	**2,217**	**3,180**
Share of associates' and joint ventures' tax and non-controlling interest	117	173
Adjusted profit before tax for calculating adjusted effective tax rate	**2,334**	**3,353**
Adjusted effective tax rate	**29.4%**	**32.9%**

The adjusted effective tax rate for the year ended 31 March 2015 was 29.4%. The rate is in line with our expectation of a high twenties tax rate. The adjusted effective tax rate includes a £185 million impact from foreign exchange losses for which we are unable to take a tax deduction. Excluding this impact the adjusted effective tax rate would be 27.2%. The adjusted effective tax rate is expected to remain in the high twenties over the medium term.

This tax rate does not include the impact of the recognition of an additional £3,341 million deferred tax asset in respect of the Group's historical tax losses in Luxembourg. The losses have been recognised as a consequence of the financing arrangements for the acquisition of Ono. The rate also excludes the deferred tax impact of the use of Luxembourg losses in the year (£439 million) and an additional asset in the year of £2,127 million arising from the revaluation of investments based upon the local GAAP financial statements.

The adjusted effective tax rate for the year ended 31 March 2014 has been restated to exclude the results and related tax expense of Verizon Wireless and to show the adjusted tax rate as calculated on the same basis as the current year. The rate excludes the recognition of an additional deferred tax asset in respect of the Group's historical tax losses in Germany of £1,916 million and Luxembourg of £17,402 million, the US tax liability of £2,210 million relating to the rationalisation and reorganisation of our non-US assets prior to the disposal of our interest in Verizon Wireless and excludes the deferred tax impact of the use of Luxembourg losses in the year (£113 million).

Discontinued operations

On 2 September 2013 the Group announced it had reached an agreement with Verizon Communications Inc. to dispose of its US group whose principal asset was its 45% interest in VZW. The Group ceased recognising its share of results in VZW on 2 September 2013, and classified its investment as a held for sale asset and the results as a discontinued operation. The transaction completed on 21 February 2014.

Earnings per share

Adjusted earnings per share from continuing operations, which excludes the results and related tax charge of the Group's former investment in Verizon Wireless in the prior year and the recognition of deferred tax assets in both years, was 5.55 pence, a decrease of 27.8% year-on-year, reflecting the Group's lower adjusted operating profit.

Basic earnings per share decreased to 21.75 pence (2014: 223.84 pence) due to the prior year impact of the disposal of the Group's investment in Verizon Wireless and the recognition of a higher deferred tax asset in the prior year compared to the current year, as described above, both of which have been excluded from adjusted earnings per share.

	2015 £m	2014 £m
Profit attributable to owners of the parent	**5,761**	**59,254**
Adjustments:		
Impairment loss	–	6,600
Amortisation of acquired customer base and brand intangible assets	1,269	551
Restructuring costs	157	355
Other income and expense	114	717
Non-operating income and expense	19	149
Investment income and financing costs (see net financing costs on page 41)	(437)	78
	1,122	**8,450**
Taxation	(5,334)	(17,511)
Discontinued operations	(57)	(48,108)
Non-controlling interests	(21)	(50)
Adjusted profit attributable to owners of the parent	**1,471**	**2,035**

	Million	Million
Weighted average number of shares outstanding – basic	26,489	26,472
Weighted average number of shares outstanding – diluted	26,629	26,682

Europe

	Germany £m	Italy £m	UK £m	Spain £m	Other Europe £m	Eliminations £m	Europe £m	2014 £m	% change £	% change Organic
Year ended 31 March 2015										
Revenue	8,467	4,641	6,414	3,664	5,007	(122)	28,071	24,222	15.9	(4.2)
Service revenue	7,829	4,116	6,109	3,371	4,664	(117)	25,972	22,592	15.0	(4.7)
Other revenue	638	525	305	293	343	(5)	2,099	1,630		
EBITDA	2,670	1,537	1,360	783	1,574	–	7,924	6,821	16.2	(12.3)
Adjusted operating profit	541	647	41	3	531	–	1,763	2,333	(24.4)	(40.2)
EBITDA margin	31.5%	33.1%	21.2%	21.4%	31.4%		28.2%	28.2%		

Revenue increased 15.9%. M&A activity, including KDG, Ono and the consolidation of Vodafone Italy, contributed a 26.6 percentage point positive impact, while foreign exchange movements contributed a 6.5 percentage point negative impact. On an organic basis, service revenue declined 4.7%*, driven primarily by price competition and the impact of MTR cuts.

EBITDA increased 16.2%, including a 35.5 percentage point positive impact from M&A activity and a 7.0 percentage point negative impact from foreign exchange movements. On an organic basis EBITDA declined 12.3%*, reflecting the weak organic revenue trend.

	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue – Europe	**(4.2)**	**26.6**	**(6.5)**	**15.9**
Service revenue				
Germany	(3.2)	11.9	(7.5)	1.2
Italy	(9.7)	921.0	(126.1)	785.2
UK	(1.2)	1.4	–	0.2
Spain	(10.5)	22.5	(7.6)	4.4
Other Europe	(2.1)	0.8	(7.3)	(8.6)
Europe	**(4.7)**	**26.1**	**(6.4)**	**15.0**
EBITDA				
Germany	(10.9)	17.2	(7.3)	(1.0)
Italy	(15.2)	883.2	(123.5)	744.5
UK	(12.5)	8.4	–	(4.1)
Spain	(29.5)	36.3	(7.3)	(0.5)
Other Europe	(2.8)	0.5	(7.0)	(9.3)
Europe	**(12.3)**	**35.5**	**(7.0)**	**16.2**
Europe adjusted operating profit	**(40.2)**	**20.4**	**(4.6)**	**(24.4)**

Note:
1 "Other activity" includes the impact of M&A activity. Refer to "Organic growth" on page 203 for further detail.

Germany

Service revenue decreased 3.2%* excluding KDG. Q4 service revenue was down 3.1%*.

Mobile service revenue fell 3.5%*, mainly as a result of price reductions in the prior year continuing to penetrate the consumer customer base. The contract customer base grew, supported by a stronger commercial performance as we look to increase our focus on direct, branded channels, falling churn and the ongoing substantial investment in network infrastructure. We increased our 4G coverage to 77% of the population and significantly improved voice coverage and reliability, as evidenced in independent tests. At the end of the period we had 5.0 million 4G customers.

Fixed service revenue excluding KDG fell 2.1%*, reflecting ongoing declines in our Vodafone DSL customer base, in part from migrations to KDG cable infrastructure. The rate of decline eased during the year (H1 -2.9%*; H2 -1.2%*), with an improving rate of gross customer additions and increasing demand for high speed broadband ('VDSL'), as well as stronger growth in carrier services. KDG maintained its strong rate of growth, contributing £1,492 million to service revenue and £676 million to EBITDA, and adding 0.4 million broadband customers (excluding migrations from Vodafone DSL) during the year. The integration of KDG has continued, including the launch of a combined fixed/mobile proposition in H2.

EBITDA declined 10.9%*, with a 3.1* percentage point decline in EBITDA margin, driven by lower service revenue and a higher level of customer investment year-on-year, partially compensated by a year-on-year reduction in operating expenses.

Italy

Service revenue declined 9.7%*. Trends in both mobile and fixed line improved in H2, and Q4 service revenue declined 3.7%*.

Mobile service revenue fell 12.1%* as a result of a decline in the prepaid customer base and lower ARPU following last year's price cuts. We took a number of measures to stabilise ARPU during the year, and in Q4, consumer prepaid ARPU was up 6% year-on-year. We also began to take a more active stance on stabilising the customer base in the second half of the year, in what remains a very competitive market. Enterprise performed strongly, returning to growth in H2. We now have 4G coverage of 84%, and 2.8 million 4G customers at 31 March 2015.

Fixed service revenue was up 4.5%*. Broadband revenue continued to grow and we added 134,000 broadband customers over the year, but overall growth was partially offset by an ongoing decline in fixed voice usage. We accelerated our fibre roll-out plans in H2, and by March 2015 we had installed more than 5,000 cabinets.

EBITDA declined 15.2%*, with a 2.6* percentage point decline in EBITDA margin. The decline in service revenue was partially offset by continued strong cost control, with operating expenses down 3.1%* and customer investment down 3.0%*.

UK

Service revenue fell 1.2%* as a good performance in consumer mobile was offset by a decline in fixed line. The UK returned to service revenue growth in H2. Q4 service revenue was up 0.6%*.

Mobile service revenue grew 0.5%*. Consumer contract service revenue grew strongly, supported by customer growth and a successful commercial strategy bundling content with 4G. Enterprise mobile revenue returned to growth in H2, as a result of growing data demand. During the year we acquired 139 stores from the administrator of Phones 4U, taking our total portfolio to over 500 and accelerating our direct distribution strategy. 4G coverage reached 63% at 31 March 2015 (or 71% based on the OFCOM definition), and we had 3.0 million 4G customers at the year end.

Fixed service revenue declined 5.8%*, excluding the one-off benefit of a settlement with another network operator in Q4. Underlying performance improved from -10.4%* in H1 to -1.3%* in H2, driven by a strong pick-up in carrier services revenue and improving enterprise pipeline conversion. We plan to launch our consumer fibre broadband proposition in the coming weeks.

EBITDA declined 12.5%*, with a 2.5* percentage point decline in EBITDA margin due mainly to a reclassification of some central costs to the UK business. Reported EBITDA benefited from one-off settlements with two network operators.

Spain

Service revenue declined 10.5%* excluding Ono, as growth in fixed line continued to be offset by price pressure in mobile and converged services. Q4 service revenue growth was -7.8%*. Ono Q4 local currency revenue growth was -1.9% excluding wholesale.

Mobile service revenue fell 12.7%*, although there was some improvement in H2 with the contract customer base stabilising year-on-year. However, ARPU continued to be under pressure throughout the year as a result of aggressive convergence offers. During H2, we saw an increase in the take-up of handset financing arrangements as a result of a change in the commercial model. We reduced handset subsidies in Q4 and introduced bigger data allowances at slightly higher price points. Our 4G network roll-out has now reached 75% population coverage, and we had 2.9 million 4G customers at March 2015. We continue to lead the market in net promoter scores ('NPS') in both consumer and enterprise.

Fixed service revenue rose 8.7%* excluding Ono, supported by consistently strong broadband net additions. Since its acquisition in July 2014, Ono contributed £698 million to service revenue and £267 million to EBITDA. Including our joint fibre network build with Orange, we now reach 8.5 million premises with fibre. We have made good progress with the integration of Ono, and launched in April 2015 a fully converged service, "Vodafone One", a new ultra high-speed fixed broadband service with Ono Fibre, home landline, 4G mobile telephony and Vodafone TV.

EBITDA declined 29.5%* year-on-year, with a 5.0* percentage point decline in EBITDA margin. The margin was impacted by falling mobile service revenue and growth in lower margin fixed line revenue, partially offset by lower direct costs and operating expenses, and the change in the commercial model described above.

Other Europe

Service revenue declined 2.1%* due to price competition, the generally weak macroeconomic environment and MTR cuts. Again, we saw a recovery in H2, with Q3 service revenue -1.0%* and Q4 service revenue -0.8%*. Hungary grew by 8.6%* for the full year, the Netherlands and Czech Republic returned to growth in H2, and Greece and Ireland showed a clear improvement in trends over the year.

In the Netherlands, we have nationwide 4G coverage, and the return to growth has been driven by continued contract customer growth, stabilising ARPU and growth in fixed revenue. In Portugal, we continue to see a decline in mobile service revenue driven by convergence pricing pressure reflecting a prolonged period of intense competition, partially offset by strong fixed revenue growth. We now reach 1.6 million homes with fibre, including our network sharing deal with Portugal Telecom. In Ireland, 4G coverage has reached 87%, and we have begun trials on our FTTH roll-out, with a commercial launch planned for later in 2015. In Greece, the steady recovery in revenue trends through the year stalled in Q4 as a result of the worsening macroeconomic conditions. The integration of Hellas Online is continuing in line with expectations.

EBITDA declined 2.8%*, with a 0.1* percentage point increase in EBITDA margin, as the impact of lower service revenue was largely offset by strong cost control.

Africa, Middle East and Asia Pacific

	India £m	Vodacom £m	Other AMAP £m	Eliminations £m	AMAP £m	2014 £m	% change £	% change Organic
Year ended 31 March 2015								
Revenue	4,324	4,341	4,828	(11)	13,482	13,473	0.1	7.0
Service revenue	4,306	3,489	4,251	(11)	12,035	12,130	(0.8)	5.8
Other revenue	18	852	577	–	1,447	1,343		
EBITDA	1,281	1,527	1,289	–	4,097	4,145	(1.2)	5.8
Adjusted operating profit	457	1,030	326	–	1,813	1,947	(6.9)	–
EBITDA margin	29.6%	35.2%	26.7%		30.4%	30.8%		

Revenue grew 0.1% as a result of a 7.4 percentage point adverse impact from foreign exchange movements, particularly with regards to the Indian rupee, South African rand and the Turkish lira. On an organic basis service revenue was up 5.8%* driven by a growth in the customer base, increased voice usage, strong demand for data and continued good commercial execution. Overall growth was offset by MTR cuts, particularly in South Africa. Excluding MTRs, organic growth was 7.1%.

EBITDA declined 1.2%, including a 7.1 percentage point adverse impact from foreign exchange movements. On an organic basis, EBITDA grew 5.8%* driven by growth in India, Turkey, Qatar and Egypt, offset by Vodacom and New Zealand.

	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue – AMAP	**7.0**	**0.5**	**(7.4)**	**0.1**
Service revenue				
India	12.6	–	(2.9)	9.7
Vodacom	(1.0)	–	(8.8)	(9.8)
Other AMAP	5.5	1.7	(9.2)	(2.0)
AMAP	**5.8**	**0.6**	**(7.2)**	**(0.8)**
EBITDA				
India	16.3	–	(3.4)	12.9
Vodacom	(2.1)	–	(8.9)	(11.0)
Other AMAP	6.6	0.3	(7.3)	(0.4)
AMAP	**5.8**	**0.1**	**(7.1)**	**(1.2)**
AMAP adjusted operating profit	**–**	**–**	**(6.9)**	**(6.9)**

Note:
1 "Other activity" includes the impact of M&A activity. Refer to "Organic growth" on page 203 for further detail.

India

Service revenue increased 12.6%*, driven by continued customer base growth, an acceleration in 3G data uptake and stable voice pricing. Q4 service revenue grew 12.1%*.

We added 17.2 million mobile customers during the year, taking the total to 183.8 million. Voice yields were relatively flat after a period of improvement, but we saw a decline in average minutes of use in H2 as competition increased in some circles.

Customer demand for data services has been very strong. Total data usage grew 86% year-on-year, with the active data customer base increasing 23% to 64 million. Within this, the 3G customer base increased to over 19 million, reflecting the significant investment in our 3G network build. During the year we added 12,585 new 3G sites, taking the total to over 35,000 and our coverage of target urban areas to 90%. 3G internet revenue rose 140%.

In March 2015 we successfully bid for spectrum in 12 telecom circles for a total cost of INR 258.1 billion (£2.78 billion). This included spectrum in all six of our 900MHz circles due for extension in December 2015. We also successfully bid for new 3G spectrum in seven circles, allowing us to address 88% of our revenue base with 3G services.

We have continued to expand our M-Pesa mobile money transfer service, and now have 89,000 agents, with a nationwide presence. At March 2015 we had 3.1 million registered customers and 378,000 active users. Our strategy is to focus on building scale on specific migratory corridors.

EBITDA grew 16.3%*, with a 0.9* percentage point improvement in EBITDA margin as economies of scale from growing service revenue were partly offset by the increase in operating costs related to the Project Spring network build and higher acquisition costs.

Vodacom

Vodacom Group service revenue declined 1.0%*, as the negative impact of MTR cuts and a more competitive environment in South Africa offset growth in Vodacom's operations outside South Africa. Q4 service revenue was -0.2%*, reflecting some easing of competition in South Africa.

In South Africa, organic service revenue declined -2.7%*. Excluding the impact of MTR cuts, service revenue grew 1.4%*. Strong growth in smartphone penetration and data adoption drove 23.4% growth in local currency data revenue, although this was offset by aggressive voice price competition. We have increased our 3G footprint to 96% population coverage and 4G to 35% coverage as part of the Project Spring programme, with 81% of sites now connected to high capacity backhaul. During the year we began to trial our first fibre to the business services, and fibre to the home. The regulatory authorities continue to review our proposed acquisition of Neotel, a fibre-based fixed line operator.

Service revenue growth in Vodacom's operations outside South Africa was 4.8%*, driven by customer base growth, data take-up and M-Pesa, Active M-Pesa customers totalled 5.6 million, with M-Pesa now representing 23% of service revenue in Tanzania.

Vodacom Group EBITDA fell 2.1%*, with a 1.1* percentage point decline in EBITDA margin. The significant negative impact of MTR cuts on the EBITDA margin was substantially offset by good cost control.

Other AMAP

Service revenue increased 5.5%*, with growth in Turkey, Egypt, Qatar and Ghana partially offset by a decline in New Zealand.

Service revenue in Turkey was up 9.4%*, reflecting continued strong growth in consumer contract and enterprise revenue, including higher ARPU and data usage, partly offset by a 1.8 percentage point negative impact from voice and SMS MTR cuts. In Egypt, service revenue grew 2.8%* as a result of an increase in data and voice usage and a more stable economic environment. In New Zealand, service revenue was down 2.6%* as a result of aggressive competition, but the contract mobile base grew 4.6% year-on-year and the fixed base benefited from continued uptake of VDSL, TV and unlimited broadband. Service revenue in Ghana grew 18.9%* driven by growth in customers, voice bundles and data. Total revenue growth in Qatar was 16.0%*, but slowed in H2 due to significantly increased price competition.

EBITDA grew 6.6%* with a 0.4* percentage point decline in EBITDA margin.

Associates

Vodafone Hutchison Australia ('VHA'), in which Vodafone owns a 50% stake, continued its good recovery, returning to local currency service revenue growth in Q4 as a result of improving trends in both customer numbers and ARPU, supported by significant network enhancements.

Safaricom, Vodafone's 40% associate which is the number one mobile operator in Kenya, saw local currency service revenue growth of 12.9% for the year, with local currency EBITDA up 16.8%. The total value of deposits, customer transfers, withdrawals and other payments handled through the M-Pesa system grew 26% to KES 4,181 billion in the 2015 financial year.

Indus Towers, the Indian towers company in which Vodafone has a 42% interest, achieved local currency revenue growth of 4.3%. Indus owns 116,000 towers, with a tenancy ratio of 2.19x. Our shares of Indus Towers' EBITDA and adjusted operating profit were £285 million and £19 million respectively.

Financial position and resources

Consolidated statement of financial position

The consolidated statement of financial position is set out on page 106. Details on the major movements of both our assets and liabilities in the year are set out below:

Assets

Goodwill and other intangible assets

Our total intangible assets decreased to £43.5 billion from £46.7 billion. The increase primarily arose as a result of £2.6 billion additions as a result of the Group's acquisitions, primarily Ono, and other additions of £2.3 billion, including £0.5 billion of spectrum acquired in India, Italy, Greece, Hungary and New Zealand. This was offset by a reduction of £3.6 billion as a result of unfavourable movements in foreign exchange rates and £4.5 billion of amortisation.

Property, plant and equipment

Property, plant and equipment increased to £26.6 billion from £22.9 billion, principally as a result of £7.4 billion of additions and £3.4 billion arising from Group acquisitions. This was partially offset by £5.0 billion of depreciation charges and £1.9 billion of adverse foreign exchange movements.

Other non-current assets

Other non-current assets increased by £5.1 billion to £32.6 billion, mainly due to a £3.2 billion increase in recognised deferred tax assets, primarily in respect of tax losses in Luxembourg (see note 6 for details) and a £1.5 billion increase in the value of derivative financial instruments.

Total equity and liabilities

Total equity

Total equity decreased by £4.0 billion to £67.7 billion mainly due to the total comprehensive expense for the year of £0.8 billion and dividends paid to equity shareholders and non-controlling interests of £3.2 billion.

Borrowings

Total borrowings increased to £35.1 billion from £29.2 billion, primarily as the result of an increase in the level of commercial paper to £5.1 billion (2014: £1.0 billion). A net debt reconciliation is provided on page 47.

Other current liabilities

Other current liabilities decreased to £16.3 billion (2014: £17.3 billion). Trade payables at 31 March 2015 were equivalent to 35 days (2014: 40 days) outstanding, calculated by reference to the amount owed to suppliers as a proportion of the amounts invoiced by suppliers during the year. It is our policy to agree terms of transactions, including payment terms, with suppliers and it is our normal practice that payment is made accordingly.

Contractual obligations and commitments

A summary of our principal contractual financial obligations and commitments is shown below.

Contractual obligations and commitments[1]	Payments due by period £m Total	< 1 year	1–3 years	3–5 years	>5 years
Borrowings[2]	40,373	13,366	7,297	4,859	14,851
Operating lease commitments[3]	6,378	1,339	1,627	1,205	2,207
Capital commitments[3,4]	4,957	2,769	322	426	1,440
Purchase commitments[5]	8,302	4,064	3,692	234	312
Total	**60,010**	**21,538**	**12,938**	**6,724**	**18,810**

Notes:
1 This table includes commitments in respect of options over interests in Group businesses held by non-controlling shareholders (see "Potential cash outflows from option agreements and similar arrangements" on page 150) and obligations to pay dividends to non-controlling shareholders (see "Dividends from associates and to non-controlling shareholders" on page 151). The table excludes current and deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 6 "Taxation" and 26 "Post employment benefits" respectively. The table also excludes the contractual obligations of associates and joint ventures.
2 See note 21 "Borrowings".
3 See note 29 "Commitments".
4 Primarily related to spectrum and network infrastructure.
5 Primarily related to device purchase obligations.

Dividends

We provide returns to shareholders through equity dividends and historically have generally paid dividends in February and August in each year. The Directors expect that we will continue to pay dividends semi-annually.

The £2.9 billion equity dividend in the current year comprises £2.0 billion in relation to the final dividend for the year ended 31 March 2014 and £0.9 billion for the interim dividend for the year ended 31 March 2015. This has decreased from total dividends of £5.1 billion in the prior year following the "6 for 11" share consolidation effective from 24 February 2014.

The interim dividend of 3.60 pence per share announced by the Directors in November 2014 represented an 2.0% increase over last year's interim dividend. The Directors are proposing a final dividend of 7.62 pence per share. Total dividends for the year increased by 2.0% to 11.22 pence per share.

At 31 March 2015, Vodafone Group Plc had profits available for distribution of approximately £20 billion. Further disclosures in relation to profits available for distribution are set out on page 184.

Liquidity and capital resources

Our liquidity and working capital may be affected by a material decrease in cash flow due to a number of factors as outlined in "Principal risk factors and uncertainties" on pages 32 to 37. We do not use non-consolidated special purpose entities as a source of liquidity or for other financing purposes.

In addition to the commentary on the Group's consolidated statement of cash flows below, further disclosure in relation to the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in "Borrowings", "Liquidity and capital resources" and "Capital and financial risk management" in notes 21, 22 and 23 respectively to the consolidated financial statements.

Cash flows

A reconciliation of cash generated by operations to free cash flow, a non-GAAP measure used by management shown on pages 202 and 203. The reconciliation to net debt is shown below.

	2015 £m	2014 £m
EBITDA	11,915	11,084
Working capital	(883)	1,181
Other	88	92
Cash generated by operations (excluding restructuring and other costs)[1]	**11,120**	**12,357**
Cash capital expenditure	(8,435)	(5,857)
Capital expenditure	(9,197)	(6,313)
Working capital movement in respect of capital expenditure	762	456
Disposal of property, plant and equipment	178	79
Operating free cash flow[1]	**2,863**	**6,579**
Taxation	(758)	(3,449)
Dividends received from associates and investments	224	2,842
Dividends paid to non-controlling shareholders in subsidiaries	(247)	(264)
Interest received and paid	(994)	(1,315)
Free cash flow[1]	**1,088**	**4,393**
Licence and spectrum payments	(443)	(862)
Acquisitions and disposals	(7,040)	27,372
Equity dividends paid	(2,927)	(5,076)
Special dividend	–	(14,291)
Purchase of treasury shares	–	(1,033)
Foreign exchange	895	2,423
Income dividend from Verizon Wireless	–	2,065
Other[2]	(144)	(3,337)
Net debt (increase)/decrease	**(8,571)**	**11,654**
Opening net debt	(13,700)	(25,354)
Closing net debt	**(22,271)**	**(13,700)**

Notes:
1 Cash generated by operations, operating free cash flow and free cash flow have been redefined to exclude restructuring costs for the year ended 31 March 2015 of £336 million (2014: £210 million). Cash generated by operations for the year ended 31 March 2015 also excludes £387 million of other movements including a £365 million UK pensions contribution payment and £116 million of KDG incentive scheme payments in respect of liabilities assumed on acquisition. See also note 2 below.
2 Other amounts for the year ended 31 March 2015 include £336 million of restructuring costs (2014: £210 million), a £365 million UK pensions contribution payment, £359 million of Verizon Wireless tax distributions received after the completion of the disposal, £328 million of interest paid on the settlement of the Piramal option, £116 million of KDG incentive scheme payments in respect of liabilities assumed on acquisition, £176 million tax refund (2014: £2,372 tax payment) relating to the rationalisation and reorganisation of our non-US assets prior to the disposal of our stake in Verizon Wireless and a £100 million (2014: £100 million) payment in respect of the Group's historical UK tax settlement. Other amounts for the year ended 31 March 2014 also includes a £1,387 million outflow relating to payment obligations in connection with the purchase of licences and spectrum, principally in India.

Cash generated by operations
Cash generated by operations excluding restructuring costs decreased 10.0% to £11.1 billion, primarily driven by working capital movements which more than offset the higher EBITDA.

Capital expenditure
Capital expenditure increased £2.9 billion to £9.2 billion primarily driven by investments in the Group's networks as a result of Project Spring.

Taxation
Payments for taxation decreased 78.0% to £0.8 billion primarily as a result of the Group's disposal of its 45% interest in Verizon Wireless.

Dividends received from associates and investments
Dividends received from associates and investments, decreased by £2.6 billion to £0.2 billion principally as a result of the disposal of our interests in Verizon Wireless in the prior year.

Dividends received from associates and investments excludes £0.4 billion of tax distributions from Verizon Wireless received in the 2015 financial year after the completion of the disposal (included in other cash flows) and the £2.1 billion prior year income dividend from Verizon Wireless .

Free cash flow
Free cash flow decreased to £1.1 billion compared to £4.4 billion in the prior year as lower payments for taxation were offset by higher cash capital expenditure and lower dividends received from associates and investments.

Licence and spectrum payments
Cash payments for licences and spectrum totalled £0.4 billion in respect of the renewal and acquisition of spectrum in India, Italy, Greece, Hungary and New Zealand.

References to "Q4" are to the quarter ended 31 March 2015 unless otherwise stated. References to the "second half of the year" are to the six months ended 31 March 2015 unless otherwise stated. References to the "year" or "financial year" are to the financial year ended 31 March 2015 and references to the "prior financial year" are to the financial year ended 31 March 2014 unless otherwise stated. References to the "2015 financial year", "2016 financial year", "2017 financial year", "2018 financial year" and the "2020 financial year" are to the financial years ending 31 March 2015, 2016, 2017, 2018 and 2020, respectively. References to "calendar Q3 2015" are to the quarter ended 30 September 2015, unless otherwise stated.

All amounts marked in this document with an "*" represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange. See page 202 "Non-GAAP information" for further details.

Acquisitions and disposals
During the year, we made a £2,945 million payment in relation to the acquisition of the entire share capital of Ono plus £2,858 million of associated net debt acquired, a £131 million payment in relation to the acquisition of the entire share capital of Cobra plus £40 million of associated debt acquired and a £563 million payment in relation to the acquisition of the remaining non-controlling interests in Vodafone India Limited. Further details on the assets and liabilities acquired are outlined in note 28 "Acquisitions and disposals".

In the prior year we disposed of our US Group whose principal asset was its 45% interest in Verizon Wireless for consideration which included net cash proceeds of £34.9 billion.

Equity dividends paid
Equity dividends paid during the year decreased by 42% following the "6 for 11" share consolidation effective from 24 February 2014.

Special dividend
In the prior year, B share payments formed part of the return of value to shareholders following the disposal of the Group's interest in Verizon Wireless.

Purchase of treasury shares
Prior year cash payments of £1.0 billion relate to the completion of a £1.5 billion share buyback programme that commenced following the receipt of a US$3.8 billion (£2.4 billion) income dividend from VZW in December 2012.

Foreign exchange
A foreign exchange gain of £0.9 billion was recognised on net debt due to favourable exchange rate movements resulting primarily from the weakening of the euro and the Indian rupee against pounds sterling.

This year's report contains a strategic report on pages 1 to 48, which includes an analysis of our performance and position, a review of the business during the year, and outlines the principal risks and uncertainties we face. The strategic report was approved by the Board and signed on its behalf by the Chief Executive and Chief Financial Officer.

Vittorio Colao
Chief Executive

Nick Read
Chief Financial Officer

19 May 2015