

# Financials



## Reporting our financial performance

We continue to review the format of our consolidated financial statements with the aim of making them clear and easier to follow. This year, we have changed the order of certain notes to the financial statements so as to incorporate a full listing of all the Group's related undertakings, including subsidiaries, joint arrangements and associates, in note 33, as now required by Company Law. We hope these changes help you to navigate to the information that is important to you.

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# Directors' statement of responsibility

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations and keeping proper accounting records. Detailed below are statements made by the Directors in relation to their responsibilities, disclosure of information to the Company's auditor, going concern and management's report on internal control over financial reporting.

## Financial statements and accounting records

Company law of England and Wales requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the EU and Article 4 of the EU IAS Regulations. The Directors also ensure that the consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ('IASB');
- state for the Company financial statements whether applicable UK accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and for the consolidated financial statements, Article 4 of the EU IAS Regulation. They are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' responsibility statement

Each of the Directors, whose names and functions are listed on pages 40 and 41 confirm that, to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, prepared in accordance with United Kingdom generally accepted accounting practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit and Risk Committee, the Board considers the report and accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Neither the Company nor the Directors accept any liability to any person in relation to the Annual Report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

## Disclosure of information to the auditor

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and the Directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Going concern

The Group's business activities, performance, position and principal risks and uncertainties and how these are managed or mitigated are set out in the strategic report on pages 1 to 37.

In addition, the financial position of the Group is included in "Borrowings", "Liquidity and capital resources" and "Capital and financial risk management" in notes 21, 22 and 23 respectively to the consolidated financial statements, which include 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.

The Group believes it adequately manages or mitigates its solvency and liquidity risks through two primary processes, described below.

## Business planning process and performance management

The Group's forecasting and planning cycle consists of three in-year forecasts, a budget and a long-range plan. These generate income statement, cash flow and net debt projections for assessment by Group management and the Board.

Each forecast is compared with prior forecasts and actual results so as to identify variances and understand the drivers of the changes and their future impact so as to allow management to take action where appropriate. Additional analysis is undertaken to review and sense check the key assumptions underpinning the forecasts.

## Cash flow and liquidity reviews

The business planning process provides outputs for detailed cash flow and liquidity reviews, to ensure that the Group maintains adequate liquidity throughout the forecast periods. The prime output is a one year liquidity forecast which is prepared and updated on a daily basis which highlights the extent of the Group's liquidity based on controlled cash flows and the headroom under the Group's undrawn revolving credit facility ('RCF').

The key inputs into this forecast are:

- free cash flow forecasts, with the first three month's inputs being sourced directly from the operating companies (analysed on a daily basis), with information beyond this taken from the latest forecast/budget cycle;
- bond and other debt maturities; and
- expectations for shareholder returns, spectrum auctions and M&A activity.

The liquidity forecast shows two scenarios assuming either maturing commercial paper is refinanced or no new commercial paper issuance. The liquidity forecast is reviewed by the Group Chief Financial Officer and included in each of his reports to the Board.

In addition, the Group continues to manage its foreign exchange and interest rate risks within the framework of policies and guidelines authorised and reviewed by the Board, with oversight provided by the Treasury Risk Committee.

## Conclusion

The Group has considerable financial resources, and the Directors believe that the Group is well placed to manage its business risks successfully. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and accounts.

## Management's report on internal control over financial reporting

As required by section 404 of the US Sarbanes-Oxley Act, management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. The Group's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS, as adopted by the EU and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorisation of management and the Directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the financial statements.

Any internal control framework, no matter how well designed, has inherent limitations including the possibility of human error and the circumvention or overriding of the controls and procedures, and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the internal control over financial reporting at 31 March 2016 based on the updated Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') in 2013. Based on management's assessment, management has concluded that internal control over financial reporting was effective at 31 March 2016.

During the period covered by this document, there were no changes in the Group's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over financial reporting.

The Group's internal control over financial reporting at 31 March 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm who also audit the Group's consolidated financial statements. Their audit report on internal control over financial reporting is on page 78.

By Order of the Board



**Rosemary Martin**  
Group General Counsel and Company Secretary

17 May 2016

# Report of independent registered public accounting firm

## To the Board of directors and shareholders of Vodafone Group Plc

In our opinion, the accompanying consolidated statement of financial position and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows present fairly, in all material respects, the financial position Vodafone Group Plc and its subsidiaries ("the Company") at 31 March 2016 and 31 March 2015, and the results of their operations and their cash flows for the years ended 31 March 2016 and 31 March 2015 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of 31 March 2016, based on criteria established in Internal Control – Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's report on internal control over financial reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have audited the adjustments to the 2014 financial statements to reflect retrospectively the change in presentation of the segment information, as described in note 2. Our audit procedures that were applied to the restated disclosures for comparative 2014 reportable segments included: (i) agreeing the adjusted amounts of each segment to the underlying records obtained from management, and (ii) determining the mathematical accuracy of the reconciliations of segment amounts to the consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements taken as a whole.



**PricewaterhouseCoopers LLP**

London, United Kingdom

17 May 2016

Note:

The report set out above is included for the purposes of Vodafone Group Plc's Annual Report on Form 20-F for 2016 only and does not form part of Vodafone Group Plc's Annual Report for 2016.

# Audit report on the consolidated and parent company financial statements

## Independent auditors' report to the members of Vodafone Group Plc

### Report on the financial statements

#### Our opinion

In our opinion:

- Vodafone Group Plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2016 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

#### Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ('IASB').

In our opinion, the Group financial statements comply with IFRSs as issued by the IASB.

#### What we have audited

The financial statements, included within the 2016 Annual Report (the "Annual Report"), comprise:

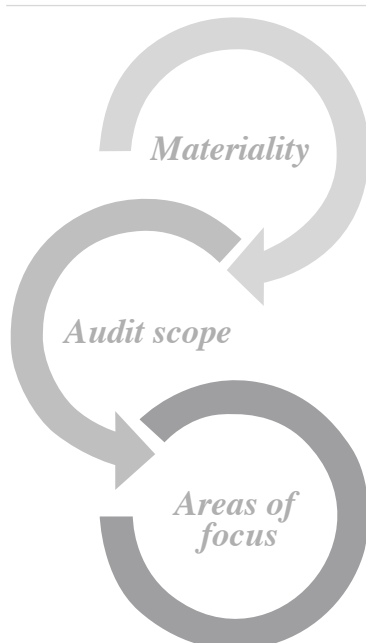
- the consolidated statement of financial position as at 31 March 2016;
- the Company statement of financial position as at 31 March 2016;
- the consolidated income statement and the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (together "United Kingdom Generally Accepted Accounting Practice").

#### Our audit approach

##### Overview



Overall Group materiality: £180 million which represents 5% of a three year average of adjusted operating profit ('AOP'). We used a three year average given the impact of Project Spring investment (for definition of Project Spring refer to pages 6 and 7 in the Annual Report) in the current year to ensure that the measure is more durable over a period of time.

We identified eight local operations which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics including UK, Spain, Italy, India, Germany and Vodacom Group Limited. The scope of work in Spain and Germany included an audit of the complete financial information of Grupo Corporativo Ono S.A. ('Ono') and Kabel Deutschland GmbH ('KDG').

Further specific audit procedures over central functions and areas of significant judgement, including taxation, goodwill, treasury and material provisions and contingent liabilities, were performed at the Group's Head Office.

- Taxation matters including a provisioning claim for withholding tax in India and the recognition and recoverability of deferred tax assets in Luxembourg and Germany.
- Carrying value of goodwill.
- Provisions and contingent liabilities.
- Revenue recognition – accuracy of revenue recorded given the complexity of systems.
- Significant one-off transactions.
- Capitalisation and asset lives.
- IT systems and controls.



# Audit report on the consolidated and parent company financial statements (continued)

## The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK and Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

| Area of focus   | How our audit addressed the area of focus   |
|---|---|
| <b>Taxation matters</b>   |   |
| The Group operates across a large number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including transfer pricing, indirect taxes and transaction related tax matters. As at 31 March 2016, the Group has current taxes payable of £540 million.   | <p>We evaluated the design and implementation of controls in respect of provisioning for withholding tax and the recognition and recoverability of deferred tax assets.</p> <p>We used our specialist tax knowledge to gain an understanding of the current status of the Indian tax investigation and monitored changes in the disputes by reading external advice received by the Group, where relevant, to establish that the tax provisions had been appropriately adjusted to reflect the latest external developments.</p>  |
| We have focused on two matters relating to the legal claim in respect of withholding tax on the acquisition of Hutchison Essar Limited and the recognition and recoverability of deferred tax assets in Luxembourg and Germany.   | <p>In respect of the deferred tax assets, we assessed the recoverability of losses from a tax perspective through performing the following:</p> <ul style="list-style-type: none"> <li>→ understanding how losses arose and where they are located, including to which subgroups they are attributed;</li> <li>→ considering whether the losses can be reversed;</li> <li>→ assessing any restrictions on future use;</li> <li>→ evaluating the results of local statutory impairment assessments including reversals;</li> <li>→ considering the impact of recent regulatory developments, as applicable; and</li> <li>→ determining whether any of the losses will expire.</li> </ul> |
| Provisioning claim for withholding tax – there continues to be uncertainty regarding the resolution of the legal claim from the Indian authorities in respect of withholding tax on the acquisition of Hutchison Essar Limited.   | <p>In addition we assessed the application of International Accounting Standard 12 – Income Taxes including:</p> <ul style="list-style-type: none"> <li>→ understanding the triggers for recognition and derecognition of deferred tax assets;</li> <li>→ considering effects of tax planning strategies; and</li> <li>→ assessing recoverability of assets against forecast income streams, including reliability of future income projections.</li> </ul>   |
| Recognition and recoverability of deferred tax assets in Luxembourg and Germany – significant judgement is required in relation to the recognition and recoverability of deferred tax assets, particularly in respect of losses in Luxembourg and Germany. During the current year, £3,207 million of deferred tax assets have been utilised or de-recognised connected with the revaluation of investments for Luxembourg GAAP purposes. |   |
| Refer to the Audit and Risk Committee Report, note 1 – Critical accounting judgements and key sources of estimation uncertainty, note 6 – Taxation and note 30 – Contingent liabilities and legal proceedings.  | <p>We determined that the carrying value of deferred tax assets at 31 March 2016 was supported by management's plans including intercompany funding arrangements.</p> <p>We validated the appropriateness of the related disclosures in note 6 and note 30 of the financial statements, including the enhanced disclosures made in respect of the utilisation period of deferred tax assets.</p>  |

| Area of focus   | How our audit addressed the area of focus   |
|---|---|
| <p><b>Carrying value of goodwill</b></p> <p>Vodafone Group Plc has goodwill of £22,789 million contained within 22 cash generating units ('CGUs').</p> <p>Impairment charges to goodwill have been recognised in prior periods. With challenging trading conditions continuing in certain territories, the Group's performance and prospects could be impacted increasing the risk that goodwill is impaired.</p> <p>For the CGUs that contain goodwill, the determination of recoverable amount, being the higher of fair value less costs to sell and value-in-use, requires judgement on the part of management in both identifying and then valuing the relevant CGUs. Recoverable amounts are based on management's view of variables such as future average revenue per user, average customer numbers and customer churn, timing and approval of future capital, spectrum and operating expenditure and the most appropriate discount rate.</p> <p>In the year ended 31 March 2016, a pre-tax impairment charge of £450 million was recognised related to goodwill in Romania.</p> <p>Refer to the Audit and Risk Committee Report, note 1 – Critical accounting judgements and key sources of estimation uncertainty, note 4 – Impairment losses and note 10 – Intangible assets.</p> | <p>We evaluated the appropriateness of management's identification of the Group's CGUs and the continued satisfactory operation of the Group's controls over the impairment assessment process.</p> <p>Our procedures included challenging management on the suitability of the impairment model and reasonableness of the assumptions, with particular attention paid to the European businesses, through performing the following:</p> <ul style="list-style-type: none"> <li>→ benchmarking Vodafone's key market-related assumptions in management's valuation models with industry comparators and with assumptions made in the prior years including revenue and margin trends, capital expenditure on network assets and spectrum, market share and customer churn, foreign exchange rates and discount rates, against external data where available, using our valuation expertise;</li> <li>→ testing the mathematical accuracy of the cash flow models and agreeing relevant data to Board approved Long-Range Plans; and</li> <li>→ assessing the reliability of management's forecast through a review of actual performance against previous forecasts.</li> </ul> <p>We validated the appropriateness of the related disclosures in note 4 and note 10 of the financial statements, including the sensitivities provided with respect to Germany, Spain, and Romania.</p> <p>Based on our procedures, we noted no exceptions and consider management's key assumptions to be within a reasonable range.</p> |
| <p><b>Provisions and contingent liabilities</b></p> <p>There are a number of threatened and actual legal, regulatory and tax cases against the Group. There is a high level of judgement required in estimating the level of provisioning required.</p> <p>Refer to the Audit and Risk Committee Report, note 1 – Critical accounting judgements and key sources of estimation uncertainty, note 17 – Provisions and note 30 – Contingent liabilities and legal proceedings.</p>  | <p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>→ testing key controls surrounding litigation, regulatory and tax procedures;</li> <li>→ where relevant, reading external legal opinions obtained by management;</li> <li>→ meeting with regional and local management and reading subsequent Group correspondence;</li> <li>→ discussing open matters with the Group general counsel, Group litigation, regulatory, general counsel and tax teams;</li> <li>→ assessing and challenging management's conclusions through understanding precedents set in similar cases; and</li> <li>→ circularising where appropriate relevant third party legal representatives and direct discussion with them regarding certain material cases.</li> </ul> <p>Based on the evidence obtained, while noting the inherent uncertainty with such legal, regulatory and tax matters, we determined the level of provisioning at 31 March 2016 to be appropriate and at a level consistent with previous periods.</p> <p>We validated the completeness and appropriateness of the related disclosures through assessing that the disclosure of the uncertainties in note 17 and note 30 of the financial statements was sufficient.</p>  |

## Audit report on the consolidated and parent company financial statements (continued)

| Area of focus   | How our audit addressed the area of focus  |
|---|--|
| <p><b>Revenue recognition – accuracy of revenue recorded given the complexity of systems</b></p> <p>There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.).</p> <p>The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates.</p> <p>Refer to the Audit and Risk Committee Report and note 1 – Critical accounting judgements and key sources of estimation uncertainty.</p>   | <p>We instructed the eight local operations in Group audit scope to undertake consistent audit procedures. Our audit approach included controls testing and substantive procedures covering, in particular:</p> <ul style="list-style-type: none"> <li>→ testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams;</li> <li>→ testing the end-to-end reconciliation from business support systems to billing and rating systems to the general ledger. This testing included validating material journals processed between the billing system and general ledger;</li> <li>→ performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills; and</li> <li>→ testing cash receipts for a sample of customers back to the customer invoice.</li> </ul> <p>We also considered the application of the Group's accounting policies to amounts billed and the accounting implications of new business models to check that Group accounting policies were appropriate for these models and were followed.</p> <p>Based on our work, we noted no significant issues on the accuracy of revenue recorded in the year.</p>   |
| <p><b>Significant one-off transactions</b></p> <p>We focused on two significant one-off transactions which occurred during the year: the receipt of Indian spectrum auction allocations and the issuance of mandatory convertible bonds. Accounting for these transactions and related disclosures requires the exercise of significant judgement.</p> <p>Receipt of Indian spectrum auction allocations – at 31 March 2015 the allocation of spectrum was provisional subject to governmental and judiciary approval. During the year ended 31 March 2016, the Group recognised spectrum assets and a corresponding liability of £2,731 million as the prior material uncertainties surrounding the approval processes were no longer present.</p> <p>Issuance of mandatory convertible bonds – in February 2016 the Group issued £2.88 billion of mandatory convertible bonds. There is significant judgement on the accounting classification of the convertible bond. The bonds are classified as a compound financial instrument and £119 million has been recognised within liabilities and £2,754 million within equity.</p> <p>Refer to the Audit and Risk Committee Report, note 1 – Critical accounting judgements and key sources of estimation uncertainty and note 22 – Liquidity and capital resources.</p> | <p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>→ evaluating the design and implementation of controls in respect of significant one-off transactions; and</li> <li>→ evaluating management's accounting papers on how IFRSs have been applied to the receipt of Indian spectrum auction allocations and the issuance of the mandatory convertible bonds.</li> </ul> <p>In addition we performed procedures on specific transactions as follows:</p> <ul style="list-style-type: none"> <li>→ receipt of Indian spectrum auction allocations – assessed the key judgements around the timing of when substantially all of the risks and rewards of the spectrum asset transferred to the Group; and</li> <li>→ issuance of mandatory convertible bonds – <ul style="list-style-type: none"> <li>→ reviewed the key terms within the bond contract to conclude that the designation as a compound financial instrument was appropriate and no separately accountable embedded derivatives were present;</li> <li>→ assessed the appropriateness of the liability and equity split; and</li> <li>→ considered the terms of related hedging transactions to confirm that these transactions should be accounted for independently to the bond.</li> </ul> </li> </ul> <p>Based on our procedures, we noted no issues and were satisfied with the associated accounting for these matters.</p> <p>We validated the appropriateness of the related disclosures in note 22 of the financial statements.</p> |



| Area of focus  | How our audit addressed the area of focus  |
|--|--|
| <p><b>Capitalisation and asset lives</b></p> <p>There are a number of areas where management judgement impacts the carrying value of property, plant and equipment, software intangible assets and their respective depreciation profiles. These include:</p> <ul style="list-style-type: none"> <li>→ the decision to capitalise or expense costs;</li> <li>→ the annual asset life review including the impact of changes in the Group's strategy; and</li> <li>→ the timeliness of the transfer from assets in the course of construction.</li> </ul> <p>Refer to the Audit and Risk Committee Report, note 1 – Critical accounting judgements and key sources of estimation uncertainty, note 10 – Intangible assets and note 11 – Property, plant and equipment.</p>                | <p>We tested controls in place over the fixed asset cycle, evaluated the appropriateness of capitalisation policies, performed tests of details on costs capitalised and assessed the timeliness of the transfer of assets in the course of construction. There were no exceptions noted from our testing.</p> <p>Our detailed testing on the application of the asset life review identified no issues. In performing these procedures, we challenged the judgements made by management including:</p> <ul style="list-style-type: none"> <li>→ the nature of underlying costs capitalised as part of the cost of the network rollout;</li> <li>→ the appropriateness of asset lives applied in the calculation of depreciation; and</li> <li>→ in assessing the need for accelerated depreciation given the network modernisation programme in place across Europe under Project Spring.</li> </ul> <p>No issues were noted from our testing.</p>  |
| <p><b>IT systems and controls</b></p> <p>We place a high level of reliance on the Group's IT systems and key internal controls. As a result a significant proportion of our audit effort was conducted in this area at local, regional and Group levels and at the Group's shared service centres.</p> <p>Our focus, in this our second year as auditors, was on understanding and validating the impacts of key changes being made to the control environment having established an extensive understanding and baseline last year.</p> <p>The Group has continued to devote considerable resources to the development of key business and related IT controls to ensure a robust system of internal control as described in the Audit and Risk Committee Report on pages 47 to 52.</p> | <p>We conducted detailed end-to-end walkthroughs of the finance processes, utilising our understanding from the prior year to reassess the design effectiveness of the key internal controls and to identify changes. We then conducted testing of the operating effectiveness of these controls to obtain evidence that they operated throughout the year.</p> <p>In response to the changes and control enhancements made during the year, we performed the following:</p> <ul style="list-style-type: none"> <li>→ reviewed the design of the standard controls to ensure they mitigated the relevant financial reporting risks and testing samples from the periods immediately prior to and post implementation;</li> <li>→ where systems changed during the year, tested IT general controls and data migration processes;</li> <li>→ tested the enhanced user access management controls;</li> <li>→ following issues with the implementation of a new billing platform in the UK, we amended our planned audit approach and performed additional substantive testing; and</li> <li>→ tested controls and performed additional substantive procedures of key general ledger account reconciliations and manual journals.</li> </ul> <p>We did not regard any of the control issues identified in 2016 as significant in the context of the Group financial statements. No control matters identified represented a material weakness in internal control.</p> |

# Audit report on the consolidated and parent company financial statements (continued)

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls including those performed at the Group's shared service centres, and the industry in which the Group operates.

The Group operates in 24 countries across two regions; "Europe" and "AMAP". In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the local operations by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those local operations to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

The Group's local operations vary in size with the eight operations in Group scope (UK, Spain, Italy, India, Germany, Vodacom Group Limited, Ono and KDG) representing 72% and 74% of the Group's revenue and AOP. We identified these eight local operations as those that, in our view, required an audit of their complete financial information, due to their size or risk characteristics. The materiality applied by the component auditors in the context of the Group audit ranged from £12 million to £100 million. These local operations are also subject to audits for local statutory purposes where their local statutory materiality ranges from £12 million to £124 million.

Specific audit procedures over certain balances and transactions were performed to give appropriate coverage of all material balances at both geographical division and Group levels. The Group engagement team visited all eight operations in scope for Group reporting during the audit cycle and the lead audit partner attended the year-end audit clearance meetings.

Further specific audit procedures over central functions and areas of significant judgement, including taxation, goodwill, treasury and material provisions and contingent liabilities, were performed at the Group's Head Office.

In addition, audits for local statutory purposes are performed at a further 15 locations. Where possible, the timing of local statutory audits was accelerated to align to the Group audit timetable, with significant findings reported to the Group engagement team.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

|                                 |   |
|---------------------------------|---|
| Overall Group materiality       | £180 million (2015: £220 million).  |
| How we determined it            | 5% of AOP before tax averaged over three years.   |
| Rationale for benchmark applied | Consistent with the prior year, we consider this adjusted measure to be a key driver of business value and a focus for members, and used a three year average given the impact of Project Spring (for definition of Project Spring refer to pages 6 and 7 in the Annual Report) in the current year to ensure that the measure is more durable over a period of time. |

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £10 million (2015: £10 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on pages 76 and 77, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

## Other required reporting

### Consistency of other information

#### Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 76 and 77 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

### ISAs (UK and Ireland) reporting

Under ISAs (UK and Ireland) we are required to report to you if, in our opinion:

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>→ Information in the Annual Report is:               <ul style="list-style-type: none"> <li>→ materially inconsistent with the information in the audited financial statements; or</li> <li>→ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or</li> <li>→ otherwise misleading.</li> </ul> </li> </ul>  | We have no exceptions to report arising from this responsibility. |
| <ul style="list-style-type: none"> <li>→ the statement given by the Directors on pages 76 and 77, in accordance with provision C.1.1 of the 2014 UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.</li> </ul> | We have no exceptions to report arising from this responsibility. |
| <ul style="list-style-type: none"> <li>→ the section of the Annual Report on page 47, as required by provision C.3.8 of the Code, describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.</li> </ul>  | We have no exceptions to report arising from this responsibility. |

### The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK and Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>→ the Directors' confirmation on page 76 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.</li> </ul>   | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> <li>→ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.</li> </ul>   | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> <li>→ the Directors' explanation on page 29 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.</li> </ul> | We have nothing material to add or to draw attention to. |

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

### Adequacy of accounting records and information and explanations received

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

- we have not received 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
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Directors' remuneration

### Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the corporate governance statement relating to 10 further provisions of the Code. We have nothing to report having performed our review.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Directors

As explained more fully in the Directors' statement of responsibility set out on pages 76 and 77, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

### What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



### Andrew Kemp (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

London

17 May 2016

#### Notes:

- 1 The maintenance and integrity of the Vodafone Group Plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
- 3 Note that the report set out above is included for the purposes of Vodafone Group Plc's Annual Report for 2016 only and does not form part of Vodafone Group Plc's Annual Report on Form 20-F for 2016.

# Consolidated income statement

for the years ended 31 March

|  | Note     | 2016<br>£m     | 2015<br>£m    | 2014<br>£m     |
|--|----------|----------------|---------------|----------------|
| <b>Revenue</b>   | <b>2</b> | <b>40,973</b>  | <b>42,227</b> | <b>38,346</b>  |
| Cost of sales  |          | (30,435)       | (30,882)      | (27,942)       |
| <b>Gross profit</b>  |          | <b>10,538</b>  | <b>11,345</b> | <b>10,404</b>  |
| Selling and distribution expenses                                      |          | (3,570)        | (3,455)       | (3,033)        |
| Administrative expenses  |          | (5,110)        | (5,746)       | (4,245)        |
| Share of results of equity accounted associates and joint ventures     |          | 44             | (63)          | 278            |
| Impairment losses  | 4        | (450)          | —             | (6,600)        |
| Other income and expense   |          | (75)           | (114)         | (717)          |
| <b>Operating profit/(loss)</b>   | <b>3</b> | <b>1,377</b>   | <b>1,967</b>  | <b>(3,913)</b> |
| Non-operating income and expense                                       |          | (2)            | (19)          | (149)          |
| Investment income  | 5        | 300            | 883           | 346            |
| Financing costs  | 5        | (2,124)        | (1,736)       | (1,554)        |
| <b>(Loss)/profit before taxation</b>                                   |          | <b>(449)</b>   | <b>1,095</b>  | <b>(5,270)</b> |
| Income tax (expense)/credit  | 6        | (3,369)        | 4,765         | 16,582         |
| <b>(Loss)/profit for the financial year from continuing operations</b> |          | <b>(3,818)</b> | <b>5,860</b>  | <b>11,312</b>  |
| <b>Profit for the financial year from discontinued operations</b>      | <b>7</b> | <b>—</b>       | <b>57</b>     | <b>48,108</b>  |
| <b>(Loss)/profit for the financial year</b>                            |          | <b>(3,818)</b> | <b>5,917</b>  | <b>59,420</b>  |
| Attributable to:   |          |                |               |                |
| — Owners of the parent   |          | (4,024)        | 5,761         | 59,254         |
| — Non-controlling interests <sup>1</sup>                               |          | 206            | 156           | 166            |
| <b>(Loss)/profit for the financial year</b>                            |          | <b>(3,818)</b> | <b>5,917</b>  | <b>59,420</b>  |
| <b>(Loss)/earnings per share</b>                                       |          |                |               |                |
| <b>From continuing operations:</b>                                     |          |                |               |                |
| — Basic  |          | (15.08)p       | 21.53p        | 42.10p         |
| — Diluted  |          | (15.08)p       | 21.42p        | 41.77p         |
| <b>Total Group:</b>  |          |                |               |                |
| — Basic  | 8        | (15.08)p       | 21.75p        | 223.84p        |
| — Diluted  | 8        | (15.08)p       | 21.63p        | 222.07p        |

Note:

1 Profit attributable to non-controlling interests solely derives from continuing operations.

# Consolidated statement of comprehensive income

for the years ended 31 March

|  | Note | 2016<br>£m     | 2015<br>£m     | 2014<br>£m     |
|--|------|----------------|----------------|----------------|
| <b>(Loss)/profit for the financial year</b>  |      | <b>(3,818)</b> | <b>5,917</b>   | <b>59,420</b>  |
| Other comprehensive income:  |      |                |                |                |
| <i>Items that may be reclassified to profit or loss in subsequent years:</i>           |      |                |                |                |
| (Losses)/gains on revaluation of available-for-sale investments, net of tax            |      | (2)            | 4              | (119)          |
| Foreign exchange translation differences, net of tax                                   |      | 3,540          | (6,516)        | (4,104)        |
| Foreign exchange losses/(gains) transferred to the income statement                    |      | 70             | (1)            | 1,493          |
| Fair value gains transferred to the income statement                                   |      | —              | (9)            | (25)           |
| Other, net of tax  |      | 34             | 7              | —              |
| <b>Total items that may be reclassified to profit or loss in subsequent years</b>      |      | <b>3,642</b>   | <b>(6,515)</b> | <b>(2,755)</b> |
| <i>Items that will not be reclassified to profit or loss in subsequent years:</i>      |      |                |                |                |
| Net actuarial gains/(losses) on defined benefit pension schemes, net of tax            | 26   | 126            | (212)          | 37             |
| <b>Total items that will not be reclassified to profit or loss in subsequent years</b> |      | <b>126</b>     | <b>(212)</b>   | <b>37</b>      |
| <b>Other comprehensive income/(expense)</b>  |      | <b>3,768</b>   | <b>(6,727)</b> | <b>(2,718)</b> |
| <b>Total comprehensive expense/(income) for the year</b>                               |      | <b>(50)</b>    | <b>(810)</b>   | <b>56,702</b>  |
| Attributable to:   |      |                |                |                |
| — Owners of the parent   |      | (123)          | (1,076)        | 56,711         |
| — Non-controlling interests  |      | 73             | 266            | (9)            |
|  |      | <b>(50)</b>    | <b>(810)</b>   | <b>56,702</b>  |

Further details on items in the consolidated statement of comprehensive income can be found in the consolidated statement of changes in equity on page 89.

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Vodafone Group Plc  
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# Consolidated statement of financial position

at 31 March

|   | Note | 31 March<br>2016<br>€m | 31 March<br>2015<br>€m |
|---|------|------------------------|------------------------|
| <b>Non-current assets</b>                         |      |                        |                        |
| Goodwill  | 10   | 22,789                 | 22,537                 |
| Other intangible assets                           | 10   | 23,979                 | 20,953                 |
| Property, plant and equipment                     | 11   | 28,082                 | 26,603                 |
| Investments in associates and joint ventures      | 12   | (82)                   | (3)                    |
| Other investments                                 | 13   | 3,662                  | 3,757                  |
| Deferred tax assets                               | 6    | 22,382                 | 23,845                 |
| Post employment benefits                          | 26   | 177                    | 169                    |
| Trade and other receivables                       | 15   | 4,580                  | 4,865                  |
|   |      | <b>105,569</b>         | <b>102,726</b>         |
| <b>Current assets</b>                             |      |                        |                        |
| Inventory   | 14   | 565                    | 482                    |
| Taxation recoverable                              |      | 1,109                  | 575                    |
| Trade and other receivables                       | 15   | 9,141                  | 8,053                  |
| Other investments                                 | 13   | 4,220                  | 3,855                  |
| Cash and cash equivalents                         | 20   | 10,218                 | 6,882                  |
| Assets held for sale                              | 7    | 2,891                  | —                      |
|   |      | <b>28,144</b>          | <b>19,847</b>          |
| <b>Total assets</b>                               |      | <b>133,713</b>         | <b>122,573</b>         |
| <b>Equity</b>                                     |      |                        |                        |
| Called up share capital                           | 18   | 3,792                  | 3,792                  |
| Additional paid-in capital                        |      | 119,925                | 117,054                |
| Treasury shares                                   |      | (6,940)                | (7,045)                |
| Accumulated losses                                |      | (56,608)               | (49,471)               |
| Accumulated other comprehensive income            |      | 5,716                  | 1,815                  |
| <b>Total attributable to owners of the parent</b> |      | <b>65,885</b>          | <b>66,145</b>          |
| Non-controlling interests                         |      | 1,437                  | 1,595                  |
| Put options over non-controlling interests        |      | (5)                    | (7)                    |
| <b>Total non-controlling interests</b>            |      | <b>1,432</b>           | <b>1,588</b>           |
| <b>Total equity</b>                               |      | <b>67,317</b>          | <b>67,733</b>          |
| <b>Non-current liabilities</b>                    |      |                        |                        |
| Long-term borrowings                              | 21   | 29,327                 | 22,435                 |
| Deferred tax liabilities                          | 6    | 446                    | 595                    |
| Post employment benefits                          | 26   | 447                    | 567                    |
| Provisions  | 17   | 1,280                  | 1,082                  |
| Trade and other payables                          | 16   | 1,501                  | 1,264                  |
|   |      | <b>33,001</b>          | <b>25,943</b>          |
| <b>Current liabilities</b>                        |      |                        |                        |
| Short-term borrowings                             | 21   | 16,020                 | 12,623                 |
| Taxation liabilities                              |      | 540                    | 599                    |
| Provisions  | 17   | 757                    | 767                    |
| Trade and other payables                          | 16   | 15,732                 | 14,908                 |
| Liabilities for sale                              | 7    | 346                    | —                      |
|   |      | <b>33,395</b>          | <b>28,897</b>          |
| <b>Total equity and liabilities</b>               |      | <b>133,713</b>         | <b>122,573</b>         |

The consolidated financial statements on pages 87 to 162 were approved by the Board of Directors and authorised for issue on 17 May 2016 and were signed on its behalf by:



**Vittorio Colao**  
Chief Executive



**Nick Read**  
Chief Financial Officer



# Consolidated statement of changes in equity

for the years ended 31 March

|   | Share capital <sup>1</sup><br>£m | Additional paid-in capital <sup>2</sup><br>£m | Treasury shares<br>£m | Retained losses<br>£m | Currency reserve <sup>3</sup><br>£m | Pensions reserve<br>£m | Investment reserve <sup>4</sup><br>£m | Revaluation surplus <sup>5</sup><br>£m | Other comprehensive income<br>Other <sup>6</sup><br>£m | Equity share-holders' funds<br>£m | Non-controlling interests<br>£m | Total<br>£m   |
|---|----------------------------------|---|-----------------------|-----------------------|-------------------------------------|------------------------|---------------------------------------|--|--|-----------------------------------|---------------------------------|---------------|
| 1 April 2013  | 3,866                            | 154,279                                       | (9,029)               | (88,834)              | 10,600                              | (648)                  | 135                                   | 1,040                                  | 68   | 71,477                            | 1,011                           | 72,488        |
| Issue or reissue of shares                                  | —                                | 2   | 194                   | (173)                 | —                                   | —                      | —                                     | —                                      | —  | 23                                | —                               | 23            |
| Redemption or cancellation of shares                        | (74)                             | 74  | 1,648                 | (1,648)               | —                                   | —                      | —                                     | —                                      | —  | —                                 | —                               | —             |
| Capital reduction and creation of B and C shares            | 16,613                           | (37,470)                                      | —                     | 20,857                | —                                   | —                      | —                                     | —                                      | —  | —                                 | —                               | —             |
| Cancellation of B shares                                    | (16,613)                         | —   | —                     | 1,115                 | —                                   | —                      | —                                     | —                                      | —  | (15,498)                          | —                               | (15,498)      |
| Share-based payments  | —                                | 88 <sup>7</sup>                               | —                     | —                     | —                                   | —                      | —                                     | —                                      | —  | 88                                | —                               | 88            |
| Transactions with non-controlling interests in subsidiaries | —                                | —   | —                     | (1,451)               | —                                   | —                      | —                                     | —                                      | —  | (1,451)                           | 260                             | (1,191)       |
| Dividends   | —                                | —   | —                     | (40,566)              | —                                   | —                      | —                                     | —                                      | —  | (40,566)                          | (284)                           | (40,850)      |
| Comprehensive income  | —                                | —   | —                     | 59,254                | (2,436)                             | 37                     | (119)                                 | —                                      | (25)   | 56,711                            | (9)                             | 56,702        |
| Profit  | —                                | —   | —                     | 59,254                | —                                   | —                      | —                                     | —                                      | —  | 59,254                            | 166                             | 59,420        |
| OCI – before tax  | —                                | —   | —                     | —                     | (3,932)                             | 57                     | (119)                                 | —                                      | 3  | (3,991)                           | (172)                           | (4,163)       |
| OCI – taxes   | —                                | —   | —                     | —                     | 3                                   | (20)                   | —                                     | —                                      | (3)  | (20)                              | (3)                             | (23)          |
| Transfer to the income statement                            | —                                | —   | —                     | —                     | 1,493                               | —                      | —                                     | —                                      | (25)   | 1,468                             | —                               | 1,468         |
| Other   | —                                | —   | —                     | 18                    | —                                   | —                      | —                                     | —                                      | —  | 18                                | 1                               | 19            |
| <b>31 March 2014</b>  | <b>3,792</b>                     | <b>116,973</b>                                | <b>(7,187)</b>        | <b>(51,428)</b>       | <b>8,164</b>                        | <b>(611)</b>           | <b>16</b>                             | <b>1,040</b>                           | <b>43</b>  | <b>70,802</b>                     | <b>979</b>                      | <b>71,781</b> |
| Issue or reissue of shares                                  | —                                | 2   | 142                   | (126)                 | —                                   | —                      | —                                     | —                                      | —  | 18                                | —                               | 18            |
| Share-based payments  | —                                | 95 <sup>7</sup>                               | —                     | —                     | —                                   | —                      | —                                     | —                                      | —  | 95                                | —                               | 95            |
| Transactions with non-controlling interests in subsidiaries | —                                | —   | —                     | (756)                 | —                                   | —                      | —                                     | —                                      | —  | (756)                             | 605                             | (151)         |
| Dividends   | —                                | —   | —                     | (2,930)               | —                                   | —                      | —                                     | —                                      | —  | (2,930)                           | (262)                           | (3,192)       |
| Comprehensive income  | —                                | —   | —                     | 5,761                 | (6,627)                             | (212)                  | (5)                                   | —                                      | 7  | (1,076)                           | 266                             | (810)         |
| Profit  | —                                | —   | —                     | 5,761                 | —                                   | —                      | —                                     | —                                      | —  | 5,761                             | 156                             | 5,917         |
| OCI – before tax  | —                                | —   | —                     | —                     | (6,842)                             | (269)                  | 4                                     | —                                      | 12   | (7,095)                           | 113                             | (6,982)       |
| OCI – taxes   | —                                | —   | —                     | —                     | 216                                 | 57                     | —                                     | —                                      | (5)  | 268                               | (3)                             | 265           |
| Transfer to the income statement                            | —                                | —   | —                     | —                     | (1)                                 | —                      | (9)                                   | —                                      | —  | (10)                              | —                               | (10)          |
| Other   | —                                | (16)  | —                     | 8                     | —                                   | —                      | —                                     | —                                      | —  | (8)                               | —                               | (8)           |
| <b>31 March 2015</b>  | <b>3,792</b>                     | <b>117,054</b>                                | <b>(7,045)</b>        | <b>(49,471)</b>       | <b>1,537</b>                        | <b>(823)</b>           | <b>11</b>                             | <b>1,040</b>                           | <b>50</b>  | <b>66,145</b>                     | <b>1,588</b>                    | <b>67,733</b> |
| Issue or reissue of shares                                  | —                                | 1   | 105                   | (93)                  | —                                   | —                      | —                                     | —                                      | —  | 13                                | —                               | 13            |
| Share-based payments  | —                                | 116 <sup>7</sup>                              | —                     | —                     | —                                   | —                      | —                                     | —                                      | —  | 116                               | —                               | 116           |
| Issue of mandatory convertible bonds <sup>8</sup>           | —                                | 2,754   | —                     | —                     | —                                   | —                      | —                                     | —                                      | —  | 2,754                             | —                               | 2,754         |
| Transactions with non-controlling interests in subsidiaries | —                                | —   | —                     | (31)                  | —                                   | —                      | —                                     | —                                      | —  | (31)                              | (13)                            | (44)          |
| Dividends   | —                                | —   | —                     | (2,998)               | —                                   | —                      | —                                     | —                                      | —  | (2,998)                           | (238)                           | (3,236)       |
| Comprehensive income  | —                                | —   | —                     | (4,024)               | 3,743                               | 126                    | (2)                                   | —                                      | 34   | (123)                             | 73                              | (50)          |
| Profit  | —                                | —   | —                     | (4,024)               | —                                   | —                      | —                                     | —                                      | —  | (4,024)                           | 206                             | (3,818)       |
| OCI – before tax  | —                                | —   | —                     | —                     | 3,789                               | 156                    | (3)                                   | —                                      | 46   | 3,988                             | (130)                           | 3,858         |
| OCI – taxes   | —                                | —   | —                     | —                     | (116)                               | (30)                   | 1                                     | —                                      | (12)   | (157)                             | (3)                             | (160)         |
| Transfer to the income statement                            | —                                | —   | —                     | —                     | 70                                  | —                      | —                                     | —                                      | —  | 70                                | —                               | 70            |
| Other   | —                                | —   | —                     | 9                     | —                                   | —                      | —                                     | —                                      | —  | 9                                 | 22                              | 31            |
| <b>31 March 2016</b>  | <b>3,792</b>                     | <b>119,925</b>                                | <b>(6,940)</b>        | <b>(56,608)</b>       | <b>5,280</b>                        | <b>(697)</b>           | <b>9</b>                              | <b>1,040</b>                           | <b>84</b>  | <b>65,885</b>                     | <b>1,432</b>                    | <b>67,317</b> |

Notes:

1 See note 18 "Called up share capital".

2 Includes share premium, capital reserve, capital redemption reserve, merger reserve and share-based payment reserve. The merger reserve was derived from acquisitions made prior to 31 March 2004 and subsequently allocated to additional paid-in capital on adoption of IFRS.

3 The currency reserve is used to record cumulative translation differences on the assets and liabilities of foreign operations. The cumulative translation differences are recycled to the income statement on disposal of the foreign operation.

4 The investment reserve is used to record the cumulative fair value gains and losses on available-for-sale financial assets. The cumulative gains and losses are recycled to the income statement on disposal of the assets.

5 The revaluation surplus derives from acquisitions of subsidiaries made before the Group's adoption of IFRS 3 (Revised) on 1 April 2010 and comprises the amounts arising from recognising the Group's pre-existing equity interest in the acquired subsidiary at fair value.

6 Includes the impact of the Group's cash flow hedges with £267 million net gain deferred to other comprehensive income during the year (2015: £607 million net gain; 2014: £129 million net loss) and £233 million net gain (2015: £649 million net gain; 2014: £171 million net loss) recycled to the income statement.

7 Includes £3 million tax credit (2015: £7 million tax credit; 2014: £12 million charge).

8 Includes the equity component of mandatory convertible bonds which are compound instruments issued in the year.

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# Consolidated statement of cash flows

for the years ended 31 March

|  | Note      | 2016<br>£m      | 2015<br>£m      | 2014<br>£m      |
|--|-----------|-----------------|-----------------|-----------------|
| <b>Inflow from operating activities</b>                              | <b>19</b> | <b>10,481</b>   | <b>9,715</b>    | <b>6,227</b>    |
| <b>Cash flows from investing activities</b>                          |           |                 |                 |                 |
| Purchase of interests in subsidiaries, net of cash acquired          | 28        | (43)            | (3,093)         | (4,279)         |
| Purchase of interests in associates and joint ventures               |           | (2)             | (85)            | (11)            |
| Purchase of intangible assets  | 10        | (5,018)         | (2,315)         | (2,327)         |
| Purchase of property, plant and equipment                            | 11        | (6,836)         | (6,568)         | (4,396)         |
| Purchase of investments  | 13        | (77)            | (207)           | (214)           |
| Disposal of interests in associates and joint ventures               | 12        | —               | 27              | 34,919          |
| Disposal of property, plant and equipment                            | 11        | 140             | 178             | 79              |
| Disposal of investments  | 13        | 1,357           | 899             | 1,483           |
| Dividends received from associates and joint ventures                |           | 67              | 583             | 4,897           |
| Dividends received from investments                                  |           | —               | —               | 10              |
| Interest received  |           | 261             | 254             | 582             |
| <b>(Outflow)/inflow from investing activities</b>                    |           | <b>(10,151)</b> | <b>(10,327)</b> | <b>30,743</b>   |
| <b>Cash flows from financing activities</b>                          |           |                 |                 |                 |
| Issue of ordinary share capital and reissue of treasury shares       | 18        | 13              | 18              | 38              |
| Net movement in short-term borrowings                                |           | 5               | 4,722           | (2,887)         |
| Proceeds from issue of long-term borrowings                          |           | 7,504           | 2,432           | 1,060           |
| Repayment of borrowings  |           | (2,738)         | (4,070)         | (9,788)         |
| Purchase of treasury shares  |           | —               | —               | (1,033)         |
| B and C share payments   |           | —               | —               | (14,291)        |
| Issue of subordinated mandatory convertible bonds                    |           | 2,754           | —               | —               |
| Equity dividends paid  | 9         | (2,998)         | (2,927)         | (5,076)         |
| Dividends paid to non-controlling shareholders in subsidiaries       |           | (223)           | (247)           | (264)           |
| Other transactions with non-controlling shareholders in subsidiaries |           | (48)            | (718)           | (111)           |
| Other movements in loans with associates and joint ventures          |           | (22)            | (52)            | —               |
| Interest paid  |           | (1,287)         | (1,576)         | (1,897)         |
| <b>Inflow/(outflow) from financing activities</b>                    |           | <b>2,960</b>    | <b>(2,418)</b>  | <b>(34,249)</b> |
| <b>Net cash inflow/(outflow)</b>                                     |           | <b>3,290</b>    | <b>(3,030)</b>  | <b>2,721</b>    |
| Cash and cash equivalents at beginning of the financial year         | 20        | 6,861           | 10,112          | 7,506           |
| Exchange gain/(loss) on cash and cash equivalents                    |           | 58              | (221)           | (115)           |
| <b>Cash and cash equivalents at end of the financial year</b>        | <b>20</b> | <b>10,209</b>   | <b>6,861</b>    | <b>10,112</b>   |

During the year ended 31 March 2014 there were a number of material non-cash investing and financing activities that arose in relation to the disposal of our interest in Verizon Wireless, the acquisition of the remaining 23% of Vodafone Italy and the return of value to shareholders. Full details of these material non-cash transactions are included in note 28 to the consolidated financial statements.

# Notes to the consolidated financial statements

## 1. Basis of preparation

This section describes the critical accounting judgements that management has identified as having a potentially material impact on the Group's consolidated financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is generally applicable to a specific note to the financial statements, the policy is described within that note. We have also detailed below the new accounting pronouncements that we will adopt in future years and our current view of the impact they will have on our financial reporting.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and are also prepared in accordance with IFRS adopted by the European Union ('EU'), the Companies Act 2006 and Article 4 of the EU IAS Regulations. The consolidated financial statements are prepared on a going concern basis.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. A discussion on the Group's critical accounting judgements and key sources of estimation uncertainty is detailed below. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Amounts in the consolidated financial statements are stated in pounds sterling. With effect from 1 April 2016, the presentation currency of the Group will change from sterling to the euro to better align with the geographic split of the Group's operations.

Vodafone Group Plc is incorporated and domiciled in England and Wales (registration number 1833679). The registered address of the Company is Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, England.

IFRS requires the Directors to adopt accounting policies that are the most appropriate to the Group's circumstances. These have been applied consistently to all the years presented, unless otherwise stated. In determining and applying accounting policies, Directors and management are required to make judgements in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the Group's reported financial position, results or cash flows; it may later be determined that a different choice may have been more appropriate.

Management has identified accounting estimates and assumptions relating to revenue recognition, taxation, business combinations and goodwill, joint arrangements, finite lived intangible assets, property, plant and equipment, post employment benefits, provisions and contingent liabilities and impairment that it considers to be critical due to their impact on the Group's financial statements. These critical accounting judgements, assumptions and related disclosures have been discussed with the Company's Audit and Risk Committee.

## Critical accounting judgements and key sources of estimation uncertainty

### Revenue recognition

#### Arrangements with multiple deliverables

In revenue arrangements where more than one good or service is provided to the customer, customer consideration is allocated between the goods and services using relative fair value principles. The fair values determined for deliverables may impact the timing of the recognition of revenue. Determining the fair value of each deliverable can require complex estimates. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis after considering any appropriate volume discounts.

#### Gross versus net presentation

When the Group sells goods or services as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

### Taxation

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge involves estimation and judgement in respect of certain matters where the tax impact is uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

Resolving tax issues can take many years as it is not always within the control of the Group and often depends on the efficiency of legal processes in the relevant tax jurisdiction.

#### Recognition of deferred tax assets

Significant items on which the Group has exercised accounting estimation and judgement include the recognition of deferred tax assets in respect of losses in Luxembourg, Germany, Spain and India and capital allowances in the United Kingdom.

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.

Judgement is required when determining probable future taxable profits. The Group assesses the availability of future taxable profits using the same undiscounted five year forecasts for the Group's operations as are used in the Group's value in use calculations (see "Impairment reviews" below). 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.

## Notes to the consolidated financial statements (continued)

### 1. Basis of preparation (continued)

The cash flows inherent in these forecasts include the unsystematic risks of operating in the telecommunications business including the potential impacts of changes in the market structure, trends in customer pricing, the costs associated with the acquisition and retention of customers, future technological evolutions and potential regulatory changes, such as our ability to acquire and/or renew spectrum licences.

Changes in the assumptions which underpin the Group's forecasts could have an impact on the amount of future taxable profits and could have a significant impact on the period over which the deferred tax asset would be recovered.

The Group only considers substantively enacted tax laws when assessing the amount and availability of tax losses to offset against the future taxable profits. See note 6 "Taxation" to the consolidated financial statements.

### Business combinations and goodwill

When the Group completes a business combination, the fair values of the identifiable assets and liabilities acquired, including intangible assets, are recognised. The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgement. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then the difference is recorded as a gain in the income statement.

Allocation of the purchase price between finite lived assets (discussed below) and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

On transition to IFRS the Group elected not to apply IFRS 3 "Business combinations" retrospectively as the difficulty in applying these requirements to business combinations completed by the Group between incorporation and 1 April 2004 exceeded any potential benefits. Goodwill recorded before the date of transition to IFRS amounted to £78,753 million. If the Group had elected to apply IFRS 3 retrospectively it may have led to an increase or decrease in goodwill, licences, customer bases, brands and related deferred tax liabilities recognised on acquisition.

See note 28 "Acquisitions and disposals" to the consolidated financial statements for further details.

### Joint arrangements

The Group participates in a number of joint arrangements where control of the arrangement is shared with one or more other parties. A joint arrangement is classified as a joint operation or as a joint venture, depending on management's assessment of the legal form and substance of the arrangement.

The classification can have a material impact on the consolidated financial statements. The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis, whereas the Group's investment and share of results of joint ventures are shown within single line items in the consolidated statement of financial position and consolidated income statement respectively. See note 12 "Investments in associates and joint arrangements" to the consolidated financial statements.

### Finite lived intangible assets

Other intangible assets include amounts spent by the Group acquiring licences and spectrum, customer bases and brands and the costs of purchasing and developing computer software.

Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Estimates relating to the future cash flows and discount rates used may have a material effect on the reported amounts of finite lived intangible assets.

### Estimation of useful life

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Reducing the useful life will increase the amortisation charge in the consolidated income statement. Useful lives are periodically reviewed to ensure that they remain appropriate. The basis for determining the useful life for the most significant categories of intangible assets is discussed below.

### Licence and spectrum fees

The estimated useful life is generally the term of the licence unless there is a presumption of renewal at negligible cost; this is adjusted if necessary, for example taking into account the impact of any expected changes in technology.

### Customer bases

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

### Capitalised software

For computer software, the useful life is based on management's view, considering historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. The useful life will not exceed the duration of a licence.

### Property, plant and equipment

Property, plant and equipment represents 21.0% (2015: 21.7%) of the Group's total assets; estimates and assumptions made may have a material impact on their carrying value and related depreciation charge. See note 11 "Property, plant and equipment" to the consolidated financial statements for further details.

### Estimation of useful life

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the consolidated income statement.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. The useful life of network infrastructure is assumed not to exceed the duration of related operating licences unless there is a reasonable expectation of renewal or an alternative future use for the asset.

### Post employment benefits

Management judgement is exercised when determining the Group's liabilities and expenses arising for defined benefit pension schemes. Management is required to make assumptions regarding future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Further details, including a sensitivity analysis, are included in note 26 "Post employment benefits" to the consolidated financial statements.

### Provisions and contingent liabilities

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 30 "Contingent liabilities and legal proceedings" to the consolidated financial statements). Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

### Impairment reviews

IFRS requires management to perform impairment tests annually for indefinite lived assets and, for finite lived assets, if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires assumptions to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and amount of future capital expenditure, licence and spectrum payments;
- long-term growth rates; and
- appropriate discount rates to reflect the risks involved.

Management prepares formal five year forecasts for the Group's operations, which are used to estimate their value in use. In certain developing markets ten year forecasts are used if it is considered that the fifth year of a forecast is not indicative of expected long-term future performance as operations may not have reached maturity.

For operations where five year forecasts are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:

- the nominal GDP growth rates for the country of operation; and
- the long-term compound annual growth rate in EBITDA in years six to ten estimated by management.

For operations where ten year forecasts are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:

- the nominal GDP growth rates for the country of operation; and
- the compound annual growth rate in EBITDA in years nine to ten of the management plan.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence reported assets and profits or losses. Further details, including a sensitivity analysis, are included in note 4 "Impairment losses" to the consolidated financial statements.

## 1. Basis of preparation (continued)

### Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

#### Accounting convention

The consolidated financial statements are prepared on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, subsidiaries controlled by the Company (see note 33 “Related undertakings” to the consolidated financial statements) and joint operations that are subject to joint control (see note 12 “Investments in associates and joint arrangements” to the consolidated financial statements).

#### Foreign currencies

The consolidated financial statements are presented in sterling, which was the parent company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. With effect from 1 April 2016 the functional currency of the Company changed from sterling to the euro. The euro is now the primary currency in which the Company’s financing activities and investment returns are denominated.

The consolidated financial statements are presented in sterling. With effect from 1 April 2016, the Group’s presentation currency will change from sterling to the euro to better align with the geographic split of the Group’s operations.

The change of presentation and functional currency will not change either the Group’s or Company’s foreign exchange management strategy.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognised in the income statement and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets, such as investments in equity securities classified as available-for-sale, are reported as part of the fair value gain or loss and are included in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of entities with a functional currency other than sterling are expressed in sterling using exchange rates prevailing at the reporting period date. Income and expense items and cash flows are translated at the average exchange rates for the period and exchange differences arising are recognised directly in equity. On disposal of a foreign entity, the cumulative amount previously recognised in equity relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

In respect of all foreign operations, any exchange differences that have arisen before 1 April 2004, the date of transition to IFRS, are deemed to be nil and will be excluded from the determination of any subsequent profit or loss on disposal.

The net foreign exchange loss recognised in the consolidated income statement for the year ended 31 March 2016 is £802 million (31 March 2015: £273 million gain; 2014: £1,688 million loss). The net gains and net losses are recorded within operating profit (2016: £2 million credit; 2015: £8 million charge; 2014: £16 million charge), other income and expense and non-operating income and expense (2016: £70 million charge; 2015: £1 million credit; 2014: £1,493 million charge), investment and financing income (2016: £726 million charge; 2015: £276 million credit; 2014: £180 million charge) and income tax expense (2016: £8 million charge; 2015: £4 million credit; 2014: £1 million credit). The foreign exchange gains and losses included within other income and expense and non-operating income and expense arise on the disposal of interests in joint ventures, associates and investments from the recycling of foreign exchange gains previously recorded in the consolidated statement of comprehensive income.

### New accounting pronouncements adopted on 1 April 2015

On 1 April 2015 the Group adopted the following new accounting policies to comply with amendments to IFRS. The accounting pronouncements, none of which is considered by the Group as significant on adoption, are:

- Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”;
- “Improvements to IFRS 2010–2012 cycle” amendment to IFRS 8 “Operating Segments”; and
- “Improvements to IFRS 2011–2013 cycle”.



## New accounting pronouncements to be adopted on 1 April 2016

The following pronouncements which are potentially relevant to the Group have been issued by the IASB are effective for annual periods beginning on or after 1 January 2016 and have been endorsed for use in the EU:

- Amendments to IAS 1 “Disclosure Initiative”;
- Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation”;
- Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”; and
- “Improvements to IFRS: 2012–2014 cycle”.

The Group’s financial reporting will be presented in accordance with the new standards above, which are not expected to have a material impact on the consolidated results, financial position or cash flows of the Group, from 1 April 2016.

## New accounting pronouncements to be adopted on or after 1 April 2017

On 1 April 2017 the Group will adopt “Recognition of Deferred Tax Assets for Unrealised Losses, Amendments to IAS 12” and “Disclosure Initiative, Amendments to IAS 7” which are effective for accounting periods on or after 1 January 2017 and which have not yet been endorsed by the EU.

The Group is currently confirming the impacts of the above new pronouncements on its results, financial position and cash flows, which are not expected to be material.

### IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 “Revenue from Contracts with Customers” was issued in May 2014 and subsequent amendments, “Clarifications to IFRS 15”, were issued in April 2016. IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018; it has not yet been adopted by the EU. IFRS 15 will have a material impact on the Group’s reporting of revenue and costs as follows:

- IFRS 15 will require the Group to identify deliverables in contracts with customers that qualify as “performance obligations”. The transaction price receivable from customers must be allocated between the Group’s performance obligations under the contracts on a relative stand-alone selling price basis. Currently revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services; this restriction will no longer be applied under IFRS 15. The primary impact on revenue reporting will be that when the Group sells subsidised devices together with airtime service agreements to customers, revenue allocated to equipment and recognised when control of the device passes to the customer will increase and revenue recognised as services are delivered will reduce. Where additional up-front unbilled revenue is recorded for the sale of devices, this will be reflected in the balance sheet as a contract asset.
- Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the balance sheet and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees.
- Certain costs incurred in fulfilling customer contracts will be deferred on the balance sheet under IFRS 15 and recognised as related revenue is recognised under the contract. Such deferred costs are likely to relate to the provision of deliverables to customers that do not qualify as performance obligations and for which revenue is not recognised; currently such costs are generally expensed as incurred.

The Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 15; however, the changes highlighted above will have a material impact on the consolidated income statement and consolidated statement of financial position after the Group adopts IFRS 15 on 1 April 2018.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group currently intends to reflect the cumulative impact of IFRS 15 in equity on the date of adoption.

### IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments” was issued in July 2014 to replace IAS 39 “Financial Instruments: Recognition and Measurement”. The standard is effective for accounting periods beginning on or after 1 January 2018 with early adoption permitted but has not yet been endorsed for use in the EU. The standard will impact the classification and measurement of the Group’s financial instruments and will require certain additional disclosures. The changes to recognition and measurement of financial instruments and changes to hedge accounting rules are not currently considered likely to have any major impact on the Group’s current accounting treatment or hedging activities. The Group will not consider early adoption of IFRS 9 until the standard has been endorsed by the EU which is currently expected in the second half of 2016.

### IFRS 16 “Leases”

IFRS 16 “Leases” was issued in January 2016 to replace IAS 17 “Leases”. The standard is effective for accounting periods beginning on or after 1 January 2019 with early adoption permitted if IFRS 15 “Revenue from Contracts with Customers” has been adopted. IFRS 16 has not yet been adopted by the EU.

IFRS 16 will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Lessee accounting under IFRS 16 will be similar to existing IAS 17 accounting for finance leases, but will be substantively different for operating leases where rental charges are currently recognised on straight-line basis and no lease asset or lease loan obligation is recognised.

Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting.

The Group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

The Group has not yet decided whether to adopt IFRS 16 when IFRS 15 is adopted, on 1 April 2018, or on 1 April 2019.

## 2. Segmental analysis

The Group's businesses are managed on a geographical basis. Selected financial data is presented on this basis below.

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has a single group of related services and products, being the supply of communications services and products. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue. Transactions between operating segments are charged at arm's-length prices.

Segment information is provided on the basis of geographic areas, being the basis on which the Group manages its worldwide interests, with each country in which the Group operates treated as an operating segment. The aggregation of operating segments into the Europe and AMAP regions reflects, in the opinion of management, the similar economic characteristics within each of those regions as well the similar products and services offered and supplied, classes of customers and the regulatory environment. In the case of the Europe region this largely reflects membership of the European Union, while for the AMAP region this largely includes emerging and developing economies that are in the process of rapid growth and industrialisation.

Certain financial information is provided separately within the Europe region for Germany, Italy, the UK and Spain, and within the AMAP region for India and Vodacom, as these operating segments are individually material for the Group. During the year ended 31 March 2016, the Group amended its segmental reporting to reflect changes in the internal management of its Enterprise business. The primary change has been that on 1 April 2015, the Group redefined its segments to report international voice transit revenue and costs within common functions rather than within the results disclosed for each country and region. The results presented for the years ended 31 March 2015 and 31 March 2014 have been restated onto a comparable basis. There is no impact on total Group revenue or cost.

### Accounting policies

#### Revenue

Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration receivable, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing mobile and fixed telecommunication services including: access charges, voice and video calls, messaging, interconnect fees, fixed and mobile broadband and related services such as providing televisual and music content, connection fees and equipment sales. Products and services may be sold separately or in bundled packages.

Revenue for access charges, voice and video calls, messaging and fixed and mobile broadband provided to contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised at the time the services are performed.

Revenue for the provision of televisual and music content is recognised when or as the Group performs the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised together with related equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue for device sales is recognised when the device is delivered to the end customer and the significant risks and rewards of ownership have transferred. For device sales made to intermediaries, revenue is recognised if the significant risks associated with the device are transferred to the intermediary and the intermediary has no general right to return the device to receive a refund. If the significant risks are not transferred, revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (i) the deliverable has value to the customer on a stand-alone basis and (ii) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value. Revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services. This restriction typically applies to revenue recognised for devices provided to customers, including handsets.

#### Commissions

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing customers.

For intermediaries who do not purchase products and services from the Group, such cash incentives are accounted for as an expense. Such cash incentives to other intermediaries are also accounted for as an expense if:

- the Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and
- the Group can reliably estimate the fair value of that benefit.

Cash incentives that do not meet these criteria are recognised as a reduction of the related revenue.

## Segmental revenue and profit

|                                | Segment revenue<br>£m | Intra-region revenue<br>£m | Regional revenue<br>£m | Inter-region revenue<br>£m | Group revenue<br>£m | EBITDA<br>£m  |
|--------------------------------|-----------------------|----------------------------|------------------------|----------------------------|---------------------|---------------|
| <b>31 March 2016</b>           |                       |                            |                        |                            |                     |               |
| Germany                        | 7,787                 | (26)                       | 7,761                  | (7)                        | 7,754               | 2,537         |
| Italy                          | 4,405                 | (15)                       | 4,390                  | (1)                        | 4,389               | 1,478         |
| UK                             | 6,173                 | (13)                       | 6,160                  | (7)                        | 6,153               | 1,289         |
| Spain                          | 3,633                 | (19)                       | 3,614                  | (1)                        | 3,613               | 915           |
| Other Europe                   | 4,835                 | (42)                       | 4,793                  | (3)                        | 4,790               | 1,467         |
| <b>Europe</b>                  | <b>26,833</b>         | <b>(115)</b>               | <b>26,718</b>          | <b>(19)</b>                | <b>26,699</b>       | <b>7,686</b>  |
| India                          | 4,516                 | (9)                        | 4,507                  | (14)                       | 4,493               | 1,331         |
| Vodacom <sup>1</sup>           | 3,887                 | —                          | 3,887                  | —                          | 3,887               | 1,484         |
| Other AMAP                     | 4,814                 | —                          | 4,814                  | (15)                       | 4,799               | 1,227         |
| <b>AMAP</b>                    | <b>13,217</b>         | <b>(9)</b>                 | <b>13,208</b>          | <b>(29)</b>                | <b>13,179</b>       | <b>4,042</b>  |
| Common Functions               | 1,160                 | —                          | 1,160                  | (65)                       | 1,095               | (116)         |
| <b>Group</b>                   | <b>41,210</b>         | <b>(124)</b>               | <b>41,086</b>          | <b>(113)</b>               | <b>40,973</b>       | <b>11,612</b> |
| <b>31 March 2015 restated</b>  |                       |                            |                        |                            |                     |               |
| Germany                        | 8,384                 | (16)                       | 8,368                  | (22)                       | 8,346               | 2,659         |
| Italy                          | 4,587                 | (13)                       | 4,574                  | (1)                        | 4,573               | 1,535         |
| UK                             | 6,199                 | (13)                       | 6,186                  | (2)                        | 6,184               | 1,345         |
| Spain                          | 3,614                 | (18)                       | 3,596                  | (2)                        | 3,594               | 782           |
| Other Europe                   | 4,993                 | (30)                       | 4,963                  | (1)                        | 4,962               | 1,573         |
| <b>Europe</b>                  | <b>27,777</b>         | <b>(90)</b>                | <b>27,687</b>          | <b>(28)</b>                | <b>27,659</b>       | <b>7,894</b>  |
| India                          | 4,309                 | (11)                       | 4,298                  | (15)                       | 4,283               | 1,282         |
| Vodacom                        | 4,341                 | —                          | 4,341                  | —                          | 4,341               | 1,527         |
| Other AMAP                     | 4,743                 | —                          | 4,743                  | (10)                       | 4,733               | 1,277         |
| <b>AMAP</b>                    | <b>13,393</b>         | <b>(11)</b>                | <b>13,382</b>          | <b>(25)</b>                | <b>13,357</b>       | <b>4,086</b>  |
| Common Functions               | 1,257                 | —                          | 1,257                  | (46)                       | 1,211               | (65)          |
| <b>Group</b>                   | <b>42,427</b>         | <b>(101)</b>               | <b>42,326</b>          | <b>(99)</b>                | <b>42,227</b>       | <b>11,915</b> |
| <b>31 March 2014 restated</b>  |                       |                            |                        |                            |                     |               |
| Germany                        | 8,220                 | (9)                        | 8,211                  | (11)                       | 8,200               | 2,688         |
| Italy                          | 518                   | (1)                        | 517                    | —                          | 517                 | 181           |
| UK                             | 6,248                 | (9)                        | 6,239                  | (3)                        | 6,236               | 1,398         |
| Spain                          | 3,471                 | (14)                       | 3,457                  | (2)                        | 3,455               | 786           |
| Other Europe                   | 5,514                 | (9)                        | 5,505                  | (3)                        | 5,502               | 1,735         |
| <b>Europe</b>                  | <b>23,971</b>         | <b>(42)</b>                | <b>23,929</b>          | <b>(19)</b>                | <b>23,910</b>       | <b>6,788</b>  |
| India                          | 3,939                 | —                          | 3,939                  | (3)                        | 3,936               | 1,135         |
| Vodacom                        | 4,718                 | —                          | 4,718                  | —                          | 4,718               | 1,716         |
| Other AMAP                     | 4,730                 | —                          | 4,730                  | (9)                        | 4,721               | 1,279         |
| <b>AMAP</b>                    | <b>13,387</b>         | <b>—</b>                   | <b>13,387</b>          | <b>(12)</b>                | <b>13,375</b>       | <b>4,130</b>  |
| Common Functions               | 1,065                 | —                          | 1,065                  | (4)                        | 1,061               | 166           |
| <b>Group</b>                   | <b>38,423</b>         | <b>(42)</b>                | <b>38,381</b>          | <b>(35)</b>                | <b>38,346</b>       | <b>11,084</b> |
| <b>Discontinued operations</b> |                       |                            |                        |                            |                     |               |
| Verizon Wireless <sup>2</sup>  | 9,955                 |                            |                        |                            |                     | 4,274         |

### Notes:

- 1 With effect from 1 April 2015, Vodacom changed its accounting for the acquisition of handsets by certain customers through Vodacom SA's indirect distribution channels. This had the effect of reducing equipment revenue and decreasing direct expenses, with no impact on profits or cash flows. The impact on prior years is not material.
- 2 Discontinued operations comprise our US group whose principal asset was a 45% interest in Verizon Wireless, which was sold on 21 February 2014. Refer to note 7 "Discontinued operations and assets held for sale" to the consolidated financial statements for further details.

Total revenue recorded in respect of the sale of goods for the year ended 31 March 2016 was £3,269 million (2015: £3,211 million, 2014: £2,660 million).

The Group's measure of segment profit, EBITDA, excludes depreciation, amortisation, impairment loss, restructuring costs, loss on disposal of fixed assets, the Group's share of results in associates and joint ventures and other income and expense. A reconciliation of EBITDA to operating profit/(loss) is shown overleaf. For a reconciliation of operating profit/(loss) to profit for the financial year, see the consolidated income statement on page 87.

# Notes to the consolidated financial statements (continued)

## 2. Segmental analysis (continued)

|   | 2016<br>£m    | 2015<br>£m    | 2014<br>£m     |
|---|---------------|---------------|----------------|
| <b>EBITDA</b>   | <b>11,612</b> | <b>11,915</b> | <b>11,084</b>  |
| Depreciation, amortisation and loss on disposal of fixed assets     | (8,539)       | (8,345)       | (7,098)        |
| Share of results in associates and joint ventures                   | 44            | (63)          | 324            |
| <b>Adjusted operating profit</b>                                    | <b>3,117</b>  | <b>3,507</b>  | <b>4,310</b>   |
| Impairment loss   | (450)         | —             | (6,600)        |
| Restructuring costs   | (236)         | (157)         | (355)          |
| Amortisation of acquired customer based and brand intangible assets | (979)         | (1,269)       | (551)          |
| Other income and expense  | (75)          | (114)         | (717)          |
| <b>Operating profit/(loss)</b>                                      | <b>1,377</b>  | <b>1,967</b>  | <b>(3,913)</b> |

## Segmental assets and cash flow

|                      | Non-current<br>assets <sup>1</sup><br>£m | Capital<br>expenditure <sup>2</sup><br>£m | Other<br>expenditure on<br>intangible assets<br>£m | Depreciation<br>and<br>amortisation<br>£m | Impairment loss<br>£m | Restated<br>Operating<br>free cash flow <sup>3</sup><br>£m |
|----------------------|--|---|--|---|-----------------------|--|
| <b>31 March 2016</b> |  |   |  |   |                       |  |
| Germany              | 22,306                                   | 1,737                                     | 1,501  | 2,443                                     | —                     | 651  |
| Italy                | 7,748                                    | 1,123                                     | 170  | 1,223                                     | —                     | 373  |
| UK                   | 7,508                                    | 890                                       | 103  | 1,393                                     | —                     | 265  |
| Spain                | 9,148                                    | 867                                       | 355  | 1,060                                     | —                     | (111)  |
| Other Europe         | 5,984                                    | 1,015                                     | 6  | 1,004                                     | 450                   | 409  |
| <b>Europe</b>        | <b>52,694</b>                            | <b>5,632</b>                              | <b>2,135</b>                                       | <b>7,123</b>                              | <b>450</b>            | <b>1,587</b>   |
| India                | 11,115                                   | 812                                       | 2,731  | 937                                       | —                     | 544  |
| Vodacom              | 4,183                                    | 621                                       | 17   | 530                                       | —                     | 792  |
| Other AMAP           | 5,381                                    | 864                                       | 593  | 859                                       | —                     | 385  |
| <b>AMAP</b>          | <b>20,679</b>                            | <b>2,297</b>                              | <b>3,341</b>                                       | <b>2,326</b>                              | <b>—</b>              | <b>1,721</b>   |
| Common Functions     | 1,477                                    | 670                                       | —  | 49  | —                     | (424)  |
| <b>Group</b>         | <b>74,850</b>                            | <b>8,599</b>                              | <b>5,476</b>                                       | <b>9,498</b>                              | <b>450</b>            | <b>2,884</b>   |
| <b>31 March 2015</b> |  |   |  |   |                       |  |
| Germany              | 19,521                                   | 2,003                                     | 3  | 2,574                                     | —                     | 992  |
| Italy                | 6,938                                    | 1,105                                     | 95   | 1,334                                     | —                     | 542  |
| UK                   | 7,759                                    | 980                                       | 15   | 1,363                                     | —                     | 185  |
| Spain                | 8,154                                    | 858                                       | —  | 954                                       | —                     | (30)   |
| Other Europe         | 8,189                                    | 1,083                                     | 193  | 1,017                                     | —                     | 541  |
| <b>Europe</b>        | <b>50,561</b>                            | <b>6,029</b>                              | <b>306</b>   | <b>7,242</b>                              | <b>—</b>              | <b>2,230</b>   |
| India                | 8,599                                    | 882                                       | 140  | 863                                       | —                     | 332  |
| Vodacom              | 4,712                                    | 745                                       | 2  | 566                                       | —                     | 762  |
| Other AMAP           | 4,915                                    | 919                                       | 35   | 900                                       | —                     | 398  |
| <b>AMAP</b>          | <b>18,226</b>                            | <b>2,546</b>                              | <b>177</b>   | <b>2,329</b>                              | <b>—</b>              | <b>1,492</b>   |
| Common Functions     | 1,306                                    | 622                                       | 1  | (6)                                       | —                     | (859)  |
| <b>Group</b>         | <b>70,093</b>                            | <b>9,197</b>                              | <b>484</b>   | <b>9,565</b>                              | <b>—</b>              | <b>2,863</b>   |
| <b>31 March 2014</b> |  |   |  |   |                       |  |
| Germany              | 22,780                                   | 1,312                                     | 3  | 2,036                                     | 4,900                 | 1,695  |
| Italy                | 7,984                                    | 180                                       | —  | 164                                       | —                     | 251  |
| UK                   | 8,031                                    | 932                                       | —  | 1,290                                     | —                     | 602  |
| Spain                | 3,653                                    | 511                                       | —  | 587                                       | 800                   | 254  |
| Other Europe         | 8,736                                    | 800                                       | 273  | 1,047                                     | 900                   | 978  |
| <b>Europe</b>        | <b>51,184</b>                            | <b>3,735</b>                              | <b>276</b>   | <b>5,124</b>                              | <b>6,600</b>          | <b>3,780</b>   |
| India                | 7,824                                    | 633                                       | 1,938  | 828                                       | —                     | 811  |
| Vodacom              | 4,560                                    | 663                                       | 3  | 593                                       | —                     | 1,174  |
| Other AMAP           | 4,850                                    | 711                                       | 11   | 932                                       | —                     | 605  |
| <b>AMAP</b>          | <b>17,234</b>                            | <b>2,007</b>                              | <b>1,952</b>                                       | <b>2,353</b>                              | <b>—</b>              | <b>2,590</b>   |
| Common Functions     | 1,121                                    | 571                                       | —  | 83  | —                     | 209  |
| <b>Group</b>         | <b>69,539</b>                            | <b>6,313</b>                              | <b>2,228</b>                                       | <b>7,560</b>                              | <b>6,600</b>          | <b>6,579</b>   |

Notes:

1 Comprises goodwill, other intangible assets and property, plant and equipment.

2 Includes additions to property, plant and equipment and computer software, reported within intangibles. Excludes licences and spectrum additions.

3 The Group's measure of segment cash flow is reconciled to the closest equivalent GAAP measure cash generated by operations, on page 191.

### 3. Operating profit/(loss)

Detailed below are the key amounts recognised in arriving at our operating profit/(loss)

|  | 2016<br>£m | 2015<br>£m | 2014<br>£m |
|--|------------|------------|------------|
| Net foreign exchange (gains)/losses  | (2)        | 8          | 16         |
| Depreciation of property, plant and equipment (note 11):   |            |            |            |
| Owned assets   | 5,189      | 5,002      | 3,990      |
| Leased assets  | 57         | 44         | 48         |
| Amortisation of intangible assets (note 10)  | 4,252      | 4,519      | 3,522      |
| Impairment of goodwill in subsidiaries, associates and joint arrangements (note 4)                     | 450        | —          | 6,600      |
| Staff costs (note 25)  | 4,411      | 4,194      | 3,875      |
| Operating lease rentals payable  | 2,315      | 2,303      | 2,153      |
| Loss on disposal of property, plant and equipment and intangible assets                                | 20         | 49         | 85         |
| Own costs capitalised attributable to the construction or acquisition of property, plant and equipment | (562)      | (547)      | (455)      |

The total remuneration of the Group's auditor, PricewaterhouseCoopers LLP and other member firms of PricewaterhouseCoopers International Limited, for services provided to the Group during the year ended 31 March 2016 is analysed below.

PricewaterhouseCoopers LLP was appointed as the Group's auditor for the year ended 31 March 2015. Accordingly, comparative figures in the table below for the year ended 31 March 2014 are in respect of remuneration paid to the Group's previous auditor, Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited.

|   | 2016<br>£m | 2015<br>£m | 2014<br>£m |
|---|------------|------------|------------|
| Parent company                          | 2          | 2          | 1          |
| Subsidiaries                            | 10         | 10         | 8          |
| <b>Audit fees:</b>                      | <b>12</b>  | <b>12</b>  | <b>9</b>   |
| Audit-related fees <sup>1</sup>         | 1          | 1          | 1          |
| Other assurance services <sup>2,3</sup> | —          | 1          | 3          |
| Tax fees <sup>3</sup>                   | —          | 2          | —          |
| <b>Non-audit fees:</b>                  | <b>1</b>   | <b>4</b>   | <b>4</b>   |
| <b>Total fees</b>                       | <b>13</b>  | <b>16</b>  | <b>13</b>  |

Notes:

1 Relates to fees for statutory and regulatory filings.

2 Amount for 2014 primarily arose from regulatory filings and shareholder documentation requirements in respect of the disposal of Verizon Wireless and the acquisition of the outstanding minority stake in Vodafone Italy.

3 At the time of the Board decision to recommend PricewaterhouseCoopers LLP as the statutory auditor for the year ended 31 March 2015 in February 2014, PricewaterhouseCoopers LLP were providing a range of services to the Group. All services that were prohibited by the Securities and Exchange Commission ('SEC') for a statutory auditor to provide, ceased by 31 March 2014. All engagements that are not prohibited by the SEC, but would not have met the Group's own internal approval policy for non-audit services, ceased by 30 June 2014 to enable a transition to alternative suppliers, where required. These services had a value of approximately £3 million through to completion and are included in the table above.

## 4. Impairment losses

Impairment occurs when the carrying value of assets is greater than the present value of the net cash flows they are expected to generate. We review the carrying value of assets for each country in which we operate at least annually. For further details of our impairment review process see “Critical accounting judgements and key sources of estimation uncertainty” in note 1 “Basis of preparation” to the consolidated financial statements.

### Accounting policies

#### Goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversible in subsequent periods.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The Group prepares and approves formal five year management plans for its operations, which are used in the value in use calculations. In certain developing markets the fifth year of the management plan may not be indicative of the long-term future performance as operations may not have reached maturity. For these operations, the Group may extend the plan data for an additional five year period.

#### Property, plant and equipment and finite lived intangible assets

At each reporting period date, the Group reviews the carrying amounts of its property, plant and equipment and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years and an impairment loss reversal is recognised immediately in the income statement.

## Impairment losses

Following our annual impairment review, the impairment charges recognised in the consolidated income statement within operating profit in respect of goodwill are stated below. The impairment losses were based on value in use calculations.

| Cash-generating unit | Reportable segment | 2016<br>€m | 2015<br>€m | 2014<br>€m   |
|----------------------|--------------------|------------|------------|--------------|
| Germany              | Germany            | —          | —          | 4,900        |
| Spain                | Spain              | —          | —          | 800          |
| Portugal             | Other Europe       | —          | —          | 500          |
| Czech Republic       | Other Europe       | —          | —          | 200          |
| Romania              | Other Europe       | 450        | —          | 200          |
|                      |                    | <b>450</b> | <b>—</b>   | <b>6,600</b> |

## Goodwill

The remaining carrying value of goodwill at 31 March was as follows:

|         | 2016<br>€m    | 2015<br>€m    |
|---------|---------------|---------------|
| Germany | 9,867         | 9,019         |
| Italy   | 2,889         | 2,641         |
| Spain   | 3,015         | 2,755         |
|         | <b>15,771</b> | <b>14,415</b> |
| Other   | 7,018         | 8,122         |
|         | <b>22,789</b> | <b>22,537</b> |



## Key assumptions used in the value in use calculations

The key assumptions used in determining the value in use are:

| Assumption                             | How determined  |
|--|---|
| Budgeted EBITDA                        | <p>Budgeted EBITDA has been based on past experience adjusted for the following:</p> <ul style="list-style-type: none"> <li>→ voice and messaging revenue is expected to benefit from increased usage from new customers, especially in emerging markets, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be offset by increased competitor activity, which may result in price declines, and the trend of falling termination and other regulated rates;</li> <li>→ non-messaging data revenue is expected to continue to grow as the penetration of 3G (plus 4G where available) enabled devices and smartphones rise along with higher data bundle attachment rates, and new products and services are introduced; and</li> <li>→ margins are expected to be impacted by negative factors such as the cost of acquiring and retaining customers in increasingly competitive markets and the expectation of further termination rate cuts by regulators and by positive factors such as the efficiencies expected from the implementation of Group initiatives.</li> </ul>  |
| Budgeted capital expenditure           | The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to roll out networks in emerging markets, to provide voice and data products and services and to meet the population coverage requirements of certain of the Group's licences. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.  |
| Budgeted licence and spectrum payments | The cash flow forecasts for licence and spectrum payments for each operating company for the initial five years include amounts for expected renewals and newly available spectrum. Beyond that period, a long-run cost of spectrum is assumed.   |
| Long-term growth rate                  | <p>For businesses where the five year management plans are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:</p> <ul style="list-style-type: none"> <li>→ the nominal GDP rates for the country of operation; and</li> <li>→ the long-term compound annual growth rate in EBITDA in years six to ten estimated by management.</li> </ul>   |
| Pre-tax risk adjusted discount rate    | <p>The discount rate applied to the cash flows of each of the Group's operations is generally based on the risk free rate for ten year bonds issued by the government in the respective market. Where government bond rates contain a material component of credit risk, high quality local corporate bond rates may be used.</p> <p>These rates are adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole.</p> <p>In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the Group's operations determined using an average of the betas of comparable listed mobile telecommunications companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration both studies by independent economists, the average equity market risk premium over the past ten years and the market risk premiums typically used by investment banks in evaluating acquisition proposals.</p> |

## Year ended 31 March 2016

During the year ended 31 March 2016 impairment charges of £450 million were recorded in respect of the Group's investments in Romania. The impairment charge relates solely to goodwill. The recoverable amount of Romania is £0.7 billion.

The impairment charges were driven by lower projected cash flows within the business plans resulting in our reassessment of expected future business performance in the light of the current trading environment.

The table below shows key assumptions used in the value in use calculations.

|   | Assumptions used in value in use calculation |              |            |
|---|--|--------------|------------|
|   | Romania<br>%                                 | Germany<br>% | Spain<br>% |
| Pre-tax risk adjusted discount rate       | 9.7  | 8.2          | 9.7        |
| Long-term growth rate                     | 1.0  | 0.5          | 1.5        |
| Budgeted EBITDA <sup>1</sup>              | (0.3)  | 3.1          | 8.8        |
| Budgeted capital expenditure <sup>2</sup> | 11.5–18.8                                    | 14.5–15.6    | 11.2–19.7  |

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure, which excludes licences and spectrum, is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

## Notes to the consolidated financial statements (continued)

### 4. Impairment losses (continued)

#### Sensitivity analysis

Other than as disclosed below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to materially exceed its recoverable amount.

The estimated recoverable amounts of the Group's operations in Romania, Germany and Spain are equal to, or not materially greater than, their carrying values; consequently, any adverse change in key assumptions would, in isolation, cause a further impairment loss to be recognised.

The estimated recoverable amounts of the Group's operations in Germany and Spain exceed their carrying values by £1.6 billion and £0.8 billion respectively.

|   | Change required for carrying value to equal the recoverable amount |              |
|---|--|--------------|
|   | Germany<br>pps   | Spain<br>pps |
| Pre-tax risk adjusted discount rate       | 0.5  | 0.6          |
| Long-term growth rate                     | (0.5)  | (0.8)        |
| Budgeted EBITDA <sup>1</sup>              | (0.9)  | (1.2)        |
| Budgeted capital expenditure <sup>2</sup> | 4.4  | 4.8          |

The changes in the following table to assumptions used in the impairment review would have, in isolation, led to an (increase)/decrease to the aggregate impairment loss recognised in the year ended 31 March 2016.

|   | Romania                 |                         |
|---|-------------------------|-------------------------|
|   | Increase by 2pps<br>£bn | Decrease by 2pps<br>£bn |
| Pre-tax risk adjusted discount rate       | (0.2)                   | 0.3                     |
| Long-term growth rate                     | 0.3                     | (0.1)                   |
| Budgeted EBITDA <sup>1</sup>              | 0.2                     | (0.2)                   |
| Budgeted capital expenditure <sup>2</sup> | —                       | —                       |

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure, which excludes licences and spectrum, is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

### Year ended 31 March 2015

During the year ended 31 March 2015, no impairment charges were recorded in respect of the Group's goodwill balances.

The table below shows key assumptions used in the value in use calculations.

|   | Assumptions used in value in use calculation |            |            |
|---|--|------------|------------|
|   | Germany<br>%                                 | Italy<br>% | Spain<br>% |
| Pre-tax risk adjusted discount rate       | 8.2  | 10.5       | 9.8        |
| Long-term growth rate                     | 0.5  | 1.0        | 1.5        |
| Budgeted EBITDA <sup>1</sup>              | 3.2  | 0.8        | 11.0       |
| Budgeted capital expenditure <sup>2</sup> | 11.6–21.7                                    | 12.5–25.6  | 11.5–23.3  |

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure, which excludes licences and spectrum, is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

#### Sensitivity analysis

Other than as disclosed below, management believed that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to materially exceed its recoverable amount.

The estimated recoverable amounts of the Group's operations in Germany, Italy and Spain exceeded their carrying values by £2.2 billion, £1.3 billion and £0.3 billion respectively.

|   | Change required for carrying value to equal the recoverable amount |              |              |
|---|--|--------------|--------------|
|   | Germany<br>pps   | Italy<br>pps | Spain<br>pps |
| Pre-tax risk adjusted discount rate       | 0.8  | 1.6          | 0.3          |
| Long-term growth rate                     | (0.9)  | (1.8)        | (0.3)        |
| Budgeted EBITDA <sup>1</sup>              | (7.3)  | (7.5)        | (2.6)        |
| Budgeted capital expenditure <sup>2</sup> | 2.1  | 2.9          | 0.7          |

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure, which excludes licences and spectrum, is expressed as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

## Year ended 31 March 2014

During the year ended 31 March 2014 impairment charges of £4,900 million, £800 million, £500 million, £200 million and £200 million were recorded in respect of the Group's investments in Germany, Spain, Portugal, Czech Republic and Romania respectively. The impairment charges related solely to goodwill. The recoverable amounts of Germany, Spain, Portugal, Czech Republic and Romania were £23.0 billion, £3.3 billion, £1.3 billion, £0.6 billion and £1.2 billion respectively.

The impairment charges were driven by lower projected cash flows within the business plans resulting in our reassessment of expected future business performance in the light of current trading and economic conditions.

The table below shows key assumptions used in the value in use calculations.

|   | Assumptions used in value in use calculation |           |          |            |                  |           |          |
|---|--|-----------|----------|------------|------------------|-----------|----------|
|   | Germany %                                    | Italy %   | Spain %  | Portugal % | Czech Republic % | Romania % | Greece % |
| Pre-tax risk adjusted discount rate       | 7.7  | 10.5      | 9.9      | 11.1       | 8.0              | 11.0      | 24.3     |
| Long-term growth rate                     | 0.5  | 1.0       | 1.9      | 1.5        | 0.8              | 1.0       | 1.0      |
| Budgeted EBITDA <sup>1</sup>              | 2.8  | (2.2)     | (0.7)    | (0.8)      | (0.6)            | 1.7       | 4.7      |
| Budgeted capital expenditure <sup>2</sup> | 12.5–21.7                                    | 11.1–25.5 | 9.0–23.5 | 11.0–28.3  | 15.9–21.2        | 10.5–17.3 | 7.6–12.2 |

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure, which excludes licences and spectrum, is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

### Sensitivity analysis

Other than as disclosed below, management believed that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to exceed its recoverable amount.

The estimated recoverable amounts of the Group's operations in Germany, Italy, Spain, Portugal, Czech Republic, Romania and Greece were equal to, or not materially greater than, their carrying values; consequently, any adverse change in key assumptions would, in isolation, have caused a further impairment loss to be recognised.

The changes in the following table to assumptions used in the impairment review would, in isolation, have led to an (increase)/decrease to the aggregate impairment loss recognised in the year ended 31 March 2014.

|   | Germany              |                      | Spain                |                      | Portugal             |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | Increase by 2pps £bn | Decrease by 2pps £bn | Increase by 2pps £bn | Decrease by 2pps £bn | Increase by 2pps £bn | Decrease by 2pps £bn |
| Pre-tax risk adjusted discount rate       | (7.1)                | 4.9                  | (0.9)                | 0.8                  | (0.3)                | 0.4                  |
| Long-term growth rate                     | 4.9                  | (5.2)                | 0.8                  | (0.8)                | 0.4                  | (0.2)                |
| Budgeted EBITDA <sup>1</sup>              | 0.8                  | (0.8)                | 0.2                  | (0.2)                | 0.1                  | (0.1)                |
| Budgeted capital expenditure <sup>2</sup> | (2.4)                | 2.4                  | (0.8)                | 0.8                  | (0.2)                | 0.2                  |

|   | Czech Republic       |                      | Romania              |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | Increase by 2pps £bn | Decrease by 2pps £bn | Increase by 2pps £bn | Decrease by 2pps £bn |
| Pre-tax risk adjusted discount rate       | (0.2)                | 0.2                  | (0.2)                | 0.2                  |
| Long-term growth rate                     | 0.2                  | (0.2)                | 0.2                  | (0.2)                |
| Budgeted EBITDA <sup>1</sup>              | —                    | —                    | 0.1                  | (0.1)                |
| Budgeted capital expenditure <sup>2</sup> | —                    | —                    | —                    | —                    |

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

## 5. Investment income and financing costs

Investment income comprises interest received from short-term investments, bank deposits, government bonds and results from foreign exchange contracts which are used to hedge net debt. Financing costs mainly arise from interest due on bonds and commercial paper issued, bank loans and the results of hedging transactions used to manage foreign exchange and interest rate movements.

|   | 2016<br>£m   | 2015<br>£m   | 2014<br>£m   |
|---|--------------|--------------|--------------|
| <b>Investment income:</b>   |              |              |              |
| Available-for-sale investments:                                   |              |              |              |
| Dividends received  | —            | —            | 10           |
| Loans and receivables at amortised cost                           | 293          | 324          | 184          |
| Fair value through the income statement (held for trading):       |              |              |              |
| Derivatives – foreign exchange contracts                          | —            | —            | 82           |
| Other <sup>1</sup>  | 7            | 559          | 70           |
|   | <b>300</b>   | <b>883</b>   | <b>346</b>   |
| <b>Financing costs:</b>   |              |              |              |
| Items in hedge relationships:                                     |              |              |              |
| Other loans   | 171          | 245          | 265          |
| Interest rate and cross currency interest rate swaps              | (96)         | (123)        | (196)        |
| Fair value hedging instrument                                     | (106)        | (461)        | 386          |
| Fair value of hedged item   | 125          | 418          | (363)        |
| Other financial liabilities held at amortised cost:               |              |              |              |
| Bank loans and overdrafts <sup>2</sup>                            | 669          | 842          | 557          |
| Bonds and other loans <sup>3</sup>                                | 767          | 677          | 770          |
| Interest charge/(credit) on settlement of tax issues <sup>4</sup> | 15           | (4)          | (15)         |
| Equity put rights and similar arrangements <sup>5</sup>           | —            | 11           | 143          |
| Fair value through the income statement (held for trading):       |              |              |              |
| Derivatives – forward starting swaps and futures                  | 146          | 131          | 1            |
| Other <sup>1</sup>  | 433          | —            | 6            |
|   | <b>2,124</b> | <b>1,736</b> | <b>1,554</b> |
| <b>Net financing costs</b>  | <b>1,824</b> | <b>853</b>   | <b>1,208</b> |

## Notes:

- Amounts for 2016 include net foreign exchange losses of £433 million (2015: £526 million gain; 2014: £21 million gain) arising from net foreign exchange movements on certain intercompany balances.
- The Group capitalised £179 million of interest expense in the year (2015: £142 million; 2014: £3 million) predominantly in relation to interest on India spectrum licence debt with a capitalisation rate of 10% (2015: 10%).
- Amounts for 2016 include net foreign exchange losses of £293 million (2015: £250 million; 2014: £201 million).
- Amounts for 2016 include an increase in provision for potential interest on tax issues. Amounts for 2015 and 2014 includes reductions of the provision for potential interest on tax issues.
- Includes amounts in relation to the Group's arrangements with its non-controlling interests.

## 6. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note also provides information on our expected future tax charges and sets out the tax assets held across the Group together with our view on whether or not we expect to be able to make use of these in the future.

### Accounting policies

Income tax expense represents the sum of the current and deferred taxes.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using UK and foreign tax rates and laws that have been enacted or substantively enacted by the reporting period date.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of non-tax deductible goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in the Group's assessment that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognised in other comprehensive income or in equity.

### Income tax expense

|  | 2016<br>£m   | 2015<br>£m     | 2014<br>£m      |
|--|--------------|----------------|-----------------|
| United Kingdom corporation tax income/(expense):                   |              |                |                 |
| Current year <sup>1</sup>  | (94)         | —              | —               |
| Adjustments in respect of prior years                              | 49           | 11             | 17              |
|  | <b>(45)</b>  | <b>11</b>      | <b>17</b>       |
| Overseas current tax expense:                                      |              |                |                 |
| Current year   | 609          | 846            | 3,114           |
| Adjustments in respect of prior years                              | (329)        | (149)          | (25)            |
|  | <b>280</b>   | <b>697</b>     | <b>3,089</b>    |
| <b>Total current tax expense</b>                                   | <b>235</b>   | <b>708</b>     | <b>3,106</b>    |
| Deferred tax on origination and reversal of temporary differences: |              |                |                 |
| United Kingdom deferred tax  | (20)         | (39)           | 57              |
| Overseas deferred tax  | 3,154        | (5,434)        | (19,745)        |
| <b>Total deferred tax expense/(income)</b>                         | <b>3,134</b> | <b>(5,473)</b> | <b>(19,688)</b> |
| <b>Total income tax expense/(income)<sup>2</sup></b>               | <b>3,369</b> | <b>(4,765)</b> | <b>(16,582)</b> |

Notes:

1 Relates to a claim under international conventions for the avoidance of double taxation.

2 The income statement tax charge includes tax relief on capitalised interest.

UK operating profits are more than offset by statutory allowances for capital investment in the UK network and systems plus ongoing interest costs including those arising from the £6.8 billion of spectrum payments to the UK Government in 2000 and 2013.

**6. Taxation (continued)****Tax on discontinued operations**

|   | 2016<br>£m | 2015<br>£m  | 2014<br>£m   |
|---|------------|-------------|--------------|
| Tax (credit)/charge on profit from ordinary activities of discontinued operations | —          | (57)        | 1,709        |
| <b>Total tax (credit)/charge on discontinued operations</b>                       | <b>—</b>   | <b>(57)</b> | <b>1,709</b> |

**Tax (credited)/charged directly to other comprehensive income**

|  | 2016<br>£m | 2015<br>£m   | 2014<br>£m |
|--|------------|--------------|------------|
| Current tax  | (58)       | 2            | —          |
| Deferred tax   | 218        | (267)        | 23         |
| <b>Total tax charged/(credited) directly to other comprehensive income</b> | <b>160</b> | <b>(265)</b> | <b>23</b>  |

**Tax (credited)/charged directly to equity**

|  | 2016<br>£m | 2015<br>£m | 2014<br>£m |
|--|------------|------------|------------|
| Current tax  | (5)        | (4)        | 12         |
| Deferred tax   | 2          | (3)        | —          |
| <b>Total tax (credited)/charged directly to equity</b> | <b>(3)</b> | <b>(7)</b> | <b>12</b>  |

**Factors affecting the tax expense for the year**

The table below explains the differences between the expected tax expense at the UK statutory tax rate of 20% (2015: 21% and 2014: 23%), and the Group's total tax expense for each year.

|   | 2016<br>£m   | 2015<br>£m     | 2014<br>£m      |
|---|--------------|----------------|-----------------|
| <b>Continuing (loss)/profit before tax as shown in the consolidated income statement</b>                    | <b>(449)</b> | <b>1,095</b>   | <b>(5,270)</b>  |
| Expected income tax (income)/expense at UK statutory tax rate   | (90)         | 230            | (1,212)         |
| Effect of different statutory tax rates of overseas jurisdictions   | 142          | 138            | (328)           |
| Impairment losses with no tax effect  | 90           | —              | 1,958           |
| Disposal of Group investments   | —            | —              | 211             |
| Effect of taxation of associates and joint ventures, reported within profit before tax                      | 21           | 25             | 61              |
| Derecognition/(recognition) of deferred tax assets for losses including Luxembourg and Germany <sup>1</sup> | 1,001        | (3,341)        | (19,318)        |
| Deferred tax charge/(credit) following revaluation of investments in Luxembourg <sup>1</sup>                | 2,277        | (2,127)        | —               |
| Tax charge on rationalisation and re-organisation of non-US assets prior to VZW disposal <sup>2</sup>       | —            | —              | 1,365           |
| Previously unrecognised temporary differences we expect to use in the future                                | —            | (40)           | (164)           |
| Previously unrecognised temporary differences we used in the year   | (6)          | —              | —               |
| Current year temporary differences (including losses) that we currently do not expect to use                | 119          | 342            | 215             |
| Adjustments in respect of prior year tax liabilities  | (32)         | (245)          | (43)            |
| Restructuring and simplification of our Indian business   | (340)        | —              | —               |
| Impact of tax credits and irrecoverable taxes   | (43)         | 66             | 37              |
| Deferred tax on overseas earnings   | 14           | 38             | 4               |
| Effect of current year changes in statutory tax rates on deferred tax balances                              | 72           | 118            | 158             |
| Expenses not deductible for tax purposes  | 248          | 148            | 210             |
| Tax on income derived from discontinued operations  | —            | —              | 418             |
| Exclude taxation of associates and joint ventures   | (104)        | (117)          | (154)           |
| <b>Income tax expense/(income)</b>  | <b>3,369</b> | <b>(4,765)</b> | <b>(16,582)</b> |

Notes:

1 See commentary regarding deferred tax asset recognition in Luxembourg and Germany on page 108.

2 Amounts for 2014 include the US tax charge of £2,210 million on the rationalisation and reorganisation of non-US assets prior to the disposal of our interest in Verizon Wireless.



## Deferred tax

Analysis of movements in the net deferred tax balance during the year:

|   | £m            |
|---|---------------|
| 1 April 2015  | 23,250        |
| Exchange movements                                      | 2,043         |
| Charged to the income statement (continuing operations) | (3,134)       |
| Charged directly to OCI                                 | (218)         |
| Charged directly to equity                              | (2)           |
| Reclassifications                                       | 8             |
| Arising on acquisition and disposals                    | (11)          |
| <b>31 March 2016</b>                                    | <b>21,936</b> |

Deferred tax assets and liabilities, before offset of balances within countries, are as follows:

|                                   | Amount<br>(charged)/<br>credited<br>in income<br>statement<br>£m | Gross<br>deferred<br>tax asset<br>£m | Gross<br>deferred tax<br>liability<br>£m | Less<br>amounts<br>unrecognised <sup>1</sup><br>£m | Net<br>recognised<br>deferred tax<br>(liability)/<br>asset<br>£m |
|-----------------------------------|--|--------------------------------------|--|--|--|
| Accelerated tax depreciation      | 243  | 1,264                                | (1,309)                                  | (37)   | (82)   |
| Intangible assets                 | 27   | 67                                   | (1,610)                                  | 12   | (1,531)  |
| Tax losses                        | (3,588)  | 26,929                               | —  | (4,828)  | 22,101   |
| Deferred tax on overseas earnings | (14)   | —                                    | (53)                                     | —  | (53)   |
| Other temporary differences       | 198  | 1,818                                | (98)                                     | (219)  | 1,501  |
| <b>31 March 2016</b>              | <b>(3,134)</b>   | <b>30,078</b>                        | <b>(3,070)</b>                           | <b>(5,072)</b>                                     | <b>21,936</b>  |

Note:

1 Other unrecognised temporary differences include £141 million relating to Minimum Alternative Tax credits in India, of which £47 million expire within 0–5 years and £94 million expire within 6–10 years.

Deferred tax assets and liabilities are analysed in the statement of financial position, after offset of balances within countries, as follows:

|                        | £m            |
|------------------------|---------------|
| Deferred tax asset     | 22,382        |
| Deferred tax liability | (446)         |
| <b>31 March 2016</b>   | <b>21,936</b> |

At 31 March 2015, deferred tax assets and liabilities, before offset of balances within countries, were as follows:

|                                   | Amount<br>credited/<br>(charged)<br>in income<br>statement<br>£m | Gross<br>deferred<br>tax asset<br>£m | Gross<br>deferred tax<br>liability<br>£m | Less<br>amounts<br>unrecognised<br>£m | Net<br>recognised<br>deferred tax<br>(liability)/<br>asset<br>£m |
|-----------------------------------|--|--------------------------------------|--|---------------------------------------|--|
| Accelerated tax depreciation      | 382  | 1,183                                | (1,355)                                  | (61)                                  | (233)  |
| Intangible assets                 | 195  | 107                                  | (1,704)                                  | 13                                    | (1,584)  |
| Tax losses                        | 4,866  | 28,080                               | —  | (4,430)                               | 23,650   |
| Deferred tax on overseas earnings | (38)   | —                                    | (40)                                     | —                                     | (40)   |
| Other temporary differences       | 68   | 1,695                                | (94)                                     | (144)                                 | 1,457  |
| <b>31 March 2015</b>              | <b>5,473</b>   | <b>31,065</b>                        | <b>(3,193)</b>                           | <b>(4,622)</b>                        | <b>23,250</b>  |

At 31 March 2015 deferred tax assets and liabilities were analysed in the statement of financial position, after offset of balances within countries, as follows:

|                        | £m            |
|------------------------|---------------|
| Deferred tax asset     | 23,845        |
| Deferred tax liability | (595)         |
| <b>31 March 2015</b>   | <b>23,250</b> |

## Factors affecting the tax charge in future years

The Group's future tax charge, and effective tax rate, could be affected by several factors including; tax reform in countries around the world, including any arising from the implementation of the OECD's BEPS actions and European Commission initiatives such as the proposed anti-tax avoidance directive, tax and financial reporting directive or as a consequence of state aid investigations, future corporate acquisitions and disposals, any restructuring of our businesses and the resolution of open tax issues (see below).

The Group is routinely subject to audit by tax authorities in the territories in which it operates and, specifically, in India these are usually resolved through the Indian legal system. We consider each issue on its merits and, where appropriate, hold provisions in respect of the potential tax liability that may arise. However, the amount ultimately paid may differ materially from the amount accrued and could therefore affect the Group's overall profitability and cash flows in future periods. See note 30 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

## Notes to the consolidated financial statements (continued)

### 6. Taxation (continued)

At 31 March 2016, the gross amount and expiry dates of losses available for carry forward are as follows:

|   | Expiring within 5 years<br>€m | Expiring within 6–10 years<br>€m | Unlimited<br>€m | Total<br>€m    |
|---|-------------------------------|----------------------------------|-----------------|----------------|
| Losses for which a deferred tax asset is recognised | 56                            | 44                               | 82,630          | 82,730         |
| Losses for which no deferred tax is recognised      | 278                           | 51                               | 18,887          | 19,216         |
|   | <b>334</b>                    | <b>95</b>                        | <b>101,517</b>  | <b>101,946</b> |

At 31 March 2015, the gross amount and expiry dates of losses available for carry forward were as follows:

|   | Expiring within 5 years<br>€m | Expiring within 6–10 years<br>€m | Unlimited<br>€m | Total<br>€m    |
|---|-------------------------------|----------------------------------|-----------------|----------------|
| Losses for which a deferred tax asset is recognised | 104                           | 64                               | 87,246          | 87,414         |
| Losses for which no deferred tax is recognised      | 1,124                         | 543                              | 16,084          | 17,751         |
|   | <b>1,228</b>                  | <b>607</b>                       | <b>103,330</b>  | <b>105,165</b> |

#### Deferred tax assets on losses in Luxembourg

Included in the table above are losses of €64,186 million (2015: €70,576 million) that have arisen in Luxembourg companies, principally as a result of revaluations of those companies' investments for local GAAP purposes. These losses do not expire.

A deferred tax asset of €18,931 million (2015: €20,755 million) has been recognised in respect of these losses as we conclude it is probable that the Luxembourg entities will continue to generate taxable profits in the future against which we can utilise these losses. The Luxembourg companies' income is derived from the Group's internal financing and procurement and roaming activities. The Group has reviewed the latest forecasts for the Luxembourg companies, including their ability to continue to generate income beyond the forecast period under the tax laws substantively enacted at the balance sheet date. The assessment also considered whether the structure of the Group would continue to allow the generation of taxable income. Based on this the Group concludes that it is probable that the Luxembourg companies will continue to generate taxable income in the future.

Based on the current forecasts the losses will be fully utilised over the next 50 to 60 years. A 5%–10% change in the forecast income in Luxembourg would change the period over which the losses will be fully utilised by 2–6 years. Any future changes in tax law or the structure of the Group could have a significant effect on the use of losses, including the period over which the losses are utilised. In February 2016 the Luxembourg Government announced their intention to reduce the corporate tax rate (including municipal business tax) to 27.1% for the year ending 31 March 2017 and 26.1% for the year ending 31 March 2018. The announced decrease in the corporate tax rate would reduce the value of our deferred tax assets by approximately €2.1 billion.

During the current year we utilised €2,277 million of our deferred tax asset as a result of the revaluation of investments based upon the local GAAP financial statements at 31 March 2016 (2015: recognition of an additional asset of €2,127 million). The revaluation of investments for local GAAP purposes, which are based on the Group's value in use calculations, can give rise to impairments or the reversal of previous impairments. These can result in a significant change to our deferred tax assets and the period over which these assets will be utilised.

During the year the Group de-recognised a deferred tax asset of €930 million relating to losses in Luxembourg as a result of the absence of complete clarity on the tax treatment of certain revaluations of investments for Luxembourg GAAP purposes, combined with the length of time which would be likely to elapse before these losses would be utilised. We also have €7,642 million (2015: €7,642 million) of Luxembourg losses in a former Cable & Wireless Worldwide Group company, for which no deferred tax asset has been recognised as it is uncertain whether these losses will be utilised.

#### Deferred tax assets on losses in Germany

The Group has tax losses of €14,597 million (2015: €13,600 million) in Germany arising on the write down of investments in Germany in 2000. The losses are available to use against both German federal and trade tax liabilities and they do not expire.

A deferred tax asset of €2,260 million (2015: €2,086 million) has been recognised in respect of these losses as we conclude it is probable that the German business will continue to generate taxable profits in the future against which we can utilise these losses. The Group has reviewed the latest forecasts for the German business which incorporate the unsystematic risks of operating in the telecommunications business (see pages 22 to 28). In the period beyond the 5 year forecast we have reviewed the profits inherent in the terminal period and based on these and our expectations for the German business we believe it is probable the German losses will be fully utilised.

Based on the current forecasts the losses will be fully utilised over the next 10 to 15 years. A 5%–10% change in the forecast profits of the German business would change the period over which the losses will be fully utilised by one year.

#### Deferred tax assets on losses in Spain

During the 2015 year end, the Group acquired Grupo Corporativo Ono S.A. which had tax losses of €2,375 million in Spain and which are available to offset against the future profits of the Spanish business. The losses do not expire.

A deferred tax asset of €673 million (2015: €603 million) has been recognised in respect of Ono's losses as we conclude it is probable that the Spanish business will continue to generate taxable profits in the future against which we can utilise these losses. The Group has reviewed the latest forecasts for the Spanish business which incorporate the unsystematic risks of operating in the telecommunications business (see pages 22 to 28). In the period beyond the 5 year forecast we have reviewed the profits inherent in the value in use calculations and based on these and our expectations for the Spanish business we believe it is probable the losses will be fully utilised.

Based on the current forecasts the losses will be fully utilised over the next 8 to 10 years. A 5%–10% change in the forecast profits of the Spanish business would not significantly alter the utilisation period.

### Other tax losses

The Group has losses amounting to £6,724 million (2015: £6,735 million) in respect of UK subsidiaries which are only available for offset against future capital gains and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised, in line with the prior year. The remaining losses relate to a number of other jurisdictions across the Group. There are also £384 million (2015: £310 million) of unrecognised other temporary differences.

The Group holds a deferred tax liability of £53 million (2015: £40 million) in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint ventures were to be realised after the balance sheet date (see table above).

No deferred tax liability has been recognised in respect of a further £14,106 million (2015: £14,925 million) of unremitted earnings of subsidiaries, associates and joint ventures because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.

## 7. Discontinued operations and assets held for sale

### Discontinued operations

On 21 February 2014 we completed the sale of our US group whose principal asset was its 45% interest in Verizon Wireless. The results of these discontinued operations are detailed below.

#### Income statement and segment analysis of discontinued operations

|   | 2016<br>£m | 2015<br>£m | 2014<br>£m   |
|---|------------|------------|--------------|
| Share of result in associates                               | —          | —          | 3,191        |
| Net financing income  | —          | —          | 27           |
| <b>Profit before taxation</b>                               | <b>—</b>   | <b>—</b>   | <b>3,218</b> |
| Taxation relating to performance of discontinued operations | —          | 57         | (1,709)      |
| <b>Post-tax profit from discontinued operations</b>         | <b>—</b>   | <b>57</b>  | <b>1,509</b> |

#### Gain on disposal of discontinued operations

|  | 2016<br>£m | 2015<br>£m | 2014<br>£m    |
|--|------------|------------|---------------|
| <b>Gain on disposal of discontinued operations before taxation (see note 28)</b> | <b>—</b>   | <b>—</b>   | <b>44,996</b> |
| Other items arising from the disposal <sup>1</sup>                               | —          | —          | 1,603         |
| <b>Net gain on disposal of discontinued operations</b>                           | <b>—</b>   | <b>—</b>   | <b>46,599</b> |

Note:

1 Includes dividends received from Verizon Wireless after the date of the announcement of the disposal.

#### Profit for the financial year from discontinued operations

|   | 2016<br>£m | 2015<br>£m | 2014<br>£m    |
|---|------------|------------|---------------|
| Profit for the financial year from discontinued operations        | —          | 57         | 1,509         |
| Net gain on disposal of discontinued operations                   | —          | —          | 46,599        |
| <b>Profit for the financial year from discontinued operations</b> | <b>—</b>   | <b>57</b>  | <b>48,108</b> |

#### Earnings per share from discontinued operations

|           | 2016<br>Pence per share | 2015<br>Pence per share | 2014<br>Pence per share |
|-----------|-------------------------|-------------------------|-------------------------|
| — Basic   | —                       | 0.22p                   | 181.74p                 |
| — Diluted | —                       | 0.21p                   | 180.30p                 |

#### Total comprehensive income for the financial year from discontinued operations

|   | 2016<br>£m | 2015<br>£m | 2014<br>£m    |
|---|------------|------------|---------------|
| <b>Attributable to owners of the parent</b> | <b>—</b>   | <b>57</b>  | <b>48,108</b> |

#### Cash flows from discontinued operations<sup>1</sup>

|   | 2016<br>£m | 2015<br>£m | 2014<br>£m  |
|---|------------|------------|-------------|
| Net cash flows from operating activities                          | —          | —          | (2,617)     |
| Net cash flows from investing activities                          | —          | —          | 4,830       |
| Net cash flows from financing activities                          | —          | —          | (2,225)     |
| <b>Net decrease in cash and cash equivalents</b>                  | <b>—</b>   | <b>—</b>   | <b>(12)</b> |
| Cash and cash equivalents at the beginning of the financial year  | —          | —          | —           |
| Exchange gain on cash and cash equivalents                        | —          | —          | 12          |
| <b>Cash and cash equivalents at the end of the financial year</b> | <b>—</b>   | <b>—</b>   | <b>—</b>    |

Note:

1 During the year ended 31 March 2015, the Group received a final tax distribution from Verizon Wireless of £359 million and a taxation refund of £84 million in relation to our disposed US Group.

**7. Discontinued operations and assets held for sale (continued)****Assets held for sale**

On 15 February 2016 the Group agreed with Liberty Global Europe Holding B.V. to merge operations in the Netherlands as a 50:50 joint venture. As a part of the agreement, Vodafone agreed to pay cash consideration totalling €1 billion to equalise ownership in the joint venture.

Assets and liabilities relating to our operations in the Netherlands have been classed as held for sale on the Statement of Financial Position. The relevant assets and liabilities are detailed in the table below.

**Assets and liabilities held for sale**

|  | 2016<br>€m   |
|--|--------------|
| <b>Non-current assets</b>              |              |
| Goodwill                               | 680          |
| Other intangible assets                | 1,099        |
| Plant, property and equipment          | 847          |
| Trade and other receivables            | 27           |
|  | <b>2,653</b> |
| <b>Current assets</b>                  |              |
| Inventory                              | 25           |
| Taxation recoverable                   | 6            |
| Trade and other receivables            | 193          |
| Cash and cash equivalents              | 14           |
|  | <b>238</b>   |
| <b>Total assets held for sale</b>      | <b>2,891</b> |
| <b>Non-current liabilities</b>         |              |
| Deferred tax liabilities               | 6            |
| Provisions for liabilities and charges | 14           |
|  | <b>20</b>    |
| <b>Current liabilities</b>             |              |
| Provisions for liabilities and charges | 4            |
| Trade and other payables               | 322          |
|  | <b>326</b>   |
| <b>Total liabilities held for sale</b> | <b>346</b>   |

## 8. Earnings per share

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

|  | 2016<br>Millions | 2015<br>Millions | 2014<br>Millions |
|--|------------------|------------------|------------------|
| Weighted average number of shares for basic earnings per share           | 26,692           | 26,489           | 26,472           |
| Effect of dilutive potential shares: restricted shares and share options | —                | 140              | 210              |
| <b>Weighted average number of shares for diluted earnings per share</b>  | <b>26,692</b>    | <b>26,629</b>    | <b>26,682</b>    |
|  |                  |                  |                  |
|  | 2016<br>£m       | 2015<br>£m       | 2014<br>£m       |
| <b>(Loss)/earnings for basic and diluted earnings per share</b>          | <b>(4,024)</b>   | <b>5,761</b>     | <b>59,254</b>    |
|  |                  |                  |                  |
| Basic (loss)/earnings per share  | (15.08)p         | 21.75p           | 223.84p          |
| Diluted (loss)/earnings per share  | (15.08)p         | 21.63p           | 222.07p          |

On 19 February 2014, we announced a “6 for 11” share consolidation effective 24 February 2014. This had the effect of reducing the number of shares in issue from 52,821,751,216 ordinary shares (including 4,351,833,492 ordinary shares held in Treasury) as at the close of business on 18 February 2014 to 28,811,864,298 new ordinary shares in issue immediately after the share consolidation on 24 February 2014.

## 9. Equity dividends

Dividends are one type of shareholder return, historically paid to our shareholders in February and August.

|   | 2016<br>£m   | 2015<br>£m   | 2014<br>£m    |
|---|--------------|--------------|---------------|
| <b>Declared during the financial year:</b>  |              |              |               |
| Final dividend for the year ended 31 March 2015: 7.62 pence per share<br>(2014: 7.47 pence per share, 2013: 6.92 pence per share)   | 2,020        | 1,975        | 3,365         |
| Interim dividend for the year ended 31 March 2016: 3.68 pence per share<br>(2015: 3.60 pence per share, 2014: 3.53 pence per share) | 978          | 955          | 1,711         |
| Special dividend for the year ended 31 March 2016: nil<br>(2015: nil, 2014: 172.94 US cents per share — see below)                  | —            | —            | 35,490        |
|   | <b>2,998</b> | <b>2,930</b> | <b>40,566</b> |
| <b>Proposed after the end of the reporting period and not recognised as a liability:</b>  |              |              |               |
| Final dividend for the year ended 31 March 2016: 7.77 pence per share<br>(2015: 7.62 pence per share, 2014: 7.47 pence per share)   | 2,064        | 2,020        | 1,975         |

On 2 September 2013 Vodafone announced that it had reached agreement to dispose of its US group whose principal asset was its 45% interest in Verizon Wireless (‘VZW’) to Verizon Communications Inc. (‘Verizon’), for a total consideration of US\$130 billion (£79 billion).

At a General Meeting of the Company on 28 January 2014, shareholders approved the transactions and following completion on 21 February 2014, Vodafone shareholders received all of the Verizon shares and US\$23.9 billion (£14.3 billion) of cash (the ‘Return of Value’) totalling US\$85.2 billion (£51.0 billion).

The Return of Value was carried out in the form of a B share scheme pursuant to a Court-approved scheme of arrangement and associated reduction of capital (the ‘Scheme’). The Scheme provided shareholders (other than shareholders in the United States and certain other jurisdictions) with the flexibility to receive their proceeds as either an income or capital return. Under the Scheme, Vodafone shareholders were issued unlisted, non-voting bonus shares, which were shortly thereafter either cancelled in consideration of the relevant amount of Verizon shares and cash or the holders received the relevant amount of Verizon shares and cash in satisfaction of a special distribution on the bonus shares, depending on shareholder elections and subject to applicable securities laws.

## 10. Intangible assets

Our statement of financial position contains significant intangible assets, mainly in relation to goodwill and licences and spectrum. Goodwill, which arises when we acquire a business and pay a higher amount than the fair value of its net assets primarily due to the synergies we expect to create, is not amortised but is subject to annual impairment reviews. Licences and spectrum are amortised over the life of the licence. For further details see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

### Accounting policies

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured.

#### Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment or whenever there is evidence that it may be required. Goodwill is denominated in the currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Goodwill arising before the date of transition to IFRS, on 1 April 2004, has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

#### Finite lived intangible assets

Intangible assets with finite lives are stated at acquisition or development cost, less accumulated amortisation. The amortisation period and method is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

#### Licence and spectrum fees

Amortisation periods for licence and spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives from the commencement of related network services.

#### Computer software

Computer software comprises computer software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and directly attributable overheads.

Software integral to an item of hardware equipment is classified as property, plant and equipment.

Costs associated with maintaining computer software programs are recognised as an expense when they are incurred.

Internally developed software is recognised only if all of the following conditions are met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life from the date the software is available for use.

#### Other intangible assets

Other intangible assets, including brands and customer bases, are recorded at fair value at the date of acquisition. Amortisation is charged to the income statement, over the estimated useful lives of intangible assets from the date they are available for use, on a straight-line basis, with the exception of customer relationships which are amortised on a sum of digits basis. The amortisation basis adopted for each class of intangible asset reflects the Group's consumption of the economic benefit from that asset.

### Estimated useful lives

The estimated useful lives of finite lived intangible assets are as follows:

|                             |            |
|-----------------------------|------------|
| → Licence and spectrum fees | 3–25 years |
| → Computer software         | 3–5 years  |
| → Brands                    | 1–10 years |
| → Customer bases            | 2–10 years |

|  | Goodwill<br>£m | Licences and<br>spectrum<br>£m | Computer<br>software<br>£m | Other<br>£m  | Total<br>£m    |
|--|----------------|--------------------------------|----------------------------|--------------|----------------|
| <b>Cost:</b>   |                |                                |                            |              |                |
| 1 April 2014   | 77,121         | 30,592                         | 10,212                     | 5,332        | 123,257        |
| Exchange movements                                     | (8,756)        | (1,235)                        | (1,036)                    | (542)        | (11,569)       |
| Arising on acquisition                                 | 1,634          | –                              | 48                         | 905          | 2,587          |
| Additions  | –              | 467                            | 1,844                      | 17           | 2,328          |
| Disposals  | –              | –                              | (464)                      | (12)         | (476)          |
| Other  | –              | (20)                           | 11                         | –            | (9)            |
| <b>31 March 2015</b>                                   | <b>69,999</b>  | <b>29,804</b>                  | <b>10,615</b>              | <b>5,700</b> | <b>116,118</b> |
| Exchange movements                                     | 5,443          | 1,136                          | 688                        | 162          | 7,429          |
| Arising on acquisition                                 | 17             | –                              | 5                          | 27           | 49             |
| Additions  | –              | 5,474                          | 1,850                      | 10           | 7,334          |
| Disposal   | –              | (2,362) <sup>1</sup>           | (445)                      | (2)          | (2,809)        |
| Transfer of assets held for resale                     | (680)          | (1,654)                        | (374)                      | (9)          | (2,717)        |
| Other  | –              | –                              | 98                         | –            | 98             |
| <b>31 March 2016</b>                                   | <b>74,779</b>  | <b>32,398</b>                  | <b>12,437</b>              | <b>5,888</b> | <b>125,502</b> |
| <b>Accumulated impairment losses and amortisation:</b> |                |                                |                            |              |                |
| 1 April 2014   | 53,806         | 13,420                         | 6,864                      | 2,479        | 76,569         |
| Exchange movements                                     | (6,344)        | (717)                          | (707)                      | (234)        | (8,002)        |
| Amortisation charge for the year                       | –              | 1,751                          | 1,491                      | 1,277        | 4,519          |
| Disposals  | –              | –                              | (454)                      | (12)         | (466)          |
| Other  | –              | –                              | 8                          | –            | 8              |
| <b>31 March 2015</b>                                   | <b>47,462</b>  | <b>14,454</b>                  | <b>7,202</b>               | <b>3,510</b> | <b>72,628</b>  |
| Exchange movements                                     | 4,078          | 467                            | 481                        | 73           | 5,099          |
| Amortisation charge for the year                       | –              | 1,707                          | 1,559                      | 986          | 4,252          |
| Impairment losses (note 4)                             | 450            | –                              | –                          | –            | 450            |
| Disposals  | –              | (2,362) <sup>1</sup>           | (410)                      | (2)          | (2,774)        |
| Transfer of assets held for resale                     | –              | (722)                          | (209)                      | (7)          | (938)          |
| Other  | –              | –                              | 17                         | –            | 17             |
| <b>31 March 2016</b>                                   | <b>51,990</b>  | <b>13,544</b>                  | <b>8,640</b>               | <b>4,560</b> | <b>78,734</b>  |
| <b>Net book value:</b>                                 |                |                                |                            |              |                |
| <b>31 March 2015</b>                                   | <b>22,537</b>  | <b>15,350</b>                  | <b>3,413</b>               | <b>2,190</b> | <b>43,490</b>  |
| <b>31 March 2016</b>                                   | <b>22,789</b>  | <b>18,854</b>                  | <b>3,797</b>               | <b>1,328</b> | <b>46,768</b>  |

Note:

<sup>1</sup> Disposals of licences and spectrum comprise the removal of fully amortised assets that have expired.

For licences and spectrum and other intangible assets, amortisation is included within the cost of sales line within the consolidated income statement. Licences and spectrum with a net book value of £1,124 million (2015: £2,059 million) have been pledged as security against borrowings.

The net book value and expiry dates of the most significant licences are as follows:

|             | Expiry date         | 2016<br>£m | 2015<br>£m |
|-------------|---------------------|------------|------------|
| Germany     | 2016/2020/2025/2033 | 4,267      | 2,843      |
| Italy       | 2018/2021/2029      | 1,262      | 1,094      |
| UK          | 2023/2033           | 2,779      | 3,050      |
| India       | 2016–2035           | 6,437      | 3,994      |
| Qatar       | 2028/2029           | 942        | 987        |
| Netherlands | 2020/2029/2030      | 932        | 940        |

The remaining amortisation period for each of the licences in the table above corresponds to the expiry date of the respective licence. A summary of the Group's most significant spectrum licences can be found on pages 187 and 188.



## 11. Property, plant and equipment

We make significant investments in network equipment and infrastructure – the base stations and technology required to operate our networks – that form the majority of our tangible assets. All assets are depreciated over their useful economic lives. For further details on the estimation of useful economic lives, see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

### Accounting policies

Land and buildings held for use are stated in the statement of financial position at their cost, less any subsequent accumulated depreciation and any accumulated impairment losses.

Amounts for equipment, fixtures and fittings, which includes network infrastructure assets and which together comprise an all but insignificant amount of the Group’s property, plant and equipment, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets in the course of construction are carried at cost, less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost of assets, other than land, using the straight-line method, over their estimated useful lives, as follows:

#### Land and buildings

|                      |                       |
|----------------------|-----------------------|
| → Freehold buildings | 25–50 years           |
| → Leasehold premises | the term of the lease |

#### Equipment, fixtures and fittings

|                                    |            |
|------------------------------------|------------|
| → Network infrastructure and other | 1–35 years |
|------------------------------------|------------|

Depreciation is not provided on freehold land.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between any sale proceeds and the carrying amount of the asset and is recognised in the income statement.

|   | Land and<br>buildings<br>£m | Equipment,<br>fixtures<br>and fittings<br>£m | Total<br>£m   |
|---|-----------------------------|--|---------------|
| <b>Cost:</b>                                    |                             |  |               |
| 1 April 2014                                    | 1,646                       | 48,563                                       | 50,209        |
| Exchange movements                              | (117)                       | (4,107)                                      | (4,224)       |
| Arising on acquisition                          | 7                           | 3,443  | 3,450         |
| Additions                                       | 172                         | 7,181  | 7,353         |
| Disposals                                       | (52)                        | (1,664)                                      | (1,716)       |
| Other   | 13                          | 14   | 27            |
| <b>31 March 2015</b>                            | <b>1,669</b>                | <b>53,430</b>                                | <b>55,099</b> |
| Exchange movements                              | 33                          | 2,382  | 2,415         |
| Additions                                       | 133                         | 6,608  | 6,741         |
| Disposals                                       | (37)                        | (1,583)                                      | (1,620)       |
| Transfer of assets held for resale              | (2)                         | (1,769)                                      | (1,771)       |
| Other   | 96                          | (172)  | (76)          |
| <b>31 March 2016</b>                            | <b>1,892</b>                | <b>58,896</b>                                | <b>60,788</b> |
| <b>Accumulated depreciation and impairment:</b> |                             |  |               |
| 1 April 2015                                    | 732                         | 26,626                                       | 27,358        |
| Exchange movements                              | (62)                        | (2,296)                                      | (2,358)       |
| Charge for the year                             | 118                         | 4,928  | 5,046         |
| Disposals                                       | (24)                        | (1,550)                                      | (1,574)       |
| Other   | (10)                        | 34   | 24            |
| <b>31 March 2015</b>                            | <b>754</b>                  | <b>27,742</b>                                | <b>28,496</b> |
| Exchange movements                              | 31                          | 1,375  | 1,406         |
| Charge for the year                             | 131                         | 5,115  | 5,246         |
| Disposals                                       | (26)                        | (1,488)                                      | (1,514)       |
| Transfer of assets held for resale              | (2)                         | (922)  | (924)         |
| Other   | 14                          | (18)   | (4)           |
| <b>31 March 2016</b>                            | <b>902</b>                  | <b>31,804</b>                                | <b>32,706</b> |
| <b>Net book value:</b>                          |                             |  |               |
| <b>31 March 2015</b>                            | <b>915</b>                  | <b>25,688</b>                                | <b>26,603</b> |
| <b>31 March 2016</b>                            | <b>990</b>                  | <b>27,092</b>                                | <b>28,082</b> |

The net book value of land and buildings and equipment, fixtures and fittings includes £27 million and £592 million respectively (2015: £24 million and £468 million) in relation to assets held under finance leases.

Included in the net book value of land and buildings and equipment, fixtures and fittings are assets in the course of construction, which are not depreciated, with a cost of £26 million and £1,527 million respectively (2015: £85 million and £1,705 million).

Property, plant and equipment with a net book value of £nil (2015: £nil) has been pledged as security against borrowings.

## 12. Investments in associates and joint arrangements

We hold interests in several associates where we have significant influence, with the most significant being Safaricom Limited following the disposal of Verizon Wireless on 21 February 2014 as well as interests in a number of joint arrangements where we share control with one or more third parties. For further details see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

### Accounting policies

#### Interests in joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the relevant activities that significantly affect the investee's returns require the unanimous consent of the parties sharing control. Joint arrangements are either joint operations or joint ventures.

#### Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have the rights to the assets, and obligations for the liabilities, relating to the arrangement or that other facts and circumstances indicate that this is the case. The Group's share of assets, liabilities, revenue, expenses and cash flows are combined with the equivalent items in the financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

#### Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control have the rights to the net assets of the arrangement.

At the date of acquisition, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of the investment. The Group's share of post-tax profits or losses are recognised in the consolidated income statement. Losses of a joint venture in excess of the Group's interest in that joint venture are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

#### Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but do not have control or joint control over those policies.

At the date of acquisition, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. The Group's share of post-tax profits or losses are recognised in the consolidated income statement. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

### Joint operations

The Company's principal joint operation has share capital consisting solely of ordinary shares and is indirectly held, and principally operates in the UK. The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for all but an insignificant amount of the output to be consumed by the shareholders.

| Name of joint operation                               | Principal activity     | Country of incorporation or registration | Percentage <sup>1</sup> shareholdings |
|---|------------------------|--|---------------------------------------|
| Cornerstone Telecommunications Infrastructure Limited | Network infrastructure | UK                                       | 50.0                                  |

Note:

1 Effective ownership percentages of Vodafone Group Plc at 31 March 2016 rounded to the nearest tenth of one percent.

## Joint ventures and associates

|                              | 2016<br>£m  | 2015<br>£m |
|------------------------------|-------------|------------|
| Investment in joint ventures | (438)       | (331)      |
| Investment in associates     | 356         | 328        |
| <b>31 March</b>              | <b>(82)</b> | <b>(3)</b> |

### Joint ventures

The financial and operating activities of the Group's joint ventures are jointly controlled by the participating shareholders. The participating shareholders have rights to the net assets of the joint ventures through their equity shareholdings. Unless otherwise stated, the Company's principal joint ventures all have share capital consisting solely of ordinary shares and are all indirectly held. The country of incorporation or registration of all joint ventures is also their principal place of operation.

| Name of joint venture                                 | Principal activity     | Country of incorporation or registration | Percentage <sup>1</sup> shareholdings |
|---|------------------------|--|---------------------------------------|
| Indus Towers Limited <sup>2</sup>                     | Network infrastructure | India                                    | 42.0                                  |
| Vodafone Hutchison Australia Pty Limited <sup>3</sup> | Network operator       | Australia                                | 50.0                                  |

Notes:

1 Effective ownership percentages of Vodafone Group Plc at 31 March 2016 rounded to the nearest tenth of one percent.

2 42% of Indus Towers Limited is held by Vodafone India Limited ('VIL').

3 Vodafone Hutchison Australia Pty Limited has a year end of 31 December.

Joint ventures included the results of the Vodafone Omnitel B.V. until 21 February 2014. On 21 February 2014 the Group acquired the remaining 23.1% interest upon which date the results of the wholly-acquired entity were consolidated in the Group's financial statements.

The following table provides aggregated financial information for the Group's joint ventures as it relates to the amounts recognised in the income statement, statement of comprehensive income and statement of financial position.

|  | Investment in joint ventures |              |              | (Loss)/profit from continuing operations |              |            | Other comprehensive income |            |            | Total comprehensive (expense)/income |              |            |
|--|------------------------------|--------------|--------------|--|--------------|------------|----------------------------|------------|------------|--------------------------------------|--------------|------------|
|  | 2016<br>£m                   | 2015<br>£m   | 2014<br>£m   | 2016<br>£m                               | 2015<br>£m   | 2014<br>£m | 2016<br>£m                 | 2015<br>£m | 2014<br>£m | 2016<br>£m                           | 2015<br>£m   | 2014<br>£m |
| Vodafone Omnitel B.V. <sup>1</sup>       | —                            | —            | —            | —  | —            | 261        | —                          | —          | —          | —                                    | —            | 261        |
| Indus Towers Limited                     | 316                          | 247          | 373          | 74                                       | 18           | 21         | —                          | —          | —          | 74                                   | 18           | 21         |
| Vodafone Hutchison Australia Pty Limited | (816)                        | (667)        | (559)        | (112)                                    | (160)        | (66)       | (1)                        | 1          | —          | (113)                                | (159)        | (66)       |
| Other                                    | 62                           | 89           | 28           | (29)                                     | (9)          | 5          | —                          | —          | —          | (29)                                 | (9)          | 5          |
| <b>Total</b>                             | <b>(438)</b>                 | <b>(331)</b> | <b>(158)</b> | <b>(67)</b>                              | <b>(151)</b> | <b>221</b> | <b>(1)</b>                 | <b>1</b>   | <b>—</b>   | <b>(68)</b>                          | <b>(150)</b> | <b>221</b> |

Note:

1 Prior to 21 February 2014 the other participating shareholder held substantive veto rights such that the Group did not unilaterally control the financial and operating policies of Vodafone Omnitel B.V.

The summarised financial information for each of the Group's material equity accounted joint ventures on a 100% ownership basis is set out below.

|   | Vodafone Omnitel B.V. <sup>1</sup> |            |            | Indus Towers Limited |            |            | Vodafone Hutchison Australia Pty Limited |            |            |
|---|------------------------------------|------------|------------|----------------------|------------|------------|--|------------|------------|
|   | 2016<br>£m                         | 2015<br>£m | 2014<br>£m | 2016<br>£m           | 2015<br>£m | 2014<br>£m | 2016<br>£m                               | 2015<br>£m | 2014<br>£m |
| <b>Income statement and statement of comprehensive income</b>             |                                    |            |            |                      |            |            |  |            |            |
| Revenue   | —                                  | —          | 4,931      | 1,669                | 1,580      | 1,547      | 1,722                                    | 1,838      | 2,032      |
| Depreciation and amortisation   | —                                  | —          | (937)      | (358)                | (407)      | (507)      | (379)                                    | (415)      | (423)      |
| Interest income   | —                                  | —          | 1          | 7                    | 29         | 20         | 2  | 2          | 10         |
| Interest expense  | —                                  | —          | (15)       | (62)                 | (75)       | (124)      | (197)                                    | (228)      | (212)      |
| Income tax (expense)/income   | —                                  | —          | (174)      | (137)                | (182)      | 39         | —  | —          | 1          |
| Profit or loss from continuing operations                                 | —                                  | —          | 339        | 176                  | 44         | 51         | (225)                                    | (320)      | (132)      |
| Other comprehensive (expense)/income                                      | —                                  | —          | —          | —                    | —          | —          | (1)                                      | 2          | —          |
| Total comprehensive income/(expense)                                      | —                                  | —          | 339        | 176                  | 44         | 51         | (226)                                    | (318)      | (132)      |
| <b>Statement of financial position</b>                                    |                                    |            |            |                      |            |            |  |            |            |
| Non-current assets  | —                                  | —          |            | 1,494                | 1,482      |            | 2,119                                    | 2,285      |            |
| Current assets  | —                                  | —          |            | 239                  | 278        |            | 395                                      | 424        |            |
| Non-current liabilities   | —                                  | —          |            | (519)                | (686)      |            | (2,591)                                  | (3,473)    |            |
| Current liabilities   | —                                  | —          |            | (461)                | (487)      |            | (1,735)                                  | (743)      |            |
| Equity shareholders' funds  | —                                  | —          |            | (753)                | (587)      |            | 1,812                                    | 1,507      |            |
| Cash and cash equivalents within current assets                           | —                                  | —          |            | 37                   | 6          |            | 123                                      | 90         |            |
| Non-current liabilities excluding trade and other payables and provisions | —                                  | —          |            | (301)                | (481)      |            | (2,532)                                  | (3,325)    |            |
| Current liabilities excluding trade and other payables and provisions     | —                                  | —          |            | (170)                | (188)      |            | (1,152)                                  | (90)       |            |

Note:

1 Prior to 21 February 2014 the other participating shareholder held substantive veto rights such that the Group did not unilaterally control the financial and operating policies of Vodafone Omnitel B.V.

The Group did not receive a dividend in the year to 31 March 2016 (2015: £166 million; 2014: £26 million) from Indus Towers Limited.

## Notes to the consolidated financial statements (continued)

### 12. Investments in associates and joint arrangements (continued)

#### Associates

Unless otherwise stated, the Company's principal associates all have share capital consisting solely of ordinary shares and are all indirectly held. The country of incorporation or registration of all associates is also their principal place of operation.

| Name of associate                | Principal activity | Country of incorporation or registration | Percentage <sup>1</sup> shareholdings |
|----------------------------------|--------------------|--|---------------------------------------|
| Safaricom Limited <sup>2,3</sup> | Network operator   | Kenya                                    | 40.0                                  |

Notes:

1 Effective ownership percentages of Vodafone Group Plc at 31 March 2016 rounded to the nearest tenth of one percent.

2 The Group also holds two non-voting shares.

3 At 31 March 2016 the fair value of Safaricom Limited was KES 270 billion (£1,851 million) based on the closing quoted share price on the Nairobi Stock Exchange.

On 21 February 2014 the Group disposed of its 45% interest in Cellco Partnership which traded under the name Verizon Wireless. Results from discontinued operations are disclosed in note 7 "Discontinued operations and assets held for resale" to the consolidated financial statements. The Group received £4,828 million of dividends in the year to 31 March 2014 from Cellco Partnership.

The following table provides aggregated financial information for the Group's associates as it relates to the amounts recognised in the income statement, statement of comprehensive income and consolidated statement of financial position.

|                    | Investment in associates |            |            | Profit from continuing operations |            |            | Other comprehensive expense |            |            | Total comprehensive expense |            |              |
|--------------------|--------------------------|------------|------------|-----------------------------------|------------|------------|-----------------------------|------------|------------|-----------------------------|------------|--------------|
|                    | 2016<br>£m               | 2015<br>£m | 2014<br>£m | 2016<br>£m                        | 2015<br>£m | 2014<br>£m | 2016<br>£m                  | 2015<br>£m | 2014<br>£m | 2016<br>£m                  | 2015<br>£m | 2014<br>£m   |
| Cellco Partnership | —                        | —          | —          | —                                 | —          | —          | —                           | —          | (1)        | —                           | —          | 3,190        |
| Other              | 356                      | 328        | 272        | 111                               | 88         | 57         | —                           | —          | —          | 111                         | 88         | 57           |
| <b>Total</b>       | <b>356</b>               | <b>328</b> | <b>272</b> | <b>111</b>                        | <b>88</b>  | <b>57</b>  | <b>—</b>                    | <b>—</b>   | <b>(1)</b> | <b>111</b>                  | <b>88</b>  | <b>3,247</b> |

The summarised financial information for the Group's former material equity accounted associate on a 100% ownership basis is set out below.

|   | Cellco Partnership |            |            |
|---|--------------------|------------|------------|
|   | 2016<br>£m         | 2015<br>£m | 2014<br>£m |
| <b>Income statement and statement of comprehensive income</b>             |                    |            |            |
| Revenue   | —                  | —          | 22,122     |
| Depreciation and amortisation   | —                  | —          | (2,186)    |
| Interest income   | —                  | —          | 1          |
| Interest expense  | —                  | —          | (38)       |
| Income tax (expense)/income   | —                  | —          | (111)      |
| Post-tax profit from discontinued operations                              | —                  | —          | 7,092      |
| Other comprehensive expense   | —                  | —          | (2)        |
| Total comprehensive income  | —                  | —          | 7,090      |
| <b>Statement of financial position</b>                                    |                    |            |            |
| Non-current assets  | —                  | —          | —          |
| Current assets  | —                  | —          | —          |
| Non-current liabilities   | —                  | —          | —          |
| Current liabilities   | —                  | —          | —          |
| Equity shareholders' funds  | —                  | —          | —          |
| Cash and cash equivalents within current assets                           | —                  | —          | —          |
| Non-current liabilities excluding trade and other payables and provisions | —                  | —          | —          |
| Current liabilities excluding trade and other payables and provisions     | —                  | —          | —          |

### 13. Other investments

We hold a number of other listed and unlisted investments, mainly comprising US\$5.0 billion of loan notes from Verizon Communications Inc.

#### Accounting policies

Other investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, including transaction costs.

Other investments classified as held for trading and available-for-sale are stated at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, determined using the weighted average cost method, is included in the net profit or loss for the period.

Other investments classified as loans and receivables are stated at amortised cost using the effective interest method, less any impairment.

|  | 2016<br>£m   | 2015<br>£m   |
|--|--------------|--------------|
| <b>Included within non-current assets:</b> |              |              |
| Equity securities:                         |              |              |
| Listed                                     | 3            | 4            |
| Unlisted                                   | 82           | 222          |
| Debt securities:                           |              |              |
| Public debt and bonds                      | 95           | 148          |
| Other debt and bonds                       | 3,482        | 3,383        |
|  | <b>3,662</b> | <b>3,757</b> |

The listed and unlisted securities are classified as available-for-sale. Public debt and bonds are classified as held for trading, and other debt and bonds which are not quoted in an active market, are classified as loans and receivables.

Unlisted equity investments are recorded at fair value where appropriate.

Other debt and bonds includes loan notes of US\$5.0 billion (£3,481 million) issued by Verizon Communications Inc. as part of the Group's disposal of its interest in Verizon Wireless all of which is recorded within non-current assets. The carrying amount of these loan notes approximates fair value.

Current other investments comprise the following:

|  | 2016<br>£m   | 2015<br>£m   |
|--|--------------|--------------|
| <b>Included within current assets:</b>                 |              |              |
| Debt securities:                                       |              |              |
| Public debt and bonds                                  | 888          | 982          |
| Other debt and bonds                                   | 2,541        | 2,223        |
| Cash and other investments held in restricted deposits | 791          | 650          |
|  | <b>4,220</b> | <b>3,855</b> |

Public debt and bonds are classified as held for trading. Cash held in restricted deposits are classified as loans and receivables and include amounts held in qualifying assets by Group insurance companies to meet regulatory requirements.

Other debt and bonds includes £967 million (2015: £2,016 million) of assets held for trading in managed investment funds with liquidity of up to 90 days and £1,574 million (2015: £38 million) of assets classified as loans and receivables comprising collateral paid on derivative financial instruments. Collateral passed in 2016 includes £1,460 million in relation to put options issued with regard to the mandatory convertible bonds' hedging strategy.

Current public debt and bonds include government bonds of £659 million (2015: £830 million) which consist of highly liquid index linked gilts with less than two years to maturity held on an effective floating rate basis.

For public debt and bonds, other debt and bonds and cash held in restricted deposits, the carrying amount approximates fair value.

**14. Inventory**

Our inventory primarily consists of mobile handsets and is presented net of an allowance for obsolete products.

**Accounting policies**

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average costs and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

|                       | 2016<br>£m | 2015<br>£m |
|-----------------------|------------|------------|
| Goods held for resale | 565        | 482        |

Inventory is reported net of allowances for obsolescence, an analysis of which is as follows:

|  | 2016<br>£m  | 2015<br>£m  | 2014<br>£m  |
|--|-------------|-------------|-------------|
| 1 April  | (74)        | (88)        | (89)        |
| Exchange movements                                 | (3)         | 8           | 6           |
| Amounts (debited)/credited to the income statement | (22)        | 6           | (5)         |
| <b>31 March</b>                                    | <b>(99)</b> | <b>(74)</b> | <b>(88)</b> |

Cost of sales includes amounts related to inventory of £5,427 million (2015: £5,701 million; 2014: £5,340 million).



## 15. Trade and other receivables

Our trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. Trade receivables are shown net of an allowance for bad or doubtful debts. Derivative financial instruments with a positive market value are reported within this note.

### Accounting policies

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

|   | 2016<br>£m   | 2015<br>£m   |
|---|--------------|--------------|
| <b>Included within non-current assets:</b>    |              |              |
| Trade receivables                             | 371          | 288          |
| Amounts owed by associates and joint ventures | 96           | 85           |
| Other receivables                             | 493          | 190          |
| Prepayments                                   | 130          | 566          |
| Derivative financial instruments              | 3,490        | 3,736        |
|   | <b>4,580</b> | <b>4,865</b> |
| <b>Included within current assets:</b>        |              |              |
| Trade receivables                             | 4,401        | 3,944        |
| Amounts owed by associates and joint ventures | 173          | 133          |
| Other receivables                             | 954          | 930          |
| Prepayments                                   | 1,040        | 938          |
| Accrued income                                | 1,759        | 1,839        |
| Derivative financial instruments              | 814          | 269          |
|   | <b>9,141</b> | <b>8,053</b> |

The Group's trade receivables are stated after allowances for bad and doubtful debts based on management's assessment of creditworthiness, an analysis of which is as follows:

|  | 2016<br>£m   | 2015<br>£m | 2014<br>£m |
|--|--------------|------------|------------|
| 1 April                                    | 802          | 589        | 770        |
| Exchange movements                         | 4            | (60)       | (67)       |
| Amounts charged to administrative expenses | 498          | 541        | 347        |
| Other                                      | (209)        | (268)      | (461)      |
| <b>31 March</b>                            | <b>1,095</b> | <b>802</b> | <b>589</b> |

The carrying amounts of trade and other receivables approximate their fair value and are predominantly non-interest bearing. The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest rates and foreign currency rates prevailing at 31 March.

|   | 2016<br>£m   | 2015<br>£m   |
|---|--------------|--------------|
| <b>Included within "Derivative financial instruments":</b>  |              |              |
| Fair value through the income statement (held for trading): |              |              |
| Interest rate swaps   | 2,027        | 2,378        |
| Cross currency interest rate swaps                          | 236          | 218          |
| Options   | 36           | —            |
| Foreign exchange contracts                                  | 231          | 33           |
|   | <b>2,530</b> | <b>2,629</b> |
| Designated hedge relationships:                             |              |              |
| Interest rate swaps   | 384          | 88           |
| Cross currency interest rate swaps                          | 1,390        | 1,288        |
|   | <b>4,304</b> | <b>4,005</b> |

**16. Trade and other payables**

Our trade and other payables mainly consist of amounts we owe to our suppliers that have been invoiced or are accrued. They also include taxes and social security amounts due in relation to our role as an employer. Derivative financial instruments with a negative market value are reported within this note.

**Accounting policies**

Trade payables are not interest bearing and are stated at their nominal value.

|   | 2016<br>£m    | 2015<br>£m    |
|---|---------------|---------------|
| <b>Included within non-current liabilities:</b> |               |               |
| Other payables                                  | 98            | 86            |
| Accruals  | 144           | 161           |
| Deferred income                                 | 130           | 123           |
| Derivative financial instruments                | 1,129         | 894           |
|   | <b>1,501</b>  | <b>1,264</b>  |
| <b>Included within current liabilities:</b>     |               |               |
| Trade payables                                  | 5,867         | 5,054         |
| Amounts owed to associates and joint ventures   | 53            | 44            |
| Other taxes and social security payable         | 1,040         | 1,028         |
| Other payables                                  | 760           | 621           |
| Accruals  | 6,022         | 6,408         |
| Deferred income                                 | 1,555         | 1,663         |
| Derivative financial instruments                | 435           | 90            |
|   | <b>15,732</b> | <b>14,908</b> |

The carrying amounts of trade and other payables approximate their fair value. The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at 31 March.

|   | 2016<br>£m   | 2015<br>£m |
|---|--------------|------------|
| <b>Included within "Derivative financial instruments":</b>  |              |            |
| Fair value through the income statement (held for trading): |              |            |
| Interest rate swaps   | 885          | 672        |
| Cross currency interest rate swaps                          | 347          | 229        |
| Options   | 64           | 11         |
| Foreign exchange contracts                                  | 59           | 46         |
|   | <b>1,355</b> | <b>958</b> |
| Designated hedge relationships                              |              |            |
| Interest rate swaps   | 22           | 10         |
| Cross currency interest rate swaps                          | 187          | 16         |
|   | <b>1,564</b> | <b>984</b> |

## 17. Provisions

A provision is a liability recorded in the statement of financial position, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to asset retirement obligations, which include the cost of returning network infrastructure sites to their original condition at the end of the lease, and claims for legal and regulatory matters. For further details see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

### Accounting policies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

### Asset retirement obligations

In the course of the Group's activities, a number of sites and other assets are utilised which are expected to have costs associated with de-commissioning. The associated cash outflows are substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in periods up to 25 years from when the asset is brought into use.

### Legal and regulatory

The Group is involved in a number of legal and other disputes, including notifications of possible claims. The Directors of the Company, after taking legal advice, have established provisions after taking into account the facts of each case. The timing of cash outflows associated with the majority of legal claims are typically less than one year, however, for some legal claims the timing of cash flows may be long-term in nature. For a discussion of certain legal issues potentially affecting the Group see note 30 “Contingent liabilities and legal proceedings” to the consolidated financial statements.

### Other provisions

Other provisions comprises various provisions including those for restructuring costs and property. The associated cash outflows for restructuring costs are primarily less than one year. The timing of the cash flows associated with property is dependent upon the remaining term of the associated lease.

|  | Asset retirement obligations<br>£m | Legal and regulatory<br>£m | Other<br>£m | Total<br>£m  |
|--|------------------------------------|----------------------------|-------------|--------------|
| 1 April 2014                             | 485                                | 557                        | 767         | 1,809        |
| Exchange movements                       | (34)                               | (18)                       | (47)        | (99)         |
| Arising on acquisition                   | —                                  | 26                         | 59          | 85           |
| Amounts capitalised in the year          | 58                                 | —                          | —           | 58           |
| Amounts charged to the income statement  | —                                  | 277                        | 270         | 547          |
| Utilised in the year – payments          | (13)                               | (51)                       | (385)       | (449)        |
| Amounts released to the income statement | (30)                               | (100)                      | (96)        | (226)        |
| Other                                    | —                                  | 143                        | (19)        | 124          |
| <b>31 March 2015</b>                     | <b>466</b>                         | <b>834</b>                 | <b>549</b>  | <b>1,849</b> |
| Exchange movements                       | 21                                 | 19                         | 30          | 70           |
| Amounts capitalised in the year          | 31                                 | —                          | —           | 31           |
| Amounts charged to the income statement  | —                                  | 172                        | 386         | 558          |
| Utilised in the year – payments          | (38)                               | (60)                       | (260)       | (358)        |
| Amounts released to the income statement | (15)                               | (58)                       | (76)        | (149)        |
| Transfer of liabilities held for resale  | (14)                               | (1)                        | (3)         | (18)         |
| Other                                    | —                                  | 55                         | (1)         | 54           |
| <b>31 March 2016</b>                     | <b>451</b>                         | <b>961</b>                 | <b>625</b>  | <b>2,037</b> |

## Notes to the consolidated financial statements (continued)

### 17. Provisions (continued)

Provisions have been analysed between current and non-current as follows:

#### 31 March 2016

|                         | Asset retirement obligations<br>£m | Legal and regulatory<br>£m | Other<br>£m | Total<br>£m  |
|-------------------------|------------------------------------|----------------------------|-------------|--------------|
| Current liabilities     | 12                                 | 242                        | 503         | 757          |
| Non-current liabilities | 439                                | 719                        | 122         | 1,280        |
|                         | <b>451</b>                         | <b>961</b>                 | <b>625</b>  | <b>2,037</b> |

#### 31 March 2015

|                         | Asset retirement obligations<br>£m | Legal and regulatory<br>£m | Other<br>£m | Total<br>£m  |
|-------------------------|------------------------------------|----------------------------|-------------|--------------|
| Current liabilities     | 14                                 | 311                        | 442         | 767          |
| Non-current liabilities | 452                                | 523                        | 107         | 1,082        |
|                         | <b>466</b>                         | <b>834</b>                 | <b>549</b>  | <b>1,849</b> |

### 18. Called up share capital

Called up share capital is the number of shares in issue at their par value. A number of shares were allotted during the year in relation to employee share schemes.

#### Accounting policies

Equity instruments issued by the Group are recorded at the amount of the proceeds received, net of direct issuance costs.

|  | 2016                  |              | 2015                  |              |
|--|-----------------------|--------------|-----------------------|--------------|
|  | Number                | £m           | Number                | £m           |
| <b>Ordinary shares of 20<sup>20</sup>/<sub>21</sub> US cents each allotted, issued and fully paid:<sup>1</sup></b> |                       |              |                       |              |
| 1 April  | 28,812,787,098        | 3,792        | 28,811,923,128        | 3,792        |
| Allotted during the year   | 608,910               | —            | 863,970               | —            |
| <b>31 March</b>  | <b>28,813,396,008</b> | <b>3,792</b> | <b>28,812,787,098</b> | <b>3,792</b> |

Note:

1 At 31 March 2016, the Group held 2,254,825,696 (2015: 2,300,749,013) treasury shares with a nominal value of £297 million (2015: £303 million). The market value of shares held was £4,988 million (2015: £5,072 million). During the year 45,923,317 (2015: 71,213,894) treasury shares were reissued under Group share schemes.

#### Allotted during the year

|                           | Number         | Nominal value<br>£m | Net proceeds<br>£m |
|---------------------------|----------------|---------------------|--------------------|
| UK share awards           | —              | —                   | —                  |
| US share awards           | 608,910        | —                   | 1                  |
| <b>Total share awards</b> | <b>608,910</b> | <b>—</b>            | <b>1</b>           |

On 19 February 2016, we announced the placing of subordinated mandatory convertible bonds totalling £1.44 billion with an 18 months maturity date due in 2017 and £1.44 billion with a 3 year maturity due in 2019. The bonds are convertible into a total of 1,325,356,650 ordinary shares with a conversion price of £2.1730 per share. For further details see note 22 "Liquidity and capital resources".

## 19. Reconciliation of net cash flow from operating activities

The table below shows how our profit for the year from continuing operations translates into cash flows generated from our operating activities.

|   | Notes  | 2016<br>£m     | 2015<br>£m    | 2014<br>£m     |
|---|--------|----------------|---------------|----------------|
| <b>(Loss)/profit for the financial year</b>                             |        | <b>(3,818)</b> | <b>5,917</b>  | <b>59,420</b>  |
| Profit for the financial year from discontinued operations              | 7      | —              | (57)          | (48,108)       |
| <b>(Loss)/profit for the financial year from continuing operations</b>  |        | <b>(3,818)</b> | <b>5,860</b>  | <b>11,312</b>  |
| Non-operating income and expense  |        | 2              | 19            | 149            |
| Investment income   |        | (300)          | (883)         | (346)          |
| Financing costs   |        | 2,124          | 1,736         | 1,554          |
| Income tax expense /(credit)  | 6      | 3,369          | (4,765)       | (16,582)       |
| <b>Operating profit/(loss)</b>  |        | <b>1,377</b>   | <b>1,967</b>  | <b>(3,913)</b> |
| Adjustments for:  |        |                |               |                |
| Share-based payments  | 27     | 117            | 88            | 92             |
| Depreciation and amortisation   | 10, 11 | 9,498          | 9,565         | 7,560          |
| Loss on disposal of property, plant and equipment and intangible assets | 3      | 20             | 49            | 85             |
| Share of result of equity accounted associates and joint ventures       | 12     | (44)           | 63            | (278)          |
| Impairment losses   | 4      | 450            | —             | 6,600          |
| Other income and expense  |        | 75             | 114           | 620            |
| (Increase)/decrease in inventory  | 14     | (98)           | (73)          | 4              |
| (Increase)/decrease in trade and other receivables                      | 15     | (547)          | (230)         | 526            |
| Increase/(decrease) in trade and other payables                         | 16     | 372            | (1,146)       | 851            |
| <b>Cash generated by operations</b>                                     |        | <b>11,220</b>  | <b>10,397</b> | <b>12,147</b>  |
| Net tax paid  |        | (739)          | (682)         | (5,920)        |
| <b>Net cash flow from operating activities</b>                          |        | <b>10,481</b>  | <b>9,715</b>  | <b>6,227</b>   |

## 20. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits, money market funds or in repurchase agreements which have a maturity of three months or less to enable us to meet our short-term liquidity requirements.

### Accounting policies

Cash and cash equivalents comprise cash in hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

|  | 2016<br>£m    | 2015<br>£m   |
|--|---------------|--------------|
| Cash at bank and in hand   | 1,737         | 2,379        |
| Money market funds   | 5,781         | 2,402        |
| Repurchase agreements  | 2,700         | 2,000        |
| Commercial paper   | —             | 101          |
| <b>Cash and cash equivalents as presented in the statement of financial position</b> | <b>10,218</b> | <b>6,882</b> |
| Bank overdrafts  | (9)           | (21)         |
| <b>Cash and cash equivalents as presented in the statement of cash flows</b>         | <b>10,209</b> | <b>6,861</b> |

Cash and cash equivalents are held by the Group on a short-term basis with all having an original maturity of three months or less. The carrying amount approximates their fair value.

Cash and cash equivalents of £1,284 million (2015: £1,722 million) are held in countries with restrictions on remittances but where the balances could be used to repay subsidiaries' third party liabilities. Of the balance at 31 March 2015, INR 57,863 million (£623 million) was used to settle India spectrum licence obligations on 8 April 2015.

## 21. Borrowings

The Group's sources of borrowing for funding and liquidity purposes come from a range of committed bank facilities and through short-term and long-term issuances in the capital markets including bond and commercial paper issues and bank loans. We manage the basis on which we incur interest on debt between fixed interest rates and floating interest rates depending on market conditions using interest rate derivatives. The Group enters into foreign exchange contracts to mitigate the impact of exchange rate movements on certain monetary items.

### Accounting policies

#### Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method, except where they are identified as a hedged item in a designated hedge relationship. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing. Where bonds issued with certain conversion rights are identified as compound instruments they are initially measured at fair value with the nominal amounts recognised as a component in equity and the fair value of future coupons included in borrowings. These are subsequently measured at amortised cost using the effective interest rate method.

### Carrying value and fair value information

|   | 2016                        |                            |               | 2015                        |                            |               |
|---|-----------------------------|----------------------------|---------------|-----------------------------|----------------------------|---------------|
|   | Short-term borrowings<br>£m | Long-term borrowings<br>£m | Total<br>£m   | Short-term borrowings<br>£m | Long-term borrowings<br>£m | Total<br>£m   |
| Financial liabilities measured at amortised cost: |                             |                            |               |                             |                            |               |
| Bank loans  | 2,254                       | 6,957                      | 9,211         | 1,876                       | 5,128                      | 7,004         |
| Bank overdrafts                                   | 9                           | —                          | 9             | 21                          | —                          | 21            |
| Commercial paper                                  | 7,396                       | —                          | 7,396         | 5,077                       | —                          | 5,077         |
| Bonds   | 412                         | 11,287                     | 11,699        | 1,297                       | 6,684                      | 7,981         |
| Other liabilities <sup>1,2</sup>                  | 4,328                       | 235                        | 4,563         | 3,863                       | 133                        | 3,996         |
| Bonds in designated hedge relationships           | 1,621                       | 10,848                     | 12,469        | 489                         | 10,490                     | 10,979        |
|   | <b>16,020</b>               | <b>29,327</b>              | <b>45,347</b> | <b>12,623</b>               | <b>22,435</b>              | <b>35,058</b> |

Notes:

- At 31 March 2016, amount includes £2,837 million (2015: £2,542 million) in relation to collateral support agreements.
- Includes a £1.4 billion (2015: £1.3 billion) liability for payments due to holders of the equity shares in Kabel Deutschland AG under the terms of a domination and profit and loss transfer agreement. Amount also includes £50 million (2015: £nil) and £69 million (2015: £nil) in short and long-term borrowings respectively in relation to the debt component of the mandatory convertible bonds maturing on 25 August 2017 and 25 February 2019. These are compound instruments with nominal values recorded in equity. The initial fair value of future coupons is recognised as debt and subsequently measured at amortised cost using the effective interest rate method.

Bank loans include INR 629 billion (£6.6 billion) (2015: INR 457 billion (£4.9 billion)) of loans held by Vodafone India Limited ('VIL') and its subsidiaries (the 'VIL Group'). The VIL Group has a number of security arrangements supporting certain licences secured under the terms of agreements between the Group, the Department of Telecommunications and the Government of India including certain pledges of the shares within the VIL Group. The terms and conditions of the security arrangements mean that, should members of the VIL Group not meet all of their loan payment and performance obligations, the lenders may sell the pledged shares and enforce rights over the certain licences under the terms of the tri-party agreements to recover their losses, with any remaining sales proceeds being returned to the VIL Group. Each of the eight legal entities within the VIL Group provide cross guarantees to the lenders in respect of debt contracted by the other entities.

The fair value and carrying value of the Group's short-term borrowings are as follows:

|   | Sterling equivalent nominal value |               | Fair value    |               | Carrying value |               |
|---|-----------------------------------|---------------|---------------|---------------|----------------|---------------|
|   | 2016<br>£m                        | 2015<br>£m    | 2016<br>£m    | 2015<br>£m    | 2016<br>£m     | 2015<br>£m    |
| <b>Financial liabilities measured at amortised cost<sup>1</sup></b> | <b>13,737</b>                     | <b>10,689</b> | <b>13,995</b> | <b>10,843</b> | <b>13,987</b>  | <b>10,837</b> |
| <b>Bonds:</b>   | <b>395</b>                        | <b>1,265</b>  | <b>399</b>    | <b>1,309</b>  | <b>412</b>     | <b>1,297</b>  |
| 5.125% euro 500 million bond due April 2015                         | —                                 | 361           | —             | 362           | —              | 379           |
| 6.25% euro 1,250 million bond due January 2016                      | —                                 | 904           | —             | 947           | —              | 918           |
| 4.75% euro 500 million bond due June 2016                           | 395                               | —             | 399           | —             | 412            | —             |
| <b>Bonds in designated hedge relationships:</b>                     | <b>1,598</b>                      | <b>489</b>    | <b>1,637</b>  | <b>489</b>    | <b>1,621</b>   | <b>489</b>    |
| 2.15% Japanese yen 3,000 million bond due April 2015                | —                                 | 17            | —             | 17            | —              | 17            |
| Floating rate note US dollar 700 million due February 2016          | —                                 | 472           | —             | 472           | —              | 472           |
| 5.625% US dollar 1,300 million bond due February 2017               | 903                               | —             | 939           | —             | 927            | —             |
| 1.625% US dollar 1,000 million bond due March 2017                  | 695                               | —             | 698           | —             | 694            | —             |
| <b>Short-term borrowings</b>  | <b>15,730</b>                     | <b>12,443</b> | <b>16,031</b> | <b>12,641</b> | <b>16,020</b>  | <b>12,623</b> |

Note:

- Amounts for 2016 include £50 million in relation to the short-term debt component of the mandatory convertible bonds.

The fair value and carrying value of the Group's long-term borrowings are as follows:

|  | Sterling equivalent nominal value |               | Fair value    |               | Carrying value |               |
|--|-----------------------------------|---------------|---------------|---------------|----------------|---------------|
|  | 2016<br>£m                        | 2015<br>£m    | 2016<br>£m    | 2015<br>£m    | 2016<br>£m     | 2015<br>£m    |
| <b>Financial liabilities measured at amortised cost:</b>     | <b>5,533</b>                      | <b>5,306</b>  | <b>7,260</b>  | <b>5,346</b>  | <b>7,192</b>   | <b>5,261</b>  |
| Bank loans   | 5,298                             | 5,173         | 7,025         | 5,213         | 6,957          | 5,128         |
| Other liabilities <sup>1</sup>                               | 235                               | 133           | 235           | 133           | 235            | 133           |
| <b>Bonds:</b>  | <b>10,707</b>                     | <b>6,002</b>  | <b>11,475</b> | <b>6,908</b>  | <b>11,287</b>  | <b>6,684</b>  |
| 4.75% euro 500 million bond due June 2016                    | —                                 | 268           | —             | 283           | —              | 287           |
| 5.375% sterling 600 million bond due December 2017           | 549                               | 549           | 583           | 605           | 566            | 568           |
| 5% euro 750 million bond due June 2018                       | 593                               | 542           | 656           | 622           | 617            | 564           |
| 8.125% sterling 450 million bond due November 2018           | 450                               | 450           | 524           | 553           | 473            | 476           |
| Floating rate note euro 1,750 million bond due February 2019 | 1,384                             | —             | 1,397         | —             | 1,386          | —             |
| 1% euro 1,750 million bond due September 2020                | 1,384                             | 1,265         | 1,402         | 1,283         | 1,383          | 1,263         |
| 0% convertible sterling 600 million bond due November 2020   | 600                               | —             | 600           | —             | 553            | —             |
| 0.875% euro 750 million bond due November 2020               | 593                               | —             | 597           | —             | 591            | —             |
| Floating rate note US dollar 60 million bond due March 2021  | 42                                | —             | 42            | —             | 41             | —             |
| 1.25% euro 1,250 million bond due August 2021                | 988                               | —             | 1,012         | —             | 985            | —             |
| 4.65% euro 1,250 million bond due January 2022               | 988                               | 904           | 1,192         | 1,129         | 1,157          | 1,081         |
| 5.375% euro 500 million bond due June 2022                   | 395                               | 361           | 497           | 475           | 513            | 484           |
| 1.75% euro 1,250 million bond due August 2023                | 988                               | —             | 1,026         | —             | 986            | —             |
| 1.875% euro 1,000 million bond due September 2025            | 791                               | 723           | 817           | 768           | 790            | 721           |
| 5.625% sterling 250 million bond due December 2025           | 250                               | 250           | 299           | 313           | 335            | 343           |
| 5.9% sterling 450 million bond due November 2032             | 450                               | 450           | 545           | 592           | 647            | 656           |
| 2.75% euro 332 million bond due December 2034                | 262                               | 240           | 286           | 285           | 264            | 241           |
| <b>Bonds in designated hedge relationships:</b>              | <b>9,680</b>                      | <b>9,397</b>  | <b>10,218</b> | <b>10,201</b> | <b>10,848</b>  | <b>10,490</b> |
| 5.625% US dollar 1,300 million bond due February 2017        | —                                 | 876           | —             | 946           | —              | 920           |
| 1.625% US dollar 1,000 million bond due March 2017           | —                                 | 674           | —             | 679           | —              | 672           |
| 1.25% US dollar 1,000 million bond due September 2017        | 695                               | 674           | 693           | 670           | 694            | 672           |
| 1.5% US dollar 1,400 million bond due February 2018          | 973                               | 943           | 973           | 942           | 972            | 941           |
| 4.625% US dollar 500 million bond due July 2018              | 347                               | 337           | 369           | 367           | 376            | 375           |
| 5.45% US dollar 1,250 million bond due June 2019             | 868                               | 842           | 957           | 955           | 957            | 938           |
| 4.375% US dollar 500 million bond due March 2021             | 347                               | 337           | 379           | 371           | 363            | 346           |
| 2.5% US dollar 1,000 million bond due September 2022         | 695                               | 674           | 694           | 654           | 713            | 667           |
| 2.95% US dollar 1,600 million bond due February 2023         | 1,112                             | 1,078         | 1,100         | 1,066         | 1,199          | 1,121         |
| 3.125% norwegian krona 850 million bond due November 2025    | 71                                | —             | 78            | —             | 72             | —             |
| 2.2% euro 1,750 million bond due August 2026                 | 1,384                             | —             | 1,451         | —             | 1,379          | —             |
| 6.6324% euro 50 million bond due December 2028               | 40                                | 36            | 115           | 109           | 102            | 86            |
| 7.875% US dollar 750 million bond due February 2030          | 521                               | 505           | 665           | 711           | 781            | 771           |
| 6.25% US dollar 495 million bond due November 2032           | 344                               | 333           | 399           | 410           | 454            | 445           |
| 6.15% US dollar 1,700 million bond due February 2037         | 1,181                             | 1,145         | 1,327         | 1,392         | 1,615          | 1,578         |
| 4.375% US dollar 1,400 million bond due February 2043        | 973                               | 943           | 886           | 929           | 1,040          | 958           |
| 5.35% US dollar 186 million bond due December 2045           | 129                               | —             | 132           | —             | 131            | —             |
| <b>Long-term borrowings</b>                                  | <b>25,920</b>                     | <b>20,705</b> | <b>28,953</b> | <b>22,455</b> | <b>29,327</b>  | <b>22,435</b> |

Note:

1 Amounts for 2016 include £69 million in relation to the long-term debt component of the mandatory convertible bonds.

Fair values of bonds and financial liabilities measured at amortised cost are based on level 1 and 2 of the fair value hierarchy respectively, using quoted market prices or discounted cash flows with a discount rate based upon forward interest rates available to the Group at the reporting date. Further information can be found in note 23 "Capital and financial risk management".



**21. Borrowings (continued)****Maturity of borrowings and other financial liabilities**

The maturity profile of the anticipated future cash flows including interest in relation to the Group's non-derivative financial liabilities on an undiscounted basis which, therefore, differs from both the carrying value and fair value, is as follows:

|                                    | Bank<br>loans<br>£m | Commercial<br>paper<br>£m | Bonds<br>£m   | Other<br>liabilities<br>£m | Loans in<br>designated hedge<br>relationships<br>£m | Total<br>£m   |
|------------------------------------|---------------------|---------------------------|---------------|----------------------------|---|---------------|
| Within one year                    | 2,444               | 7,405                     | 703           | 4,338                      | 1,304   | 16,194        |
| In one to two years                | 1,257               | —                         | 889           | 57                         | 2,787   | 4,990         |
| In two to three years              | 1,599               | —                         | 2,681         | 43                         | 686   | 5,009         |
| In three to four years             | 1,297               | —                         | 180           | 14                         | 1,175   | 2,666         |
| In four to five years              | 1,106               | —                         | 2,798         | 15                         | 630   | 4,549         |
| In more than five years            | 4,716               | —                         | 5,816         | 141                        | 9,741   | 20,414        |
|                                    | <b>12,419</b>       | <b>7,405</b>              | <b>13,067</b> | <b>4,608</b>               | <b>16,323</b>                                       | <b>53,822</b> |
| Effect of discount/financing rates | (3,208)             | (9)                       | (1,368)       | (36)                       | (3,854)   | (8,475)       |
| <b>31 March 2016</b>               | <b>9,211</b>        | <b>7,396</b>              | <b>11,699</b> | <b>4,572</b>               | <b>12,469</b>                                       | <b>45,347</b> |
| Within one year                    | 1,928               | 5,092                     | 1,588         | 3,885                      | 873   | 13,366        |
| In one to two years                | 831                 | —                         | 610           | 18                         | 1,256   | 2,715         |
| In two to three years              | 1,090               | —                         | 831           | 11                         | 2,650   | 4,582         |
| In three to four years             | 920                 | —                         | 1,191         | 12                         | 626   | 2,749         |
| In four to five years              | 862                 | —                         | 135           | 12                         | 1,101   | 2,110         |
| In more than five years            | 1,660               | —                         | 4,958         | 115                        | 8,118   | 14,851        |
|                                    | <b>7,291</b>        | <b>5,092</b>              | <b>9,313</b>  | <b>4,053</b>               | <b>14,624</b>                                       | <b>40,373</b> |
| Effect of discount/financing rates | (287)               | (15)                      | (1,332)       | (36)                       | (3,645)   | (5,315)       |
| <b>31 March 2015</b>               | <b>7,004</b>        | <b>5,077</b>              | <b>7,981</b>  | <b>4,017</b>               | <b>10,979</b>                                       | <b>35,058</b> |

The maturity profile of the Group's financial derivatives (which include interest rate swaps, cross currency interest rate swaps and foreign exchange swaps) using undiscounted cash flows, is as follows:

|                         | 2016          |                  | 2015          |                  |
|-------------------------|---------------|------------------|---------------|------------------|
|                         | Payable<br>£m | Receivable<br>£m | Payable<br>£m | Receivable<br>£m |
| Within one year         | 25,990        | 26,912           | 2,647         | 3,537            |
| In one to two years     | 8,429         | 8,632            | 5,457         | 4,005            |
| In two to three years   | 3,807         | 4,147            | 4,179         | 4,617            |
| In three to four years  | 2,088         | 2,363            | 1,430         | 1,942            |
| In four to five years   | 1,913         | 2,050            | 1,145         | 2,164            |
| In more than five years | 18,851        | 20,897           | 13,177        | 17,864           |
|                         | <b>61,078</b> | <b>65,001</b>    | <b>28,035</b> | <b>34,129</b>    |

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The net effect of discount/financing rates is £1,183 million (2015: £3,073 million), leaving a £2,740 million (2015: £3,021 million) net receivable in relation to financial instruments. This is split £1,564 million (2015: £984 million) within trade and other payables and £4,304 million (2015: £4,005 million) within trade and other receivables.

Gains and losses recognised in the hedging reserve in equity on cross currency interest rate swaps as at 31 March 2016 will be continuously released to the income statement within financing costs until the repayment of certain bonds classified as loans designated in hedge relationships in the table of maturities of non-derivative financial liabilities above.

The currency split of the Group's foreign exchange derivatives (which includes cross currency interest rate swaps and foreign exchange swaps) is as follows:

|              | 2016          |                  | 2015          |                  |
|--------------|---------------|------------------|---------------|------------------|
|              | Payable<br>£m | Receivable<br>£m | Payable<br>£m | Receivable<br>£m |
| Sterling     | 17,890        | 14,253           | 11,461        | 12,578           |
| Euro         | 11,672        | 19,369           | 8,158         | 6,228            |
| US dollar    | 7,748         | 10,178           | 5,598         | 9,908            |
| Japanese yen | 673           | —                | 594           | 17               |
| Other        | 5,388         | 795              | 3,238         | 1,374            |
|              | <b>43,371</b> | <b>44,595</b>    | <b>29,049</b> | <b>30,105</b>    |

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The net effect of discount/financing rates is £40 million (2015: £192 million), leaving a £1,264 million (2015: £1,248 million) net receivable in relation to foreign exchange financial instruments. This is split £593 million (2015: £291 million) within trade and other payables and £1,857 million (2015: £1,539 million) within trade and other receivables.

The present value of minimum lease payments under finance lease arrangements under which the Group has leased certain of its equipment is included within other liabilities and is analysed as follows:

|                         | 2016<br>£m | 2015<br>£m |
|-------------------------|------------|------------|
| Within one year         | 12         | 14         |
| In two to five years    | 50         | 40         |
| In more than five years | 109        | 85         |

Interest rate and currency of borrowings is as follows:

| Currency             | Total borrowings<br>£m | Floating rate borrowings<br>£m | Fixed rate borrowings <sup>1</sup><br>£m | Other borrowings <sup>2</sup><br>£m |
|----------------------|------------------------|--------------------------------|--|-------------------------------------|
| Sterling             | 2,789                  | 90                             | 2,575                                    | 124                                 |
| Euro                 | 29,900                 | 11,621                         | 16,849                                   | 1,430                               |
| US dollar            | 5,632                  | 5,443                          | 189                                      | —                                   |
| Other                | 7,026                  | 2,381                          | 4,645                                    | —                                   |
| <b>31 March 2016</b> | <b>45,347</b>          | <b>19,535</b>                  | <b>24,258</b>                            | <b>1,554</b>                        |
| Sterling             | 2,108                  | 55                             | 2,046                                    | 7                                   |
| Euro                 | 19,531                 | 4,252                          | 13,972                                   | 1,307                               |
| US dollar            | 7,962                  | 7,782                          | 180                                      | —                                   |
| Other                | 5,457                  | 2,898                          | 2,559                                    | —                                   |
| <b>31 March 2015</b> | <b>35,058</b>          | <b>14,987</b>                  | <b>18,757</b>                            | <b>1,314</b>                        |

Notes:

- The weighted average interest rate for the Group's sterling denominated fixed rate borrowings is 4.6% (2015: 6.3%). The weighted average time for which these rates are fixed is 6.4 years (2015: 8.1 years). The weighted average interest rate for the Group's euro denominated fixed rate borrowings is 2.7% (2015: 3.4%). The weighted average time for which the rates are fixed is 6.5 years (2015: 7.5 years). The weighted average interest rate for the Group's US dollar denominated fixed rate borrowings is 3.6% (2015: 2.8%). The weighted average time for which the rates are fixed is 2.0 years (2015: 3.5 years). The weighted average interest rate for the Group's other currency fixed rate borrowings is 9.4% (2015: 9.6%). The weighted average time for which the rates are fixed is 6.8 years (2015: 0.6 years).
- At 31 March 2016 other borrowings of £1,554 million (2015: £1,314 million) include a £1.4 billion (2015: £1.3 billion) liability for payments due to holders of the equity shares in Kabel Deutschland AG under the terms of a domination and profit and loss transfer agreement.

The figures shown in the tables above take into account interest rate swaps used to manage the interest rate profile of financial liabilities. Interest on floating rate borrowings is generally based on national LIBOR equivalents or government bond rates in the relevant currencies.

Additional protection from euro interest rate movements is provided by fixing interest rates or reducing floating interest rates using interest rate swaps or interest rate futures<sup>1</sup>.

|                                      | 2016                        |                           | 2015                        |                           |
|--------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
|                                      | Interest rate futures<br>£m | Interest rate swaps<br>£m | Interest rate futures<br>£m | Interest rate swaps<br>£m |
| Within one year                      | (2,953)                     | 1,696                     | (2,282)                     | 655                       |
| In one to two years                  | 2,700                       | 1,518                     | 1,659                       | —                         |
| In two to three years                | 1,607                       | 1,429                     | 3,000                       | —                         |
| In three to four years               | —                           | 5,625                     | 1,687                       | —                         |
| In four to five years                | —                           | (1,429)                   | (20)                        | 4,782                     |
| In more than five years <sup>2</sup> | —                           | (2,411)                   | —                           | (5,258)                   |

Notes:

- In the table above, figures shown as positive indicate an increase in fixed interest debt and figures shown in brackets indicate a reduction in fixed interest debt.
- Figures shown as "in more than five years" relate to the periods from March 2021 to March 2022 (2015: March 2020 to March 2021).

**21. Borrowings (continued)****Borrowing facilities****Committed facilities expiry**

|                         | 2016         |               | 2015         |               |
|-------------------------|--------------|---------------|--------------|---------------|
|                         | Drawn<br>£m  | Undrawn<br>£m | Drawn<br>£m  | Undrawn<br>£m |
| Within one year         | 1,317        | 1,816         | 1,065        | —             |
| In one to two years     | 694          | 9             | 431          | —             |
| In two to three years   | 971          | 7             | 736          | —             |
| In three to four years  | 691          | 230           | 757          | 573           |
| In four to five years   | 662          | 5,855         | 317          | 2,790         |
| In more than five years | 609          | 280           | 1,065        | 3,257         |
| <b>31 March</b>         | <b>4,944</b> | <b>8,197</b>  | <b>4,371</b> | <b>6,620</b>  |

At 31 March 2016, the Group's most significant committed facilities comprised two revolving credit facilities which remained undrawn throughout the year of US\$4.1 billion (£2.8 billion) and €4.0 billion (£3.2 billion) maturing in five years. Under the terms of these bank facilities, lenders have the right, but not the obligation, to cancel their commitment 30 days from the date of notification of a change of control of the Company and have outstanding advances repaid on the last day of the current interest period. The facility agreements provide for certain structural changes that do not affect the obligations of the Company to be specifically excluded from the definition of a change of control. This is in addition to the rights of lenders to cancel their commitment if the Company has committed an event of default.

The terms and conditions of the Group's drawn facilities obtained in relation to projects in its Italian, German, Turkish and Romanian operations of €1.2 billion in aggregate (£0.9 billion) and the undrawn facilities in the Group's UK and Irish operations totalling £0.5 billion and the undrawn facility in the German operation of €0.4 billion (£0.3 billion) are similar to those of the US dollar and euro revolving credit facilities. Further information on these facilities can be found in note 22 "Liquidity and capital resources".

**22. Liquidity and capital resources**

This section includes an analysis of net debt, which we use to manage capital, and committed borrowing facilities.

**Net debt**

Net debt was £29.2 billion at 31 March 2016 and includes liabilities for amounts payable under the domination agreement in relation to Kabel Deutschland AG (£1.4 billion) and deferred spectrum licence costs in India (£4.1 billion). This increased by £6.9 billion in the year as a result of payments for spectrum licences and equity shareholder dividends which outweighed positive free cash flow.

Net debt represented 45.8% of our market capitalisation at 31 March 2016 compared to 35.1% at 31 March 2015. Average net debt at month end accounting dates over the 12 month period ended 31 March 2016 was £25.9 billion and ranged between net debt of £22.3 billion and £30.8 billion.

Our consolidated net debt position at 31 March was as follows:

|  | 2016<br>£m      | 2015<br>£m      |
|--|-----------------|-----------------|
| <b>Cash and cash equivalents</b>                         | <b>10,218</b>   | <b>6,882</b>    |
| <b>Short-term borrowings</b>                             |                 |                 |
| Bonds  | (2,033)         | (1,786)         |
| Commercial paper <sup>1</sup>                            | (7,396)         | (5,077)         |
| Put options over non-controlling interests <sup>2</sup>  | (1,430)         | (1,307)         |
| Bank loans   | (2,254)         | (1,876)         |
| Other short-term borrowings <sup>3</sup>                 | (2,907)         | (2,577)         |
|  | <b>(16,020)</b> | <b>(12,623)</b> |
| <b>Long-term borrowings</b>                              |                 |                 |
| Put options over non-controlling interests               | (5)             | (7)             |
| Bonds, loans and other long-term borrowings <sup>4</sup> | (29,322)        | (22,428)        |
|  | <b>(29,327)</b> | <b>(22,435)</b> |
| <b>Other financial instruments<sup>5</sup></b>           | <b>5,940</b>    | <b>5,905</b>    |
| <b>Net debt</b>  | <b>(29,189)</b> | <b>(22,271)</b> |

## Notes:

1 At 31 March 2016 US\$471 million was drawn under the US commercial paper programme and £8,907 million and US\$38 million were drawn under the euro commercial paper programme. Includes a £1.4 billion (2015: £1.3 billion) liability for payments due to holders of the equity shares in Kabel Deutschland AG under the terms of a domination and profit and loss transfer agreement.

2 At 31 March 2016 the amount includes £2,837 million (2015: £2,542 million) in relation to cash received under collateral support agreements. Amount also includes £50 million (2015: £nil) in relation to the short-term debt component of the mandatory convertible bonds maturing on 25 August 2017 and 25 February 2019.

3 At 31 March 2016 the amount includes £69 million (2015: £nil) in relation to the long-term debt component of the mandatory convertible bonds maturing on 25 August 2017 and 25 February 2019.

4 At 31 March 2016 the amount includes £69 million (2015: £nil) in relation to the long-term debt component of the mandatory convertible bonds maturing on 25 August 2017 and 25 February 2019.

5 Comprises mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables £4,304 million (2015: £4,005 million) and trade and other payables £1,564 million (2015: £984 million). Amount also includes short-term investments primarily in index linked government bonds and managed investment funds included as a component of other investments and cash paid as collateral £3,200 million (2015: £2,884 million).

At 31 March 2016 we had £10,218 million of cash and cash equivalents which are held in accordance with the counterparty and settlement risk limits of the Board approved treasury policy. The main forms of liquid investment at 31 March 2016 were managed investment funds, money market funds, UK index linked government bonds, tri-party repurchase agreements and bank deposits.

The cash received from collateral support agreements mainly reflects the value of our interest rate swap and cross currency interest rate swap portfolios which are substantially net present value positive. See note 23 “Capital and financial risk management” for further details on these agreements.

### Commercial paper programmes

We currently have US and euro commercial paper programmes of US\$15 billion and £8 billion respectively which are available to be used to meet short-term liquidity requirements. At 31 March 2016 amounts external to the Group of £8,907 million (£7,043 million) and US\$38 million (£26 million) were drawn under the euro commercial paper programme and US\$471 million (£327 million) were drawn down under the US commercial paper programme, with such funds being provided by counterparties external to the Group. At 31 March 2015 amounts external to the Group of €3,928 million (£2,839 million) were drawn under the euro commercial paper programme and US\$3,321 million (£2,237 million) were drawn down under the US commercial paper programme, with such funds being provided by counterparties external to the Group.

The commercial paper facilities were supported by US\$4.1 billion (£2.8 billion) and €4.0 billion (£3.2 billion) of syndicated committed bank facilities (see “Committed facilities” below). No amounts had been drawn under either bank facility.

### Bonds

We have a €30 billion euro medium-term note programme and a US shelf programme which are used to meet medium to long-term funding requirements. At 31 March 2016 the total amounts in issue under these programmes split by currency were US\$14.1 billion, £2.3 billion, €12.9 billion and NOK 850 million.

At 31 March 2016 we had bonds outstanding with a nominal value of £22,380 million (2015: £17,153 million). In the year ended 31 March 2016 bonds with a nominal value equivalent of £129 million and £5,450 million were issued under the US shelf programme and euro medium-term note programme respectively. The bonds issued in the year were:

| Date of bond issue | Maturity of bond | Programme | Currency        | Nominal amount<br>m | Sterling equivalent<br>£m |
|--------------------|------------------|-----------|-----------------|---------------------|---------------------------|
| 25 February 2016   | 25 February 2019 | EMTN      | Euro            | 1,750               | 1,384                     |
| 17 November 2015   | 17 November 2020 | EMTN      | Euro            | 750                 | 593                       |
| 30 March 2016      | 30 March 2021    | EMTN      | US dollar       | 60                  | 42                        |
| 25 February 2016   | 25 August 2021   | EMTN      | Euro            | 1,250               | 988                       |
| 25 February 2016   | 25 August 2023   | EMTN      | Euro            | 1,250               | 988                       |
| 27 November 2015   | 27 November 2025 | EMTN      | Norwegian krona | 850                 | 71                        |
| 25 February 2016   | 25 August 2026   | EMTN      | Euro            | 1,750               | 1,384                     |
| 3 December 2015    | 3 December 2045  | US shelf  | US dollar       | 186                 | 129                       |

On 26 November 2015, the Group issued £600 million zero-coupon equity linked bonds maturing on 26 November 2020.

On 25 February 2016, the Group issued £2.9 billion of subordinated mandatory convertible bonds issued in two tranches, with the first £1.4 billion maturing on 25 August 2017 and a further £1.4 billion maturing on 25 February 2019 with coupons of 1.5% and 2.0% respectively. At the initial conversion price of £2.1730, at maturity the bonds will convert to 1,325,356,650 Vodafone Group Plc shares representing approximately 5% of Vodafone's share capital. The mandatory bonds are compound instruments with nominal values of £2.8 billion recognised as a component of shareholders' funds in equity. The initial fair value of future coupons of £0.1 billion is recognised as a financial liability in borrowings and subsequently measured at amortised cost using the effective interest rate method. Refer to the consolidated statement of changes in equity on page 89.

The Group has hedged its exposure under the subordinated mandatory convertible bonds to any future movements in its share price by an option strategy designed to hedge the economic impact of share price movements during the term of the bonds. Should the Group decide to buy back ordinary shares to mitigate the dilution resulting from the conversion, the hedging strategy will provide a hedge for the repurchase price.

### Own shares

The Group held a maximum of 2,300,749,013 of its own shares during the year which represented 8.0 % of issued share capital at that time.

## Notes to the consolidated financial statements (continued)

### 22. Liquidity and capital resources (continued)

#### Committed facilities

In aggregate we have committed facilities of approximately £13,141 million, of which £8,197 million was undrawn and £4,944 million was drawn at 31 March 2016. The following table summarises the committed bank facilities available to us at 31 March 2016.

| Committed bank facilities  | Amounts drawn  | Terms and conditions   |
|--|--|--|
| <b>28 March 2014</b>   |  |  |
| €4.0 billion syndicated revolving credit facility, maturing 28 March 2021.                 | No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions. | <p>Lenders have the right, but not the obligation, to cancel their commitments and have outstanding advances repaid no sooner than 30 days after notification of a change of control. This is in addition to the rights of lenders to cancel their commitment if we commit an event of default; however, it should be noted that a material adverse change clause does not apply.</p> <p>The facility matures on 28 March 2021. From 28 March 2020 the facility size will be €3.9 billion as one lender did not extend the facility as per the request from the Company.</p>   |
| <b>27 February 2015</b>  |  |  |
| US\$4.1 billion syndicated revolving credit facility, maturing 27 February 2021.           | No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions. | <p>Lenders have the right, but not the obligation, to cancel their commitments and have outstanding advances repaid no sooner than 30 days after notification of a change of control. This is in addition to the rights of lenders to cancel their commitment if we commit an event of default; however, it should be noted that a material adverse change clause does not apply.</p> <p>The facility matures on 27 February 2021, with each lender having the option to extend the facility for a further year prior to the second anniversary of the facility, if requested by the Company. From 27 February 2020 the facility size will be US\$3.9 billion as one lender did not extend the facility as per the request from the Company.</p> |
| <b>27 November 2013</b>  |  |  |
| €0.5 billion loan facility, maturing 12 December 2021.                                     | This facility was drawn down in full in euros, as allowed by the terms of the facility, on 12 December 2014.   | As per the syndicated revolving credit facilities with the addition that, should our UK and Irish operating companies spend less than the equivalent of €0.9 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.  |
| <b>15 September 2009</b>   |  |  |
| €0.4 billion loan facility, maturing 30 July 2017.   | This facility was drawn down in full on 30 July 2010.  | As per the syndicated revolving credit facilities with the addition that, should our German operating company spend less than the equivalent of €0.8 billion on VDSL related capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the VDSL capital expenditure.  |
| <b>29 September 2009</b>   |  |  |
| US\$0.7 billion export credit agency loan facility, final maturity date 19 September 2018. | This facility is fully drawn down and is amortising.   | As per the syndicated revolving credit facilities with the addition that the Company was permitted to draw down under the facility based upon the eligible spend with Ericsson up until the final draw down date of 30 June 2011. Quarterly repayments of the drawn balance commenced on 30 June 2012 with a final maturity date of 19 September 2018.   |
| <b>8 December 2011</b>   |  |  |
| €0.4 billion loan facility, maturing on 5 June 2020.                                       | This facility was drawn down in full on 5 June 2013.   | As per the syndicated revolving credit facilities with the addition that, should our Italian operating company spend less than the equivalent of €1.3 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.   |
| <b>20 December 2011</b>  |  |  |
| €0.3 billion loan facility, maturing 18 September 2019.                                    | This facility was drawn down in full on 18 September 2012.   | As per the syndicated revolving credit facilities with the addition that, should our Turkish and Romanian operating companies spend less than the equivalent of €1.3 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.  |
| <b>4 March 2013</b>  |  |  |
| €0.1 billion loan facility, maturing 4 December 2020.                                      | This facility was drawn down in full on 4 December 2013.   |  |

| Committed bank facilities   | Amounts drawn  | Terms and conditions  |
|---|--|---|
| <b>2 December 2014</b>  |  |   |
| US\$0.85 billion loan facility, maturing 2 June 2018.                                     | US\$ 0.8 billion was drawn from the facility on 8 June 2015. The remaining US\$ 0.05 billion was cancelled on the same date.   | As per the syndicated revolving credit facilities with the addition that the expenditure should be spent on projects involving Canadian domiciled entities.   |
| <b>17 December 2014</b>   |  |   |
| €0.35 billion loan facility, maturing on the seven year anniversary of the first drawing. | This facility is undrawn and has an availability period of 18 months. The facility is available to finance a project to upgrade and expand the mobile network in Germany.      | As per the syndicated revolving credit facilities with the addition that, should our German operating company spend less than the equivalent of €0.7 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure. |
| <b>9 September 2015</b>   |  |   |
| US\$1.0 billion loan facility, maturing 8 September 2016.                                 | No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions. | As per the syndicated revolving credit facilities.  |
| <b>9 November 2015</b>  |  |   |
| US\$1.0 billion loan facility, maturing 8 November 2016.                                  | No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions. | As per the syndicated revolving credit facilities.  |

Furthermore, certain of our subsidiaries are funded by external facilities which are non-recourse to any member of the Group other than the borrower. These facilities may only be used to fund their operations. At 31 March 2016, Vodafone India had facilities of INR242 billion (£2.5 billion) of which INR236 billion (£2.5 billion) was drawn. Vodafone Egypt had undrawn revolving credit facilities of US\$120 million (£83 million) and EGP4 billion (£313 million). Vodacom had a fully drawn facility of US\$184 million (£128 million) and a facility of ZAR3.5 billion (£166 million) of which ZAR2.2 billion (£102 million) was drawn. Ghana had fully drawn facilities of US\$192 million (£134 million) and GHS60 million (£11 million).

#### Dividends from associates and to non-controlling shareholders

Dividends from our associates are generally paid at the discretion of the Board of Directors or shareholders of the individual operating and holding companies, and we have no rights to receive dividends except where specified within certain of the Group's shareholders' agreements. Similarly, other than ongoing dividend obligations to the KDG minority shareholders should they continue to hold their minority stake, we do not have existing obligations under shareholders' agreements to pay dividends to non-controlling interest partners of our subsidiaries or joint ventures.

The amount of dividends received and paid in the year are disclosed in the consolidated statement of cash flows.

#### Potential cash outflows from option agreements and similar arrangements

Under the terms of the sale and purchase agreement governing the disposal of the US Group, including the 45% interest in Verizon Wireless, the Group retains the responsibility for any tax liabilities of the US Group, excluding those relating to the Verizon Wireless partnership, for periods up to the completion of the transaction on 21 February 2014.

Put options issued as part of the hedging strategy for the mandatory convertible bonds permit the holders to exercise against the Group if there is decrease in our share price. Under the terms of the options, settlement must be made in cash which will equate to the reduced value of shares from the initial conversion price on 1,325 million shares.

#### Off-balance sheet arrangements

We do not have any material off-balance sheet arrangements as defined in item 5.E.2. of the SEC's Form 20-F. Please refer to notes 29 and 30 for a discussion of our commitments and contingent liabilities.

## 23. Capital and financial risk management

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

### Accounting policies

#### Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

#### Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that provides a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

#### Put option arrangements over non-controlling interest

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary.

The amount that may become payable under the option on exercise is initially recognised at present value within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries. The Group recognises the cost of writing such put options, determined as the excess of the present value of the option over any consideration received, as a financing cost.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable; the charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

#### Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates which it manages using derivative financial instruments.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. Changes in values of all derivatives of a financing nature are included within investment income and financing costs in the income statement unless designated in an effective cash flow hedge relationship or a hedge of a net investment in foreign operations when changes in value are deferred to other comprehensive income or equity respectively. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Group designates certain derivatives as:

- hedges of the change of fair value of recognised assets and liabilities ("fair value hedges"); or
- hedges of highly probable forecast transactions or hedges of foreign currency or interest rate risks of firm commitments ("cash flow hedges"); or
- hedges of net investments in foreign operations.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, or if the Company chooses to end the hedging relationship.

#### Fair value hedges

The Group's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings. The Group designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the income statement for the period together with the changes in the fair value of the hedged item arising from the hedged risk, to the extent the hedge is effective. Gains or losses relating to any ineffective portion are recognised immediately in the income statement.

#### Cash flow hedges

Cash flow hedging is used by the Group to hedge certain exposures to variability in future cash flows. The portion of gains or losses relating to changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges is recognised in other comprehensive income; gains or losses relating to any ineffective portion are recognised immediately in the income statement.

When the hedged item is recognised in the income statement, amounts previously recognised in other comprehensive income and accumulated in equity for the hedging instrument are reclassified to the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

When hedge accounting is discontinued, any gain or loss recognised in other comprehensive income at that time remains in equity and is recognised in the income statement when the hedged transaction is ultimately recognised in the income statement. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.



### Net investment hedges

Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in equity. Gains and losses on those hedging instruments (which include bonds, commercial paper, cross currency swaps and foreign exchange contracts) designated as hedges of the net investments in foreign operations are recognised in equity to the extent that the hedging relationship is effective; these amounts are included in exchange differences on translation of foreign operations as stated in the statement of comprehensive income. Gains and losses relating to hedge ineffectiveness are recognised immediately in the income statement for the period. Gains and losses accumulated in the translation reserve are included in the income statement when the foreign operation is disposed of.

## Capital management

The following table summarises the capital of the Group at 31 March:

|   | 2016<br>£m    | 2015<br>£m    |
|---|---------------|---------------|
| <b>Financial assets:</b>                                    |               |               |
| Cash and cash equivalents                                   | (10,218)      | (6,882)       |
| Fair value through the income statement (held for trading)  | (4,160)       | (5,513)       |
| Loans and receivables                                       | (1,570)       | —             |
| Derivative instruments in designated hedge relationships    | (1,774)       | (1,376)       |
| <b>Financial liabilities:</b>                               |               |               |
| Fair value through the income statements (held for trading) | 1,355         | 958           |
| Derivative instruments in designated hedge relationships    | 209           | 26            |
| Financial liabilities held at amortised cost                | 45,347        | 35,058        |
| <b>Net debt</b>   | <b>29,189</b> | <b>22,271</b> |
| Equity  | 67,317        | 67,733        |
| <b>Capital</b>  | <b>96,506</b> | <b>90,004</b> |

The Group's policy is to borrow centrally using a mixture of long-term and short-term capital market issues and borrowing facilities to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries. The Board has approved three internal debt protection ratios being: net interest to operating cash flow (plus dividends from associates); retained cash flow (operating cash flow plus dividends from associates less interest, tax, dividends to non-controlling shareholders and equity dividends) to net debt; and operating cash flow (plus dividends from associates) to net debt. These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and are shared with the Group's debt rating agencies being Moody's, Fitch Ratings and Standard & Poor's.

## Financial risk management

The Group's treasury function provides a centralised service to the Group for funding, foreign exchange, interest rate management and counterparty risk management.

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Board, most recently on 3 November 2015. A treasury risk committee comprising the Group's Chief Financial Officer, Group General Counsel and Company Secretary, Group Financial Controller, Group Treasury Director and Director of Financial Reporting meets three times a year to review treasury activities and its members receive management information relating to treasury activities on a quarterly basis. The Group's accounting function, which does not report to the Group Treasury Director, provides regular update reports of treasury activity to the Board. The Group's internal auditor reviews the internal control environment regularly.

The Group uses a number of derivative instruments for currency and interest rate risk management purposes only that are transacted by specialist treasury personnel. The Group mitigates banking sector credit risk by the use of collateral support agreements.

### Credit risk

The Group considers its exposure to credit risk at 31 March to be as follows:

|                                      | 2016<br>£m    | 2015<br>£m    |
|--------------------------------------|---------------|---------------|
| Bank deposits                        | 1,737         | 2,379         |
| Repurchase agreements                | 2,700         | 2,000         |
| Cash held in restricted deposits     | 791           | 650           |
| UK government bonds                  | 659           | 830           |
| Money market fund investments        | 5,781         | 2,402         |
| Derivative financial instruments     | 4,304         | 4,005         |
| Other investments – debt and bonds   | 6,347         | 5,906         |
| Trade receivables                    | 4,772         | 4,232         |
| Other receivables and accrued income | 3,206         | 2,959         |
|                                      | <b>30,297</b> | <b>25,363</b> |

## Notes to the consolidated financial statements (continued)

### 23. Capital and financial risk management (continued)

The Group invested in UK index linked government bonds on the basis that they generated a floating rate return in excess of £ LIBOR and are amongst the most creditworthy of investments available.

The Group has two managed investment funds. These funds hold fixed income sterling securities and the average credit quality is high double A.

Money market investments are in accordance with established internal treasury policies which dictate that an investment's long-term credit rating is no lower than mid BBB. Additionally, the Group invests in AAA unsecured money market mutual funds where the investment is limited to 10% of each fund.

The Group has investments in repurchase agreements which are fully collateralised investments. The collateral is sovereign and supranational debt with at least one AAA rating denominated in euros, sterling and US dollars and can be readily converted to cash. In the event of any default, ownership of the collateral would revert to the Group. Detailed below is the value of the collateral held by the Group at 31 March:

|               | 2016<br>£m   | 2015<br>£m   |
|---------------|--------------|--------------|
| Sovereign     | 2,700        | 1,977        |
| Supranational | –            | 23           |
|               | <b>2,700</b> | <b>2,000</b> |

In respect of financial instruments used by the Group's treasury function, the aggregate credit risk the Group may have with one counterparty is limited by (i) reference to the long-term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's; (ii) that counterparty's five year credit default swap ('CDS') spread; and (iii) the sovereign credit rating of that counterparty's principal operating jurisdiction. Furthermore, collateral support agreements were introduced from the fourth quarter of 2008. Under collateral support agreements the Group's exposure to a counterparty with whom a collateral support agreement is in place is reduced to the extent that the counterparty must post cash collateral when there is value due to the Group under outstanding derivative contracts that exceeds a contractually agreed threshold amount. When value is due to the counterparty the Group is required to post collateral on identical terms. Such cash collateral is adjusted daily as necessary.

In the event of any default, ownership of the cash collateral would revert to the respective holder at that point. Detailed below is the value of the cash collateral, which is reported within short-term borrowings, held by the Group at 31 March:

|                 | 2016<br>£m | 2015<br>£m |
|-----------------|------------|------------|
| Cash collateral | 2,837      | 2,542      |

The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from consumers and business customers. At 31 March 2016 £3,227 million (2015: £2,869 million) of trade receivables were not yet due for payment. Overdue trade receivables consisted of £1,293 million (2015: £1,141 million) relating to the Europe region, and £252 million (2015: £222 million) relating to the AMAP region. Financial statements are monitored by management and provisions for bad and doubtful debts raised where it is deemed appropriate.

The following table presents ageing of receivables that are past due and provisions for doubtful receivables that have been established:

|                         | 2016                       |                          |                          | 2015                       |                          |                          |
|-------------------------|----------------------------|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|
|                         | Gross<br>receivables<br>£m | Less<br>provisions<br>£m | Net<br>receivables<br>£m | Gross<br>receivables<br>£m | Less<br>provisions<br>£m | Net<br>receivables<br>£m |
| 30 days or less         | 727                        | (272)                    | 455                      | 417                        | (61)                     | 356                      |
| Between 31 and 60 days  | 261                        | (69)                     | 192                      | 231                        | (35)                     | 196                      |
| Between 61 and 180 days | 394                        | (89)                     | 305                      | 288                        | (67)                     | 221                      |
| Greater than 180 days   | 1,108                      | (515)                    | 593                      | 1,205                      | (615)                    | 590                      |
|                         | <b>2,490</b>               | <b>(945)</b>             | <b>1,545</b>             | <b>2,141</b>               | <b>(778)</b>             | <b>1,363</b>             |

Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated. Due to this, management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables.

Amounts charged to administrative expenses during the year ended 31 March 2016 were £498 million (2015: £541 million; 2014: £347 million) (see note 15 "Trade and other receivables").

As discussed in note 30 "Contingent liabilities and legal proceedings", the Group has covenanted to provide security in favour of the trustee of the Vodafone Group UK Pension Scheme in respect of the funding deficit in the scheme. The security takes the form of an English law pledge over UK index linked government bonds.

## Liquidity risk

At 31 March 2016 the Group had €4.0 billion and US\$4.1 billion syndicated committed undrawn bank facilities which support the US\$15 billion and €8 billion commercial paper programme available to the Group. The Group uses commercial paper and bank facilities to manage short-term liquidity and manages long-term liquidity by raising funds in the capital markets.

The euro syndicated committed facility has a maturity date of 28 March 2021. From 28 March 2020 the facility will be downsized to €3.9 billion as one lender did not exercise the option to extend the facility for a further year as requested by the Company. The US\$ syndicated committed facility has a maturity date of 27 February 2021 with each lender having the option to extend the facility for a further year prior to the second anniversary of the facility, if requested by the Company. From 27 February 2020 the facility will be downsized to US\$3.9 billion as one lender did not exercise the option to extend the facility for a further year as requested by the Company. Both facilities have remained undrawn throughout the financial year and since year end and provide liquidity support.

The Group manages liquidity risk on long-term borrowings by maintaining a varied maturity profile with a cap on the level of debt maturity in any one calendar year, therefore minimising refinancing risk. Long-term borrowings mature between one and 29 years.

Liquidity is reviewed daily on at least a 12 month rolling basis and stress tested on the assumption that all commercial paper outstanding matures and is not reissued. The Group maintains substantial cash and cash equivalents which at 31 March 2016 amounted to £10,218 million (2015: £6,882 million).

## Market risk

### Interest rate management

Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in euros, US dollars and sterling are maintained on a floating rate basis except for periods up to six years where interest rate fixing has to be undertaken in accordance with treasury policy. Where assets and liabilities are denominated in other currencies interest rates may also be fixed. In addition, fixing is undertaken for longer periods when interest rates are statistically low.

For each one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 March 2016 there would be an increase or decrease in profit before tax by approximately £23 million (2015: increase or decrease by £36 million) including mark-to-market revaluations of interest rate and other derivatives and the potential interest on outstanding tax issues. There would be no material impact on equity.

### Foreign exchange management

As Vodafone's primary listing is on the London Stock Exchange its share price is quoted in sterling. Since the sterling share price represents the value of its future multi-currency cash flows, principally in euro, South African rand, Indian rupee and sterling, the Group maintains the currency of debt and interest charges in proportion to its expected future principal multi-currency cash flows and has a policy to hedge external foreign exchange risks on transactions denominated in other currencies above certain de minimis levels.

At 31 March 2016, 109% of net debt was denominated in currencies other than sterling (59% euro, 26% India rupee, 10% US dollar and 14% other) while 9% of net debt had been purchased forward in sterling in anticipation of sterling denominated shareholder returns via dividends. This allows euro, US dollar and other debt to be serviced in proportion to expected future cash flows and therefore provides a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies.

Under the Group's foreign exchange management policy, foreign exchange transaction exposure in Group companies is generally maintained at the lower of €5 million per currency per month or €15 million per currency over a six month period.

The Group recognises foreign exchange movements in equity for the translation of net investment hedging instruments and balances treated as investments in foreign operations. However, there is no net impact on equity for exchange rate movements on net investment hedging instruments as there would be an offset in the currency translation of the foreign operation. At 31 March 2016 the Group held financial liabilities in a net investment against the Group's consolidated euro net assets. Sensitivity to foreign exchange movements on the hedging liabilities, analysed against a strengthening of the euro by 8% (2015: 5%) would result in a decrease in equity of £1,350 million (2015: £876 million) which would be fully offset by foreign exchange movements on the hedged net assets.

The following table details the Group's sensitivity of the Group's adjusted operating profit to a strengthening of the Group's major currency in which it transacts. The percentage movement applied to the currency is based on the average movements in the previous three annual reporting periods. Amounts are calculated by retranslating the operating profit of each entity whose functional currency is euro.

|   | 2016<br>£m | 2015<br>£m |
|---|------------|------------|
| <b>Euro 8% (2015: 5%) change – Operating profit<sup>1</sup></b> | <b>109</b> | <b>81</b>  |

Note:

<sup>1</sup> Operating profit before impairment losses and other income and expense.

At 31 March 2016 the Group's sensitivity to foreign exchange movements, analysed against a strengthening of the US dollar by 8% (2015: 9%) on its external US dollar exposure, would decrease the profit before tax by £60 million (2015: £71 million). Foreign exchange on certain internal balances analysed against a strengthening of the US dollar of 8% (2015: 9%) and euro of 8% (2015: 5%) would increase the profit before tax by £0.8 million (2015: decrease profit by £65 million) and decrease profit before tax by £318 million (2015: £186 million) for US dollar and euro respectively.

## Equity risk

There is no material equity risk relating to the Group's equity investments which are detailed in note 13 "Other investments".

The Group has hedged its exposure under the subordinated mandatory convertible bonds to any future movements in its share price by an option strategy designed to hedge the economic impact of share price movements during the term of the bonds. As at 31 March 2016 the Group's sensitivity to a movement of 5% in its share price would result in an increase or decrease in profit before tax of approximately £144 million.

**23. Capital and financial risk management (continued)****Fair value of financial instruments**

The table below sets out the valuation basis<sup>1</sup> of financial instruments held at fair value by the Group at 31 March.

|   | Level 1 <sup>2</sup> |            | Level 2 <sup>3</sup> |              | Total        |              |
|---|----------------------|------------|----------------------|--------------|--------------|--------------|
|   | 2016<br>£m           | 2015<br>£m | 2016<br>£m           | 2015<br>£m   | 2016<br>£m   | 2015<br>£m   |
| <b>Financial assets:</b>                  |                      |            |                      |              |              |              |
| Fair value through the income statement   | —                    | —          | 1,950                | 3,184        | 1,950        | 3,184        |
| Derivative financial instruments:         |                      |            |                      |              |              |              |
| Interest rate swaps                       | —                    | —          | 2,411                | 2,466        | 2,411        | 2,466        |
| Cross currency interest rate swaps        | —                    | —          | 1,626                | 1,506        | 1,626        | 1,506        |
| Interest rate options                     | —                    | —          | 36                   | —            | 36           | —            |
| Foreign exchange contracts                | —                    | —          | 231                  | 33           | 231          | 33           |
| Interest rate futures                     | —                    | —          | 4                    | 8            | 4            | 8            |
|   | <b>—</b>             | <b>—</b>   | <b>6,258</b>         | <b>7,197</b> | <b>6,258</b> | <b>7,197</b> |
| Financial investments available-for-sale: |                      |            |                      |              |              |              |
| Listed equity securities <sup>4</sup>     | 3                    | 4          | —                    | —            | 3            | 4            |
| Unlisted equity securities <sup>4</sup>   | —                    | —          | 82                   | 222          | 82           | 222          |
|   | <b>3</b>             | <b>4</b>   | <b>82</b>            | <b>222</b>   | <b>85</b>    | <b>226</b>   |
|   | <b>3</b>             | <b>4</b>   | <b>6,340</b>         | <b>7,419</b> | <b>6,343</b> | <b>7,423</b> |
| <b>Financial liabilities:</b>             |                      |            |                      |              |              |              |
| Derivative financial instruments:         |                      |            |                      |              |              |              |
| Interest rate swaps                       | —                    | —          | 907                  | 682          | 907          | 682          |
| Cross currency interest rate swaps        | —                    | —          | 534                  | 245          | 534          | 245          |
| Interest rate options                     | —                    | —          | 64                   | 11           | 64           | 11           |
| Foreign exchange contracts                | —                    | —          | 59                   | 46           | 59           | 46           |
|   | <b>—</b>             | <b>—</b>   | <b>1,564</b>         | <b>984</b>   | <b>1,564</b> | <b>984</b>   |

Notes:

1 There were no changes made during the year to valuation methods or the processes to determine classification and no transfers were made between the levels in the fair value hierarchy.

2 Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.

3 Level 2 classification comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.

4 Listed and unlisted securities are classified as held for sale financial assets and fair values are derived from observable quoted market prices for similar items. Details are included in note 13 "Other investments".

**Fair value and carrying value information**

The fair values and carrying values of the Group's financial assets and financial liabilities held at amortised cost are set out in the table below<sup>1</sup>.

Unless otherwise stated, the valuation basis is level 2, comprising financial instruments where fair value is determined from inputs other than quoted prices observable for the asset or liability either directly or indirectly. The fair value of bonds are based on level 1 of the fair value hierarchy, using unadjusted quoted market prices for identical assets or liabilities.

|   | Fair value      |                 | Carrying value  |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2016<br>£m      | 2015<br>£m      | 2016<br>£m      | 2015<br>£m      |
| Cash and cash equivalents <sup>2</sup>                              | 10,218          | 6,882           | 10,218          | 6,882           |
| Cash and other investments held in restricted deposits <sup>2</sup> | 791             | 650             | 791             | 650             |
| Other debt and bonds <sup>3</sup>                                   | 5,052           | 3,551           | 5,052           | 3,551           |
|   | <b>16,061</b>   | <b>11,083</b>   | <b>16,061</b>   | <b>11,083</b>   |
| Short-term borrowings:  |                 |                 |                 |                 |
| Bonds <sup>4</sup>  | (2,036)         | (1,798)         | (2,033)         | (1,786)         |
| Commercial paper <sup>5</sup>                                       | (7,396)         | (5,077)         | (7,396)         | (5,077)         |
| Bank loans and other short-term borrowings <sup>5</sup>             | (6,599)         | (5,766)         | (6,591)         | (5,760)         |
|   | <b>(16,031)</b> | <b>(12,641)</b> | <b>(16,020)</b> | <b>(12,623)</b> |
| Long-term borrowings:   |                 |                 |                 |                 |
| Bonds <sup>4</sup>  | (21,693)        | (17,109)        | (22,135)        | (17,174)        |
| Bank loans and other long-term borrowings <sup>5</sup>              | (7,260)         | (5,346)         | (7,192)         | (5,261)         |
|   | <b>(28,953)</b> | <b>(22,455)</b> | <b>(29,327)</b> | <b>(22,435)</b> |
|   | <b>(28,923)</b> | <b>(24,013)</b> | <b>(29,286)</b> | <b>(23,975)</b> |

Notes:

1 The Group's trade and other receivables and trade and other payables are not shown in the table above. The carrying amounts of both categories approximate their fair values.

2 Cash and cash equivalents are held by the Group on a short-term basis with all having a maturity of three months or less. The carrying value approximates their fair value.

3 Other debt and bonds is predominantly comprised of loan notes from Verizon Communications Inc. (refer to note 13 "Other investments") and collateral paid on derivative financial instruments.

4 The Group's bonds are held at amortised cost with fair values available from market observable prices.

5 Commercial paper and other banks loans are held at amortised cost with fair values calculated from market observable data where appropriate.

## Net financial instruments

The table below shows the Group's financial assets and liabilities that are subject to offset in the balance sheet and the impact of enforceable master netting or similar agreements.

### At 31 March 2016

|                                  | Gross amount<br>£m | Amount set off<br>£m | Amounts<br>presented in<br>balance sheet<br>£m | Related amounts not set off in the balance sheet            |                       |                  |
|----------------------------------|--------------------|----------------------|--|---|-----------------------|------------------|
|                                  |                    |                      |  | Right of set off<br>with derivative<br>counterparties<br>£m | Cash collateral<br>£m | Net amount<br>£m |
| Derivative financial assets      | 4,304              | —                    | 4,304  | (1,216)   | (2,837)               | 251              |
| Derivative financial liabilities | (1,564)            | —                    | (1,564)  | 1,216   | 110                   | (238)            |
| <b>Total</b>                     | <b>2,740</b>       | <b>—</b>             | <b>2,740</b>                                   | <b>—</b>  | <b>(2,727)</b>        | <b>13</b>        |

### At 31 March 2015

|                                  | Gross amount<br>£m | Amount set off<br>£m | Amounts<br>presented in<br>balance sheet<br>£m | Related amounts not set off in the balance sheet            |                       |                  |
|----------------------------------|--------------------|----------------------|--|---|-----------------------|------------------|
|                                  |                    |                      |  | Right of set off<br>with derivative<br>counterparties<br>£m | Cash collateral<br>£m | Net amount<br>£m |
| Derivative financial assets      | 4,005              | —                    | 4,005  | (726)   | (2,542)               | 737              |
| Derivative financial liabilities | (984)              | —                    | (984)  | 726   | 30                    | (228)            |
| <b>Total</b>                     | <b>3,021</b>       | <b>—</b>             | <b>3,021</b>                                   | <b>—</b>  | <b>(2,512)</b>        | <b>509</b>       |

Financial assets and liabilities are offset and the amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Derivative financial instruments that do not meet the criteria for offset could be settled net in certain circumstances under ISDA (International Swaps and Derivatives Association) agreements where each party has the option to settle amounts on a net basis in the event of default from the other. Collateral may be offset and net settled against derivative financial instruments in the event of default by either party. The aforementioned collateral balances are recorded in "other short-term investments" or "short-term debt" respectively.

## 24. Directors and key management compensation

This note details the total amounts earned by the Company's Directors and members of the Executive Committee.

### Directors

Aggregate emoluments of the Directors of the Company were as follows:

|                                | 2016<br>£m | 2015<br>£m | 2014<br>£m |
|--------------------------------|------------|------------|------------|
| Salaries and fees              | 4          | 4          | 4          |
| Incentive schemes <sup>1</sup> | 2          | 3          | 2          |
| Other benefits <sup>2</sup>    | 1          | 1          | 1          |
|                                | <b>7</b>   | <b>8</b>   | <b>7</b>   |

Notes:

1 Excludes gains from long-term incentive plans.

2 Includes the value of the cash allowance taken by some individuals in lieu of pension contributions.

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 31 March 2016 by one Director who served during the year was £0.2 million (2015: one Director, <£0.1 million; 2014: three Directors, £4.0 million).

### Key management compensation

Aggregate compensation for key management, being the Directors and members of the Executive Committee, was as follows:

|                              | 2016<br>£m | 2015<br>£m | 2014<br>£m |
|------------------------------|------------|------------|------------|
| Short-term employee benefits | 22         | 18         | 17         |
| Share-based payments         | 20         | 18         | 21         |
|                              | <b>42</b>  | <b>36</b>  | <b>38</b>  |

## 25. Employees

This note shows the average number of people employed by the Group during the year, in which areas of our business our employees work and where they are based. It also shows total employment costs.

|   | 2016<br>Employees | 2015<br>Employees | 2014<br>Employees |
|---|-------------------|-------------------|-------------------|
| <b>By activity:</b>                           |                   |                   |                   |
| Operations                                    | 18,869            | 17,602            | 14,947            |
| Selling and distribution                      | 38,325            | 35,629            | 31,342            |
| Customer care and administration              | 54,490            | 52,069            | 42,857            |
|   | <b>111,684</b>    | <b>105,300</b>    | <b>89,146</b>     |
| <b>By segment:</b>                            |                   |                   |                   |
| Germany                                       | 14,862            | 14,520            | 10,623            |
| Italy   | 6,676             | 6,757             | 1,123             |
| Spain   | 5,935             | 5,324             | 3,552             |
| UK  | 13,323            | 12,437            | 12,979            |
| Other Europe                                  | 16,058            | 15,190            | 15,392            |
| <b>Europe</b>                                 | <b>56,854</b>     | <b>54,228</b>     | <b>43,669</b>     |
| India   | 13,346            | 12,303            | 11,925            |
| Vodacom                                       | 7,515             | 7,260             | 7,176             |
| Other Africa, Middle East and Asia Pacific    | 14,262            | 14,312            | 16,002            |
| <b>Africa, Middle East and Asia Pacific</b>   | <b>35,123</b>     | <b>33,875</b>     | <b>35,103</b>     |
| Non-Controlled Interests and Common Functions | 19,707            | 17,197            | 10,374            |
| <b>Total</b>                                  | <b>111,684</b>    | <b>105,300</b>    | <b>89,146</b>     |

The cost incurred in respect of these employees (including Directors) was:

|                                | 2016<br>£m   | 2015<br>£m   | 2014<br>£m   |
|--------------------------------|--------------|--------------|--------------|
| Wages and salaries             | 3,632        | 3,469        | 3,261        |
| Social security costs          | 455          | 442          | 364          |
| Other pension costs (note 26)  | 207          | 195          | 158          |
| Share-based payments (note 27) | 117          | 88           | 92           |
|                                | <b>4,411</b> | <b>4,194</b> | <b>3,875</b> |

## 26. Post employment benefits

We operate a number of defined benefit and defined contribution pension plans for our employees. The Group's largest defined benefit scheme is in the UK. For further details see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 "Basis of preparation" to the consolidated financial statements.

### Accounting policies

For defined benefit retirement plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or liability on the statement of financial position. Scheme liabilities are assessed using the projected unit funding method and applying the principal actuarial assumptions at the reporting period date. Assets are valued at market value.

Actuarial gains and losses are taken to the statement of comprehensive income as incurred. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. The return on plan assets, in excess of interest income, is also taken to other comprehensive income.

Other movements in the net surplus or deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any settlements. The interest cost less the expected interest income on assets is also charged to the income statement. The amount charged to the income statement in respect of these plans is included within operating costs or in the Group's share of the results of equity accounted operations, as appropriate.

Cumulative actuarial gains and losses at 1 April 2004, the date of transition to IFRS, were recognised in the statement of financial position.

The Group contributions to defined contribution pension plans are charged to the income statement as they fall due.

### Background

At 31 March 2016 the Group operated a number of pension plans for the benefit of its employees throughout the world, with varying rights and obligations depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through both defined benefit and defined contribution arrangements. Defined benefit schemes provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

The Group operates defined benefit schemes in Germany, Ghana, India, Ireland, Italy, the UK and the United States. Defined contribution pension schemes are currently provided in Australia, Egypt, Germany, Greece, Hungary, India, Ireland, Italy, the Netherlands, New Zealand, Portugal, South Africa, Spain and the UK.

### Income statement expense

|   | 2016<br>£m | 2015<br>£m | 2014<br>£m |
|---|------------|------------|------------|
| Defined contribution schemes                              | 163        | 155        | 124        |
| Defined benefit schemes                                   | 44         | 40         | 34         |
| <b>Total amount charged to income statement (note 25)</b> | <b>207</b> | <b>195</b> | <b>158</b> |



**26. Post employment benefits (continued)****Defined benefit schemes**

The Group's main defined benefit scheme is in the UK, being the Vodafone UK Group Pension Scheme ('Vodafone UK plan'). There are two segregated sections of the Vodafone UK plan, the pre-existing assets and liabilities of the Vodafone UK plan in the Vodafone Section and the former Cable & Wireless Worldwide Retirement Plan ('CWWRP') assets and liabilities, which were transferred into the Vodafone UK plan on 6 June 2014, in the CWW Section, with the CWWRP then being wound up. The pre-existing Vodafone UK plan and the former CWWRP plan closed to future accrual on 31 March 2010 and 30 November 2013 respectively. Until 30 November 2013 the CWWRP allowed employees to accrue a pension at a rate of 1/85th of their final salary for each year of service until the retirement age of 60 with a maximum pension of two thirds of final salary. Employees contributed 5% of their salary into the scheme.

The defined benefit plans are administered by Trustee Boards that are legally separated from the Group. The Trustee Board of each pension fund consists of representatives who are employees, former employees or are independent from the Company. The Boards of the pension funds are required by law to act in the best interest of the plan participants and are responsible for setting certain policies, such as investment and contribution policies, and the governance of the fund.

The defined benefit pension schemes expose the Group to actuarial risks such as longer than expected longevity of members, lower than expected return on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans.

The UK pensions environment is regulated by the Pensions Regulator whose statutory objectives are set out in legislation and include promoting and improving understanding of the good administration of work-based pensions, protecting member benefits and regulating occupational defined benefit and contribution schemes. The Pensions Regulator is a non-departmental public body established under the Pensions Act 2004 and sponsored by the Department for Work And Pensions, operating within a legal regulatory framework set by the UK Parliament. The Pensions Regulator's statutory objectives and regulatory powers are described on its website at [thepensionsregulator.gov.uk](http://thepensionsregulator.gov.uk).

The Vodafone UK plan is registered as an occupational pension plan with HMRC and is subject to UK legislation and oversight from the Pensions Regulator. UK legislation requires that pension schemes are funded prudently and that valuations are undertaken at least every three years. Separate valuations are required for the Vodafone Section and CWW Section. Within 15 months of each valuation date, the plan trustees and the Group must agree any contributions required to ensure that the plan is fully funded over time on a suitably prudent measure.

The publication by the International Accounting Standards Board in June 2015 of its Exposure Draft of amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, has provided additional clarity on the role of trustees' rights in an assessment of the recoverability of a surplus in an employee pension fund. The trustees of the Vodafone UK plan have neither a unilateral right to wind up the plan and purchase annuities nor a unilateral right to improve members' benefits and consequently the Exposure Draft as currently proposed is not expected to have a material impact on the Group's results.

The most recent valuations for the Vodafone and CWWRP sections of the Vodafone UK plan were carried out as at 31 March 2013 by independent actuaries appointed by the plan trustees. These valuations revealed a total deficit of £437 million on the schemes' funding basis. Following the valuation, the Group paid special one-off contributions totalling £365 million in April 2014 (£325 million into the Vodafone Section and £40 million into the CWW Section). These lump sum contributions represented accelerated funding amounts that would otherwise have been due over the period to 31 March 2020. No further contributions were therefore due to the Vodafone UK plan for the period to 31 March 2016. The next valuation, which is being performed as at 31 March 2016, will be completed during the 2017 financial year after which the position of the scheme will be reassessed.

Funding plans are individually agreed for each of the Group's defined benefit pension schemes with the respective trustees, taking into account local regulatory requirements. It is expected that ordinary contributions relating to future service of £39 million will be paid into the Group's defined benefit pension schemes during the year ending 31 March 2017. The main UK defined benefit scheme will be carrying out a Pension Increase Exchange ('PIE') exercise between May and August 2016. All eligible pensioners will be given the opportunity to exchange future increases on part or all of their pension and receive a higher pension immediately. If they accept the offer (after taking financial advice), they will no longer receive future increases on that part of their pension. It is expected that this exercise will reduce the future liabilities of the scheme which will be reflected in next year's accounts.

The Group has also provided certain guarantees in respect of the Vodafone UK plan; further details are provided in note 30 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

**Actuarial assumptions**

The Group's scheme liabilities are measured using the projected unit credit method using the principal actuarial assumptions set out below:

|   | 2016<br>% | 2015<br>% | 2014<br>% |
|---|-----------|-----------|-----------|
| <b>Weighted average actuarial assumptions used at 31 March<sup>1</sup>:</b> |           |           |           |
| Rate of inflation <sup>2</sup>  | 2.8       | 3.0       | 3.2       |
| Rate of increase in salaries  | 2.6       | 2.8       | 3.1       |
| Discount rate   | 3.2       | 3.0       | 4.2       |

Notes:

- Figures shown represent a weighted average assumption of the individual schemes.
- The rate of increase in pensions in payment and deferred payment is the rate of inflation.

Mortality assumptions used are based on recommendations from the individual scheme actuaries which include adjustments for the experience of the Group where appropriate. The Group's largest scheme is the Vodafone UK plan. Further life expectancies assumed for the UK schemes are 24.0/25.3 years (2015: 24.5/25.8 years; 2014: 23.3/24.7 years) for a male/female pensioner currently aged 65 and 26.6/28.1 years (2015: 27.1/28.7 years; 2014: 25.9/27.5 years) from age 65 for a male/female non-pensioner member currently aged 40.

Charges made to the consolidated income statement and consolidated statement of comprehensive income ('SOC') on the basis of the assumptions stated above are:

|   | 2016<br>£m | 2015<br>£m | 2014<br>£m |
|---|------------|------------|------------|
| Current service cost  | 36         | 37         | 14         |
| Net interest charge   | 8          | 3          | 20         |
| <b>Total included within staff costs</b>                    | <b>44</b>  | <b>40</b>  | <b>34</b>  |
| Actuarial (gains)/losses recognised in the SOC <sup>1</sup> | (156)      | 269        | (57)       |

Note:

1 Amounts disclosed in the SOC are stated net of £30 million of tax (2015: £57 million; 2014: £20 million).

## Fair value of the assets and present value of the liabilities of the schemes

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit schemes is as follows:

|   | Assets<br>£m | Liabilities<br>£m | Net deficit<br>£m |
|---|--------------|-------------------|-------------------|
| <b>1 April 2014</b>   | <b>3,842</b> | <b>(4,391)</b>    | <b>(549)</b>      |
| Service cost  | —            | (37)              | (37)              |
| Interest income/(cost)  | 176          | (179)             | (3)               |
| Return on plan assets excluding interest income                 | 721          | —                 | 721               |
| Actuarial losses arising from changes in financial assumptions  | —            | (982)             | (982)             |
| Actuarial losses arising from experience adjustments            | —            | (8)               | (8)               |
| Employer cash contributions                                     | 404          | —                 | 404               |
| Member cash contributions                                       | 9            | (9)               | —                 |
| Benefits paid   | (95)         | 95                | —                 |
| Exchange rate movements   | (83)         | 116               | 33                |
| Other movements   | (18)         | 41                | 23                |
| <b>31 March 2015</b>  | <b>4,956</b> | <b>(5,354)</b>    | <b>(398)</b>      |
| Service cost  | —            | (36)              | (36)              |
| Interest income/(cost)  | 149          | (157)             | (8)               |
| Return on plan assets excluding interest income                 | (151)        | —                 | (151)             |
| Actuarial gains arising from changes in demographic assumptions | —            | 71                | 71                |
| Actuarial gains arising from changes in financial assumptions   | —            | 276               | 276               |
| Actuarial losses arising from experience adjustments            | —            | (40)              | (40)              |
| Employer cash contributions                                     | 27           | —                 | 27                |
| Member cash contributions                                       | 7            | (7)               | —                 |
| Benefits paid   | (118)        | 118               | —                 |
| Exchange rate movements   | 59           | (84)              | (25)              |
| Other movements   | (4)          | 18                | 14                |
| <b>31 March 2016</b>  | <b>4,925</b> | <b>(5,195)</b>    | <b>(270)</b>      |

An analysis of net (deficit)/assets is provided below for the Group as a whole.

|  | 2016<br>£m   | 2015<br>£m   | 2014<br>£m   | 2013<br>£m   | 2012<br>£m   |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Analysis of net deficit:</b>              |              |              |              |              |              |
| Total fair value of scheme assets            | 4,925        | 4,956        | 3,842        | 3,723        | 1,604        |
| Present value of funded scheme liabilities   | (5,129)      | (5,288)      | (4,325)      | (4,239)      | (1,853)      |
| <b>Net deficit for funded schemes</b>        | <b>(204)</b> | <b>(332)</b> | <b>(483)</b> | <b>(516)</b> | <b>(249)</b> |
| Present value of unfunded scheme liabilities | (66)         | (66)         | (66)         | (12)         | (12)         |
| <b>Net deficit</b>                           | <b>(270)</b> | <b>(398)</b> | <b>(549)</b> | <b>(528)</b> | <b>(261)</b> |
| <b>Net deficit is analysed as:</b>           |              |              |              |              |              |
| Assets <sup>1</sup>                          | 177          | 169          | 35           | 52           | 31           |
| Liabilities                                  | (447)        | (567)        | (584)        | (580)        | (292)        |

Note:

1 Pension assets are deemed to be recoverable and there are no adjustments in respect of minimum funding requirements as future economic benefits are available to the Company either in the form of future refunds or, for plans still open to benefit accrual, in the form of possible reductions in future contributions.

## Notes to the consolidated financial statements (continued)

### 26. Post employment benefits (continued)

An analysis of net assets/(deficit) is provided below for the Group's largest defined benefit pension scheme in the UK, which is a funded scheme. Following the merger of the Vodafone UK plan and the CWWRP plan on 6 June 2014 the assets and liabilities of the CWW Section are segregated from the Vodafone Section and hence are reported separately below.

|  | CWW Section <sup>1</sup> |            |            |             | Vodafone Section <sup>2</sup> |              |              |              |              |
|--|--------------------------|------------|------------|-------------|-------------------------------|--------------|--------------|--------------|--------------|
|  | 2016<br>£m               | 2015<br>£m | 2014<br>£m | 2013<br>£m  | 2016<br>£m                    | 2015<br>£m   | 2014<br>£m   | 2013<br>£m   | 2012<br>£m   |
| <b>Analysis of net assets/(deficit):</b>     |                          |            |            |             |                               |              |              |              |              |
| Total fair value of scheme assets            | 2,184                    | 2,251      | 1,780      | 1,827       | 1,904                         | 1,912        | 1,343        | 1,328        | 1,218        |
| Present value of scheme liabilities          | (2,011)                  | (2,085)    | (1,732)    | (1,874)     | (2,015)                       | (2,133)      | (1,677)      | (1,647)      | (1,444)      |
| <b>Net assets/(deficit)</b>                  | <b>173</b>               | <b>166</b> | <b>48</b>  | <b>(47)</b> | <b>(111)</b>                  | <b>(221)</b> | <b>(334)</b> | <b>(319)</b> | <b>(226)</b> |
| <b>Net assets/(deficit) are analysed as:</b> |                          |            |            |             |                               |              |              |              |              |
| Assets <sup>3</sup>                          | 173                      | 166        | 48         | —           | —                             | —            | —            | —            | —            |
| Liabilities                                  | —                        | —          | —          | (47)        | (111)                         | (221)        | (334)        | (319)        | (226)        |

Notes:

1 Cable & Wireless Worldwide Retirement Plan until 6 June 2014.

2 Vodafone UK plan until 6 June 2014.

3 Pension assets are deemed to be recoverable and there are no adjustments in respect of minimum funding requirements as future economic benefits are available to the Company either in the form of future refunds or, for plans still open to benefit accrual, in the form of possible reductions in future contributions.

### Duration of the benefit obligations

The weighted average duration of the defined benefit obligation at 31 March 2016 is 22.3 years (2015: 22.7 years; 2014: 21.7 years).

### Fair value of pension assets

|  | 2016<br>£m   | 2015<br>£m   |
|--|--------------|--------------|
| Cash and cash equivalents                                    | 87           | 97           |
| Equity investments:  |              |              |
| With quoted prices in an active market                       | 1,487        | 1,489        |
| Without quoted prices in an active market                    | 157          | 154          |
| Debt instruments:  |              |              |
| With quoted prices in an active market                       | 2,747        | 2,567        |
| Property:  |              |              |
| With quoted prices in an active market                       | 8            | 7            |
| Without quoted prices in an active market                    | 15           | 12           |
| Derivatives: <sup>1</sup>                                    |              |              |
| With quoted prices in an active market                       | (292)        | 99           |
| Without quoted prices in an active market                    | —            | —            |
| Investment fund  | 231          | —            |
| Annuity policies – Without quoted prices in an active market | 485          | 531          |
| <b>Total</b>   | <b>4,925</b> | <b>4,956</b> |

Note:

1 Derivatives include collateral held in the form of cash.

The schemes have no direct investments in the Group's equity securities or in property currently used by the Group.

Each of the plans manages risks through a variety of methods and strategies including equity protection, to limit downside risk in falls in equity markets, inflation and interest rate hedging and, in the CWW Section of the Vodafone UK plan, a substantial insured pensioner buy-in policy.

The actual return on plan assets over the year to 31 March 2016 was a loss of £2 million (2015: £897 million return).

### Sensitivity analysis

Measurement of the Group's defined benefit retirement obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase or decrease in a particular assumption would, in isolation, result in an increase or decrease in the present value of the defined benefit obligation as at 31 March 2016.

|  | Rate of inflation      |                        | Rate of increase in salaries |                        | Discount rate          |                        | Life expectancy          |                          |
|--|------------------------|------------------------|------------------------------|------------------------|------------------------|------------------------|--------------------------|--------------------------|
|  | Decrease by 0.5%<br>£m | Increase by 0.5%<br>£m | Decrease by 0.5%<br>£m       | Increase by 0.5%<br>£m | Decrease by 0.5%<br>£m | Increase by 0.5%<br>£m | Increase by 1 year<br>£m | Decrease by 1 year<br>£m |
| (Decrease)/increase in present value of defined obligation | (395)                  | 448                    | (4)                          | 4                      | 597                    | (511)                  | 126                      | (126)                    |

The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. In presenting this sensitivity analysis, the change in the present value of the defined benefit obligation has been calculated on the same basis as prior years using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

## 27. Share-based payments

We have a number of share plans used to award shares to Directors and employees as part of their remuneration package. A charge is recognised over the vesting period in the consolidated income statement to record the cost of these, based on the fair value of the award on the grant date.

### Accounting policies

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. A corresponding increase in retained earnings is also recognised.

Some share awards have an attached market condition, based on total shareholder return ('TSR'), which is taken into account when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone's ranking within the same group of companies, where possible, over the past five years.

The fair value of awards of non-vested shares is equal to the closing price of the Group's shares on the date of grant, adjusted for the present value of the delay in receiving dividends where appropriate.

The maximum aggregate number of ordinary shares which may be issued in respect of share options or share plans will not (without shareholder approval) exceed:

- 10% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans; and
- 5% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans, other than any plans which are operated on an all-employee basis.

## Share options

### Vodafone Group executive plans

No share options have been granted to any Directors or employees under the Company's discretionary share option plans in the year ended 31 March 2016.

There are options outstanding under the Vodafone Group 1999 Long-Term Stock Incentive Plan and the Vodafone Global Incentive Plan. These options are normally exercisable between three and ten years from the date of grant. The vesting of some of these options was subject to satisfaction of performance conditions. Grants made to US employees are made in respect of American Depositary Shares ('ADS').

### Vodafone Group Sharesave Plan

The Vodafone Group 2008 Sharesave Plan enables UK staff to acquire shares in the Company through monthly savings of up to £250 over a three and/or five year period, at the end of which they may also receive a tax free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the Company's shares.

## Share plans

### Vodafone Group executive plans

Under the Vodafone Global Incentive Plan awards of shares are granted to Directors and certain employees. The release of these shares is conditional upon continued employment and, for some awards, achievement of certain performance targets measured over a three year period.

### Vodafone Share Incentive Plan

The Vodafone Share Incentive Plan enables UK staff to acquire shares in the Company through monthly purchases of up to £125 per month or 5% of salary, whichever is lower. For each share purchased by the employee, the Company provides a free matching share.

**27. Share-based payments (continued)****Movements in outstanding ordinary share and ADS options**

|   | ADS options      |                  |                  | Ordinary share options |                  |                  |
|---|------------------|------------------|------------------|------------------------|------------------|------------------|
|   | 2016<br>Millions | 2015<br>Millions | 2014<br>Millions | 2016<br>Millions       | 2015<br>Millions | 2014<br>Millions |
| 1 April                                 |                  |                  | —                | 25                     | 27               | 40               |
| Granted during the year                 | —                | —                | —                | 7                      | 7                | 12               |
| Forfeited during the year               | —                | —                | —                | (1)                    | (2)              | (1)              |
| Exercised during the year               | —                | —                | —                | (5)                    | (6)              | (22)             |
| Expired during the year                 | —                | —                | —                | (2)                    | (1)              | (2)              |
| <b>31 March</b>                         | <b>—</b>         | <b>—</b>         | <b>—</b>         | <b>24</b>              | <b>25</b>        | <b>27</b>        |
| <b>Weighted average exercise price:</b> |                  |                  |                  |                        |                  |                  |
| 1 April                                 | —                | —                | US\$22.16        | £1.49                  | £1.42            | £1.41            |
| Granted during the year                 | —                | —                | —                | £1.89                  | £1.56            | £1.49            |
| Forfeited during the year               | —                | —                | —                | £1.54                  | £1.45            | £1.34            |
| Exercised during the year               | —                | —                | US\$29.31        | £1.42                  | £1.25            | £1.43            |
| Expired during the year                 | —                | —                | —                | £1.59                  | £1.45            | £1.37            |
| <b>31 March</b>                         | <b>—</b>         | <b>—</b>         | <b>—</b>         | <b>£1.62</b>           | <b>£1.49</b>     | <b>£1.42</b>     |

**Summary of options outstanding and exercisable at 31 March 2016**

|  | Outstanding                       |  |   | Exercisable                       |  |   |
|--|-----------------------------------|--|---|-----------------------------------|--|---|
|  | Outstanding<br>shares<br>Millions | Weighted<br>average<br>exercise<br>price | Weighted<br>average<br>remaining<br>contractual<br>life<br>Months | Exercisable<br>shares<br>Millions | Weighted<br>average<br>exercise<br>price | Weighted<br>average<br>remaining<br>contractual<br>life<br>Months |
| Vodafone Group savings related and Sharesave Plan:<br>£1.01–£2.00  | 23                                | £1.62                                    | 29  | —                                 | —  | —   |
| Vodafone Group 1999 Long-Term Stock Incentive Plan:<br>£1.01–£2.00 | 1                                 | £1.68                                    | 16  | 1                                 | £1.68                                    | 16  |

**Share awards**

Movements in non-vested shares are as follows:

|                 | 2016       |  | 2015       |  | 2014       |  |
|-----------------|------------|--|------------|--|------------|--|
|                 | Millions   | Weighted<br>average fair<br>value at<br>grant date | Millions   | Weighted<br>average fair<br>value at<br>grant date | Millions   | Weighted<br>average fair<br>value at<br>grant date |
| 1 April         | 217        | £1.56  | 243        | £1.44  | 294        | £1.27  |
| Granted         | 63         | £2.22  | 83         | £1.63  | 84         | £1.58  |
| Vested          | (32)       | £1.80  | (62)       | £1.35  | (81)       | £1.11  |
| Forfeited       | (50)       | £1.40  | (47)       | £1.35  | (54)       | £1.19  |
| <b>31 March</b> | <b>198</b> | <b>£1.77</b>                                       | <b>217</b> | <b>£1.56</b>                                       | <b>243</b> | <b>£1.44</b>                                       |

**Other information**

The total fair value of shares vested during the year ended 31 March 2016 was £58 million (2015: £84 million; 2014: £90 million).

The compensation cost included in the consolidated income statement in respect of share options and share plans was £117 million (2015: £88 million; 2014: £92 million) which is comprised principally of equity-settled transactions.

The average share price for the year ended 31 March 2016 was 224.2 pence (2015: 212.7 pence; 2014: 212.2 pence).

## 28. Acquisitions and disposals

We completed a number of small acquisitions during the year. The note below provides details of these transactions as well as those in the prior year including, most significantly, the acquisition of Grupo Corporativo Ono, S.A. ('Ono'). For further details see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 "Basis of preparation" to the consolidated financial statements.

### Accounting policies

#### Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group. Acquisition-related costs are recognised in the income statement as incurred. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date. The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

#### Acquisition of interests from non-controlling shareholders

In transactions with non-controlling parties that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity.

### Acquisitions

The aggregate cash consideration in respect of purchases of interests in subsidiaries, net of cash acquired, is as follows:

|  | £m        |
|--|-----------|
| <b>Cash consideration paid:</b>        |           |
| Acquisitions completed during the year | 44        |
| Net cash acquired                      | (1)       |
|  | <b>43</b> |

### Acquisitions

During the 2016 financial year, the Group completed a number of acquisitions for an aggregate net cash consideration of £43 million. The aggregate fair values of goodwill, identifiable assets and liabilities of the acquired operations were £17 million, £38 million and £12 million respectively. In addition, the Group completed the acquisition of certain non-controlling interests for a net cash consideration of £48 million.

#### Grupo Corporativo Ono, S.A. ('Ono')

On 23 July 2014, the Group acquired the entire share capital of Ono for a cash consideration of £2,945 million. The primary reason for acquiring the business was to create a leading integrated communications operator in Spain, offering customers unified communication services.

The purchase price allocation is set out in the table below:

|   | Fair value<br>£m |
|---|------------------|
| <b>Net assets acquired:</b>                 |                  |
| Identifiable intangible assets <sup>1</sup> | 777              |
| Property, plant and equipment               | 3,272            |
| Other investments                           | 7                |
| Trade and other receivables                 | 156              |
| Cash and cash equivalents                   | 143              |
| Current and deferred taxation               | 647              |
| Short and long-term borrowings              | (3,001)          |
| Trade and other payables                    | (391)            |
| Provisions                                  | (83)             |
| <b>Net identifiable assets acquired</b>     | <b>1,527</b>     |
| Non-controlling interests                   | (5)              |
| Goodwill <sup>2</sup>                       | 1,423            |
| <b>Total consideration<sup>3</sup></b>      | <b>2,945</b>     |

#### Notes:

1 Identifiable intangible assets of £777 million consisted of customer contracts and relationships of £710 million, brand of £33 million and software of £34 million.

2 The goodwill arising on acquisition is principally related to the synergies expected to arise following the integration of the Ono business. These principally relate to synergies expected to arise following integration of the respective networks, operating cost rationalisation and revenue synergies driven by the larger network footprint and incremental revenue streams from integrated services.

3 Transaction costs of £11 million were charged in the Group's consolidated income statement in the year ended 31 March 2015.

## Notes to the consolidated financial statements (continued)

### 28. Acquisitions and disposals (continued)

#### Vodafone Omnitel B.V. ('Vodafone Italy')

On 21 February 2014 the Group acquired a 100% interest in Vodafone Italy, having previously held a 76.9% stake which was accounted for as a joint venture. The Group acquired the additional 23.1% equity as part of the consideration received for the disposal of the Group's interests in Verizon Wireless (see "Disposals" below). There was no observable market for Verizon shares and so the fair value of consideration paid by the Group for the acquisition was considered to be more reliably determined based on the acquisition-date fair value of Group's existing equity interest in Vodafone Italy. Using a value in use basis, the consideration paid for the acquisition was determined to be £7,121 million, comprising £5,473 million for the Group's existing 76.9% equity interest and £1,648 million for the additional 23.1% equity interest.

### Disposals

#### Verizon Wireless ('VZW')

On 21 February 2014 the Group sold its US sub-group which included its entire 45% shareholding in VZW to Verizon Communications Inc. for a total consideration of £76.7 billion before tax and transaction costs, comprising cash of £35.2 billion, shares in Verizon Communications Inc. of £36.7 billion, loan notes issued by Verizon Communications Inc. of £3.1 billion and a 21.3% interest in Vodafone Italy valued at £1.7 billion. The Group recognised a net gain on disposal of £44,996 million, reported in profit for the financial year from discontinued operations.

### 29. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to leases and agreements to buy assets such as network infrastructure and IT systems. These amounts are not recorded in the consolidated statement of financial position since we have not yet received the goods or services from the supplier. The amounts below are the minimum amounts that we are committed to pay.

#### Accounting policies

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### Operating lease commitments

The Group has entered into commercial leases on certain properties, network infrastructure, motor vehicles and items of equipment. The leases have various terms, escalation clauses, purchase options and renewal rights, none of which are individually significant to the Group.

Future minimum lease payments under non-cancellable operating leases comprise:

|   | 2016<br>£m   | 2015<br>£m   |
|---|--------------|--------------|
| Within one year                                   | 1,527        | 1,403        |
| In more than one year but less than two years     | 1,096        | 925          |
| In more than two years but less than three years  | 988          | 797          |
| In more than three years but less than four years | 797          | 698          |
| In more than four years but less than five years  | 632          | 550          |
| In more than five years                           | 2,822        | 2,207        |
|   | <b>7,862</b> | <b>6,580</b> |

The total of future minimum sublease payments expected to be received under non-cancellable subleases is £397 million (2015: £358 million).

#### Capital commitments

|   | Company and subsidiaries |            | Share of joint operations |            | Group      |            |
|---|--------------------------|------------|---------------------------|------------|------------|------------|
|   | 2016<br>£m               | 2015<br>£m | 2016<br>£m                | 2015<br>£m | 2016<br>£m | 2015<br>£m |
| Contracts placed for future capital expenditure not provided in the financial statements <sup>1</sup> | 1,954                    | 4,871      | 97                        | 86         | 2,051      | 4,957      |

Note:

1 Commitment includes contracts placed for property, plant and equipment and intangible assets.

Capital commitments at 31 March 2015 included £2,682 million in relation to spectrum acquired in 12 telecom circles in India, the purchase of which was completed during the year.



## Acquisition commitments

On 15 February 2016 Vodafone announced that Liberty Global Europe Holding B.V. and Vodafone International Holdings B.V. had reached an agreement to merge their operating businesses in the Netherlands to form a 50:50 joint venture. The joint venture will operate under both the Vodafone and Ziggo brands and will create a nationwide integrated communications provider in the Netherlands. Based upon the enterprise value of each business, and after deducting Ziggo's €7.3 billion of net debt, Vodafone will make a cash payment to Liberty Global of €1 billion to equalise ownership in the JV, reflecting the €2 billion difference in the two companies' equity value. Vodafone Netherlands will be contributed to the JV on a debt and cash free basis. The transaction is expected to close around the end of 2016 and is subject to regulatory approvals and consultations with the Works Councils.

During the year ended 31 March 2016 Vodafone agreed to acquire You Broadband (India) Private Limited and You System Integration Private Limited in India for €35 million. The transaction, which is expected to close later this year, is subject to regulatory approval by the Foreign Investment Promotion Board.

## 30. Contingent liabilities and legal proceedings

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably.

|  | 2016<br>€m | 2015<br>€m |
|--|------------|------------|
| Performance bonds <sup>1</sup>                           | 849        | 766        |
| Other guarantees and contingent liabilities <sup>2</sup> | 2,543      | 2,539      |

### Notes:

- Performance bonds require the Group to make payments to third parties in the event that the Group does not perform what is expected of it under the terms of any related contracts or commercial arrangements.
- Other guarantees principally comprise Vodafone Group Plc's guarantee of the Group's 50% share of an AUD 1.7 billion loan facility and a US\$3.5 billion loan facility of its joint venture, Vodafone Hutchison Australia Pty Limited.

## UK pension schemes

The Group's main defined benefit scheme is the Vodafone UK Group Pension Scheme which has two segregated sections, the Vodafone Section and the CWW Section, as detailed in note 26.

The Group has covenanted to provide security in favour of the Vodafone UK Group Pension Scheme – Vodafone Section whilst there is a deficit in this section. The deficit is measured on a prescribed basis agreed between the Group and Trustee. In 2010 the Group and Trustee agreed security of a charge over UK index linked gilts (ILG) held by the Group.

The level of the security has varied since inception in line with the movement in the Scheme deficit. At the 31 March 2016 the Scheme retains security over £264.5 million (notional value) 2017 ILGs and £76.3 million (notional value) 2016 ILGs. The security may be substituted either on a voluntary or mandatory basis. As and when alternative security is provided, the Group has agreed that the security cover should include additional headroom of 33%, although if cash is used as the security asset the ratio will revert to 100% of the relevant liabilities or, where the proposed replacement security asset is listed on an internationally recognised stock exchange in certain core jurisdictions, the trustee may decide to agree a lower ratio than 133%. The Company has also provided two guarantees to the Vodafone Section of the scheme for a combined value up to £1.25 billion to provide security over the deficit under certain defined circumstances, including insolvency of the employers. The Company has also agreed a similar guarantee of up to £1.25 billion for the CWW Section. An additional smaller UK defined benefit scheme, the THUS Plc Group Scheme, has a guarantee from the Company for up to £110 million.

## Legal proceedings

The Company and its subsidiaries are currently, and may from time to time become, involved in a number of legal proceedings, including inquiries from, or discussions with, governmental authorities that are incidental to their operations. However, save as disclosed below, the Company does not believe that it or its subsidiaries are currently involved in (i) any legal or arbitration proceedings (including any governmental proceedings which are pending or known to be contemplated) which may have, or have had in the 12 months preceding the date of this report, a material adverse effect on the financial position or profitability of the Company or its subsidiaries; or (ii) any material proceedings in which any of the Company's Directors, members of senior management or affiliates are either a party adverse to the Company or its subsidiaries or have a material interest adverse to the Company or its subsidiaries. Due to inherent uncertainties, the Company cannot make any accurate quantification of any cost, or timing of such cost, which may arise from any of the legal proceedings referred to in this Annual Report.

### Telecom Egypt arbitration

In October 2009 Telecom Egypt began an arbitration against Vodafone Egypt in Cairo alleging breach of non-discrimination provisions in an interconnection agreement as a result of lower interconnection rates paid to Vodafone Egypt by Mobinil. Telecom Egypt also sought to join Vodafone International Holdings BV ('VIHBV'), Vodafone Europe BV ('VEBV') and Vodafone Group Plc to the arbitration. In January 2015 the arbitral tribunal issued its decision. It held unanimously that it had no jurisdiction to arbitrate the claim against VIHBV, VEBV and Vodafone Group Plc. The tribunal also held by a three to two majority that Telecom Egypt had failed to establish any liability on the part of Vodafone Egypt. Telecom Egypt applied to the Egyptian court to set aside the decision. On 15 March 2016 the Court of Appeal dismissed Telecom Egypt's application to annul the arbitration award. Telecom Egypt had 60 days to appeal to the Cour de Cassation, which has now expired. Vodafone Egypt has applied for a certificate to confirm that no appeal has been filed.

## 30. Contingent liabilities and legal proceedings (continued)

### Indian tax case

In August 2007 and September 2007, Vodafone India Limited ('VIL') and VIH BV respectively received notices from the Indian tax authority alleging potential liability in connection with an alleged failure by VIH BV to deduct withholding tax from consideration paid to the Hutchison Telecommunications International Limited group ('HTIL') in respect of HTIL's gain on its disposal to VIH BV of its interests in a wholly-owned subsidiary that indirectly holds interests in VIL. In January 2012 the Indian Supreme Court handed down its judgement, holding that VIH BV's interpretation of the Income Tax Act 1961 was correct, that the HTIL transaction in 2007 was not taxable in India, and that consequently, VIH BV had no obligation to withhold tax from consideration paid to HTIL in respect of the transaction. The Indian Supreme Court quashed the relevant notices and demands issued to VIH BV in respect of withholding tax and interest. On 20 March 2012 the Indian Government returned VIH BV's deposit of INR 25 billion and released the guarantee for INR 85 billion, which was based on the demand for payment issued by the Indian tax authority in October 2010, for tax of INR 79 billion plus interest.

On 28 May 2012 the Finance Act 2012 became law. The Finance Act 2012 contained provisions intended to tax any gain on transfer of shares in a non-Indian company, which derives substantial value from underlying Indian assets, such as VIH BV's transaction with HTIL in 2007. Further it seeks to subject a purchaser, such as VIH BV, to a retrospective obligation to withhold tax. VIH BV received a letter on 3 January 2013 reminding it of the tax demand raised prior to the Indian Supreme Court's judgement and purporting to update the interest element of that demand to a total amount of INR 142 billion. On 17 January 2014, VIH BV served an amended trigger notice on the Indian Government under the Dutch-India Bilateral Investment Treaty ('Dutch BIT'), supplementing a trigger notice filed on 17 April 2012, immediately prior to the Finance Act 2012 becoming effective, to add claims relating to an attempt by the Indian Government to tax aspects of the transaction with HTIL under transfer pricing rules.

### VIH BV arbitration proceedings

On 17 April 2014, VIH BV served its notice of arbitration under the Dutch BIT, formally commencing the Dutch BIT arbitration proceedings. An arbitrator has been appointed by VIH BV. The Indian Government has also appointed its arbitrator. The two party-appointed arbitrators failed to appoint a chairman. Consequently, the President of the International Court of Justice will now appoint the third arbitrator who will act as the presiding arbitrator. On 15 June 2015, Vodafone Group Plc and Vodafone Consolidated Holdings Limited served a trigger notice on the Indian Government under the United Kingdom-India Bilateral Investment Treaty ('UK BIT') in respect of retrospective tax claims under the Finance Act 2012.

On 4 February 2016, VIH BV received a reminder of an outstanding tax demand of INR 221 billion. The latest reminder threatens enforcement action if the demand is not satisfied.

Separate proceedings in the Bombay High Court taken against VIH BV to seek to treat it as an agent of HTIL in respect of its alleged tax on the same transaction, as well as penalties of up to 100% of the assessed withholding tax for the alleged failure to have withheld such taxes, were listed for hearing at the request of the Indian Government on 21 April 2016 despite the issue having been ruled upon by the Indian Supreme Court. The hearing was adjourned to a date yet to be listed.

Should a further demand for taxation be received by VIH BV or any member of the Group as a result of the retrospective legislation, we believe it is probable that we will be able to make a successful claim under the Dutch BIT and/or UK BIT. We did not carry a provision for this litigation or in respect of the retrospective legislation at 31 March 2016, or at previous reporting dates.

### Other Indian tax cases

VIL and Vodafone India Services Private Limited ('VISPL') (formerly 3GSPL) are involved in a number of tax cases with total claims exceeding £1.4 billion plus interest, and penalties of up to 300% of the principal.

### VISPL tax claims

VISPL has been assessed as owing tax of approximately £223 million (plus interest of £123 million) in respect of (i) a transfer pricing margin charged for the international call centre of HTIL prior to the 2007 transaction with Vodafone for HTIL assets in India; (ii) the sale of the international call centre by VISPL to HTIL; and (iii) the acquisition of and/or the alleged transfer of options held by VISPL for VIL. The first two of the three heads of tax are subject to an indemnity by HTIL. The larger part of the potential claim is not subject to any indemnity. VISPL unsuccessfully challenged the merits of the tax demand in the statutory tax tribunal and the jurisdiction of the tax office to make the demand in the High Court. The Tax Appeal Tribunal heard the appeal and ruled in the Tax Office's favour. VISPL lodged an appeal (and stay application) in the Bombay High Court which was concluded in early May 2015. On 13 July 2015 the tax authorities issued a revised tax assessment reducing the tax VISPL had previously been assessed as owing in respect of (i) and (ii) above. In the meantime, (i) a stay of the tax demand on a deposit of £20 million and (ii) a corporate guarantee by VIH BV for the balance of tax assessed remain in place. On 8 October 2015, the Bombay High Court ruled in favour of Vodafone in relation to the options and the call centre sale. The Tax Office has recently appealed to the Supreme Court of India.

### Indian regulatory cases

Litigation remains pending in the Telecommunications Dispute Settlement Appellate Tribunal ('TDSAT'), High Courts and the Indian Supreme Court in relation to a number of significant regulatory issues including mobile termination rates ('MTRs'), spectrum and licence fees, licence extension and 3G intra-circle roaming ('ICR').

### Public interest litigation: Yakesh Anand v Union of India, Vodafone and others

The Petitioner brought a special leave petition in the Indian Supreme Court on 30 January 2012 against the Government of India and mobile network operators, including VIL, seeking recovery of the alleged excess spectrum allocated to the operators, compensation for the alleged excess spectrum held in the amount of approximately £4.7 billion and a criminal investigation of an alleged conspiracy between government officials and the network operators. A claim with similar allegations was dismissed by the Indian Supreme Court in March 2012, with an order that the Petitioner should pay a fine for abuse of process. The case is pending before the Indian Supreme Court and is expected to be called for hearing at some uncertain future date.

### 3G inter-circle roaming: Vodafone India and others v Union of India

In April 2013, the Indian Department of Telecommunications ('DoT') issued a stoppage notice to VIL's operating subsidiaries and other mobile operators requiring the immediate stoppage of the provision of 3G services on other operators' mobile networks in an alleged breach of licence claim. The DoT also imposed a fine of approximately €5.5 million. VIL applied to the Delhi High Court for an order quashing the DoT's notice. Interim relief from the notice has been granted (but limited to existing customers at the time with the effect that VIL was not able to provide 3G services to new customers on other operators' 3G networks pending a decision on the issue). The dispute was referred to the TDSAT for decision, which ruled on 28 April 2014 that VIL and the other operators were permitted to provide 3G services to their customers (current and future) on other operators' networks. The DoT has appealed the judgement and sought a stay of the tribunal's judgement. The DoT's stay application was rejected by the Indian Supreme Court. The matter is pending before the Indian Supreme Court.

### One time spectrum charges: VIL v Union of India

The Indian Government has sought to impose one time spectrum charges of approximately €525 million on certain operating subsidiaries of VIL. VIL filed a petition before the TDSAT challenging the one time spectrum charges on the basis that they are illegal, violate VIL's licence terms and are arbitrary, unreasonable and discriminatory. The tribunal stayed enforcement of the Government's spectrum demand pending resolution of the dispute. The matter is due to go for final hearing before the Indian Supreme Court, and will be listed in due course.

### Other public interest litigation

Three public interest litigations have been initiated in the Indian Supreme Court against the Indian Government and private operators on the grounds that the grant of additional spectrum beyond 4.4/6.2 MHz has been illegal. The cases seek appropriate investigation and compensation for the loss to the exchequer.

### Adjusted Gross Revenue (AGR) dispute before the Indian Supreme Court: VIL and others v Union of India

VIL has challenged the tribunal's judgement dated 23 April 2015 to the extent that it dealt with the calculation of AGR, upon which license fees and spectrum usage charges are based. The cumulative impact of the inclusion of these components is approximately Rs. 2,200 Crores. The DoT also moved cross appeals challenging the tribunal's judgement. In the hearing before the Indian Supreme Court, the Court orally directed the DoT not to take any coercive steps in the matter, which was adjourned. On 29 February 2016, the Supreme Court ordered that the DoT may continue to raise demands for fees and charges, but may not enforce them until a final decision on the matter.

### Other cases in the Group

#### Germany: Patent litigation

The telecoms industry is currently involved in significant levels of patent litigation brought by non-practicing entities ('NPEs') which have acquired patent portfolios from current and former industry companies. Vodafone is currently a party to patent litigation cases in Germany brought against Vodafone Germany by ICom, St Lawrence Communications LLC (a subsidiary of Acacia Research Corporation), and by Intellectual Ventures, all NPEs. Vodafone has contractual indemnities from suppliers which have been invoked in relation to the alleged patent infringement liability.

#### Germany: Mannesman and Kabel Deutschland takeover – class actions

The German courts are determining the adequacy of the mandatory cash offer made to minority shareholders in Vodafone's takeover of Mannesman. This matter has been ongoing since 2001. The German courts are also determining whether "squeeze out" compensation is payable to affected Mannesman shareholders in a similar proceeding. In September 2014, the German courts awarded compensation to minority shareholders of Mannesman in the amount of €229.58 per share, which would result in a pay-out of €19 million (plus €10 million of accrued interest). The German courts also ruled that the "squeeze out" compensation should amount to €251.31 per share, which would result in a pay-out of €43.8 million (plus interest of €23 million of accrued interest). Vodafone has appealed these decisions.

Similar proceedings were initiated by 80 Kabel Deutschland shareholders. This proceeding is in its early stages, and, accordingly, Vodafone believes that it is too early to assess the likely quantum of any claim (however, Vodafone does not expect that the quantum of any such claim to be material). The next oral hearing is scheduled for 18 May 2016.

#### Italy: British Telecom (Italy) v Vodafone Italy

The Italian Competition Authority concluded an investigation in 2007 when Vodafone Italy gave certain undertakings in relation to allegations that it had abused its dominant position in the wholesale market for mobile termination. In 2010, British Telecom (Italy) brought a civil damages claim against Vodafone Italy on the basis of the Competition Authority's investigation and Vodafone Italy's undertakings. British Telecom (Italy) seeks damages in the amount of €280 million for abuse of dominant position by Vodafone Italy in the wholesale fixed to mobile termination market for the period from 1999 to 2007. A court appointed expert delivered an opinion to the Court that the range of damages in the case should be in the region of €10 million to €25 million which was reduced in a further supplementary report published in September 2014 to a range of €8 million to €11 million. Judgement was handed down by the court in August 2015, awarding €12 million, (including interest) to British Telecom (Italy). British Telecom (Italy) has appealed the amount of the damages to the Court of Appeal of Milan. In addition, British Telecom (Italy) has asked again for a reference to the European Court of Justice for an interpretation of the European community law on antitrust damages. Vodafone Italy has filed an appeal.

#### Italy: FASTWEB v Vodafone Italy

The Italian Competition Authority concluded an investigation in 2007 when Vodafone Italy gave certain undertakings in relation to allegations it had abused its dominant position in the wholesale market for mobile termination. In 2010, FASTWEB brought a civil damages claim against Vodafone Italy on the basis of the Competition Authority's investigation and Vodafone Italy's undertakings. FASTWEB sought damages in the amount of €360 million for abuse of dominant position by Vodafone Italy in the wholesale fixed to mobile termination market. A court appointed expert delivered an opinion to the Court that the range of damages in the case should be in the region of €0.5 million to €2.3 million. On 15 October 2014, the Court decided to reject FASTWEB's damages claim in its entirety. FASTWEB appealed the decision and the first appeal hearing took place in September 2015. The Court has scheduled a final hearing for September 2016.

## 30. Contingent liabilities and legal proceedings (continued)

### Italy: Telecom Italia v Vodafone Italy (Teletu)

Telecom Italia brought civil claims against Vodafone Italy in relation to TeleTu's alleged anti-competitive retention of customers. Telecom Italia seeks damages in the amount of €101 million. The Court decided on 9 June 2015 to appoint an expert to verify whether TeleTu has put in place anticompetitive retention activities. The experts' work is now underway, and the parties have been invited by the Court to consider settlement.

### Greece: Papistas Holdings SA, Mobile Trade Stores (formerly Papistas SA) and Athanasios and Loukia Papistas v Vodafone Greece, Vodafone Group Plc and certain Directors and Officers of Vodafone.

In December 2013, Mr and Mrs Papistas, and companies owned or controlled by them, brought three claims in the Greek court in Athens against Vodafone Greece, Vodafone Group Plc and certain Directors and officers of Vodafone Greece and Vodafone Group Plc for purported damage caused by the alleged abuse of dominance and wrongful termination of a franchise arrangement with a Papistas company. Approximately €1.0 billion of the claim is directed exclusively at one former and one current Director of Vodafone Greece. The balance of the claim (approximately €285.5 million) is sought from Vodafone Greece and Vodafone Group Plc on a joint and several basis. Both cases have been adjourned until September 2018, but it is possible that Papistas may re-file his claim under the new Greek civil procedure regime (which aims to hear trials within one year).

### Netherlands: Consumer credit/handset case

In February 2016, the Dutch Supreme Court ruled on the Dutch implementation of the EU Consumer Credit Directive and "instalment sales agreements" (a Dutch law concept), holding that bundled 'all-in' mobile subscription agreements (i.e. Device along with mobile services) are considered consumer credit agreements. As a result Vodafone Netherlands, together with the industry, has been working with the Ministry of Finance and the Competition Authority on compliance requirements going forward for such offers. The ruling also has retrospective effect and a claim has been submitted by a claims organisation, which is currently being reviewed by Vodafone Netherlands.

### South Africa: GH Investments (GHI) v Vodacom Congo

Vodacom Congo contracted with GHI to install ultra-low cost base stations on a revenue share basis. After rolling out three sites, GHI stopped and sought to renegotiate the terms. Vodacom Congo refused. GHI accused it of bad faith and infringement of intellectual property rights. In April 2015, GHI issued a formal notice for a claim of US\$1.16 billion, although there does not seem to be a proper basis nor any substantiation for the compensation claimed. The dispute has been submitted to mediation under the International Chamber of Commerce. A mediator was appointed in September 2015 who convened a first meeting which took place in early November 2015. A follow-up mediation meeting was scheduled for December 2015, but has been postponed without a new date having been fixed.

### South Africa: CWN v Vodacom

There are various legal matters relating to Vodacom's investment in Vodacom Congo (DRC) SA ('VDRC'), the most recent of which is a claim brought by Mr Aliou Badara Mohamed Conteh ('Conteh') in the Commercial Court of Kinshasa/Gombe against Vodacom International Limited ('VCOMIL') and VDRC. Conteh is the controlling shareholder of Congolese Wireless Network s.a.r.l ('CWN'), a company incorporated in the DRC. CWN is a minority shareholder in VDRC. These proceedings seek to invalidate a court decision removing Conteh as the statutory manager of CWN, as well as the liquidation of VDRC and the payment of various sums to CWN and Conteh. The action also includes an unsubstantiated claim for US\$14 billion against VCOMIL for its alleged role in helping to undermine Conteh's position as former statutory manager of CWN. The Court of Appeal of Kinshasa/Gombe in December 2015 dismissed Conteh's case against VCOMIL on the grounds of a lack of proper service of legal process.

### South Africa: Makate v Vodacom (Proprietary) Limited ('Vodacom')

In 2008, Mr Makate instituted legal proceedings to claim compensation for a business idea that led to a product known as 'Please Call Me'. On 1 July 2014, the South Gauteng High Court, Johannesburg ('the High Court') found that Mr Makate had proven the existence of a contract. However, the High Court ruled that the Company was not bound by that contract because the responsible director of product development and services did not have authority to enter into any such agreement on the Company's behalf. The High Court also rejected Mr Makate's claim on the basis that it had lapsed in terms of the Prescription Act 68 of 1969.

The High Court and Supreme Court of Appeal turned down Mr Makate's application for leave to appeal on 11 December 2014 and 2 March 2015, respectively. Mr Makate applied for leave to appeal in the Constitutional Court. On 26 April 2016, after having heard the application on 1 September 2015, the Constitutional Court granted leave to appeal and upheld Mr Makate's appeal. In doing so, the Constitutional Court ordered that:

- (i) the Company is bound by the agreement concluded between Mr Makate and the then director of product development and services;
- (ii) the Company is to commence negotiations in good faith with Mr Makate to determine reasonable compensation; and
- (iii) in the event of the parties failing to agree on the reasonable compensation, the matter must be submitted to Vodacom's Chief Executive Officer for determination of the amount within a reasonable time.

Negotiations between the Company and Mr Makate will commence in accordance with the order of the Constitutional Court.

## 31. Related party transactions

The Group has a number of related parties including joint arrangements and associates, pension schemes and Directors and Executive Committee members (see note 12 “Investments in associates and joint arrangements”, note 26 “Post employment benefits” and note 24 “Directors and key management compensation”).

### Transactions with joint arrangements and associates

Related party transactions with the Group's joint arrangements and associates primarily comprise fees for the use of products and services including network airtime and access charges, fees for the provision of network infrastructure and cash pooling arrangements.

No related party transactions have been entered into during the year which might reasonably affect any decisions made by the users of these consolidated financial statements except as disclosed below.

|   | 2016<br>£m | 2015<br>£m | 2014<br>£m |
|---|------------|------------|------------|
| Sales of goods and services to associates                           | 30         | 32         | 231        |
| Purchase of goods and services from associates                      | 92         | 85         | 109        |
| Sales of goods and services to joint arrangements                   | 16         | 6          | 12         |
| Purchase of goods and services from joint arrangements              | 598        | 566        | 570        |
| Net interest income receivable from joint arrangements <sup>1</sup> | 66         | 79         | 75         |
| Trade balances owed:  |            |            |            |
| by associates   | 1          | 3          | 3          |
| to associates   | 3          | 4          | 3          |
| by joint arrangements   | 183        | 182        | 82         |
| to joint arrangements   | 55         | 48         | 170        |
| Other balances owed by joint arrangements <sup>1</sup>              | 85         | 61         | 57         |
| Other balances owed to joint arrangements <sup>1</sup>              | 84         | 54         | 63         |

Note:

<sup>1</sup> Amounts arise primarily through Vodafone Italy, Vodafone Hutchison Australia, Indus Towers Limited and Cornerstone Telecommunications Infrastructure Limited. Interest is paid in line with market rates.

Dividends received from associates and joint ventures are disclosed in the consolidated statement of cash flows.

### Transactions with Directors other than compensation

During the three years ended 31 March 2016, and as of 17 May 2016, no Director nor any other executive officer, nor any associate of any Director or any other executive officer, was indebted to the Company.

During the three years ended 31 March 2016 and as of 17 May 2016, the Company has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel (including Directors, any other executive officer, senior manager, any spouse or relative of any of the foregoing or any relative of such spouse) had or was to have a direct or indirect material interest.

## 32. Subsequent events

### Euro reporting

With effect from 1 April 2016 the functional currency of the Company has been changed from pounds sterling to the euro. The euro is now the primary currency in which the Company's financing activities and investment returns are denominated. Similarly, with effect from 1 April 2016, the Group's presentation currency has been changed from pounds sterling to the euro to better align with the geographic split of the Group's operations.



# Notes to the consolidated financial statements (continued)

## 33. Related undertakings

A full list of all of our subsidiaries, joint arrangements and associated undertakings is detailed below.

A full list of subsidiaries, joint arrangements and associated undertakings (as defined in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) as at 31 March 2016 is detailed below. The registered office address for each entity is also disclosed as additional information. No subsidiaries are excluded from the Group consolidation. Unless otherwise stated the Company's subsidiaries all have share capital consisting solely of ordinary shares and are indirectly held. The percentage held by Group companies reflect both the proportion of nominal capital and voting rights unless otherwise stated.

## Subsidiaries

### Accounting policies

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

| Company name  | % held by Group companies | Share class     |
|---|---------------------------|-----------------|
| <b>Albania</b>  |                           |                 |
| <b>Autostrada Tirane-Durres, Rruga: "Pavaresia", Nr 61, Kashar, Tirana, Albania</b> |                           |                 |
| Vodafone M-PESA SH.PK.  | 99.94                     | Ordinary shares |
| Vodafone Albania Sh.A   | 99.94                     | Ordinary shares |

|  |       |                 |
|--|-------|-----------------|
| <b>Angola</b>  |       |                 |
| <b>Avenida Che Guevara, No 49, Maculusso, Luanda, Angola</b> |       |                 |
| Vodacom Business Limitada <sup>3</sup>                       | 65.00 | Ordinary shares |

|  |        |                 |
|--|--------|-----------------|
| <b>Argentina</b>   |        |                 |
| <b>Cerrito 348, 5to B, C1010AAH, Buenos Aires, Argentina</b> |        |                 |
| CWGNL S.A.   | 100.00 | Ordinary shares |

|   |        |   |
|---|--------|---|
| <b>Australia</b>  |        |   |
| <b>HLB Mann Judd (NSW) Pty Ltd, Level 19, 207 Kent Street, Sydney NSW 2000, Australia</b> |        |   |
| Bluefish Australia Pty Ltd  | 100.00 | Ordinary shares   |
| <b>Level 12, 210 George Street, Sydney NSW 2001, Australia</b>                            |        |   |
| Vodafone Enterprise Australia Pty Limited   | 100.00 | Ordinary shares   |
| <b>Level 7, 210 George Street, Sydney NSW 2000, Australia</b>                             |        |   |
| Quickcomm Pty Limited   | 100.00 | Ordinary shares, Redeemable convertible preference shares |
| <b>Level 7, 40 Mount Street, North Sydney NSW 2060, Australia</b>                         |        |   |
| PPL Pty Limited   | 100.00 | Ordinary shares   |
| Talkland Australia Pty Limited  | 100.00 | Ordinary shares   |
| VAPL No. 2 Pty Limited  | 100.00 | Ordinary shares   |

|  |        |                 |
|--|--------|-----------------|
| <b>Austria</b>                             |        |                 |
| <b>Kohlmarkt 8-10, 1010, Wien, Austria</b> |        |                 |
| Vodafone Enterprise Austria GmbH           | 100.00 | Ordinary shares |

|   |        |                 |
|---|--------|-----------------|
| <b>Bahrain</b>  |        |                 |
| <b>Office 304, Building 60 Falcon Tower, Road 1701, Diplomatic Area, Manama, 317, Bahrain</b> |        |                 |
| Vodafone Enterprise Bahrain W.L.L.  | 100.00 | Ordinary shares |

|   |        |                 |
|---|--------|-----------------|
| <b>Belgium</b>  |        |                 |
| <b>Malta House, rue Archimède 25, 1000 Bruxelles, Belgium</b> |        |                 |
| Vodafone Belgium SA/NV  | 100.00 | Ordinary shares |
| <b>Zaventemsesteenweg 162 1831 Diegem, Belgium</b>            |        |                 |
| Ipergy Communications NV                                      | 100.00 | Ordinary shares |

| Company name   | % held by Group companies | Share class     |
|--|---------------------------|-----------------|
| <b>Brazil</b>  |                           |                 |
| <b>Av José Rocha Bonfim, 214, Cond Praça Capital – Edifício Toronto, sls 228/229 13080-900 Jardim Santa Genebra, Campinas, São Paulo, Brazil</b> |                           |                 |
| Cobra do Brasil Serviços de Telemática Ltda.   | 70.00                     | Ordinary shares |
| <b>Avenida Cidade Jardim, 400, 7th and 20th Floors, Jardim Paulistano, São Paulo, Brazil, 01454-000, Brazil</b>                                  |                           |                 |
| Vodafone Serviços Empresariais Brasil Ltda.  | 100.00                    | Ordinary shares |
| <b>Rua Iguatemi, 1521.29 anddar, São Paulo, Brazil</b>   |                           |                 |
| Datora Mobile Telecomunicacoes S.A. <sup>10</sup>  | N/A                       | N/A             |

|  |       |                 |
|--|-------|-----------------|
| <b>Cameroon</b>  |       |                 |
| <b>Porte 201A 3eme Etage Entree C, immeuble SOCAR, Boulevard de la liberte, Akwa, Douala, Cameroon</b> |       |                 |
| Vodacom Business Cameroon SA <sup>3</sup>  | 65.00 | Ordinary shares |

|  |        |                           |
|--|--------|---------------------------|
| <b>Canada</b>  |        |                           |
| <b>53 Glenellen Drive East, Etobicoke ON M8Y 2G7, Canada</b>                 |        |                           |
| Cable & Wireless Canada Inc  | 100.00 | Common shares             |
| <b>Cayman Islands</b>  |        |                           |
| <b>190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands</b> |        |                           |
| CGP Investments (Holdings) Limited   | 100.00 | Ordinary shares           |
| <b>Chile</b>   |        |                           |
| <b>222 Miraflores, P.28, Santiago, Metrop 97-763</b>                         |        |                           |
| Vodafone Enterprise Chile SA   | 100.00 | Regular nominative shares |

|   |        |                        |
|---|--------|------------------------|
| <b>China</b>  |        |                        |
| <b>Building 21, 11, Kangding St., BDA, Beijing, 100176 - China,</b>   |        |                        |
| Cobra (Beijing) Automotive Technologies Co, Ltd   | 100.00 | Ordinary shares        |
| <b>Unit 3626, China World Tower 1, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing 100004, China</b> |        |                        |
| Vodafone China Limited (China)  | 100.00 | Equity interest shares |
| <b>Unit 558-560, Regus SCB Tower, No. 210 Century Avenue, Pudong District, Shanghai, 200120, China</b>      |        |                        |
| Cable & Wireless Communications Technical Services (Shanghai) Co. Ltd                                       | 100.00 | Ordinary shares        |

|   |        |                      |
|---|--------|----------------------|
| <b>Czech Republic</b>   |        |                      |
| <b>Náměstí Junkových 2, Prague 5, Czech Republic, 13000, Czech Republic</b> |        |                      |
| Vodafone Czech Republic A.S.  | 100.00 | Ordinary shares      |
| Oskar Mobil S.R.O.  | 100.00 | Basic capital shares |
| <b>náměstí Junkových 2, Praha 5, Stodůlky, 155 00, Czech Republic</b>       |        |                      |
| Nadace Vodafone Česká republika   | 100.00 | Ordinary shares      |
| <b>Olbrachtova 1980/5, Krč, 140 00 Praha 4, Czech Republic</b>              |        |                      |
| Vodafone Enterprise Europe (UK) Limited – Czech Branch                      | 100.00 | Branch               |

|  |        |                 |
|--|--------|-----------------|
| <b>Denmark</b>   |        |                 |
| <b>c/o BDO, Havneholmen 29, 1561, København V, Denmark</b> |        |                 |
| Vodafone Enterprise Denmark A/S                            | 100.00 | Ordinary shares |

| Company name  | % held by Group companies | Share class                                      |
|---|---------------------------|--|
| <b>Congo, The Democratic Republic of the</b>                          |                           |  |
| <b>292 Avenue de la Justice, Commune de la Gombe, Kinshasa, Congo</b> |                           |  |
| Vodacash s.p.r.l. <sup>3</sup>  | 33.15                     | Ordinary shares                                  |
| Vodacom Congo (RDC) SA <sup>34</sup>                                  | 33.15                     | Ordinary shares, 4% redeemable preference shares |

|   |       |                 |
|---|-------|-----------------|
| <b>Côte d'Ivoire</b>  |       |                 |
| <b>No 62, Rue du Docteur Blanchard, Zone 4C, Abidjan, Cote d'Ivoire</b> |       |                 |
| Vodacom Business Cote D'Ivoire S.A.R.L. <sup>3</sup>                    | 65.00 | Ordinary shares |

|   |        |                 |
|---|--------|-----------------|
| <b>Cyprus</b>   |        |                 |
| <b>Ali Riza Efendi Caddesi No:33/A Ortaköy, Lefkoşa, Cyprus</b> |        |                 |
| Vodafone Mobile Operations Limited                              | 100.00 | Ordinary shares |

|   |        |                      |
|---|--------|----------------------|
| <b>Czech Republic</b>   |        |                      |
| <b>Náměstí Junkových 2, Prague 5, Czech Republic, 13000, Czech Republic</b> |        |                      |
| Vodafone Czech Republic A.S.  | 100.00 | Ordinary shares      |
| Oskar Mobil S.R.O.  | 100.00 | Basic capital shares |
| <b>náměstí Junkových 2, Praha 5, Stodůlky, 155 00, Czech Republic</b>       |        |                      |
| Nadace Vodafone Česká republika   | 100.00 | Ordinary shares      |
| <b>Olbrachtova 1980/5, Krč, 140 00 Praha 4, Czech Republic</b>              |        |                      |
| Vodafone Enterprise Europe (UK) Limited – Czech Branch                      | 100.00 | Branch               |

|  |        |                 |
|--|--------|-----------------|
| <b>Denmark</b>   |        |                 |
| <b>c/o BDO, Havneholmen 29, 1561, København V, Denmark</b> |        |                 |
| Vodafone Enterprise Denmark A/S                            | 100.00 | Ordinary shares |

| Company name   | % held<br>by Group<br>companies | Share class     |
|--|---------------------------------|-----------------|
| <b>Egypt</b>   |                                 |                 |
| <b>14 Wadi el Nile ST, Dokki, Giza, Egypt, Egypt</b>                   |                                 |                 |
| Sarmady Communications   | 54.91                           | Ordinary shares |
| <b>17 Port Said Street, Maadi El Sarayat, Cairo, Egypt</b>             |                                 |                 |
| Misrfone Trading Company LLC   | 54.38                           | Ordinary shares |
| <b>2 Building, 36 Central road, Giza, Egypt</b>                        |                                 |                 |
| Vodafone Data  | 54.93                           | Ordinary shares |
| <b>Piece No. 1215, Plot of Land No. 1/14A, 6th October City, Egypt</b> |                                 |                 |
| Vodafone International Services LLC                                    | 54.93                           | Ordinary shares |
| <b>Site No 15/3C, Central Axis, 6th October City, Egypt</b>            |                                 |                 |
| Vodafone Egypt Telecommunications S.A.E.                               | 54.93                           | Ordinary shares |
| <b>37 Kaser El Nil St, 4th. Floor, Cairo, Egypt</b>                    |                                 |                 |
| Starinet   | 54.93                           | Ordinary shares |

## France

|   |        |                 |
|---|--------|-----------------|
| <b>1300 route de Cretes, Le WTC, Bat I1, 06560, Valbonne Soph, France</b> |        |                 |
| Vodafone Automotive Telematics Development S.A.S                          | 100.00 | Ordinary shares |
| <b>144, Avenue Roger Salengro, 92372 – Chaville Cedex, France</b>         |        |                 |
| Vodafone Automotive France S.A.S  | 50.94  | Ordinary shares |
| <b>Tour Neptune – 20, Place de Seine, 92400 Courbevoie, France</b>        |        |                 |
| Vodafone Enterprise France SAS  | 100.00 | New euro shares |

## Germany

|   |        |                                     |
|---|--------|-------------------------------------|
| <b>Altes Forsthaus 2, 67661, Kaiserslautern, Germany</b>  |        |                                     |
| TKS Telepost Kabel-Service Kaiserslautern Beteiligungs GmbH <sup>7</sup>                                  | 76.70  | Ordinary shares                     |
| TKS Telepost Kabel-Service Kaiserslautern GmbH & Co. KG <sup>7</sup>                                      | 76.70  | Ordinary shares                     |
| <b>Betastraße 6-8, 85774 Unterföhring, Germany</b>  |        |                                     |
| Kabel Deutschland Holding AG <sup>7</sup>   | 76.70  | Ordinary shares                     |
| Kabel Deutschland Holding Erste Beteiligungs GmbH <sup>7</sup>  | 76.70  | Ordinary shares                     |
| Kabel Deutschland Holding Zweite Beteiligungs GmbH <sup>7</sup>   | 76.70  | Ordinary shares                     |
| Kabel Deutschland Siebte Beteiligungs GmbH <sup>7</sup>   | 76.70  | Ordinary shares                     |
| Vodafone Kabel Deutschland GmbH <sup>7</sup>  | 76.70  | Ordinary shares                     |
| Vodafone Kabel Deutschland Kundenbetreuung GmbH <sup>7</sup>  | 76.70  | Ordinary shares                     |
| <b>Buschurweg 4, 76870 Kandel, Germany</b>  |        |                                     |
| Vodafone Automotive Deutschland GmbH  | 100.00 | Ordinary shares                     |
| <b>Ferdinand-Braun-Platz 1, 40549, Duesseldorf, Germany</b>   |        |                                     |
| Bluefish Communications GmbH  | 100.00 | Ordinary shares                     |
| Vodafone Erste Beteiligungsgesellschaft mbH   | 100.00 | Ordinary shares                     |
| Vodafone GmbH   | 100.00 | Ordinary A shares                   |
| Vodafone Group Services GmbH  | 100.00 | Ordinary shares                     |
| Vodafone Institut für Gesellschaft und Kommunikation GmbH   | 100.00 | Ordinary shares                     |
| Vodafone Stiftung Deutschland Gemeinnützige GmbH <sup>7</sup>   | 76.70  | Ordinary shares                     |
| Vodafone Vierte Verwaltungs AG  | 100.00 | Ordinary shares                     |
| Vouchercloud GmbH   | 82.89  | Ordinary shares                     |
| <b>Friedrich-Wilhelm-Strasse 2, 38100, Braunschweig, Germany</b>  |        |                                     |
| KABELCOM Braunschweig Gesellschaft Für Breitbandkabel-Kommunikation Mit Beschränkter Haftung <sup>7</sup> | 76.70  | Ordinary shares                     |
| <b>Landsberger Strasse 155, 80687 Munich, Germany</b>   |        |                                     |
| Vodafone Enterprise Germany GmbH  | 100.00 | Ordinary shares, Ordinary #2 shares |

| Company name   | % held<br>by Group<br>companies | Share class     |
|--|---------------------------------|-----------------|
| <b>Medienallee 24, 85774, Unterföhring, Germany</b>  |                                 |                 |
| Kabelfernsehen Munchen Servicercenter GmbH & Co. KG <sup>7</sup>                                       | 23.18                           | Ordinary shares |
| <b>Nobelstrasse 55, 18059, Rostock, Germany</b>  |                                 |                 |
| Urbana Teleunion Rostock GmbH & Co.KG  | 53.69                           | Ordinary shares |
| Verwaltung "Urbana Teleunion" Rostock GmbH <sup>7</sup>  | 38.35                           | Ordinary shares |
| <b>Seilerstrasse 18, 38440, Wolfsburg, Germany</b>   |                                 |                 |
| KABELCOM Wolfsburg Gesellschaft Für Breitbandkabel-Kommunikation Mit Beschränkter Haftung <sup>7</sup> | 76.70                           | Ordinary shares |
| <b>Sudwestpark 15, 90449, Nurnberg, Germany</b>  |                                 |                 |
| Vodafone Kabel Deutschland Field Services GmbH <sup>7</sup>  | 76.70                           | Ordinary shares |

## Ghana

|   |       |  |
|---|-------|--|
| <b>25 Sir Arku Korsah Road, Airport Residential Area, Accra, Ghana</b>              |       |  |
| Vodacom Business (Ghana) Limited <sup>5</sup>                                       | 65.00 | Ordinary shares and non-voting, irredeemable, non-cumulative preference shares |
| <b>Telecom House, Nswam Road, Accra-North, Greater Accra Region, PMB 221, Ghana</b> |       |  |
| Ghana Telecommunications Company Limited  | 70.00 | Ordinary shares  |
| National Communications Backbone Company Limited                                    | 70.00 | Ordinary shares  |

## Greece

|  |        |                 |
|--|--------|-----------------|
| <b>1-3 Tzavella str, 152 31 Halandri, Athens, Greece</b>                                 |        |                 |
| Vodafone Global Enterprise Telecommunications (Hellas) A.E.                              | 100.00 | Ordinary shares |
| Vodafone-Panafon Hellenic Telecommunications Company S.A.                                | 99.87  | Ordinary shares |
| <b>2 Adrianou &amp; Papada, Athens, 115 25, Greece</b>                                   |        |                 |
| Hellas Online S.A.   | 99.87  | Ordinary shares |
| <b>Marathonos Ave 18 km &amp; Pylou, Pallini, Attica, Pallini, Attica, 15351, Greece</b> |        |                 |
| Victus Networks S.A.   | 50.00  | Ordinary shares |
| <b>Parnithos 43 &amp; Dilou, Metamorfofi, Athens</b>                                     |        |                 |
| Zelitron S.A.  | 99.87  | Ordinary shares |
| <b>Pireos 74A Avenue, Neo Faliro, Neo Faliro, 18547, Greece</b>                          |        |                 |
| 360 Connect S.A.   | 99.87  | Ordinary shares |

## Hong Kong

|   |        |                 |
|---|--------|-----------------|
| <b>2207-08, 22/F, St. George's Building, No. 2 Ice House Street, Central, Hong Kong</b> |        |                 |
| Vodafone Global Enterprise (Hong Kong) Limited  | 100.00 | Ordinary shares |
| <b>35th Floor, Bank of China Tower, 1 Garden Road, Central Hong Kong, Hong Kong</b>     |        |                 |
| Vodafone China Limited (Hong Kong) <sup>1</sup>   | 100.00 | Ordinary shares |
| <b>Level 24, Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong</b>     |        |                 |
| Vodafone Enterprise Global Network HK Ltd   | 100.00 | Ordinary shares |
| Vodafone Enterprise Hong Kong Ltd   | 100.00 | Ordinary shares |

## Hungary

|   |        |                                   |
|---|--------|-----------------------------------|
| <b>40-44 Hungaria Krt. Budapest, H-1087, Hungary</b>                                    |        |                                   |
| VSSB Vodafone Shared Services Budapest Private Limited Company                          | 100.00 | Registered ordinary shares        |
| <b>6 Lechner Ödön fasor, Budapest, 1096, Hungary</b>                                    |        |                                   |
| TESCO MBL Telecommunications Company Limited by Shares <sup>9</sup>                     | 100.00 | Ordinary shares                   |
| Vodafone Magyarorszag Mobile Tavkozlesi Zartkoruen Mukodo Reszvenytarsasag <sup>2</sup> | 100.00 | Series A registered common shares |

| Company name  | % held<br>by Group<br>companies | Share class     |
|---|---------------------------------|-----------------|
| <b>India</b>  |                                 |                 |
| <b>127, Maker Chamber III, Nariman Point, Mumbai, Maharashtra, 400021, India</b>  |                                 |                 |
| Ag Mercantile Company Private Limited   | 100.00                          | Equity shares   |
| Jaykay Finholding (India) Private Limited   | 100.00                          | Equity shares   |
| Nadal Trading Company Private Limited   | 100.00                          | Equity shares   |
| Omega Telecom Holdings Private Limited  | 100.00                          | Equity shares   |
| Plustech Mercantile Company Private Limited   | 100.00                          | Equity shares   |
| SMMS Investments Pvt Limited  | 100.00                          | Equity shares   |
| Telecom Investments India Private Limited   | 100.00                          | Equity shares   |
| <b>8th Floor, RDB Boulevard, Plot K-1, Block- EP &amp; GP, Sector - V, Saltlake City, Kolkata, West Bengal, 700091, India</b> |                                 |                 |
| UMT Investments Limited   | 100.00                          | Equity shares   |
| Usha Martin Telematics Limited  | 100.00                          | Equity shares   |
| <b>C-48, Okhla Industrial Estate, Phase - II, New Delhi, 110020, India</b>  |                                 |                 |
| Vodafone Mobile Services Limited  | 100.00                          | Equity shares   |
| Vodafone Towers Limited   | 100.00                          | Equity shares   |
| <b>First Floor, Annexe Building, 30, Nizamuddin East, New Delhi, 110013, India</b>  |                                 |                 |
| MV Healthcare Services Private Limited  | 100.00                          | Equity shares   |
| ND Callus Info Services Private Limited   | 100.00                          | Equity shares   |
| Scorpios Beverages Pvt. Ltd   | 100.00                          | Equity shares   |
| <b>Flat No.6, 3rd Floor, Plot No. 22, Dsk, Nishigandh, Opp. Joshi Sweets, Erandwane, Pune- 411038 India</b>                   |                                 |                 |
| Vodafone Global Services Private Limited  | 100.00                          | Equity shares   |
| <b>Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai, Maharashtra, 400013, India</b>                        |                                 |                 |
| Vodafone India Limited  | 100.00                          | Equity shares   |
| Vodafone m-pesa Limited   | 100.00                          | Equity shares   |
| Vodafone Technology Solutions Limited   | 100.00                          | Equity shares   |
| Mobile Commerce Solutions Limited   | 100.00                          | Equity shares   |
| Vodafone Foundation   | 100.00                          | Equity shares   |
| <b>Unit 1A &amp; 1B Creator ITPL Whitefield Road Bangalore KA 56006</b>   |                                 |                 |
| Cable & Wireless Global (India) Private Limited   | 100.00                          | Ordinary shares |
| <b>Skyline Ikon, 1st Floor, 86/92, Andheri Kurla Road, Marol Naka, Andheri East, Mumbai, Maharashtra, 400059, India</b>       |                                 |                 |
| Connect (India) Mobile Technologies Private Limited   | 100.00                          | Equity shares   |
| <b>Unit 2B, Creator, Itpl, Whitefield Road, Bangalore, Bangalore, Karnataka, 560066, India</b>                                |                                 |                 |
| Cable & Wireless Networks India Private Limited   | 74.00                           | Equity shares   |
| <b>Vodafone House, Corporate Road, Prahladnagar, Off S. G. Highway, Ahmedabad, Gujarat, 380051, India</b>                     |                                 |                 |
| Vodafone Business Services Limited  | 100.00                          | Equity shares   |
| Vodafone India Services Private Limited   | 100.00                          | Ordinary shares |



# Notes to the consolidated financial statements (continued)

## 33. Related undertakings (continued)

| Company name  | % held<br>by Group<br>companies | Share class     |
|---|---------------------------------|-----------------|
| <b>Ireland</b>  |                                 |                 |
| <b>27 Lower Fitzwilliam Street, Dublin 2, Ireland</b>                 |                                 |                 |
| Siro Limited  | 50.00                           | Ordinary shares |
| <b>Mountainview, Leopardstown, Dublin 18, Ireland</b>                 |                                 |                 |
| Vodafone Ireland Marketing Limited                                    | 100.00                          | Ordinary shares |
| Cable & Wireless (Ireland) Limited                                    | 100.00                          | Ordinary shares |
| Cable & Wireless GN Limited   | 100.00                          | Ordinary shares |
| Vodafone Ireland Property Holdings Limited                            | 100.00                          | Ordinary shares |
| Cable & Wireless Services (Ireland) Limited                           | 100.00                          | Ordinary shares |
| Energis Communications (Ireland) Limited <sup>9</sup>                 | 100.00                          | Ordinary shares |
| Person To Person Limited  | 100.00                          | Ordinary shares |
| Stentor Limited   | 100.00                          | Ordinary shares |
| Talk To Me Limited  | 100.00                          | Ordinary shares |
| Vodafone Enterprise Global Limited                                    | 100.00                          | Ordinary shares |
| Vodafone Global Network Limited                                       | 100.00                          | Ordinary shares |
| Vodafone Ireland Distribution Limited                                 | 100.00                          | Ordinary shares |
| Vodafone Ireland Limited  | 100.00                          | Ordinary shares |
| Vodafone Ireland Retail Limited                                       | 100.00                          | Ordinary shares |
| Vodafone Ireland Sales Limited  | 100.00                          | Ordinary shares |
| Western Cellular Limited  | 100.00                          | Ordinary shares |
| Interfusion Networks Limited  | 100.00                          | Ordinary shares |
| Complete Network Technology Limited                                   | 100.00                          | Ordinary shares |
| Vodafone Group Services Ireland Limited                               | 100.00                          | Ordinary shares |
| <b>Italy</b>  |                                 |                 |
| <b>SS 33 del Sempione KM 35, 212, 21052 Busto Arsizio (VA), Italy</b> |                                 |                 |
| Vodafone Automotive Italia S.p.A                                      | 100.00                          | Ordinary shares |
| <b>Via Astico 41, 21100 Varese, Italy</b>                             |                                 |                 |
| Vodafone Automotive Electronic Systems S.r.L                          | 100.00                          | Ordinary shares |
| Vodafone Automotive SpA   | 100.00                          | Ordinary shares |
| <b>Via Battistotti Sassi 11, 20133, Milano, Italy</b>                 |                                 |                 |
| Vodafone Enterprise Italy S.r.L                                       | 100.00                          | Euro shares     |
| <b>Via Lorenteggio 240, 20147, Milan, Italy</b>                       |                                 |                 |
| Vodafone Gestioni S.p.A.  | 100.00                          | Ordinary shares |
| Vodafone Servizi E Tecnologie S.R.L.                                  | 100.00                          | Equity shares   |
| <b>Viale Bianca Maria 23, 20122, Milan, Italy</b>                     |                                 |                 |
| Vodafone Global Enterprise (Italy) S.R.L.                             | 100.00                          | Ordinary shares |
| <b>Via Jervis 13, 10015, Ivrea, Tourin, Italy</b>                     |                                 |                 |
| Vodafone Italia S.p.A.  | 100.00                          | Ordinary shares |

| Company name  | % held<br>by Group<br>companies | Share class                           |
|---|---------------------------------|---------------------------------------|
| <b>Japan</b>  |                                 |                                       |
| <b>5-2-32 Minami-azabu, Minato-ku, Tokyo, 106-0047, Japan</b>   |                                 |                                       |
| Vodafone Global Enterprise (Japan) K.K.   | 100.00                          | Ordinary shares                       |
| <b>KAKiYa building, 9F, 2-7-17 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa, 222-0033, Japan</b> |                                 |                                       |
| Vodafone Japan K.K.   | 100.00                          | Ordinary shares                       |
| <b>1-1-1 Uchisaiwai cho, Chiyoda-ku, Tokyo 111-0011 Japan</b>   |                                 |                                       |
| Cable & Wireless U.K. - Japan Branch  | 100.00                          | Branch                                |
| <b>Kenya</b>  |                                 |                                       |
| <b>3rd Floor, The Rahimtulla Towers, Upper Hill Road, Nairobi, Kenya</b>                              |                                 |                                       |
| Vodacom Business (Kenya) Limited <sup>3</sup>   | 52.00                           | Ordinary shares and ordinary B shares |
| <b>6th Floor, ABC Towers, ABC Place, Waiyaki Way, Nairobi, 00100, Kenya</b>                           |                                 |                                       |
| M-PESA Holding Co. Limited  | 100.00                          | Ordinary shares                       |
| Vodafone Kenya Limited  | 100.00                          | Ordinary voting shares                |
| <b>8th floor, Lonrho House, Standard Street, Nairobi, LR No 209/, Kenya</b>                           |                                 |                                       |
| M-PESA Foundation   | 100.00                          | N/A                                   |
| <b>Korea, Republic of</b>   |                                 |                                       |
| <b>3rd Floor, 54 Gongse-ro, Gieheung-gu, Yongin-si, Gyeonggi-do, Korea, Republic of</b>               |                                 |                                       |
| Vodafone Automotive Korea Limited   | 100.00                          | Ordinary shares                       |
| <b>Seocho-dong, Gangnam Building, 16th Floor, 396, Seocho-daero, Seocho-gu, Seoul</b>                 |                                 |                                       |
| VGE South Korea Limited   | 100.00                          | Ordinary shares                       |
| <b>Lesotho</b>  |                                 |                                       |
| <b>Block B, Level 7, Development House, Kingsway Road, Maseru, Lesotho</b>                            |                                 |                                       |
| Vodacom Lesotho (Pty) Limited <sup>3</sup>  | 52.00                           | Ordinary shares                       |
| <b>Luxembourg</b>   |                                 |                                       |
| <b>15 rue Edward Steichen, Luxembourg, 2540, Luxembourg</b>   |                                 |                                       |
| Vodafone Asset Management Services S.à r.l.   | 100.00                          | Ordinary shares                       |
| Vodafone Enterprise Global Businesses S.à r.l.  | 100.00                          | Ordinary shares                       |
| Vodafone International 1 S.à r.l.   | 100.00                          | Ordinary shares                       |
| Vodafone International M.S.à r.l.   | 100.00                          | Ordinary shares                       |
| Vodafone Investments Luxembourg S.à r.l.  | 100.00                          | Ordinary shares                       |
| Vodafone Luxembourg 5 S.à r.l.  | 100.00                          | Ordinary shares                       |
| Vodafone Luxembourg S.à r.l.  | 100.00                          | Ordinary shares                       |
| Vodafone Payment Solutions S.à r.l.   | 100.00                          | Ordinary shares                       |
| Vodafone Procurement Company S.à r.l.   | 100.00                          | Ordinary shares                       |
| Vodafone Roaming Services S.à r.l.  | 100.00                          | Ordinary shares                       |
| Vodafone Enterprise Luxembourg S.A.   | 100.00                          | Ordinary shares                       |

| Company name  | % held<br>by Group<br>companies | Share class  |
|---|---------------------------------|--|
| <b>Malaysia</b>   |                                 |  |
| <b>Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia</b> |                                 |  |
| Vodafone Global Enterprise (Malaysia) Sdn Bhd   | 100.00                          | Ordinary shares  |
| <b>Malta</b>  |                                 |  |
| <b>SkyParks Business Centre, Malta International Airport, Luqa, LQA 4000, Malta</b>                           |                                 |  |
| Multi Risk Benefits Limited   | 100.00                          | Ordinary A shares, ordinary B shares   |
| Multi Risk Indemnity Company Limited  | 100.00                          | A shares, B shares, ordinary A shares  |
| Multi Risk Limited  | 100.00                          | Ordinary A shares, ordinary B shares   |
| Vodafone Malta Limited  | 100.00                          | Ordinary shares  |
| <b>Mauritius</b>  |                                 |  |
| <b>DTOS Ltd 10th Floor, Raffles Tower, 19, Cybercity, Ebene, Mauritius</b>                                    |                                 |  |
| Mobile Wallet VM1 <sup>3</sup>  | 65.00                           | Ordinary shares  |
| Vodacom International Limited <sup>3</sup>  | 65.00                           | Ordinary shares, non cumulative preference shares                            |
| Mobile Wallet VM2 <sup>3</sup>  | 65.00                           | Ordinary shares  |
| VBA (Mauritius) Limited <sup>3</sup>  | 65.00                           | Ordinary shares  |
| <b>Fifth Floor, Ebene Esplanade, 24 Cybercity, Ebene, Mauritius</b>   |                                 |  |
| Al-Amin Investments Limited   | 100.00                          | Ordinary shares  |
| Array Holdings Limited  | 100.00                          | Ordinary shares  |
| Asian Telecommunication Investments (Mauritius) Limited   | 100.00                          | Ordinary shares  |
| CCII (Mauritius), Inc.  | 100.00                          | Ordinary shares  |
| CGP India Investments Ltd.  | 100.00                          | Ordinary shares  |
| Euro Pacific Securities Ltd.  | 100.00                          | Ordinary shares  |
| Mobilvest   | 100.00                          | Ordinary shares  |
| Prime Metals Ltd.   | 100.00                          | Ordinary shares  |
| Trans Crystal Ltd.  | 100.00                          | Ordinary shares  |
| Vodafone Mauritius Ltd.   | 100.00                          | Ordinary shares  |
| Vodafone Telecommunications (India) Limited   | 100.00                          | Ordinary shares  |
| Vodafone Tele-Services (India) Holdings Limited   | 100.00                          | Ordinary shares  |
| <b>Mexico</b>   |                                 |  |
| <b>Ejercito Nacional 904, Piso 12, Polanco Los Morales, Miguel Hidalgo, C.P. 11510 MEXICO D.F. Mexico</b>     |                                 |  |
| Vodafone Empresa México S.de R.L. de C.V.   | 100.00                          | Corporate certificate series A shares, corporate certificate series B shares |
| <b>Morocco</b>  |                                 |  |
| <b>129 Rue du Prince Moulay, Abdellah, Casablanca, Morocco</b>  |                                 |  |
| Vodafone Maroc SARL   | 79.75                           | Ordinary shares  |

| Company name | % held<br>by Group<br>companies | Share class |
|--------------|---------------------------------|-------------|
|--------------|---------------------------------|-------------|

## Mozambique

|   |       |  |
|---|-------|--|
| <b>Rua dos Desportistas, Numero 649, Cidade de Maputo, Mozambique</b> |       |  |
| VM, SA <sup>3</sup>   | 55.25 | Ordinary shares and redeemable preference shares |

## Netherlands

|  |        |                 |
|--|--------|-----------------|
| <b>Avenue Ceramique 300, 6221 KX, Maastricht, Netherlands</b>                        |        |                 |
| Vodafone Libertel B.V.   | 100.00 | Ordinary shares |
| <b>Klipperaak 2 D, 2411 ND, Bodegraven, Netherlands</b>                              |        |                 |
| Wiericke B.V.  | 100.00 | Ordinary shares |
| <b>Kronenburgplantsoen 10, 3401 BP, IJsselstein, Netherlands</b>                     |        |                 |
| mITE Systems B.V.  | 100.00 | Ordinary shares |
| <b>Rivium Quadrant 173, 15th Floor, 2909 LC, Capelle Aan Den IJssel, Netherlands</b> |        |                 |
| Cable & Wireless Aspac BV  | 100.00 | Ordinary shares |
| European Networks B.V.   | 100.00 | Ordinary shares |
| Vodafone Enterprise Netherlands BV   | 100.00 | Ordinary shares |
| Vodafone Europe B.V.   | 100.00 | Ordinary shares |
| Vodafone International Holdings B.V.   | 100.00 | Ordinary shares |
| Vodafone Panafon International Holdings B.V.   | 100.00 | Ordinary shares |
| XM Mobile B.V.   | 100.00 | Ordinary shares |
| Cable & Wireless Internet Service Provider B.V.                                      | 100.00 | Ordinary shares |

## New Zealand

|  |        |                 |
|--|--------|-----------------|
| <b>Level 1, 20 Viaduct Harbour Avenue, Auckland, 1010, New Zealand</b> |        |                 |
| Vodafone Mobile NZ Limited   | 100.00 | Ordinary shares |
| Vodafone New Zealand Foundation Limited                                | 100.00 | Ordinary shares |
| Vodafone New Zealand Limited   | 100.00 | Ordinary shares |
| Vodafone Next Generation Services Limited                              | 100.00 | Ordinary shares |
| <b>Level 1, Building C, 14-22 Triton Drive, Albany, New Zealand</b>    |        |                 |
| TNAS Limited   | 50.00  | Ordinary shares |

## Nigeria

|   |        |                                       |
|---|--------|---------------------------------------|
| <b>3A Aja Nwachukwu Close, Ikoyi, Lagos, Nigeria</b>  |        |                                       |
| Spar Aerospace (Nigeria) Limited <sup>3</sup>   | 65.00  | Ordinary shares                       |
| Vodacom Business Africa (Nigeria) Limited <sup>3</sup>  | 65.00  | Ordinary shares and preference shares |
| <b>ICT Lawyers &amp; Consultants, 2nd Floor, Oakland Center, Plot 2940, Aguyi Ironi Street, Maitama, Abuja, Nigeria</b> |        |                                       |
| C&W Worldwide Nigeria Limited   | 100.00 | Ordinary shares                       |

## Norway

|   |        |                 |
|---|--------|-----------------|
| <b>Sørkedalsveien 6 in Oslo, post address is PB. Box. 7000, Majorstuen, 0306 Oslo</b> |        |                 |
| Vodafone Enterprise Norway AS   | 100.00 | Ordinary shares |

## Portugal

|  |        |                 |
|--|--------|-----------------|
| <b>Av. D. Joao II, Lote 1.04.01, 8 Piso, Parques Das Nacoes, 1990-093 Lisboa, Portugal</b> |        |                 |
| Oni Way – Infocomunicacoes, S.A  | 100.00 | Ordinary shares |
| Vodafone Portugal – Comunicacoes Pessoais, S.A. <sup>1</sup>                               | 100.00 | Ordinary shares |
| <b>Av. da República, 50- 10º, 1069-211, Lisboa, Portugal</b>                               |        |                 |
| Vodafone Enterprise Spain, S.L.U. – Portugal Branch  | 100.00 | Branch          |

| Company name | % held<br>by Group<br>companies | Share class |
|--------------|---------------------------------|-------------|
|--------------|---------------------------------|-------------|

## Qatar

|                                     |       |                 |
|-------------------------------------|-------|-----------------|
| <b>P.O. Box 27727, Doha, Qatar</b>  |       |                 |
| Vodafone And Qatar Foundation L.L.C | 51.00 | Ordinary shares |
| Vodafone Qatar Q.S.C. <sup>4</sup>  | 22.95 | Ordinary shares |

## Romania

|   |        |                                    |
|---|--------|------------------------------------|
| <b>15 Charles de Gaulle Square, 10 floor, Bucharest, District 1, Romania</b>                    |        |                                    |
| Vodafone Shared Services Romania SRL  | 100.00 | Ordinary shares                    |
| <b>Oras Voluntari, Soseaua Pipera, Tunari, Nr. 2/II, Etaj 3, Ilfov, Oras Voluntari, Romania</b> |        |                                    |
| Vodafone România Technologies SRL   | 100.00 | Ordinary shares                    |
| <b>Oras Voluntari, Soseaua Pipera, Tunari, Nr. 2/II, Etaj 5, Judet Ilfov, Romania</b>           |        |                                    |
| Vodafone România M - Payments SRL   | 52.32  | Ordinary shares                    |
| <b>Sector 1, 15 Charles de Gaulle Piata, Bucharest, Romania</b>                                 |        |                                    |
| Vodafone Romania S.A  | 100.00 | Nominative shares, Ordinary shares |

## Russian Federation

|   |        |                        |
|---|--------|------------------------|
| <b>Chayanova ulitsa 14/10, stroenye 2, 125047 Moscow, Russia</b>          |        |                        |
| Cable & Wireless CIS Svyaz LLC  | 100.00 | Charter Capital shares |
| <b>Sadovnicheskaya st. 82, bld. 2, 115035, Moscow, Russian Federation</b> |        |                        |
| Vodafone Global Enterprise Russia LLC                                     | 100.00 | Equity shares          |

## Seychelles

|  |       |                                  |
|--|-------|----------------------------------|
| <b>F20, 1st Floor, Eden Plaza, Eden Island, Seychelles</b> |       |                                  |
| Cavalry Holdings Ltd <sup>3</sup>                          | 31.85 | Ordinary A and Ordinary B shares |
| East Africa Investment (Mauritius) Limited <sup>3</sup>    | 31.85 | Ordinary A and Ordinary B shares |

## Sierra Leone

|  |       |                 |
|--|-------|-----------------|
| <b>12 White Street, Brookfield, Off Railway Line, Freetown, Sierra Leone</b> |       |                 |
| VBA International (SL) Limited <sup>3</sup>                                  | 65.00 | Ordinary shares |

## Singapore

|  |        |                 |
|--|--------|-----------------|
| <b>Asia Square Tower 2, 12 Marina View, #17-01, Singapore, 018961, Singapore</b> |        |                 |
| Bluefish Apac Communications Pte. Ltd  | 100.00 | Ordinary shares |
| Vodafone Enterprise Global Network Pte. Ltd.                                     | 100.00 | Ordinary shares |
| Vodafone Enterprise Regional Business Singapore Pte.Ltd.                         | 100.00 | Ordinary shares |
| Vodafone Enterprise Singapore Pte.Ltd  | 100.00 | Ordinary shares |

## Slovakia

|  |        |        |
|--|--------|--------|
| <b>Namestie, SNP15, Bratislava, 811 06, Slovakia</b> |        |        |
| Vodafone Global Network Limited – Slovakia Branch    | 100.00 | Branch |

| Company name | % held<br>by Group<br>companies | Share class |
|--------------|---------------------------------|-------------|
|--------------|---------------------------------|-------------|

## South Africa

|  |        |   |
|--|--------|---|
| <b>15 Burnside Island, 410 Jan Smuts Avenue, Craighall, 2024, South Africa</b>                   |        |   |
| XLink Communications (Proprietary) Limited <sup>3</sup>  | 73.23  | Ordinary A shares                                   |
| <b>319 Frere Road, Glenwood, 4001, South Africa</b>  |        |   |
| Cable and Wireless Worldwide South Africa (Pty) Ltd  | 65.00  | Ordinary shares                                     |
| <b>76 Maude Street, Sandton, Johannesburg, 2196, South Africa</b>                                |        |   |
| Waterberg Lodge (Proprietary) Limited <sup>3</sup>   | 65.00  | Ordinary shares                                     |
| <b>9 Kinross Street, Germiston South, 1401, South Africa</b>                                     |        |   |
| Vodafone Holdings (SA) Proprietary Limited   | 100.00 | Ordinary shares                                     |
| <b>9 Kinross Street, PO Box 4119, Germiston South, 1411, Germiston South, 1401, South Africa</b> |        |   |
| Vodafone Investments (SA) Proprietary Limited  | 100.00 | Ordinary A shares, "B" ordinary no par value shares |
| <b>Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand, 1685, South Africa</b>                |        |   |
| GS Telecom (Pty) Limited <sup>3</sup>  | 65.00  | Ordinary shares                                     |
| Motifpros 1 (Proprietary) Limited <sup>3</sup>   | 60.94  | Ordinary shares                                     |
| Scarlet Ibis Investments 23 (Pty) Limited <sup>3</sup>   | 60.94  | Ordinary shares                                     |
| Vodacom (Pty) Limited <sup>3</sup>   | 60.94  | Ordinary shares                                     |
| Vodacom Business Africa Group (Pty) Limited <sup>3</sup>   | 65.00  | Ordinary shares                                     |
| Vodacom Financial Services (Proprietary) Limited <sup>3</sup>                                    | 60.94  | Ordinary shares                                     |
| Vodacom Group Limited <sup>3</sup>   | 65.00  | Ordinary shares                                     |
| Vodacom Insurance Administration Company (Proprietary) Limited <sup>3</sup>                      | 60.94  | Ordinary shares                                     |
| Vodacom Insurance Company(RF) Limited <sup>3</sup>   | 65.00  | Ordinary shares                                     |
| Vodacom International Holdings (Pty) Limited <sup>3</sup>  | 65.00  | Ordinary shares                                     |
| Vodacom Life Assurance Company (RF) Limited <sup>3</sup>   | 60.94  | Ordinary shares                                     |
| Vodacom Payment Services (Proprietary) Limited <sup>3</sup>                                      | 60.94  | Ordinary shares                                     |
| Vodacom Properties No 1 (Proprietary) Limited <sup>3</sup>                                       | 60.94  | Ordinary shares                                     |
| Vodacom Properties No.2 (Pty) Limited <sup>3</sup>   | 60.94  | Ordinary shares                                     |
| Wheatfields Investments 276 (Proprietary) Limited <sup>3</sup>                                   | 65.00  | Ordinary shares                                     |
| Wheatfields Investments No 261 (Proprietary) Limited <sup>3</sup>                                | 65.00  | Ordinary shares                                     |
| Jupicol (Proprietary) Limited <sup>3</sup>   | 42.65  | Ordinary shares                                     |
| Mezzanine Ware Proprietary Limited (RF) <sup>3</sup>   | 45.07  | Ordinary shares                                     |
| Storage Technology Services (Pty) Limited <sup>3</sup>   | 31.00  | Ordinary shares                                     |

# Notes to the consolidated financial statements (continued)

## 33. Related undertakings (continued)

| Company name  | % held<br>by Group<br>companies | Share class       |
|---|---------------------------------|-------------------|
| <b>Spain</b>  |                                 |                   |
| <b>Antracita, 7 – 28045, Madrid CIF B-91204453, Spain</b>       |                                 |                   |
| Vodafone Automotive Espana S.L                                  | 100.00                          | Ordinary shares   |
| <b>Avenida de América 115, 28042, Madrid, Spain</b>             |                                 |                   |
| Grupo Corporativo ONO, S.A.U.                                   | 100.00                          | Ordinary shares   |
| Vodafone Espana S.A.U.  | 100.00                          | Ordinary shares   |
| Vodafone Holdings Europe S.L.U.                                 | 100.00                          | Ordinary shares   |
| Vodafone ONO, S.A.U.  | 100.00                          | Ordinary A shares |
| Vodafone Enabler España, S.L.                                   | 100.00                          | Ordinary shares   |
| Vodafone Enterprise Spain SLU                                   | 100.00                          | Ordinary shares   |
| <b>Ctra. Zaragoza, Km. 3, 31191, Cordovilla, Navarra, Spain</b> |                                 |                   |
| Tenaria, S.A.U.   | 100.00                          | Ordinary shares   |

## Sweden

|   |        |                 |
|---|--------|-----------------|
| <b>c/o Hellström advokatbyrå, Box 7305, 103 90, Stockholm, Sweden</b> |        |                 |
| Vodafone Enterprise Sweden AB   | 100.00 | Ordinary shares |

## Switzerland

|  |        |                 |
|--|--------|-----------------|
| <b>BDO Ltd, Fabrikstrasse 50, CH-8031, Zurich, Switzerland</b> |        |                 |
| Vodafone Enterprise Switzerland AG                             | 100.00 | Ordinary shares |
| <b>Via Francini 10, 6850 Mendrisio, Switzerland</b>            |        |                 |
| Vodafone Automotive Telematics S.A                             | 100.00 | Ordinary shares |

## Taiwan

|   |        |                 |
|---|--------|-----------------|
| <b>13F, No. 156, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 10596, Taiwan (R.O.C.)</b> |        |                 |
| Vodafone Global Enterprise Taiwan Limited   | 100.00 | Ordinary shares |

## Tanzania, United Republic of

|   |       |                 |
|---|-------|-----------------|
| <b>3rd Floor, Maktaba (Library), Complex Bibi, Titi Mohamed Road, Dar es Salaam, Tanzania, United Republic of</b> |       |                 |
| Gateway Communications Tanzania Limited <sup>3</sup>  | 65.00 | Ordinary shares |
| <b>Mlimani City Office Park, Mlimani City, Sam Nujoma Road, Dar es Salaam, Tanzania, United Republic of</b>       |       |                 |
| Vodacom Tanzania Limited <sup>3</sup>   | 53.40 | Ordinary shares |
| Vodacom Tanzania Limited Zanzibar <sup>3</sup>  | 53.40 | Ordinary shares |
| <b>Plot No 77, Kipawa industrial area, P.O. Box 40985, Dar es Salaam, Tanzania</b>                                |       |                 |
| Mirambo Limited <sup>3</sup>  | 31.85 | Ordinary shares |

## Turkey

|   |        |                   |
|---|--------|-------------------|
| <b>Büyükdere Cad. No:251 Maslak, Şişli, İstanbul, Turkey, 34398, Turkey</b>                         |        |                   |
| Vodafone Holding A.S.   | 100.00 | Registered shares |
| Vodafone Dagitim Hizmetleri A.S.  | 100.00 | Registered shares |
| Vodafone Net İletişim Hizmetleri A.Ş.   | 100.00 | Ordinary shares   |
| Vodafone Elektronik Para Ve Ödeme Hizmetleri A.Ş.   | 100.00 | Registered shares |
| Vodafone Telekomünikasyon A.S   | 100.00 | Registered shares |
| Vodafone Bilgi Ve İletişim Hizmetleri AS  | 100.00 | Registered shares |
| <b>İTÜ Ayazağa Kampüsü, Kuru Yolu, Arı Teknokent Arı 3 Binası, Maslak, İstanbul, 586553, Turkey</b> |        |                   |
| Vodafone Teknoloji Hizmetleri A.S.  | 100.00 | Registered shares |

## Ukraine

|   |        |                 |
|---|--------|-----------------|
| <b>01033, Kyiv, Haydar Street 50, Ukraine</b> |        |                 |
| LLC Vodafone Enterprise Ukraine               | 100.00 | Ordinary shares |

## United Arab Emirates

|   |        |        |
|---|--------|--------|
| <b>Premises 2120, Floor 21, Building AL Shatha Tower, Dubai, United Arab Emirates</b> |        |        |
| Vodafone Enterprise Europe (UK) Limited – DUBAI BRANCH                                | 100.00 | Branch |

| Company name  | % held<br>by Group<br>companies | Share class     |
|---|---------------------------------|-----------------|
| <b>United Kingdom</b>   |                                 |                 |
| <b>1-2 Berkeley Square, 99 Berkeley Street, Glasgow, G3 7HR, Scotland</b> |                                 |                 |
| Thus Group Holdings Limited   | 100.00                          | Ordinary shares |
| Thus Profit Sharing Trustees Limited                                      | 100.00                          | Ordinary shares |
| Thus Group Limited  | 100.00                          | Ordinary shares |

|  |  |  |
|--|--|--|
| <b>5th Floor Legal Department, Group Corporate Secretariat, 1 Kingdom Street, Paddington, London, England, W26BY, United Kingdom</b> |  |  |
|--|--|--|

|  |        |                 |
|--|--------|-----------------|
| Cable & Wireless Worldwide Pension Trustee Limited | 100.00 | Ordinary shares |
| <b>90 Long Acre, London, WC2E 9NP, England</b>     |        |                 |

|                                       |        |                 |
|---------------------------------------|--------|-----------------|
| Apollo Submarine Cable System Limited | 100.00 | Ordinary shares |
|---------------------------------------|--------|-----------------|

|  |  |  |
|--|--|--|
| <b>Avon House, Horizon West, Canal View Road, Newbury, Berkshire, RG15 5XF, United Kingdom</b> |  |  |
|--|--|--|

|                    |        |                 |
|--------------------|--------|-----------------|
| Talkmobile Limited | 100.00 | Ordinary shares |
|--------------------|--------|-----------------|

|   |  |  |
|---|--|--|
| <b>Crossgate House, Cross Street, Sale, Cheshire, M33 7FT, United Kingdom</b> |  |  |
|---|--|--|

|                                |        |                 |
|--------------------------------|--------|-----------------|
| Vodafone Automotive UK Limited | 100.00 | Ordinary shares |
|--------------------------------|--------|-----------------|

|  |  |  |
|--|--|--|
| <b>Imperial House, 4–10 Donegall Square East, Belfast, BT1 5HD</b> |  |  |
|--|--|--|

|                       |        |                 |
|-----------------------|--------|-----------------|
| Vodafone (NI) Limited | 100.00 | Ordinary shares |
|-----------------------|--------|-----------------|

|  |  |  |
|--|--|--|
| <b>Leven House, 10 Lochside Place, Edinburgh Park, Edinburgh, Scotland, EH12 9RG, United Kingdom</b> |  |  |
|--|--|--|

|                                 |        |                 |
|---------------------------------|--------|-----------------|
| Pinnacle Cellular Group Limited | 100.00 | Ordinary shares |
|---------------------------------|--------|-----------------|

|                           |        |                 |
|---------------------------|--------|-----------------|
| Pinnacle Cellular Limited | 100.00 | Ordinary shares |
|---------------------------|--------|-----------------|

|                             |        |                 |
|-----------------------------|--------|-----------------|
| Vodafone (Scotland) Limited | 100.00 | Ordinary shares |
|-----------------------------|--------|-----------------|

|                          |        |                 |
|--------------------------|--------|-----------------|
| Woodend Cellular Limited | 100.00 | Ordinary shares |
|--------------------------|--------|-----------------|

|                                |        |                 |
|--------------------------------|--------|-----------------|
| Woodend Communications Limited | 100.00 | Ordinary shares |
|--------------------------------|--------|-----------------|

|                       |        |                 |
|-----------------------|--------|-----------------|
| Woodend Group Limited | 100.00 | Ordinary shares |
|-----------------------|--------|-----------------|

|                          |        |                 |
|--------------------------|--------|-----------------|
| Woodend Holdings Limited | 100.00 | Ordinary shares |
|--------------------------|--------|-----------------|

|  |  |  |
|--|--|--|
| <b>Quarry Corner, Dundonald, Belfast, BT16 1UD, Northern Ireland</b> |  |  |
|--|--|--|

|                           |        |   |
|---------------------------|--------|---|
| Energis (Ireland) Limited | 100.00 | A Ordinary shares,<br>B Ordinary shares |
|---------------------------|--------|---|

|   |  |  |
|---|--|--|
| <b>Shuttleworth House, 21 Bridgewater Close, Network 65 Business Park, Hapton, Burnley, Lancashire, England, BB11 5TE, United Kingdom</b> |  |  |
|---|--|--|

|             |        |                 |
|-------------|--------|-----------------|
| Navtrak Ltd | 100.00 | Ordinary shares |
|-------------|--------|-----------------|

|   |  |  |
|---|--|--|
| <b>Staple Court, 11 Staple Inn Building, London, WC1V 7QH, United Kingdom</b> |  |  |
|---|--|--|

|   |       |   |
|---|-------|---|
| Vodacom Business Africa Group Services Limited <sup>3</sup> | 65.00 | Ordinary shares<br>and preference<br>shares |
|---|-------|---|

|                                 |       |                                       |
|---------------------------------|-------|---------------------------------------|
| Vodacom UK Limited <sup>3</sup> | 65.00 | Ordinary shares,<br>ordinary A shares |
|---------------------------------|-------|---------------------------------------|

|   |  |  |
|---|--|--|
| <b>Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, United Kingdom</b> |  |  |
|---|--|--|

|                    |        |                 |
|--------------------|--------|-----------------|
| AAA (Euro) Limited | 100.00 | Ordinary shares |
|--------------------|--------|-----------------|

|                   |        |                 |
|-------------------|--------|-----------------|
| AAA (MCR) Limited | 100.00 | Ordinary shares |
|-------------------|--------|-----------------|

|                  |        |                 |
|------------------|--------|-----------------|
| AAA (UK) Limited | 100.00 | Ordinary shares |
|------------------|--------|-----------------|

|                              |        |                 |
|------------------------------|--------|-----------------|
| Acorn Communications Limited | 100.00 | Ordinary shares |
|------------------------------|--------|-----------------|

|                   |        |   |
|-------------------|--------|---|
| Aspective Limited | 100.00 | Ordinary shares, A<br>preference shares,<br>B preference<br>shares and C<br>preference shares |
|-------------------|--------|---|

|                              |        |                 |
|------------------------------|--------|-----------------|
| Astec Communications Limited | 100.00 | Ordinary shares |
|------------------------------|--------|-----------------|

|                                 |        |   |
|---------------------------------|--------|---|
| Bluefish Communications Limited | 100.00 | Ordinary B shares,<br>ordinary A shares,<br>ordinary C shares,<br>ordinary D shares |
|---------------------------------|--------|---|

|                        |        |                 |
|------------------------|--------|-----------------|
| Business Serve Limited | 100.00 | Ordinary shares |
|------------------------|--------|-----------------|

|                          |        |                 |
|--------------------------|--------|-----------------|
| C.S.P. Solutions Limited | 100.00 | Ordinary shares |
|--------------------------|--------|-----------------|

|                                 |        |  |
|---------------------------------|--------|--|
| Cable & Wireless Access Limited | 100.00 | Ordinary-A<br>shares, ordinary-B<br>shares, series<br>A convertible<br>preference shares |
|---------------------------------|--------|--|

| Company name  | % held<br>by Group<br>companies | Share class                                      |
|---|---------------------------------|--|
| Cable & Wireless a-Services Limited                           | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Aspac Holdings Limited                       | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Capital Limited                              | 100.00                          | Ordinary shares                                  |
| Cable & Wireless CIS Services Limited                         | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Communications Data Network Services Limited | 100.00                          | 'A' Ordinary shares,<br>'B' Ordinary shares      |
| Cable & Wireless Communications Starclass Limited             | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Europe Holdings Limited                      | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Global Business Services Limited             | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Global Holding Limited                       | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Global Telecommunication Services Limited    | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Holdco Limited                               | 100.00                          | Ordinary shares                                  |
| Cable & Wireless U.K.   | 100.00                          | Ordinary shares                                  |
| Cable & Wireless UK Holdings Limited                          | 100.00                          | Ordinary shares                                  |
| Cable & Wireless UK Services Limited                          | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Waterside Holdings Limited                   | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Worldwide plc                                | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Worldwide Services Limited                   | 100.00                          | Ordinary shares                                  |
| Cable & Wireless Worldwide Voice Messaging Limited            | 100.00                          | Ordinary shares                                  |
| Cable and Wireless (India) Limited                            | 100.00                          | Ordinary shares                                  |
| Cable and Wireless Nominee Limited                            | 100.00                          | Ordinary shares                                  |
| Cellops Limited   | 100.00                          | Ordinary shares                                  |
| Cellular Operations Limited                                   | 100.00                          | Ordinary shares                                  |
| Central Communications Group Limited                          | 100.00                          | Ordinary shares,<br>Ordinary A shares            |
| Central Telecom (Northern) Limited                            | 100.00                          | Ordinary shares                                  |
| Chelys Limited  | 100.00                          | Ordinary shares                                  |
| City Cable (Holdings) Limited                                 | 100.00                          | Ordinary shares                                  |
| CT Networks Limited   | 100.00                          | Ordinary shares                                  |
| CWW Operations Limited  | 100.00                          | Ordinary shares                                  |
| Dataroom Limited  | 100.00                          | Ordinary shares,<br>Ordinary A shares            |
| Digital Island (UK) Ltd                                       | 100.00                          | Ordinary shares                                  |
| Emtel Europe Limited  | 100.00                          | Ordinary shares                                  |
| Energis Communications Limited                                | 100.00                          | Ordinary shares                                  |
| Energis Holdings Limited                                      | 100.00                          | Ordinary shares                                  |
| Energis Local Access Limited                                  | 100.00                          | Ordinary shares                                  |
| Energis Management Limited                                    | 100.00                          | Ordinary shares                                  |
| Energis Squared Limited                                       | 100.00                          | Ordinary shares                                  |
| Erudite Systems Limited                                       | 100.00                          | Ordinary shares                                  |
| Eurocall Holdings Limited                                     | 100.00                          | Ordinary shares                                  |
| Flexphone Limited   | 100.00                          | Ordinary shares                                  |
| FM Associates (UK) Limited                                    | 100.00                          | Ordinary shares                                  |
| General Mobile Corporation Limited                            | 100.00                          | Ordinary shares                                  |
| Generation Telecom Limited                                    | 100.00                          | Ordinary shares                                  |
| Global Cellular Rental Limited                                | 50.00                           | Ordinary shares                                  |
| How2 Telecom Limited  | 100.00                          | Ordinary shares                                  |
| InterCell Communications Limited                              | 100.00                          | Ordinary shares                                  |
| InterCell Limited   | 100.00                          | Ordinary shares                                  |
| Internet Network Services Limited                             | 100.00                          | Ordinary shares                                  |
| Invitation Digital Limited                                    | 82.89                           | Ordinary shares,<br>series A preferred<br>shares |

| Company name   | % held<br>by Group<br>companies | Share class  |
|--|---------------------------------|--|
| <b>United Kingdom (continued)</b>  |                                 |  |
| <b>Vodafone House, The Connection, Newbury, Berkshire,<br/>RG142FN, United Kingdom</b> |                                 |  |
| Isis Telecommunications<br>Management Limited  | 100.00                          | A ordinary shares,<br>C ordinary shares,<br>B ordinary shares                              |
| Jaguar Communications Limited  | 100.00                          | Ordinary shares  |
| Legend Communications Plc  | 100.00                          | Ordinary shares  |
| London Hydraulic Power Company   | 100.00                          | Ordinary<br>shares, 5%<br>non-cumulative<br>preference shares                              |
| MetroHoldings Limited  | 100.00                          | Ordinary shares  |
| ML Integration Group Limited   | 100.00                          | Ordinary shares  |
| ML Integration Limited   | 100.00                          | Ordinary shares  |
| ML Integration Services Limited  | 100.00                          | Ordinary shares  |
| Mobile Phone Centre Limited  | 100.00                          | Ordinary shares  |
| Mobiles 4 Business.com Limited   | 100.00                          | Ordinary shares  |
| Nat Comm Air Limited   | 100.00                          | Ordinary shares  |
| Netforce Group Public Limited<br>Company   | 100.00                          | Ordinary shares  |
| Oxygen Solutions Limited   | 100.00                          | Ordinary shares,<br>redeemable<br>preference shares,<br>participating<br>preference shares |
| P.C.P. (North West) Limited  | 100.00                          | Ordinary shares  |
| Peoples Phone Limited  | 100.00                          | Ordinary shares  |
| Project Telecom Holdings Limited <sup>1</sup>  | 100.00                          | Ordinary shares  |
| PT Network Services Limited  | 100.00                          | Ordinary shares  |
| PTI Telecom Limited  | 100.00                          | Ordinary shares  |
| Quickcomm UK Limited   | 100.00                          | Ordinary shares  |
| Rian Mobile Limited  | 100.00                          | Ordinary shares  |
| Singlepoint (4U) Limited   | 100.00                          | Ordinary shares  |
| Singlepoint Payment Services<br>Limited  | 100.00                          | Ordinary shares  |
| Stentor Communications Limited   | 100.00                          | Ordinary shares  |
| T.W. Telecom Limited   | 100.00                          | Ordinary shares  |
| T3 Telecommunications Limited  | 100.00                          | Ordinary shares  |
| Talkland Airtime Services Limited  | 100.00                          | Ordinary shares  |
| Talkland Communications Limited  | 100.00                          | Ordinary shares  |
| Talkland International Limited   | 100.00                          | Ordinary shares  |
| Talkland Midlands Limited  | 100.00                          | Ordinary shares  |
| Telecommunications Europe<br>Limited   | 100.00                          | Ordinary shares  |
| Ternhill Communications Limited  | 100.00                          | Ordinary shares,<br>non C redeemable<br>preference shares                                  |
| The Eastern Leasing Company<br>Limited   | 100.00                          | Ordinary shares  |
| The Old Telecom Sales Co. Limited  | 100.00                          | Ordinary shares  |
| Thus Limited   | 100.00                          | Ordinary shares  |
| Townley Communications Limited   | 100.00                          | Ordinary shares  |
| Uniqueair Limited  | 100.00                          | Ordinary shares  |
| Vizzavi Limited  | 100.00                          | Ordinary shares  |
| Voda Limited   | 100.00                          | Ordinary shares  |
| Vodacall Limited <sup>1</sup>  | 100.00                          | Ordinary shares  |
| Vodafone (New Zealand) Hedging<br>Limited  | 100.00                          | Ordinary shares  |
| Vodafone 2.  | 100.00                          | Ordinary shares  |
| Vodafone 4 UK  | 100.00                          | Ordinary shares  |
| Vodafone 5 Limited   | 100.00                          | Ordinary shares  |
| Vodafone 5 UK  | 100.00                          | Ordinary shares  |
| Vodafone 6 UK  | 100.00                          | Ordinary shares  |
| Vodafone Americas 4  | 100.00                          | Ordinary shares  |
| Vodafone Benelux Limited   | 100.00                          | Preference shares,<br>ordinary shares  |
| Vodafone Business Services<br>Limited  | 100.00                          | Ordinary shares  |
| Vodafone Business Solutions<br>Limited   | 100.00                          | Ordinary shares  |
| Vodafone Cellular Limited <sup>1</sup>   | 100.00                          | Ordinary shares  |
| Vodafone Central Services Limited  | 100.00                          | Ordinary shares  |

| Company name  | % held<br>by Group<br>companies | Share class                            |
|---|---------------------------------|--|
| Vodafone Connect 2 Limited                                  | 100.00                          | Ordinary shares                        |
| Vodafone Connect Limited                                    | 100.00                          | Ordinary shares                        |
| Vodafone Consolidated Holdings<br>Limited                   | 100.00                          | Ordinary shares                        |
| Vodafone Corporate Limited                                  | 100.00                          | Ordinary shares                        |
| Vodafone Corporate Secretaries<br>Limited <sup>1</sup>      | 100.00                          | Ordinary shares                        |
| Vodafone DC Pension Trustee<br>Company Limited <sup>1</sup> | 100.00                          | Ordinary shares                        |
| Vodafone Distribution Holdings<br>Limited                   | 100.00                          | Ordinary shares                        |
| Vodafone Enterprise Equipment<br>Limited                    | 100.00                          | Ordinary shares                        |
| Vodafone Enterprise Europe (UK)<br>Limited                  | 100.00                          | Ordinary shares                        |
| Vodafone Euro Hedging Limited                               | 100.00                          | Ordinary shares                        |
| Vodafone Euro Hedging Two                                   | 100.00                          | Ordinary shares                        |
| Vodafone Europe UK  | 100.00                          | Ordinary shares                        |
| Vodafone European Investments <sup>1</sup>                  | 100.00                          | Ordinary shares                        |
| Vodafone European Portal Limited <sup>1</sup>               | 100.00                          | Ordinary shares                        |
| Vodafone Finance Limited <sup>1</sup>                       | 100.00                          | Ordinary shares                        |
| Vodafone Finance Luxembourg<br>Limited                      | 100.00                          | Ordinary shares                        |
| Vodafone Finance Sweden                                     | 100.00                          | Ordinary shares                        |
| Vodafone Finance UK Limited                                 | 100.00                          | Ordinary shares                        |
| Vodafone Financial Operations                               | 100.00                          | Ordinary shares                        |
| Vodafone Global Content Services<br>Limited                 | 100.00                          | Ordinary shares                        |
| Vodafone Global Enterprise<br>Limited                       | 100.00                          | Ordinary shares                        |
| Vodafone Group (Directors)<br>Trustee Limited <sup>1</sup>  | 100.00                          | Ordinary shares                        |
| Vodafone Group Pension Trustee<br>Limited <sup>1</sup>      | 100.00                          | Ordinary shares                        |
| Vodafone Group Services Limited                             | 100.00                          | Ordinary shares,<br>deferred shares    |
| Vodafone Group Services No.2<br>Limited <sup>1</sup>        | 100.00                          | Ordinary shares                        |
| Vodafone Group Share Trustee<br>Limited <sup>1</sup>        | 100.00                          | Ordinary shares                        |
| Vodafone Hire Limited                                       | 100.00                          | Ordinary shares                        |
| Vodafone Holdings Luxembourg<br>Limited                     | 100.00                          | Ordinary shares                        |
| Vodafone Intermediate Enterprises<br>Limited                | 100.00                          | Ordinary shares                        |
| Vodafone International Holdings<br>Limited                  | 100.00                          | Ordinary shares                        |
| Vodafone International Operations<br>Limited                | 100.00                          | Ordinary shares                        |
| Vodafone Investment UK                                      | 100.00                          | Ordinary shares                        |
| Vodafone Investments Australia<br>Limited                   | 100.00                          | Ordinary shares                        |
| Vodafone Investments Limited <sup>1</sup>                   | 100.00                          | Ordinary shares                        |
| Vodafone IP Licensing Limited <sup>1</sup>                  | 100.00                          | Ordinary shares                        |
| Vodafone Leasing Limited                                    | 100.00                          | Ordinary shares                        |
| Vodafone Limited  | 100.00                          | Ordinary shares                        |
| Vodafone M.C. Mobile Services<br>Limited                    | 100.00                          | Ordinary shares                        |
| Vodafone Marketing UK                                       | 100.00                          | Ordinary shares                        |
| Vodafone Mobile Commerce<br>Limited                         | 100.00                          | Ordinary shares                        |
| Vodafone Mobile Communications<br>Limited                   | 100.00                          | Ordinary shares                        |
| Vodafone Mobile Enterprises<br>Limited                      | 100.00                          | A ordinary shares,<br>ordinary shares, |
| Vodafone Mobile Network Limited                             | 100.00                          | A ordinary shares,<br>ordinary shares  |
| Vodafone Multimedia Limited                                 | 100.00                          | Ordinary shares                        |
| Vodafone Nominees Limited <sup>1</sup>                      | 100.00                          | Ordinary shares                        |
| Vodafone Oceania Limited                                    | 100.00                          | Ordinary shares                        |
| Vodafone Old Show Ground Site<br>Management Limited         | 100.00                          | Ordinary shares                        |
| Vodafone Overseas Finance<br>Limited                        | 100.00                          | Ordinary shares                        |
| Vodafone Overseas Holdings<br>Limited                       | 100.00                          | Ordinary shares                        |

| Company name   | % held<br>by Group<br>companies | Share class  |
|--|---------------------------------|--|
| Vodafone Panafon UK  | 100.00                          | Ordinary shares  |
| Vodafone Partner Services Limited  | 100.00                          | Ordinary shares  |
| Vodafone Property Investments<br>Limited   | 100.00                          | Ordinary shares  |
| Vodafone Retail (Holdings) Limited   | 100.00                          | Ordinary shares  |
| Vodafone Retail Limited  | 100.00                          | Ordinary shares  |
| Vodafone Sales & Services Limited  | 100.00                          | Ordinary shares  |
| Vodafone Satellite Services Limited  | 100.00                          | Ordinary shares  |
| Vodafone Specialist<br>Communications Limited  | 100.00                          | Ordinary shares  |
| Vodafone UK Content Services<br>Limited  | 100.00                          | Ordinary shares  |
| Vodafone UK Investments Limited  | 100.00                          | Ordinary shares  |
| Vodafone UK Limited <sup>1</sup>   | 100.00                          | Ordinary shares  |
| Vodafone Ventures Limited <sup>1</sup>   | 100.00                          | Ordinary shares  |
| Vodafone Worldwide Holdings<br>Limited   | 100.00                          | Ordinary shares  |
| Vodafone Yen Finance Limited   | 100.00                          | Ordinary shares  |
| Vodafone-Central Limited   | 100.00                          | Ordinary shares  |
| Vodafone Limited   | 100.00                          | Ordinary shares  |
| Vodata Limited   | 100.00                          | Ordinary shares  |
| Your Communications Group<br>Limited   | 100.00                          | Ordinary shares  |
| <b>c/o BDO MPR Management Limited, PO Box 119, Martello<br/>Court, Admiral park, St Peter Port, Guernsey</b> |                                 |  |
| FB Holdings Limited  | 100.00                          | Ordinary shares  |
| <b>Ogier House, St Julian's Avenue, St Peter Port, Guernsey,<br/>GY1 1WA, Guernsey</b>                       |                                 |  |
| Silver Stream Investments Limited  | 100.00                          | Ordinary shares  |
| <b>P.O. Box 119, Commerce House, St Peter Port, Guernsey,<br/>Channel Islands, GY1 3HB</b>                   |                                 |  |
| Le Bunt Holdings Limited   | 100.00                          | Ordinary shares  |
| <b>Roseneath, The Grange, St Peter Port, GY1 2QJ, Guernsey</b>   |                                 |  |
| VBA Holdings Limited <sup>3</sup>  | 65.00                           | Ordinary shares<br>And non-voting<br>irredeemable<br>non-cumulative<br>preference                    |
| VBA International Limited <sup>3</sup>   | 65.00                           | Ordinary shares<br>And non-voting<br>irredeemable<br>non-convertible<br>non-cumulative<br>Preference |
| <b>Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey</b>   |                                 |  |
| Aztec Limited  | 100.00                          | Ordinary shares  |
| Globe Limited  | 100.00                          | Ordinary shares  |
| Plex Limited   | 100.00                          | Ordinary shares  |
| Vizzavi Finance Limited  | 100.00                          | Ordinary shares  |
| Vodafone Holdings (Jersey)<br>Limited  | 100.00                          | Ordinary shares  |
| Vodafone International 2 Limited   | 100.00                          | Ordinary shares  |
| Vodafone Jersey Dollar Holdings<br>Limited   | 100.00                          | Ordinary shares  |
| Vodafone Jersey Finance  | 100.00                          | Ordinary shares  |
| Vodafone Jersey Yen Holdings<br>Unlimited  | 100.00                          | Limited liability<br>shares  |

# Notes to the consolidated financial statements (continued)

## 33. Related undertakings (continued)

| Company name  | % held by Group companies | Share class         |
|---|---------------------------|---------------------|
| <b>United States</b>  |                           |                     |
| <b>560 Lexington Avenue, 8th Floor, New York NY 10022, United States</b>  |                           |                     |
| Bluefish Communications Inc.  | 100.00                    | Common stock shares |
| Vodafone Americas Virginia Inc.   | 100.00                    | Common stock shares |
| Vodafone US Inc.  | 100.00                    | Common stock shares |
| <b>c/o United Corporate Services Inc., 15 North East Street, Kent County, Dover DE 19901, United States</b>                 |                           |                     |
| Cable & Wireless a-Services, Inc  | 100.00                    | Common shares       |
| <b>Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, United States of America</b> |                           |                     |
| Cable & Wireless Americas Systems, Inc.   | 100.00                    | Common stock shares |
| <b>Denver Place, South Tower, 17th Floor, 999 18th Street, Denver 80202, United States</b>                                  |                           |                     |
| Vodafone Americas Foundation  | 100.00                    | N/A                 |
| <b>Zambia</b>   |                           |                     |
| <b>Orange Park, Plot 35185, Alick Nkhata Road, Lusaka, Zambia</b>   |                           |                     |
| Africonnect (Zambia) Limited <sup>3</sup>   | 65.00                     | Ordinary shares     |

## Associated undertakings and joint arrangements

| Company Name  | % held by Group Companies | Share class          |
|---|---------------------------|----------------------|
| <b>Australia</b>  |                           |                      |
| <b>Level 7, 40 Mount Street, North Sydney, NSW 2060, Australia</b>  |                           |                      |
| H3ga Properties (No 3) Pty Limited  | 50.00                     | Ordinary shares      |
| Mobileworld Communications Pty Limited  | 50.00                     | Ordinary shares      |
| Mobileworld Operating Pty Ltd   | 50.00                     | Ordinary shares      |
| Vodafone Australia Pty Limited  | 50.00                     | Ordinary shares      |
| Vodafone Foundation Australia Pty Limited   | 50.00                     | Ordinary shares      |
| Vodafone Hutchison Australia Pty Limited  | 50.00                     | Ordinary shares      |
| Vodafone Hutchison Finance Pty Limited  | 50.00                     | Ordinary shares      |
| Vodafone Network Pty Limited  | 50.00                     | Ordinary shares      |
| Vodafone Pty Limited  | 50.00                     | Ordinary shares      |
| <b>Czech Republic</b>   |                           |                      |
| <b>U Ráské zahrady 1912/3, Praha 3, 13000, Czech Republic</b>   |                           |                      |
| COOP Mobil s.r.o.   | 33.33                     | Ordinary shares      |
| <b>Egypt</b>  |                           |                      |
| <b>23 Kasr El Nil St., Cairo, Egypt, 11211</b>  |                           |                      |
| Wataneya Telecommunications S.A.E   | 50.00                     | Ordinary shares      |
| <b>India</b>  |                           |                      |
| <b>Bharti Crescent, 1 Nelson Mandela Road, Vasant Kunj, Phase-II, New Delhi – 110070, India</b>                             |                           |                      |
| Indus Towers Limited  | 42.00                     | Equity shares        |
| <b>Ireland</b>  |                           |                      |
| <b>8/9 Fairview, Dublin, 3, Ireland</b>   |                           |                      |
| MediaOne Limited  | 22.50                     | Ordinary Euro shares |
| <b>Unit 2, 77 Furze Road, Sandyford Industrial Estate, Dublin 18, Ireland</b>   |                           |                      |
| Fonua Limited   | 49.00                     | Ordinary shares      |
| <b>Kenya</b>  |                           |                      |
| <b>Safaricom, P O Box 46350, 00100, Nairobi, Kenya</b>  |                           |                      |
| Safaricom Limited <sup>5,6</sup>  | 40.00                     | Ordinary shares      |
| <b>New Zealand</b>  |                           |                      |
| <b>2nd Floor, Ferry Building, 99 Quay Street, Auckland, 1010, New Zealand</b>   |                           |                      |
| TSM NZ Limited  | 32.50                     | Ordinary shares      |
| <b>Portugal</b>   |                           |                      |
| <b>Avenida D. João II Lote 1.03.23 Parque das Nações, 1998-017, Lisboa, Portugal</b>  |                           |                      |
| Celfocus – Solucoes Informaticas Para Telecomunicacoes S.A  | 45.00                     | Ordinary shares      |
| <b>Russian Federation</b>   |                           |                      |
| <b>bld. 3, 11, Promishlennaya Street, Moscow, 115516, Russian Federation</b>  |                           |                      |
| Autoconnex Limited  | 35.00                     | Ordinary shares      |
| <b>South Africa</b>   |                           |                      |
| <b>Building 13 Ground Floor East, Thornhill, Office Park, 94 Bekker Road, Vorna Valley X67, Midrand, 1685, South Africa</b> |                           |                      |
| Number Portability Company (Proprietary) Limited <sup>3</sup>   | 20.00                     | Ordinary shares      |

| Company Name   | % held by Group Companies | Share class       |
|--|---------------------------|-------------------|
| <b>United Kingdom</b>  |                           |                   |
| <b>83 Baker Street, London, W1U 6AG, United Kingdom</b>          |                           |                   |
| Digital Mobile Spectrum Limited                                  | 25.00                     | Ordinary shares   |
| <b>260 Bath Road, Slough, Berkshire, SL1 4DX, United Kingdom</b> |                           |                   |
| Cornerstone Telecommunications Infrastructure Limited            | 50.00                     | Ordinary shares   |
| <b>62-65, Chandos Place, London, WC2N 4LP, United Kingdom</b>    |                           |                   |
| Cable & Wireless Trade Mark Management Limited                   | 50.00                     | Ordinary B shares |

### Notes:

- 1 Entities directly held by Vodafone Group Plc.
- 2 Trades as Vodafone Hungary Mobile Telecommunications Company Limited.
- 3 Shareholding is indirect through Vodacom Group Limited. The indirect shareholding is calculated using the 65.0% ownership interest in Vodacom.
- 4 The Group has rights that enable it to control the strategic and operating decisions of Vodafone Qatar Q.S.C. and Vodacom Congo (RDC) S.A.. The Group is assessing the impact of changes to company law in Qatar, which will be applicable in the financial year ending 31 March 2017, on its ability to exercise control over Vodafone Qatar Q.S.C.
- 5 The Group also holds two non-voting shares.
- 6 At 31 March 2016 the fair value of Safaricom Limited was KES 270 billion (£1,851 million) based on the closing quoted share price on the Nairobi Stock Exchange.
- 7 Shareholding is indirect through Vodafone Kabel Deutschland GmbH.
- 8 The entity was merged with its parent company Cable & Wireless Ireland Holdings Limited now re-named Vodafone Ireland Property Holdings Limited on 31 March 2016 by means of the domestic merger procedure, which involves passing all assets and liabilities of the subsidiary to its direct parent.
- 9 This entity is under voluntary dissolution.
- 10 The Group holds no shares in this entity but consolidates it by virtue of our options over shares pursuant to a Call Option Agreement dated 12 July 2013.

The table below shows selected financial data in respect of subsidiaries that have non-controlling interests that are material to the Group.

|   | Vodacom Group Limited |              | Vodafone Egypt<br>Telecommunications S.A.E. |              | Vodafone Qatar Q.S.C. |              |
|---|-----------------------|--------------|---|--------------|-----------------------|--------------|
|   | 2016<br>£m            | 2015<br>£m   | 2016<br>£m                                  | 2015<br>£m   | 2016<br>£m            | 2015<br>£m   |
| <b>Summary comprehensive income information</b>                             |                       |              |   |              |                       |              |
| Revenue   | 3,887                 | 4,341        | 1,202                                       | 1,191        | 374                   | 394          |
| Profit/(loss) for the financial year  | 551                   | 603          | 224   | 156          | (86)                  | (37)         |
| Other comprehensive expense/(income)  | 28                    | (17)         | —   | —            | —                     | —            |
| Total comprehensive income/(expense)  | 579                   | 586          | 224   | 156          | (86)                  | (37)         |
| <b>Other financial information</b>  |                       |              |   |              |                       |              |
| Profit/(loss) for the financial year allocated to non-controlling interests | 193                   | 205          | 101   | 71           | (66)                  | (29)         |
| Dividends paid to non-controlling interests                                 | 196                   | 229          | 2   | 2            | 16                    | 11           |
| <b>Summary financial position information</b>                               |                       |              |   |              |                       |              |
| Non-current assets  | 4,287                 | 4,844        | 1,250                                       | 1,357        | 1,237                 | 1,301        |
| Current assets  | 1,304                 | 1,405        | 690   | 518          | 96                    | 76           |
| <b>Total assets</b>   | <b>5,591</b>          | <b>6,249</b> | <b>1,940</b>                                | <b>1,875</b> | <b>1,333</b>          | <b>1,377</b> |
| Non-current liabilities   | (1,586)               | (490)        | (61)  | (57)         | (205)                 | (8)          |
| Current liabilities   | (1,196)               | (2,478)      | (709)                                       | (729)        | (189)                 | (339)        |
| <b>Total assets less total liabilities</b>                                  | <b>2,809</b>          | <b>3,281</b> | <b>1,170</b>                                | <b>1,089</b> | <b>939</b>            | <b>1,030</b> |
| Equity shareholders' funds  | 2,337                 | 2,722        | 708   | 673          | 215                   | 237          |
| Non-controlling interests   | 472                   | 559          | 462   | 416          | 724                   | 793          |
| <b>Total equity</b>   | <b>2,809</b>          | <b>3,281</b> | <b>1,170</b>                                | <b>1,089</b> | <b>939</b>            | <b>1,030</b> |
| <b>Statement of cash flows</b>  |                       |              |   |              |                       |              |
| Net cash flow from operating activities                                     | 1,154                 | 1,215        | 485   | 438          | 76                    | 96           |
| Net cash flow from investing activities                                     | (632)                 | (733)        | (235)                                       | (267)        | (65)                  | (71)         |
| Net cash flow from financing activities                                     | (584)                 | (300)        | (16)  | (3)          | (15)                  | (17)         |
| <b>Net cash flow</b>  | <b>(62)</b>           | <b>182</b>   | <b>234</b>                                  | <b>168</b>   | <b>(4)</b>            | <b>8</b>     |
| Cash and cash equivalents brought forward                                   | 492                   | 330          | 311   | 138          | 28                    | 16           |
| Exchange (loss)/gain on cash and cash equivalents                           | (63)                  | (20)         | (56)  | 5            | 1                     | 4            |
| <b>Cash and Cash Equivalents</b>  | <b>367</b>            | <b>492</b>   | <b>489</b>                                  | <b>311</b>   | <b>25</b>             | <b>28</b>    |

The voting rights held by the Group equal the Group's percentage shareholding as shown on pages 154 to 160.



**34. Subsidiaries exempt from audit**

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 March 2016.

| Name  | Registration number | Name                                      | Registration number |
|---|---------------------|---|---------------------|
| AAA (MCR) Ltd                               | 2797823             | Vodafone European Portal Limited          | 3973442             |
| AAA (UK) Ltd                                | 2484222             | Vodafone Europe UK                        | 5798451             |
| Cable & Wireless Capital Limited            | 6702535             | Vodafone Finance Luxembourg Limited       | 5754479             |
| Cable & Wireless CIS Services Limited       | 2964774             | Vodafone Finance Sweden                   | 2139168             |
| Cable & Wireless Europe Holdings Limited    | 4659719             | Vodafone Finance UK Limited               | 3922620             |
| Cable & Wireless Global Holding Limited     | 3740694             | Vodafone Financial Operations             | 4016558             |
| Cable and Wireless Nominee Limited          | 3249884             | Vodafone Global Content Services Limited  | 4064873             |
| Cable & Wireless Worldwide plc              | 7029206             | Vodafone Holdings Luxembourg Limited      | 4200970             |
| Cable & Wireless UK Holdings Limited        | 3840888             | Vodafone IP Licensing Limited             | 6846238             |
| Cable & Wireless Waterside Holdings Limited | 6859946             | Vodafone Intermediate Enterprises Limited | 3869137             |
| Cellops Limited                             | 3942192             | Vodafone International Holdings Limited   | 2797426             |
| Cellular Operations Limited                 | 3231393             | Vodafone International Operations Limited | 2797438             |
| Erudite Systems Limited                     | 3948967             | Vodafone Investments Australia Limited    | 2011978             |
| Energis Communications Limited              | 2630471             | Vodafone Investments Limited              | 1530514             |
| Energis Holdings Limited                    | 3649524             | Vodafone Investment UK                    | 5798385             |
| Flexphone Limited                           | 4949207             | Vodafone Marketing UK                     | 6858585             |
| Generation Telecom Limited                  | 4131101             | Vodafone Mobile Communications Limited    | 3942221             |
| Legend Communications Plc                   | 3923166             | Vodafone Mobile Enterprises Limited       | 3961390             |
| Oxygen Solutions Limited                    | 2405625             | Vodafone Mobile Network Limited           | 3961482             |
| The Eastern Leasing Company Limited         | 1672832             | Vodafone (New Zealand) Hedging Limited    | 4158469             |
| Thus Group Holdings Limited                 | SC192666            | Vodafone (NI) Limited                     | NI23033             |
| T.W. Telecom Limited                        | 1971198             | Vodafone Nominees Limited                 | 1172051             |
| Vizzavi Limited                             | 4017435             | Vodafone Oceania Limited                  | 3973427             |
| Vodafone 2                                  | 4083193             | Vodafone Overseas Finance Limited         | 4171115             |
| Vodafone 4 UK                               | 6357658             | Vodafone Overseas Holdings Limited        | 2809758             |
| Vodafone 5 Limited                          | 6688527             | Vodafone Panafon UK                       | 6326918             |
| Vodafone 5 UK                               | 2960479             | Vodafone Partner Services Limited         | 4012582             |
| Vodafone Americas 4                         | 6389457             | Vodafone Property Investments Limited     | 3903420             |
| Vodafone Benelux Limited                    | 4200960             | Vodafone (Scotland) Limited               | SC170238            |
| Vodafone Business Services Limited          | 4321446             | Vodafone UK Limited                       | 2227940             |
| Vodafone Cellular Limited                   | 896318              | Vodafone Worldwide Holdings Limited       | 3294074             |
| Vodafone Consolidated Holdings Limited      | 5754561             | Vodafone Yen Finance Limited              | 4373166             |
| Vodafone Enterprise Equipment Limited       | 1648524             | Voda Limited                              | 1847509             |
| Vodafone Enterprise Europe (UK) Limited     | 3137479             | Vodaphone Limited                         | 2373469             |
| Vodafone Euro Hedging Limited               | 3954207             | Vodata Limited                            | 2502373             |
| Vodafone Euro Hedging Two                   | 4055111             | Your Communications Group Limited         | 4171876             |
| Vodafone European Investments               | 3961908             |   |                     |



## Other unaudited financial information

### Prior year operating results

This section presents our operating performance for the 2015 financial year compared to the 2014 financial year, providing commentary on how the revenue and the EBITDA performance of the Group and its operating segments have developed over those years.

### Group<sup>1,2</sup>

|   | Restated <sup>2</sup><br>Europe<br>£m | Restated <sup>2</sup><br>AMAP<br>£m | Restated <sup>2</sup><br>Other <sup>3</sup><br>£m | Restated <sup>2</sup><br>Eliminations<br>£m | 2015<br>£m   | 2014<br>£m     | % change      |               |
|---|---------------------------------------|-------------------------------------|---|---|--------------|----------------|---------------|---------------|
|   |                                       |                                     |   |   |              |                | £             | Organic*      |
| Revenue   | 27,687                                | 13,382                              | 1,257   | (99)  | 42,227       | 38,346         | 10.1          | (0.8)         |
| Service revenue   | 25,588                                | 11,934                              | 1,073   | (98)  | 38,497       | 35,190         | 9.4           | (1.6)         |
| Other revenue   | 2,099                                 | 1,448                               | 184   | (1)   | 3,730        | 3,156          |               |               |
| EBITDA  | 7,894                                 | 4,086                               | (65)  | –   | 11,915       | 11,084         | 7.5           | (6.9)         |
| <b>Adjusted operating profit</b>                                    | <b>1,733</b>                          | <b>1,802</b>                        | <b>(28)</b>                                       | <b>–</b>                                    | <b>3,507</b> | <b>4,310</b>   | <b>(18.6)</b> | <b>(24.1)</b> |
| 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)          |               |               |
| <b>Operating loss</b>   |                                       |                                     |   |   | <b>1,967</b> | <b>(3,913)</b> |               |               |

Notes:

- 2015 results reflect average foreign exchange rates of £1:€1.28, £1:INR 98.51 and £1:ZAR 17.82. (2014: £1:€1.19 and £1:US\$1.59).
- The Group has amended its reporting to reflect changes in the internal management of its Enterprise business. The primary change has been that on 1 April 2015, the Group redefined its segments to report international voice transit revenue and costs within Common Functions rather than within the results disclosed for each country and region. The results presented for the year ended 31 March 2015 and 2014 have been restated onto a comparable basis. There is no impact on total Group revenue or cost.
- The "Other" segment primarily represents 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 5.0%\* 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 5.7%\* 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 loss

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 190). 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 2015 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) were incurred to improve future business performance and reduce costs.

Note:

- \* All amounts in the Operating Results section marked 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 rates. Refer to "Organic growth" on page 191 for further detail.

## Other unaudited financial information (continued)

### Prior year operating results (continued)

#### Europe<sup>1</sup>

|  | Germany<br>£m | Italy<br>£m | UK<br>£m | Spain<br>£m | Other Europe<br>£m | Eliminations<br>£m | Europe<br>£m | % change |          |
|--|---------------|-------------|----------|-------------|--------------------|--------------------|--------------|----------|----------|
|  |               |             |          |             |                    |                    |              | £        | Organic* |
| <b>Year ended 31 March 2015 restated</b> |               |             |          |             |                    |                    |              |          |          |
| Revenue                                  | 8,384         | 4,587       | 6,199    | 3,614       | 4,993              | (90)               | 27,687       | 15.7     | (4.5)    |
| Service revenue                          | 7,746         | 4,062       | 5,893    | 3,320       | 4,652              | (85)               | 25,588       | 14.7     | (5.0)    |
| Other revenue                            | 638           | 525         | 306      | 294         | 341                | (5)                | 2,099        |          |          |
| EBITDA                                   | 2,659         | 1,535       | 1,345    | 782         | 1,573              | —                  | 7,894        | 16.3     | (12.3)   |
| Adjusted operating profit                | 530           | 644         | 26       | 2           | 531                | —                  | 1,733        | (24.7)   | (40.6)   |
| EBITDA margin                            | 31.7%         | 33.5%       | 21.7%    | 21.6%       | 31.5%              |                    | 28.5%        |          |          |
| <b>Year ended 31 March 2014 restated</b> |               |             |          |             |                    |                    |              |          |          |
| Revenue                                  | 8,220         | 518         | 6,249    | 3,470       | 5,515              | (43)               | 23,929       | 0.2      | (8.8)    |
| Service revenue                          | 7,687         | 461         | 5,918    | 3,183       | 5,090              | (40)               | 22,299       | 0.6      | (8.2)    |
| Other revenue                            | 533           | 57          | 331      | 287         | 425                | (3)                | 1,630        |          |          |
| EBITDA                                   | 2,688         | 181         | 1,399    | 785         | 1,735              | —                  | 6,788        | (5.5)    | (17.1)   |
| Adjusted operating profit                | 907           | 372         | 167      | 179         | 676                | —                  | 2,301        | (38.5)   | (41.9)   |
| EBITDA margin                            | 32.7%         | 34.9%       | 22.4%    | 22.6%       | 31.5%              |                    | 28.4%        |          |          |

Note:

1 The Group has amended its reporting to reflect changes in the internal management of its Enterprise business. The primary change has been that on 1 April 2015, the Group redefined its segments to report international voice transit revenue and costs within Common Functions rather than within the results disclosed for each country and region. The results presented for the year ended 31 March 2015 and 2014 have been restated onto a comparable basis. There is no impact on total Group revenue or cost.

Revenue increased 15.7%. M&A activity, including KDG, Ono and the consolidation of Vodafone Italy, contributed a 26.7 percentage point positive impact, while foreign exchange movements contributed a 6.5 percentage point negative impact. On an organic basis, service revenue declined 5.0%\*, driven primarily by price competition and the impact of MTR cuts.

EBITDA increased 16.3%, including a 35.6 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<br>change*<br>% | Other<br>activity <sup>1</sup><br>pps | Foreign<br>exchange<br>pps | Reported<br>change<br>% |
|----------------------------------|-------------------------|---------------------------------------|----------------------------|-------------------------|
| <b>Revenue – Europe</b>          | <b>(4.5)</b>            | <b>26.7</b>                           | <b>(6.5)</b>               | <b>15.7</b>             |
| <b>Service revenue</b>           |                         |                                       |                            |                         |
| Germany                          | (3.7)                   | 12.0                                  | (7.5)                      | 0.8                     |
| Italy <sup>1</sup>               | (10.2)                  | 916.7                                 | (125.4)                    | 781.1                   |
| UK                               | (1.8)                   | 1.4                                   | —                          | (0.4)                   |
| Spain                            | (10.9)                  | 22.9                                  | (7.7)                      | 4.3                     |
| Other Europe                     | (2.2)                   | 0.8                                   | (7.2)                      | (8.6)                   |
| <b>Europe</b>                    | <b>(5.0)</b>            | <b>26.2</b>                           | <b>(6.5)</b>               | <b>14.7</b>             |
| <b>EBITDA</b>                    |                         |                                       |                            |                         |
| Germany                          | (11.0)                  | 17.3                                  | (7.4)                      | (1.1)                   |
| Italy <sup>1</sup>               | (15.3)                  | 882.7                                 | (119.3)                    | 748.1                   |
| UK                               | (12.4)                  | 8.5                                   | —                          | (3.9)                   |
| Spain                            | (29.5)                  | 36.3                                  | (7.2)                      | (0.4)                   |
| Other Europe                     | (2.8)                   | 0.5                                   | (7.0)                      | (9.3)                   |
| <b>Europe</b>                    | <b>(12.3)</b>           | <b>35.6</b>                           | <b>(7.0)</b>               | <b>16.3</b>             |
| <b>Adjusted operating profit</b> |                         |                                       |                            |                         |
| <b>Europe</b>                    | <b>(40.6)</b>           | <b>20.6</b>                           | <b>(4.7)</b>               | <b>(24.7)</b>           |

Note:

1 "Other activity" includes the impact of M&A activity. Refer to "Organic growth" on page 191 for further detail.

#### Germany

Service revenue decreased 3.7%\* excluding KDG. Q4 service revenue was down 3.5%\*.

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 4.4%\*, 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 -5.0%\*, H2 -3.8%\*), 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 11.0%\*, with a 3.0\* 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 10.2%\*. Trends in both mobile and fixed improved in H2, and Q4 service revenue declined 4.1%\*.

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 1.3%\*. 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 15.3%\*, with a 2.4\* 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 1.8%\* as a good performance in consumer mobile was offset by a decline in fixed. 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 9.1%\*, excluding the one-off benefit of a settlement with another network operator in Q4. Underlying performance improved from -11.3%\* in H1 to -6.8%\* 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 12.4%\*, with a 2.4\* 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 10.9%\* excluding Ono, as growth in fixed 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 7.8%\* excluding Ono, supported by consistently strong broadband net additions. Since its acquisition in July 2014, Ono contributed £699 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 4.9\* percentage point decline in EBITDA margin. The margin was impacted by falling mobile service revenue and growth in lower margin fixed revenue, partially offset by lower direct costs and operating expenses, and the change in the commercial model described above.

## Other Europe

Service revenue declined 2.2%\* due to price competition, the generally weak macroeconomic environment and MTR cuts.

Again, we saw a recovery in H2, with Q3 service revenue -1.1%\* and Q4 service revenue -0.9%\*. 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.

## Other unaudited financial information (continued)

### Prior year operating results (continued)

#### Africa, Middle East and Asia Pacific<sup>1</sup>

|  | India<br>£m | Vodacom<br>£m | Other AMAP<br>£m | Eliminations<br>£m | AMAP<br>£m | % change<br>£ | Organic* |
|--|-------------|---------------|------------------|--------------------|------------|---------------|----------|
| <b>Year ended 31 March 2015 restated</b> |             |               |                  |                    |            |               |          |
| Revenue                                  | 4,309       | 4,341         | 4,743            | (11)               | 13,382     | —             | 6.9      |
| Service revenue                          | 4,291       | 3,489         | 4,166            | (11)               | 11,935     | (0.9)         | 5.7      |
| Other revenue                            | 18          | 852           | 577              | —                  | 1,447      |               |          |
| EBITDA                                   | 1,282       | 1,527         | 1,277            | —                  | 4,086      | (1.1)         | 5.9      |
| Adjusted operating profit                | 458         | 1,030         | 314              | —                  | 1,802      | (6.7)         | 0.1      |
| EBITDA margin                            | 29.8%       | 35.2%         | 26.9%            |                    | 30.5%      |               |          |
| <b>Year ended 31 March 2014 restated</b> |             |               |                  |                    |            |               |          |
| Revenue                                  | 3,939       | 4,718         | 4,730            | —                  | 13,387     | (2.4)         | 8.9      |
| Service revenue                          | 3,920       | 3,866         | 4,258            | —                  | 12,044     | (4.2)         | 6.7      |
| Other revenue                            | 19          | 852           | 472              | —                  | 1,343      |               |          |
| EBITDA                                   | 1,135       | 1,716         | 1,279            | —                  | 4,130      | (1.6)         | 10.8     |
| Adjusted operating profit                | 327         | 1,228         | 377              | —                  | 1,932      | 12.0          | 30.7     |
| EBITDA margin                            | 28.8%       | 36.4%         | 27.0%            |                    | 30.9%      |               |          |

Note:

<sup>1</sup> The Group has amended its reporting to reflect changes in the internal management of its Enterprise business. The primary change has been that on 1 April 2015, the Group redefined its segments to report international voice transit revenue and costs within Common Functions rather than within the results disclosed for each country and region. The results presented for the year ended 31 March 2015 and 2014 have been restated onto a comparable basis. There is no impact on total Group revenue or cost.

Revenue remained stable 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 6.9%\* 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 7.0%.

EBITDA declined 1.1%, including a 7.1 percentage point adverse impact from foreign exchange movements. On an organic basis, EBITDA grew 5.9%\* driven by growth in India, Turkey, Qatar and Egypt, offset by Vodacom and New Zealand.

|                                  | Organic<br>change*<br>% | Other<br>activity <sup>1</sup><br>pps | Foreign<br>exchange<br>pps | Reported<br>change<br>% |
|----------------------------------|-------------------------|---------------------------------------|----------------------------|-------------------------|
| <b>Revenue – AMAP</b>            | <b>6.9</b>              | <b>0.5</b>                            | <b>(7.4)</b>               | <b>—</b>                |
| <b>Service revenue</b>           |                         |                                       |                            |                         |
| India                            | 12.4                    | —                                     | (2.9)                      | 9.5                     |
| Vodacom                          | (1.0)                   | —                                     | (8.8)                      | (9.8)                   |
| Other AMAP                       | 5.2                     | 1.8                                   | (9.2)                      | (2.2)                   |
| <b>AMAP</b>                      | <b>5.7</b>              | <b>0.5</b>                            | <b>(7.1)</b>               | <b>(0.9)</b>            |
| <b>EBITDA</b>                    |                         |                                       |                            |                         |
| India                            | 16.3                    | —                                     | (3.4)                      | 12.9                    |
| Vodacom                          | (2.1)                   | —                                     | (8.9)                      | (11.0)                  |
| Other AMAP                       | 7.0                     | 0.3                                   | (7.4)                      | (0.1)                   |
| <b>AMAP</b>                      | <b>5.9</b>              | <b>0.1</b>                            | <b>(7.1)</b>               | <b>(1.1)</b>            |
| <b>Adjusted operating profit</b> |                         |                                       |                            |                         |
| <b>AMAP</b>                      | <b>0.1</b>              | <b>0.1</b>                            | <b>(6.9)</b>               | <b>(6.7)</b>            |

Note:

<sup>1</sup> "Other activity" includes the impact of M&A activity. Refer to "Organic growth" on page 191 for further detail.

#### India

Service revenue increased 12.4%\*, driven by continued customer base growth, an acceleration in 3G data uptake and stable voice pricing. Q4 service revenue grew 11.7%\*.

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 1.0%\* 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 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 5.2%\*, with growth in Turkey, Egypt, Qatar and Ghana partially offset by a decline in New Zealand.

Service revenue in Turkey was up 9.9%\*, 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 3.1%\* 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 13.2%\*, but slowed in H2 due to significantly increased price competition.

EBITDA grew 7.0%\* with a 0.3\* 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 Limited, 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.

# Company statement of financial position of Vodafone Group Plc

at 31 March

|   | Note | 2016<br>£m     | 2015<br>£m     |
|---|------|----------------|----------------|
| <b>Fixed assets</b>                                     |      |                |                |
| Shares in Group undertakings                            | 2    | 66,891         | 64,798         |
| <b>Current assets</b>                                   |      |                |                |
| Debtors: amounts falling due after more than one year   | 3    | 3,422          | 3,676          |
| Debtors: amounts falling due within one year            | 3    | 167,674        | 157,470        |
| Other investments                                       | 4    | 1,574          | 37             |
| Cash at bank and in hand                                |      | 105            | 183            |
|   |      | <b>172,775</b> | <b>161,366</b> |
| Creditors: amounts falling due within one year          | 5    | (171,303)      | (163,164)      |
| <b>Net current assets/(liabilities)</b>                 |      | <b>1,472</b>   | <b>(1,798)</b> |
| <b>Total assets less current liabilities</b>            |      | <b>68,363</b>  | <b>63,000</b>  |
| Creditors: amounts falling due after more than one year | 5    | (25,432)       | (19,404)       |
|   |      | <b>42,931</b>  | <b>43,596</b>  |
| <b>Capital and reserves</b>                             |      |                |                |
| Called up share capital                                 | 6    | 3,792          | 3,792          |
| Share premium account                                   |      | 16,112         | 16,111         |
| Capital reserve   |      | 88             | 88             |
| Other reserves  |      | 3,497          | 720            |
| Own shares held   |      | (7,042)        | (7,147)        |
| Profit and loss account                                 |      | 26,484         | 30,032         |
| <b>Total equity shareholders' funds</b>                 |      | <b>42,931</b>  | <b>43,596</b>  |

The Company financial statements on pages 168 to 174 were approved by the Board of Directors and authorised for issue on 17 May 2016 and were signed on its behalf by:



**Vittorio Colao**

Chief Executive



**Nick Read**

Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

## Company statement of changes in equity of Vodafone Group Plc

For the years ended 31 March

|   | Called up<br>share<br>capital<br>£m | Share<br>premium<br>account <sup>1</sup><br>£m | Capital<br>redemption<br>reserve <sup>1</sup><br>£m | Other<br>reserves <sup>1</sup><br>£m | Reserve for<br>own<br>shares <sup>2</sup><br>£m | Profit and loss<br>account <sup>3</sup><br>£m | Total equity<br>shareholders'<br>funds<br>£m |
|---|-------------------------------------|--|---|--------------------------------------|---|---|--|
| 1 April 2014  | 3,792                               | 16,109   | 88  | 758                                  | (7,289)   | 33,900  | 47,358                                       |
| Issue or reissue of shares                                  | —                                   | 2  | —   | —                                    | 142   | —   | 144  |
| Loss for the financial year                                 | —                                   | —  | —   | —                                    | —   | (934)   | (934)  |
| Dividends   | —                                   | —  | —   | —                                    | —   | (2,930)                                       | (2,930)                                      |
| Capital contribution given relating to share-based payments | —                                   | —  | —   | 88                                   | —   | —   | 88   |
| Contribution received relating to share-based payments      | —                                   | —  | —   | (126)                                | —   | —   | (126)  |
| Other movements   | —                                   | —  | —   | —                                    | —   | (4)   | (4)  |
| <b>31 March 2015</b>  | <b>3,792</b>                        | <b>16,111</b>                                  | <b>88</b>   | <b>720</b>                           | <b>(7,147)</b>                                  | <b>30,032</b>                                 | <b>43,596</b>                                |
| Issue or reissue of shares                                  | —                                   | 1  | —   | —                                    | 105   | —   | 106  |
| Issue of mandatory convertible bonds <sup>4</sup>           | —                                   | —  | —   | 2,754                                | —   | —   | 2,754  |
| Loss for the financial year                                 | —                                   | —  | —   | —                                    | —   | (596)   | (596)  |
| Dividends   | —                                   | —  | —   | —                                    | —   | (2,998)                                       | (2,998)                                      |
| Capital contribution given relating to share-based payments | —                                   | —  | —   | 116                                  | —   | —   | 116  |
| Contribution received relating to share-based payments      | —                                   | —  | —   | (93)                                 | —   | —   | (93)   |
| Other movements   | —                                   | —  | —   | —                                    | —   | 46  | 46   |
| <b>31 March 2016</b>  | <b>3,792</b>                        | <b>16,112</b>                                  | <b>88</b>   | <b>3,497</b>                         | <b>(7,042)</b>                                  | <b>26,484</b>                                 | <b>42,931</b>                                |

Notes:

1 These reserves are not distributable.

2 Own shares relate to treasury shares which are purchased out of distributable profits and therefore reduce reserves available for distribution.

3 The Company has determined what is realised and unrealised in accordance with the guidance provided by ICAEW TECH 2/10 and the requirements of UK law. In accordance with UK Companies Act 2006 s831(2), a public company may make a distribution only if, after giving effect to such distribution, the amount of its net assets is not less than the aggregate of its called up share capital and non-distributable reserves as shown in the relevant financial statements.

4 Includes the equity component of the mandatory convertible bonds which are compound instruments issued in the year.



# Notes to the Company financial statements

## 1. Basis of preparation

The Company has transitioned from the previously extant UK Generally Accepted Accounting Practice (UK GAAP) to Financial Reporting Standard 101 "Reduced disclosure framework", (FRS 101), for all periods presented. The Company will continue to prepare its financial statements in accordance with FRS 101 on an ongoing basis until such time as it notifies shareholders of any change to its chosen accounting framework. As required by FRS 101, Vodafone Group Plc notified its shareholders of the proposed change in its letter to shareholders in March 2016.

The Company financial statements have been prepared using the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities and in accordance with the UK Companies Act 2006. The financial statements have been prepared on a going concern basis. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The following exemptions available under FRS 101 have been applied:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, "Shared-based payment" (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7 "Financial Instruments: Disclosures";
- Paragraph 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 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);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 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); and
- The requirements in IAS 24 "Related party disclosures" to disclose related party transactions entered into between two or more members of a group.

As permitted by section 408(3) of the Companies Act 2006, the income statement of the Company is not presented in this Annual Report. These separate financial statements are not intended to give a true and fair view of the profit or loss or cash flows of the Company. The Company has not published its individual cash flow statement as its liquidity, solvency and financial adaptability are dependent on the Group rather than its own cash flows.

## Critical accounting judgements and key sources of estimation uncertainty

The preparation of Company financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Company financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key area of judgement that has the most significant effect on the amounts recognised in the financial statements is the review for impairment of investment carrying values.

## Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

### Foreign currencies

The Company's financial statements are presented in sterling, which is its functional currency. With effect from 1 April 2016 the functional currency of the Company changed from sterling to the euro and its presentation currency will also change from sterling to euro. The euro is now the primary currency in which the Company's financing activities and investment returns are denominated.

Transactions in foreign currencies are initially recorded at the functional rate of currency prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the Company's functional currency at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period.



## 1. Basis of preparation (continued)

### Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting period date.

Deferred tax is provided in full on timing differences that exist at the reporting period date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the reporting period date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Company financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Company statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets.

The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### Derivative financial instruments and hedge accounting

The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates which it manages using derivative financial instruments.

The use of derivative financial instruments is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of derivative financial instruments consistent with the Group's risk management strategy. Changes in values of all derivative financial instruments are included within the income statement unless designated in an effective cash flow hedge relationship when changes in value are deferred to other comprehensive income or equity respectively. The Company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Company designates certain derivatives as hedges of the change of fair value of recognised assets and liabilities ('fair value hedges') or hedges of highly probable forecast transactions or hedges of foreign currency or interest rate risks of firm commitments ('cash flow hedges'). Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting or the Company chooses to end the hedging relationship.

### Fair value hedges

The Company's policy is to use derivative financial instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings. The Company designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the income statement for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. Gains and losses relating to any ineffective portion are recognised immediately in the income statement.

### Cash flow hedges

Cash flow hedging is used by the Company to hedge certain exposures to variability in future cash flows. The portion of gains or losses relating to changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges is recognised in other comprehensive income; gains or losses relating to any ineffective portion are recognised immediately in the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. When the hedged item is recognised in the income statement, amounts previously recognised in other comprehensive income and accumulated in equity for the hedging instrument are reclassified to the income statement. When hedge accounting is discontinued, any gain or loss recognised in other comprehensive income at that time remains in equity and is recognised in the income statement when the hedged transaction is ultimately recognised in the income statement. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

### Pensions

The Company is the sponsoring employer of the Vodafone Group pension scheme, a defined benefit pension scheme. There is insufficient information available to enable the scheme to be accounted for as a defined benefit scheme because the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Therefore, the Company has applied the guidance within IAS 19 to account for defined benefit schemes as if they were defined contribution schemes and recognise only the contribution payable each year. The Company had no contributions payable for the years ended 31 March 2016 and 31 March 2015.

### New accounting pronouncements

To the extent applicable the Company will adopt new accounting policies as set out in note 1 "Basis for preparation" in the consolidated financial statements.

## 2. Fixed assets

### Accounting policies

Shares in Group undertakings are stated at cost less any provision for impairment.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the income statement.

### Shares in Group undertakings

|  | £m            |
|--|---------------|
| <b>Cost:</b>   |               |
| 1 April 2015   | 70,604        |
| Additions  | 2,070         |
| Capital contributions arising from share-based payments    | 116           |
| Contributions received in relation to share-based payments | (93)          |
| <b>31 March 2016</b>                                       | <b>72,697</b> |
| <b>Amounts provided for:</b>                               |               |
| 1 April 2015   | 5,806         |
| Amounts provided in the year                               | —             |
| <b>31 March 2016</b>                                       | <b>5,806</b>  |
| <b>Net book value:</b>                                     |               |
| <b>31 March 2015</b>                                       | <b>64,798</b> |
| <b>31 March 2016</b>                                       | <b>66,891</b> |

At 31 March 2016 the Company had the following principal subsidiary:

| Name                          | Principal activity | Country of incorporation | Percentage shareholding |
|-------------------------------|--------------------|--------------------------|-------------------------|
| Vodafone European Investments | Holding company    | England                  | 100                     |

Details of direct and indirect related undertakings are set out in note 33 “Related undertakings” to the consolidated financial statements.

## 3. Debtors

|  | 2016<br>£m     | 2015<br>£m     |
|--|----------------|----------------|
| <b>Amounts falling due within one year:</b>          |                |                |
| Amounts owed by subsidiaries                         | 166,609        | 156,933        |
| Taxation recoverable                                 | 162            | 161            |
| Other debtors  | 108            | 109            |
| Derivative financial instruments <sup>1</sup>        | 795            | 267            |
|  | <b>167,674</b> | <b>157,470</b> |
| <b>Amounts falling due after more than one year:</b> |                |                |
| Derivative financial instruments <sup>1</sup>        | <b>3,422</b>   | <b>3,676</b>   |

Note:

1. Amounts falling due within one year include amounts in relation to cross currency swaps £484 million (2015: £158 million), interest rate swaps £43 million (2015: £76 million), options £36 million (2015: £nil) and foreign exchange contracts £231 million (2015: £33 million). The amounts falling due in more than one year includes amounts in relation to cross currency swaps £1,140 million (2015: £1,288 million) and interest rate swaps £2,281 million (2015: £2,388 million).

## 4. Other investments

### Accounting policies

Investments classified as loans and receivables are stated at amortised cost using the effective interest rate method, less any impairment.

|                          | 2016<br>£m | 2015<br>£m |
|--------------------------|------------|------------|
| Investments <sup>1</sup> | 1,574      | 37         |

Note:

1. Investments include collateral paid on derivative financial instruments of £1,574 million (2015: £37 million). The amount for 2016 includes £1,460 million paid as collateral on put options issued in relation to the mandatory convertible bond issue.

## 5. Creditors

### Accounting policies

#### Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception) and are subsequently measured at amortised cost using the effective interest rate method, except where they are identified as a hedged item in a designated hedge relationship. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

|  | 2016<br>£m     | 2015<br>£m     |
|--|----------------|----------------|
| <b>Amounts falling due within one year:</b>          |                |                |
| Bank loans and other loans                           | 13,263         | 9,895          |
| Amounts owed to subsidiaries                         | 157,538        | 152,904        |
| Derivative financial instruments <sup>1</sup>        | 387            | 327            |
| Other creditors                                      | 78             | 13             |
| Accruals and deferred income                         | 37             | 25             |
|  | <b>171,303</b> | <b>163,164</b> |
| <b>Amounts falling due after more than one year:</b> |                |                |
| Deferred tax   | —              | 4              |
| Other loans  | 24,304         | 18,736         |
| Derivative financial instruments <sup>1</sup>        | 1,128          | 664            |
|  | <b>25,432</b>  | <b>19,404</b>  |

Note:

<sup>1</sup> Amounts falling due within one year include amounts in relation to cross currency swaps £235 million (2015: £237 million) of which £229 million relates to transactions with joint ventures (2015: £237 million), interest rate swaps £29 million (2015: £44 million), options £64 million (2015: £nil) and foreign exchange contracts £59 million (2015: £46 million). The amounts falling due in more than one year include amounts in relation to cross currency swaps £528 million (2015: £8 million), interest rate swaps £600 million (2015: £645 million) and options £nil (2015: £11 million).

Included in amounts falling due after more than one year are other loans of £13,611 million which are due in more than five years from 1 April 2016 and are payable otherwise than by instalments. Interest payable on these loans ranges from 0.491% to 7.875%.

On November 2015, the Group issued £600 million zero-coupon equity linked bonds maturing on 26 November 2020.

Amounts included in bank loans and other loans due within one year and in other loans due after more than one year of £50 million and £69 million respectively represent the carrying value of future coupons on the mandatory convertible bonds issued on 25 February 2016. The mandatory convertible bonds are compound instruments with nominal values recognised as a component of shareholders' equity (refer to the statement of changes in equity on page 168) with the initial fair value of future coupons recognised as financial liabilities in borrowings and subsequently measured at amortised cost using the effective interest rate method.

Details of bond and other debt issuances are set out in note 22 "Liquidity and capital resources" on pages 131 to 133 in the consolidated financial statements.

## 6. Share capital

### Accounting policies

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issuance costs.

|   | 2016                  |              | 2015                  |              |
|---|-----------------------|--------------|-----------------------|--------------|
|   | Number                | £m           | Number                | £m           |
| <b>Ordinary shares of 20<sup>20</sup>/21 US cents each allotted, issued and fully paid:<sup>1,2</sup></b> |                       |              |                       |              |
| 1 April   | 28,812,787,098        | 3,792        | 28,811,923,128        | 3,792        |
| Allotted during the year  | 608,910               | —            | 863,970               | —            |
| <b>31 March</b>   | <b>28,813,396,008</b> | <b>3,792</b> | <b>28,812,787,098</b> | <b>3,792</b> |

Notes:

<sup>1</sup> 50,000 (2015: 50,000) 7% cumulative fixed rate shares of £1 each were allotted, issued and fully paid by the Company.

<sup>2</sup> At 31 March 2016, the Company held 2,254,825,696 (2015: 2,300,749,013) treasury shares with a nominal value of £328 million (2015: £303 million).

During 2014, the Company issued 14,732,741,283 B shares of US\$1.88477 per share and 33,737,176,433 C shares of US\$0.00001 per share as part of the Return of Value following the disposal of our US Group, whose principal asset was its 45% stake in Verizon Wireless ('VZW'). The B shares were cancelled as part of the Return of Value. The C shares were reclassified as deferred shares with no substantive rights as part of the Return of Value and transferred to LDC (Shares) Limited ('LDC'). On 8 May 2015, the Company repurchased and then subsequently cancelled all deferred shares.

On 19 February 2016, the Company issued £2.9 billion of subordinated mandatory convertible bonds issued in two tranches, with the first £1.4 billion maturing on 25 August 2017 and a further £1.4 billion maturing on 25 February 2019. At the initial conversion price of £2.1730, at maturity the bonds will convert to 1,325,356,650 Vodafone Group Plc shares representing approximately 5% of Vodafone's share capital. Further details are included in note 22 "Liquidity and capital resources" to the consolidated financial statements.

## Allotted during the year

The Company allotted the following shares under share award and option schemes:

|  | Number  | Nominal value<br>£m | Net proceeds<br>£m |
|--|---------|---------------------|--------------------|
| US share awards and option scheme awards | 608,910 | —                   | 1                  |

## 7. Share-based payments

### Accounting policies

The Group operates a number of equity-settled share-based payment plans for the employees of subsidiaries using the Company's equity instruments. The fair value of the compensation given in respect of these share-based payment plans is recognised as a capital contribution to the Company's subsidiaries over the vesting period. The capital contribution is reduced by any payments received from subsidiaries in respect of these share-based payments.

The Company currently uses a number of equity settled share plans to grant options and shares to the Directors and employees of its subsidiaries.

At 31 March 2016, the Company had 24 million ordinary share options outstanding (2015: 25 million) and no ADS options outstanding (2015: nil).

The Company has made capital contributions to its subsidiaries in relation to share-based payments. At 31 March 2016, the cumulative capital contribution net of payments received from subsidiaries was £69 million (2015: £93 million). During the year ended 31 March 2016, the total capital contribution arising from share-based payments was £116 million (2015: £88 million), with payments of £93 million (2015: £126 million) received from subsidiaries.

Full details of share-based payments, share option schemes and share plans are disclosed in note 27 "Share-based payments" to the consolidated financial statements.

## 8. Reserves

The loss for the financial year dealt with in the financial statements of the Company is £596 million (2015: £934 million).

The Board is responsible for the Group's capital management including the approval of dividends. This includes an assessment of both the level of reserves legally available for distribution and consideration as to whether the Company would be solvent and retain sufficient liquidity following any proposed distribution.

As Vodafone Group Plc is a Group holding company with no direct operations, its ability to make shareholder distributions is dependent on its ability to receive funds for such purposes from its subsidiaries in a manner which creates profits available for distribution for the Company. The major factors that impact the ability of the Company to access profits held in subsidiary companies at an appropriate level to fulfil its needs for distributable reserves on an ongoing basis include:

- the absolute size of the profit pools either currently available for distribution or capable of realisation into distributable reserves in the relevant entities;
- the location of these entities in the Group's corporate structure;
- profit and cash flow generation in those entities; and
- the risk of adverse changes in business valuations giving rise to investment impairment charges, reducing profits available for distribution.

The Group's consolidated reserves set out on page 89 do not reflect the profits available for distribution in the Group.

## 9. Equity dividends

### Accounting policies

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

|  | 2016<br>£m   | 2015<br>£m   |
|--|--------------|--------------|
| <b>Declared during the financial year:</b>   |              |              |
| Final dividend for the year ended 31 March 2015: 7.62 pence per share (2014: 7.47 pence per share)   | 2,020        | 1,975        |
| Interim dividend for the year ended 31 March 2016: 3.68 pence per share (2015: 3.60 pence per share) | 978          | 955          |
|  | <b>2,998</b> | <b>2,930</b> |
| <b>Proposed after the balance sheet date and not recognised as a liability:</b>                      |              |              |
| Final dividend for the year ended 31 March 2016: 7.77 pence per share (2015: 7.62 pence per share)   | 2,064        | 2,020        |

## 10. Contingent liabilities and legal proceedings

|   | 2016<br>£m | 2015<br>£m |
|---|------------|------------|
| Other guarantees and contingent liabilities | 1,722      | 1,670      |

### Other guarantees and contingent liabilities

Other guarantees principally comprise the Company's guarantee of the Group's 50% share of an AUD 1.7 billion loan facility and a US\$3.5 billion loan facility of its joint venture, Vodafone Hutchison Australia Pty Limited.

The Company will guarantee the debts and liabilities of certain of its UK subsidiaries at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under these guarantees as remote.

As detailed in note 26 "Post employment benefits" to the consolidated financial statements, the Company is the sponsor of the Group's main defined benefit scheme in the UK, being the Vodafone UK Group Pension Scheme ('Vodafone UK plan'). The results, assets and liabilities associated with the Vodafone UK plan are recognised in the financial statements of Vodafone UK Limited and Vodafone Group Services Limited.

As detailed in note 30 "Contingent liabilities and legal proceedings" to the consolidated financial statements, the Company has covenanted to provide security in favour of the trustee of the Vodafone Group UK Pension Scheme and the Trustees of THUS Plc Group Scheme.

### Legal proceedings

Details regarding certain legal actions which involve the Company are set out in note 30 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

## 11. Other matters

The auditor's remuneration for the current year in respect of audit and audit-related services was £1.9 million (2015: £2.0 million) and for non-audit services was £0.4 million (2015: £2.0 million).

The Directors are remunerated by the Company for their services to the Group as a whole. No remuneration was paid to them specifically in respect of their services to Vodafone Group Plc for either year. Full details of the Directors' remuneration are disclosed in "Directors' remuneration" on pages 57 to 73.

There were no employees other than Directors of the Company throughout the current or the preceding year.