Confidence in the future

Vodafone Group Plc
Annual Report 2016

At Vodafone, we create connections. We're helping people confidently connect to their families, friends, customers and content through any service, anywhere, at any time. And with our focus on being a high-quality provider we're well-placed to continue this success.

Find out how we're...

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Building a great platform for growth...
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Vodafone today

We confidently connect more and more people each year. Today we have 462 million mobile customers, 13 million fixed broadband customers and 9.5 million TV customers.

Why do they choose us? Because we are a leader in network quality, offer excellent customer experience and provide integrated, worry-free solutions.

www.vodafone.com

The production of this year's report reflects our "Fit for Growth" programme – our commitment to driving cost efficiencies through the business without compromising our ability to deliver excellence. Whilst remaining focused on publishing high-quality communications and disclosures in our reporting, we have minimised the production costs of this document.

More on **Cost efficiency and "Fit for Growth": Pages 14 and 15**

Welcome to our 2016 Annual Report

The Overview, Strategy Review and Performance sections constitute the Strategic Report. These are based on an assessment of our performance using the key strategic areas as set out on page 10.

Overview

An introduction to the report covering who we are, the Chairman's reflections on the year, notable events, and a snapshot of where and how we do business.

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Unless otherwise stated references to "year" or "2016" mean the financial year ended 31 March 2016, to "2015" or "previous year" mean the financial year ended 31 March 2015, and to the "fourth quarter" or "Q4" are to the quarter ended 31 March 2016. For other references please refer to page 35.

All amounts marked with an "*" represent "organic growth", which presents performance on a comparable basis, both in terms of merger and acquisition activity as well as in terms of movements in foreign exchange rates. See definition on page 191 for more information. Definitions of terms used throughout the report can be found on pages 200 and 201.

The terms "Vodafone", the "Group", "we", "our" and "us" refer to the Company and, as applicable, its subsidiaries and/or interests in joint ventures and associates.

Website references are for information only and do not constitute part of this Annual Report. This report is dated 17 May 2016.

Further improvement in our performance

We have returned to organic growth in both revenue and EBITDA

Revenue
Reported revenue decreased by 3.0% over the year. On an organic basis, which adjusts for certain items*, revenue grew by 2.3% reflecting underlying improvement.

£41.0bn

£11.6bn
EBITDA
on a reported basis fell by 2.5%. On an organic basis it grew 2.7%.

£1.4bn
Operating profit
declined due to reduction in EBITDA (2015: £2.0bn).

£8.6bn
Capital expenditure
remained high due to our Project Spring investment (2015: £9.2bn).

11.45p
Dividends per share
up 2.0% over last year (2015: 11.22p).

Our improved operational performance is encouraging steady customer growth

462m

Mobile customers
16 million customers joined our networks last year, mainly driven by growth in emerging markets.

47m
4G customers
26 million more customers used our superfast 4G during the year.

13.4m
Fixed broadband customers
rose by over one million, supported by the expansion of our broadband reach.

38m
Internet of Things connections
are up by 37% over the year, driven by our global scale and reach.

A year of solid progress

This has been a year of continued strategy implementation and improved operational execution, with a return to growth enabling consistent attractive returns to shareholders.

Our Project Spring investment programme is bearing fruit

Good progress. Financial improvement is following

The financial year 2016 has been a year of solid progress, both with respect to the further implementation of our strategy as well as regarding our focus on customer experience excellence and operational execution.

Vodafone has been undergoing a substantial transformation over the last five years. While historically we developed as a business that was almost exclusively focused on mobile voice and text services, we now cover most of our markets with advanced mobile data networks, we reach 72 million homes in Europe with Vodafone-branded high speed broadband services, of which 41% are on our own fibre or cable networks, and we offer a broad portfolio of market-leading, integrated fixed and mobile communications services across a footprint of 26 countries. Vittorio covers this progress in more detail in his review on pages 10 to 13.

Our progress has come about through significant organic investment and acquisitions. Our total spend in the last three years – across capital expenditure, spectrum licences and acquisitions – has exceeded £47 billion. We have funded this through the sale of valuable but non-controlled assets such as Verizon Wireless, while still maintaining a strong balance sheet and paying an attractive and growing dividend. This is one of the key roles of the Board: finding the right balance between long-term investment to secure the sustainability of the business; a strong credit position to weather uncertain economic times; and a regular and reliable return for shareholders.

The crucial next step for Vodafone is to translate these investments into improving financial performance, and I am extremely pleased to report that Vodafone returned to organic growth this year in both revenue and EBITDA, aided by our Project Spring investment programme which completed in March 2016.

Our performance will be further enhanced by our Customer eXperience eXcellence programme (CXX), which we launched last year and which, with Vittorio's personal leadership, will continue to have the highest attention from the Board. These improvements are necessary to maintain our strong financial framework and underpin our dividend policy. Nick sets out in more detail our plans for continued growth, supported by increasing efficiency, on pages 14 and 15.

The Board continues to view the dividend as the key element of shareholder returns and consistent with this policy we have raised the dividend per share by 2% to 11.45 pence for the year. For the financial year ending 31 March 2017 and beyond, dividends will be declared in euros and paid in euros, pounds sterling and US dollars. This is consistent with the change in the Group's reporting currency to euros from pounds sterling.

The regulatory agenda is still unresolved in key areas

At Vodafone we are aiming for a regulatory environment that enables investment, innovation and returns for business, while always maintaining adequate levels of competition to provide customers choice and value for money. So far in several geographies we are still some way from such a position and this will remain a point of concern for the Board when making its investment decisions.

In Europe, inconsistent industry regulations and spectrum policies, exacerbated by overly fragmented market structures, have led to a steep deterioration in return on capital employed over recent years. With the advent of new technologies designed to squeeze higher broadband speeds from outdated copper infrastructures, the risk of "re-monopolisation" is rising, at the expense of investment in 21st century fibre networks. Additionally, a number of incumbents are trying to use exclusive content ownership as a further lever to limit competition.

Recent initiatives by the European Commission have started to address some of these issues, but we believe more needs to be done.

In emerging markets, the positive economic impacts of mobile communications are well documented, but there too we face continued pressures from regulatory and fiscal intervention. For example, while India represents an excellent long-term investment opportunity, the present regulatory challenges are hampering economic development. Spectrum auction structures, combined with the piecemeal release of new spectrum, leave less capital available for investment in networks, and this is exacerbated by other ongoing regulatory and fiscal burdens.

Vodafone Foundation

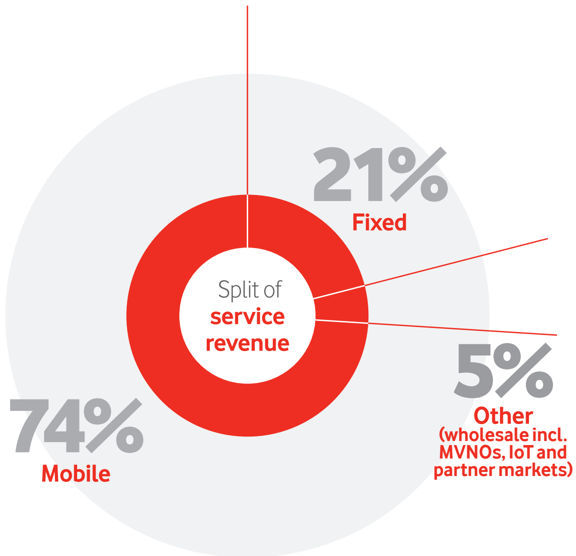
This year we are celebrating 25 years of the Vodafone Foundation, the Group platform for charitable giving. In reality it is not one single Foundation, but a unique network of 27 local foundations and social investment programmes in Vodafone markets. We have raised and invested over £560 million since its formation in helping charities and philanthropic organisations to achieve their goals, more recently providing connectivity in refugee camps, access to healthcare for women in Tanzania, and emergency support for victims of domestic violence, among many other causes. The Foundation remains committed to connecting communities around the world to save lives and improve the livelihood and education of children.

Gerard Kleisterlee
Chairman

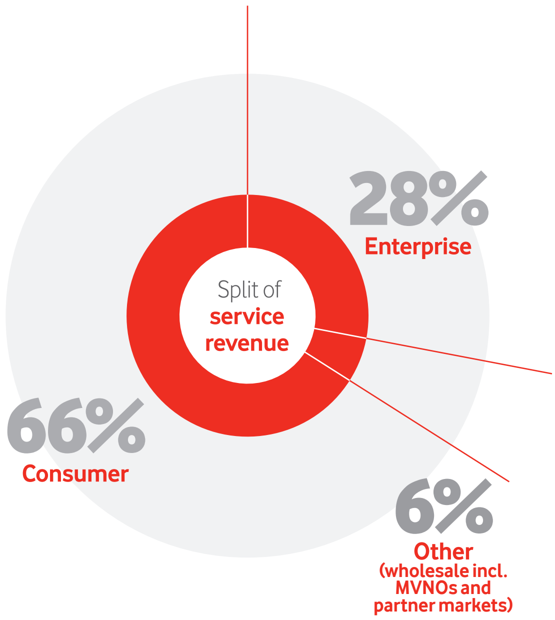
What we offer

In recent years we have taken advantage of growth opportunities to move from being a pure mobile operator to delivering a broad mix of communication services including mobile, fixed broadband, video content, cloud & hosting and Internet of Things offerings. We believe the future is in converging these services to be a unified communications provider and we are well positioned to deliver on this trend.

Fixed services increasingly important in line with trend to convergence...



Enterprise continues to be a key growth driver of our business...



Our services

Mobile

462 million

customers of which 43% are active data users.

We provide a range of mobile services, enabling customers to call, text and access the internet, stream music and watch videos whether at home or travelling abroad.

Fixed

13 million

fixed broadband customers and 9.5 million are TV customers.

We provide a range of services including voice, broadband and TV services to consumers and a wider range of services to our enterprise customers, including cloud & hosting and IP-VPN (Virtual Private Networks).

Converged services

In many of our markets, there is a growing trend towards the convergence of fixed and mobile services (also known as unified communications). For customers and operators this provides many benefits including lower bills for users and higher customer loyalty towards operators.

We believe this trend will continue to advance in Europe and start gaining traction in our AMAP region and that we are well positioned to take advantage and win market share. Today, we have nearly three million converged customers taking combined fixed and mobile services.

More on **our strategy: Pages 10 to 13**

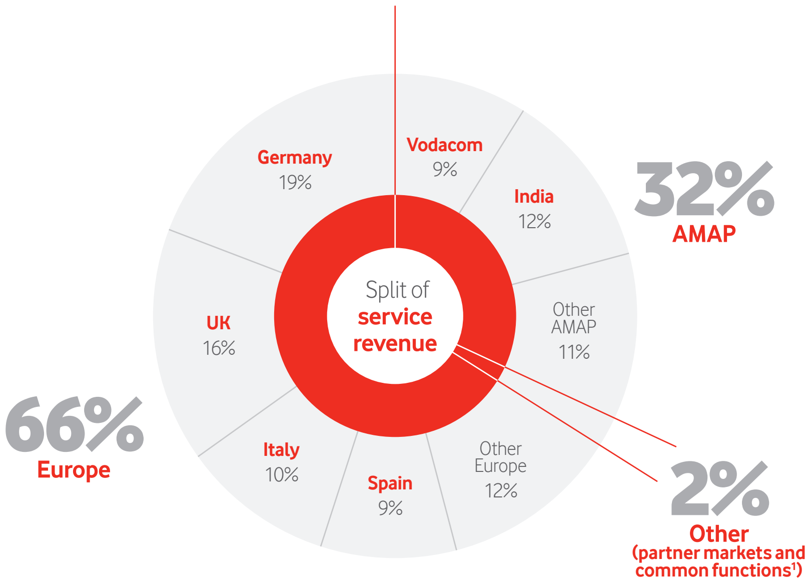
Other services

Includes Partner Markets and Common Functions (see page 5); Mobile Virtual Network Operators ('MVNOs') who are mobile providers that rent capacity from mobile operators to sell onto their customers; Internet of Things ('IoT') which is communication between devices via mobile technologies; international voice transit and roaming.

Where we operate

Our business is organised into two geographic regions: Europe, and Africa, Middle East and Asia Pacific ('AMAP'), which includes our emerging markets.

Our reach and scale



We provide mobile networks in 26 countries (including joint ventures and associates) and fixed services in 17 of these. There are 57 markets where we hold no equity interest but have partnership agreements with local mobile operators for them to use our products and services and in some cases our brand.

66% of our service revenue comes from Europe

Core markets	Mobile customers	Mobile market share[2]	Fixed market share[2]
Germany[5]	30.3m	33%	20%
UK[5]	18.2m	24%	5%
Italy[5]	24.1m	32%	6%
Spain[5]	14.3m	28%	22%

Also operating in:

Albania
Czech Republic[5]
Greece[5]
Hungary
Ireland[5]
Malta[5]
Netherlands[5]
Portugal[5]
Romania[5]

32% of our service revenue comes from AMAP

Core markets	Mobile customers	Mobile market share[2]
India[5]	198.0m	22%
Vodacom[3,5]	70.4m	50%[4]

Also operating in:

Australia (joint venture)
Egypt[5]
Ghana[5]
Kenya (associate)
New Zealand[5]
Qatar[5]
Turkey[5]

Notes:
1 Common functions include revenue from services provided centrally or offered outside our operating company footprint, including some markets where we have a licensed network operation, for example offering IP-VPN services in Singapore.
2 Vodafone revenue share estimates at end December 2015. Customer share for Spain.
3 Democratic Republic of Congo ('DRC'), Lesotho, Mozambique, South Africa and Tanzania.
4 South Africa.
5 Fixed broadband markets.

Investing in a great platform for the future

Our global scale and reach, leading network quality, and the breadth of services we offer helps differentiate us from our peers. Our business model is simple – maintain a virtuous circle of high investment, to maintain a superior network and customer experience, leading to strong cash generation so that we can reinvest and reward our shareholders.

Superior network infrastructure

Spectrum and Mobile Network

£7.7bn
spent on spectrum in the last 3 years

300,000
base station sites

We acquire spectrum and licences to use radio frequencies that deliver mobile services. We have steadily increased our spectrum holdings to boost network quality and our capacity to carry more data. We also have one of the world's largest footprints of mobile base station sites, across 26 countries.

More on **spectrum holdings:** **Pages 187**

which means...
we can provide customers with wide coverage, both indoors and outdoors, a reliable connection, high-speed data transmission, and ample data capacity.

Fixed network

72m[1]
homes reached with high speed broadband

£15bn
spent acquiring fixed businesses in recent years

Our fixed capabilities comprise cable, fibre and copper networks to enable TV, broadband and voice services. These depend on either building our own fixed line infrastructure, renting from incumbent operators or acquiring cable companies.

which means...
we can already reach around half of European households with high speed broadband over 30 Mbps.

Information Technology ('IT')

25m
My Vodafone app users (account self-service)

12
countries have cloud & hosting capability

Our IT estate provides our data centres, customer relationship capability, customer billing services and online resources. Over the last three years we have invested £4.2 billion to upgrade our IT systems and to standardise and simplify our processes. This has enhanced customer services at all touchpoints – in-store, on the phone and online – and expanded the range of services we provide.

which means...
we can provide new offerings, such as single bills for converged fixed and mobile price plans, and cloud & hosting for business users for more flexible working.

Note: 1 Europe.

Investment and returns to shareholders

£47bn
re-investing in our business

We've invested £47 billion in capital expenditure, new acquisitions and spectrum and licences in the last three years. This has enhanced our networks, and competitive position and enabled us to generate substantial returns for shareholders.

£19bn
Project Spring

Project Spring was our two year £19 billion programme of accelerated investment in mobile and fixed networks, IT systems, products and services, and our retail platform. It aims to secure a premium position in most of our markets, and sustain strong cash flows and growing shareholder returns.

£11bn
returned to shareholders in the last 3 years

We recognise that our shareholders regard the dividend as an important form of return on their investment. That is why we have consistently increased the dividend per share every year for the last 16 years and returned over £11 billion in normal cash dividends in the last three years.

Breadth of services

A wide range of services to meet customers' needs

25m
mobile money users

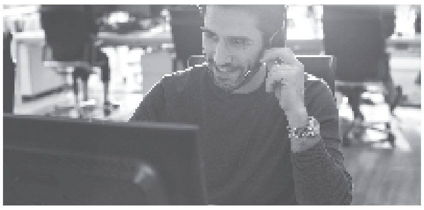
9.5m
TV customers

38m
Internet of Things connections

Although our roots are in mobile we now enable a much wider range of communication including TV, fixed broadband and landline calls. But we haven't stopped there. We also provide enhanced services such as mobile money services, cloud & hosting and connected machines via our IoT services.

More on our **mobile money service, M-Pesa: Page 11**

which means...
we unify communications, bringing together fixed and mobile services.



Convenient sales channels

16,000
exclusive branded shops globally

4,900
stores upgraded to new format in last 3 years

92% of our customers are individuals or families. We reach them through a variety of channels including branded stores, distribution partners, third-party retailers, and increasingly, online services. 8% of our customers are enterprises – from small shop owners to multinationals. We reach these customers via our direct sales teams, indirect partners, and telesales channels.

which means...
it is easy for our customers to get in touch wherever and however is convenient for them.

Simple customer service

24/7
call centres in all European markets

41,000[1]
retail customer service staff

We have a broad customer base comprising individuals, domestic businesses of all sizes, multinationals and public sector departments, with a wide range of communications needs. Our highly-trained and diverse workforce of employees from over 130 countries help provide these different services.

More on **People and Diversity: Page 18**

which means...
our customer satisfaction ranking, which we measure through our Net Promoter Score, makes us the leader in 13 out of 21 markets.

Note: 1 Includes employees, contractors and third parties.

Customer eXperience eXcellence

We want to show customers we CARE

We're continually trying to improve our customer service, and we are pleased to be the leader or co-leader in mobile network quality tests and Net Promoter Scores in the majority of our markets.

More on **focusing on our customers: Page 10**

While Project Spring has built better networks, we know that our customers also want great customer service, so we have launched a customer service excellence programme. The goal is simple: to substantially enhance the quality of service we provide and to be the Net Promoter Score leader in every single market in which we operate. Our programme has four simple pillars:

C
Connectivity – that is reliable and secure
"Network satisfaction guaranteed"

A
Always in control
"Control your costs with no surprises"

R
Rewarding loyalty
"Extra rewards and better service"

E
Easy access
"Always available, ask only once"

Understanding our marketplace

Our customers are demanding higher network speeds, reliable and secure data connections, and a better customer experience. Against this background, we can see great opportunities to create value, while managing risks.

A fast-moving industry generating many new opportunities

Global market potential

8.5bn
mobile users expected by 2020

US$1.1tn
predicted mobile market in 2020

Growth in mobile data usage
petabytes (calendar year)

2015	Actual	36,000
2016	Estimate	52,000
2017	Estimate	72,000

2.2bn
fixed connections by 2020

US$690bn
fixed service revenue by 2020

Growth in pay TV customers
million (calendar year)

2015	Actual	875
2016	Estimate	910
2017	Estimate	939

What's the scale and structure of our market?

The communications market is growing as more communities around the globe gain access to new technology. The growth in the number of mobile users continues its momentum, now at 7.6 billion, up half a billion since last year, generating US$1 trillion in annual service revenue. Much of the momentum is coming from growth in emerging markets such as Africa and Asia due to the combination of large and relatively young populations, fast GDP growth, increased data usage and limited fixed line infrastructure.

Global fixed market

The global fixed market has two billion connections, generating US$678 billion in 2015, up 0.4% from 2014. This year revenue from fixed voice continued its decline as users switched to using fixed broadband and mobile. We are also seeing an increased take-up of pay TV, aligned to fixed broadband growth. These trends provide opportunities for differentiation, as not all operators are well-positioned to sustain the levels of investment needed for higher-speed networks, providing higher quality services for customers.

Competition

The industry is highly competitive with a large number of providers in both fixed line and mobile segments. There are 12 major telecom providers that are able to gain advantages by leveraging size and scale. In addition to competition between networks, over-the-top applications have enabled companies to offer data services via apps, increasing the number of competitors further. In this environment, Vodafone has differentiated its service through high-quality network performance, and also through converged offerings (mobile, fixed line, broadband, TV), allowing us to compete more effectively.

Innovation

As more communities connect there has been more investment in innovations such as mobile money transfer, video and entertainment, and the Internet of Things (formerly M2M).

Operators are upgrading their mobile networks, providing 4G speeds of up to 450 Mbps. This is allowing customers to do more – moving from simply mobile-working with smartphones and tablets to now increasingly connecting cars, homes, and cities. We anticipate 5G will become commercially available around 2020, with speeds of up to 1 Gbps. This will reduce latency and allow faster connections and response times.

As we look to the future the number of devices connected to the Internet of Things (via mobile and other technologies) is expected to grow significantly, which will massively expand the demand for data and allow customers to use these new services to increase their productivity.

In the fixed broadband sector, operators are investing in more high-speed fibre broadband, which provides data speeds typically up to 1 Gbps, compared with up to 24 Mbps on copper-based ADSL broadband.

Regulation

Regulators and policy makers continue to have a significant impact on the structure and performance of the industry. Regulators continue to lower mobile termination rate ('MTR') fees, which are the fees mobile companies charge for calls received from other companies' networks, and to limit the amount that operators can charge for mobile roaming services. These two areas represent 10% of Vodafone's service revenue, down 11% from last year.

More on **Regulation:** **Page 183**

Notes:
1 Compound annual growth rate.
2 Vodafone's benchmark tests.
3 Vodafone, "The Connected Future for SMEs".

The industry data on these pages, unless stated, is from the following sources: GSMA, Analysys Mason, Ampere Analysis, Ovum and Strategy Analytics.

Adapting and evolving our response

We live in a fast-paced world where our customers' needs are constantly evolving. In order to compete we are responding to key market trends, and building a stronger product offering for our customers.

More on **our strategy to respond to these trends: Pages 10 to 13**

Focusing on services that will make a difference to our customers

What's the trend?

How we are responding?

Demand for continued network innovation

450 Mbps
today's peak performance for downloads, up from less than 1 Mbps in 2004

Network innovation continues to evolve rapidly as demand for data increases, offering significant improvements in performance, efficiency and customer experience. As we move towards a "gigabit society", innovation will continue around mobile and fixed access solutions that enable even faster, more flexible and highly secure exchanges of data.

Network

With the completion of Project Spring we are ready to take on the significant data growth demanded by customers. We now have 73 million 3G customers in emerging markets and 47 million 4G customers in total using speeds of up to 450 Mbps. Our high-speed fibre broadband has speeds up to 1 Gbps. We are working with industry and universities on the next set of 5G standards, so we can continue to improve speed and user experience.

Growing importance of data, emerging markets and other new revenue areas

40% CAGR[1]
mobile data usage growth by 2021

Demand for data is being driven by faster fixed and mobile networks with greater geographic reach and capacity, more advanced handsets with faster processing power and larger screens, increased use of applications such as social media, messaging, video streaming and general browsing.

Data

50%
of our European mobile data traffic is carried on 4G networks

Vodafone was rated best or co-best for data services in 15 of 20 markets[2]. Our AMAP region now accounts for almost half of all data traffic carried in the 2016 financial year, compared to 30% three years ago.

Growth in demand for converged services

56%
of households in Spain use converged services

Customers are increasingly choosing simplicity – either adding mobile to their fixed line services, or adding fixed line to their mobile service. They want one provider, with one customer service, and one simple interaction.

Convergence

We're evolving to meet customer needs across all converged services, first adding fixed-line and then television service offerings for homes and businesses. Customers can access Vodafone services and content across multiple platforms, at their convenience. With the rapid growth of the Internet of Things ('IoT'), we expect to see more demand for converged services across wearable devices, and in the transport, retail and healthcare sectors, amongst others.

Improving business environment

80%[3]
of Europe's SMEs say communication technologies are fundamental to how they operate today.

Market competition remains intense for basic mobile and fixed communications. Regardless of size, enterprise customers are progressively adopting digital ways of working to improve their competitiveness and provide flexibility for their workforce.

Enterprise

Customers are increasingly looking for pre-integrated fixed, mobile and cloud services with simple, predictable and transparent pricing. We have invested in building these service offerings at scale helping us achieve a commercial advantage across our footprint.

More on **Enterprise: Page 13**

Responding to a changing world

It has been a year of continued progress, with signs of recovery in Europe and continued growth in emerging markets. Our Project Spring investment programme is now complete.

Executing our strategy to capture growth opportunities

Review of the year

We have made good progress on a number of fronts in the last year. We have significantly expanded our mobile and fixed data network coverage and quality, leading to strong growth in data usage; we have maintained encouraging commercial momentum, with consistent customer growth; and we have returned to organic growth in both revenue and EBITDA, thanks in part to strong cost efficiency. In emerging markets, we are achieving sustained growth supported by the strength of our brand, our networks and our distribution. In Europe, the majority of our markets have returned to growth, reflecting a more stable regulatory and macroeconomic environment and better competitive performance than in recent years. Our key strategic drivers – data, convergence and enterprise – are at the heart of this continued improvement.

Project Spring, our two year £19 billion investment programme, which was designed to place Vodafone at the forefront of the growth in mobile data and the increasing trend towards the convergence of fixed and mobile services, came to its close in March 2016. Highlights include:

- 4G population coverage of 87% in our European markets, up from just 32% in September 2013
- Extensive modernisation and capacity improvements, with 93% of our European network now 'single RAN' and 90% with high capacity backhaul
- 3G population coverage of 95% in targeted urban areas in India, and 4G launched in the last few months
- 91% of all customer data sessions in Europe now at speeds of 3 Mbps or better – the rate needed for high definition video streaming
- Dropped call rates down by 40% since September 2013 – so customers on average now only lose one call in 217
- Fibre networks that provide high speed broadband to 72 million homes in Europe; including 30 million on our own infrastructure
- Further expansion in enterprise products and services, with IP-VPN extended to 70 countries, IoT connectivity platform to 30 countries and cloud & hosting to 12 countries

During the year we also significantly stepped up our focus on improving our customers' experience of our network and customer service, in order to bring to life the clear customer benefits of our investments. As measured by Net Promoter Score, we ended the year as the leader in 13 out of 21 markets and improved in 15 of these markets: good progress, but still much to do to build clear differentiation.

Vittorio Colao
Chief Executive

Our strategy

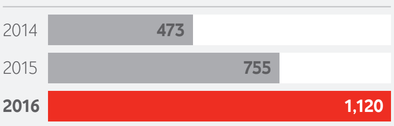
We aim to be a converged communications leader, investing to provide our customers with differentiated network access and excellent customer service. Together with capturing the scale and efficiency benefits of our global presence, we aim to generate attractive returns, enabling us to sustain our investment levels, further increase our network differentiation and meet our customers' high expectations.

Data
High speed, worry-free

Context
- As smartphone penetration increases, customers want faster and more reliable data services
- Customers have multiple mobile devices and want a single, worry free bill
- Customers who are on the move demand high-definition video capabilities and low latency speeds (fast reaction time) for a more enjoyable experience

What we're aiming for
- We're encouraging customers to use 4G to give them a better user experience. The number of 4G customers more than doubled to 47 million in the year
- We are driving data usage by bundling content with 4G. Data usage grew 71% in the year, and video usage accounts for around one-third of data traffic
- Increasing smartphone penetration also helps drive data usage. 58% of our customers have a smartphone in Europe, compared to 52% last year
- We want our customers to use our services wherever they are. Our 4G roaming network reaches 93 countries

Average smartphone usage in Europe
MB/month



197m

of our customers use data, representing 43% of all customers, up from 40% last year

We are witnessing various drivers of data growth across our markets: the increasing penetration of smartphones, both in Europe and emerging markets; high speed 3G and 4G networks, delivering consistent high-definition video to customers on the move; bigger screen sizes for a richer experience; the proliferation of "over-the-top" video services; and the rapid migration of social media from the desktop to mobile. Customers increasingly expect high speed data coverage as much as they expect reliable voice services. Our data strategy is simple: to build high quality mobile data networks, to encourage worry-free usage at fair prices, and to offer products and services tailored to specific needs and accessible to a wide range of users.

Total data traffic across our network grew 71% in the year, mainly reflecting the increased take-up of 4G. Driven by Project Spring, we now offer 4G services in 21 of our markets, with India, Turkey and Albania added during the year. Our 4G customer base grew by 126% to 47 million, with average usage typically doubling when customers migrate from 3G to 4G. From a commercial perspective, we are focusing on offering customers worry-free data usage, with bigger data bundles and more inclusive roaming. We now have the most extensive 4G roaming network in the world, reaching over 90 countries. Despite this strong progress, only 27% of our European customers are using 4G, giving us significant opportunity for further growth.

Our network investments are yielding very positive results in our major markets, with a number of independent tests demonstrating improvements in data coverage and performance, and placing us very clearly in the top tier of network operators. We ranked best overall in Italy and Spain, best network in London, and a strong number two network overall in Germany.

In AMAP, progress has been equally strong. In South Africa, we have built 3G coverage to 99% and 4G coverage to 58% – significantly ahead of our competitors. We have developed pricing plans that make data affordable for customers across every demographic. This has been further boosted by the success of Vodafone-branded mobile phones and tablets. With these products, we are able to bring the same quality and functionality as well-known phone brands to the market at a much reduced price point, opening up mobile data services for low income customers for the first time.

In India, we have experienced strong growth in data over the last few years since the launch of 3G in 2011. Through Project Spring, we have extended our 3G network by 40,000 base station sites to 55,000 since September 2013. We now have 27 million 3G customers out of a total base of 198 million mobile users.

Enhancing customer services
M-Pesa, our money transfer service, now has more than 25 million active customers, an increase of 27% in the year, boosted by market launches in Albania and Ghana and supported by a network of more than 261,000 agents in 11 countries.

Convergence

Connectivity and content, wherever you are

Context

- Customers are increasingly converging or unifying communications by sharing content between their fixed and mobile devices – phone, tablet, laptop or TV
- Television and content, when bundled with broadband, are becoming increasingly important drivers of customer demand
- The growing demand for converged services drives data usage, which in turn requires the combination of mobile and fibre infrastructure

What we're aiming for

- We expect fixed revenue to continue to gain in importance to us, driven by convergence
- We are aiming to increase our market share in fixed from a low level today
- We seek to roll out more high-speed fibre or cable. We already reach 72 million households in Europe, up from 41 million last year
- We're aiming to expand our TV services, to support the take up of broadband. We already have TV services in seven markets

Fixed broadband customers

million

2014	9.2
2015	12.0
2016	**13.4**

21%

of our service revenue comes from fixed services

In many of our markets, there is a growing trend towards the convergence of fixed and mobile services (also known as unified communications). This trend provides many benefits to both customers and operators. For customers, there is the convenience of a single bill, the likelihood of lower overall prices compared to buying services individually, and the potential of enhancements to the service: using your TV subscription on multiple mobile devices as well as your big screen at home, for example.

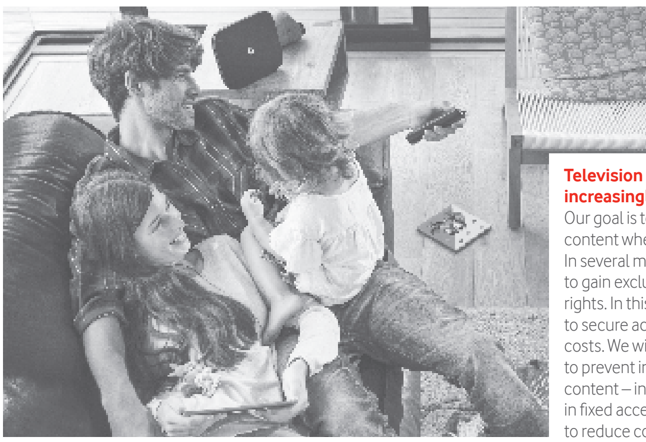
For the provider, there is an important network benefit from the combination of mobile and fibre infrastructure, which is increasingly necessary as the volume of data continues to grow strongly. The bundling of services also increases customer loyalty and provides opportunities to sell additional services or sign-up more members of a household.

We have transformed our presence in converged or unified communications in the last four years, particularly in Europe. With several significant acquisitions, capital investment in fibre networks and strong growth in customers, we are now a major player in high speed fixed broadband. With the ability to market fibre and cable broadband services to 72 million homes in Europe, 41% of these on our own next-generation networks, our reach is very broad.

We achieved organic service revenue growth of 3.5% in fixed line during the year, and 26% of all our European service revenue now comes from the provision of fixed line and TV. Our broadband customer base grew 11% year-on-year to 13 million – with 48% of these customers taking high speed services on fibre or cable. The launch of broadband in the UK during 2015 means we now provide fixed services in most of our European countries, as well as significant growth markets such as Turkey and Egypt.

In February 2016 we made another important strategic move with the announcement of our intention to form a 50:50 joint venture in the Netherlands, combining our strong mobile business with Ziggo, the cable operator owned by Liberty Global. This will create a business with 99% 4G coverage and over 90% cable footprint in one of our key European markets. This combination enables us to provide excellent converged services to customers, compete head-to-head with the incumbent operator, and realise synergies with a net present value of €3.5 billion.

Television and content are becoming increasingly important parts of our offering, with customers often looking to buy as part of a bundle with broadband. In the year we launched TV services in Ireland and now offer TV in seven markets. We have 9.5 million TV customers, with 0.4 million added this year.



Television and content are becoming increasingly important

Our goal is to ensure access to premium content where our customers value it. In several markets, incumbents have sought to gain exclusive access to key content rights. In this scenario we will compete to secure access, which may increase our costs. We will also encourage regulators to prevent incumbents from using content – in addition to their dominance in fixed access markets – as a lever to reduce competition.

Enterprise

Context

- Businesses are increasingly searching for one communications provider to supply both fixed and mobile to their workforce
- It is important for communication service providers to offer businesses reliable connectivity to employees, customers and suppliers

What we're aiming for

- We want to maintain our strong mobile market share in enterprise, which has been earned from our trusted brand, global footprint and service quality
- We aim to increase our market share in fixed enterprise services, by building on Project Spring investments
- We intend to continue to invest in the growth areas of converged communications, cloud & hosting services, and the Internet of Things

Internet of Things connections

million

2014	20.2
2015	27.8
2016	**38.0**

28%

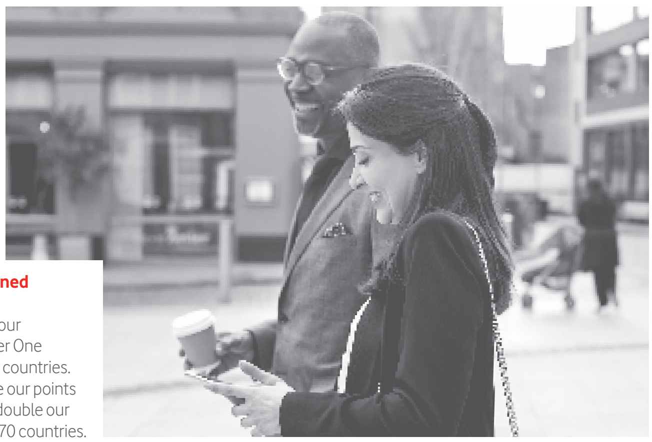
of our service revenue is from enterprise customers

Enterprise communications is a substantial and growing market. In a digital world, it is vital for companies big and small to be always connected with each other, their customers and their suppliers. They want to do so in a seamless, cost-effective way, without managing multiple suppliers across many borders. They need to have a mobile and digital strategy: it is no longer simply about equipping a workforce with mobile phones. Our customers are assessing how new services such as the Internet of Things can enhance their customer proposition and simplify their businesses. Plain connectivity, whether mobile or fixed, is becoming more commoditised: enterprise communications providers increasingly need to be experts in a wider range of services to address these changing needs.

Vodafone has positioned itself well in this changing marketplace. Enterprise has always been at the centre of our strategy, and we continue to enjoy strong market share in mobile enterprise across all our major markets. Enterprise customers value our trusted brand, network quality and wide geographic reach, and this has been a strong foundation on which to build our expansion into fixed-line and value-added data and managed services. With an estimated Enterprise market share in Europe of 33% in mobile and only 6% in non-mobile, the long-term growth opportunity is significant.

Our Enterprise service revenue grew 2.1%* to reach £10 billion in the year, or 28% of total Group service revenue. All of our strategic growth areas performed well, supported by Project Spring investments. Enterprise fixed revenue grew 4.4%*, as customers increasingly look to procure fixed and mobile from a single provider. We have substantially expanded our international presence over the last two years: we now offer IP-VPN services (secure private data networks) in 70 countries, with 268 points of presence. In Cloud & Hosting, we now have capabilities in 12 countries. Both of these specialisms build on our acquisition of Cable & Wireless Worldwide in 2012.

Vodafone Global Enterprise ('VGE'), which serves our biggest multi-national customers, saw revenue growth of 5.9%* in the year driven by emerging markets. Our IoT unit achieved service revenue growth of 29%*, with a 37% rise in connections to 38 million. We are the acknowledged world leading mobile provider for IoT, in both scale and expertise, with a global SIM available in over 200 countries, and we are evolving our model from simple connectivity (for example, smart meters and vehicle tracking) to capture more of the value chain. The acquisition of Cobra in 2014, which now operates as Vodafone Automotive, has significantly extended the breadth and value of our services in the automotive sector, and we see similar opportunities in other industry sectors.



Project Spring has strengthened our Enterprise business

Project Spring has helped scale our converged communications offer One Net, which is now available in 30 countries. It has also enabled us to increase our points of presence by 57% to 268 and double our IP-VPN geographic coverage to 70 countries.

Meeting our objectives

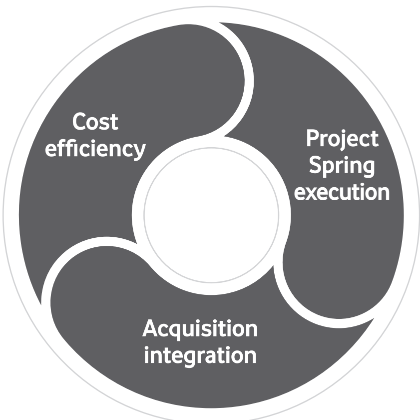
This has been a strong year of execution for the Group, meeting our strategic goals and delivering returns to shareholders.

My priorities

When I became CFO I highlighted three clear priorities which I believe will have a significant impact on our future financial performance: the execution of Project Spring according to the financial plan; the integration of acquisitions, most notably Kabel Deutschland ('KDG') and Ono; and a continued focus on cost efficiency. I believe that we have made good progress in all three areas and in the coming financial year it will be important to build on the improving execution seen during the 2016 financial year as we continue to monetise our Project Spring investments. Additionally, we intend to continue to pursue incremental operating efficiencies across all of our operating companies. During the year we initiated an ambitious cost efficiency project called "Fit for Growth" which we anticipate will deliver significant long-term benefits in terms of both cost savings and enhanced strategic flexibility. Executing these programmes with minimal disruption to customers is a priority.

Our results are reviewed in more detail later in this report, but overall I am satisfied that we have made important progress in improving the financial performance of the business.

More on our performance:
Pages 30 to 37



Project Spring execution

Our £19 billion, two-year programme of accelerated investment was designed to deliver tangible differences in the quality of our services compared to competitors. As Vittorio highlighted on page 10, the mobile build phase was completed and we now have a modernised network, delivering a much improved customer experience.

In terms of progress against our operational plan we are ahead overall, achieving 108% of the build targets. In our AMAP region we delivered our mobile build targets three months ahead of plan. In Europe we are slightly behind. In particular our 4G build was impacted by rollout delays in the UK and Germany.

I am pleased to say that all of our Project Spring customer experience targets have been met. In Europe, targets for both data sessions above three megabits per second (the threshold for high-definition quality video) and dropped call rates were achieved: above 90% and less than 0.5% respectively. In AMAP, our dropped call rate target has also been achieved at less than 0.9%.

On the financial front, capital investment was broadly, as planned, £19 billion taking into account foreign exchange movements and timing differences. Consequently this has, as expected, depressed our cash flows over the last two years. Looking forward, we continue to expect that the level of capital spending will return to a more normalised level of capital intensity and we will generate the expected £1 billion of incremental cash flow by the 2019 financial year.

KDG and Ono acquisition integration

€600m
Combined annual cost and capex synergies by 2018 (previously €540m)

€6.3bn
Net Present Value of synergies (was €5.0bn)

242,000
Vodafone DSL customers migrated

2.9m
converged services customers (mostly KDG and Ono)

A key strategic focus for the Group is to gain competitive fixed networks to meet the growing demand for converged services. Part of the execution of this strategy is to acquire companies where we can see a clear return on that investment. KDG and Ono, two leading cable companies, were acquired in 2013 and 2014 respectively. In total we expected to generate combined annual cost and capex acquisition synergies of approximately €540 million by the 2018 financial year, mainly from migrating fixed and mobile customers onto our own infrastructure and combining backhaul and core networks and rationalisation of back office functions and procurement. I am pleased to say that progress on integration has been better than expected and we now aim to deliver annual synergies totalling €600 million.

108%
of the mobile build target met

87%
Europe 4G coverage, slightly behind >90% target

£1bn
incremental cash flow from Spring by 2019

In Spain the integration of Ono has proceeded successfully. We have so far connected over 800 mobile base station sites to Ono's fibre to save on backhaul costs. In addition, the launch last May of Vodafone One, our fully converged cable, mobile and TV service, has attracted 1.5 million customers. Overall we have already secured 100% of the original €240 million of cost and capex synergies targeted. We now expect to deliver €300 million of annualised savings.

We have also made solid progress in Germany, and we have already managed to secure 80% of the original €300 million synergy target. We have migrated 242,000 customers off our DSL platform (on which we pay high monthly fees) onto KDG's cable infrastructure. In November, we launched Vodafone Red One, our converged offer, which now has 54,000 customers. Finally, we have identified further opportunities for savings in procurement and other efficiency measures and as a result we are now targeting synergies with a NPV of €3.5 billion, up from €3.0 billion previously.

Cost efficiency

We continued to make good progress on costs this year within the scope of our Fit for Growth programme. As a result we were able to reduce overall customer costs through commercial efficiencies and drive down the support cost base in Europe. This helped offset increased network costs driven by the Project Spring roll-out, and inflationary pressures in our high growth markets in AMAP. Our Group-wide initiatives are driving a meaningful improvement in our cost base. These include a focus on direct cost optimisation; commercial efficiencies; network & IT transformation opportunities; centralised procurement and shared services; zero-based budgeting; and cost & capex synergy savings at acquired companies, combined with comprehensive local market initiatives.

We introduced a zero-based budgeting methodology for the first time this year of which there were three key components. The first was an absolute cost reduction across Group functions, which was fully implemented in March 2016, delivering an annual net saving of £100m. Secondly, for Group operational units such as data centres and Shared Services we established productivity targets to drive efficiencies further across the organisation. And thirdly, we set multi-year targets for each of our local markets to drive margin expansion.

The revenue growth combined with our strict cost control and efficiency measures is enabling us to achieve greater operational leverage and begin to expand margins.

£100m
Fit for Growth net savings from zero based budgeting in Group functions

80%
Procurement spend centralised by 2019

Performance against 2016 financial year guidance

Based on guidance foreign exchange rates, EBITDA for the 2016 financial year was £11.9 billion, in line with the £11.5 billion to £12.0 billion range set in May 2015. On the same basis our free cash flow was £1.0 billion, consistent with our positive free cash flow guidance.

Looking ahead

The key goals for the year ahead are to build on the improving commercial execution evident last year, further enhance customer service, monetise the Project Spring investments, continue our focus on cost efficiency and grow the dividend to shareholders.

With effect from 1 April 2016, our presentation currency will change from sterling to the euro to better align with the geographic split of the Group's operations.

We expect EBITDA to grow organically by 3–6%; this implies a range of €15.7 billion to €16.2 billion at guidance exchange rates. We expect free cash flow of at least €4 billion[1]. Total capital expenditure is now targeted to be in the mid-teens as a percentage of annual revenue; this is higher than the 13%–14% range that we previously anticipated, as we believe that there are attractive investment opportunities available to further accelerate our growth and improve our long-term strategic positioning.

The Board intends to grow dividends per share annually. For the 2017 financial year and beyond, dividends will be declared in euros and paid in euros, pounds sterling and US dollars, aligning the Group's shareholder returns with the primary currency in which we generate free cash-flow.

Nick Read
Chief Financial Officer

Note:
1 Before the impact of M&A, spectrum purchases and restructuring costs.

Measuring our performance to keep us on track

We track our performance against strategic, financial and operational metrics which allows the business and key stakeholders to assess our short term performance and enables us to see where we can do better.

Changes to KPIs this year

We have updated our Key Performance Indicators ('KPI's) this year to align better to our strategy and areas of investment. Enterprise is an engine of growth for the Group and contributes 28% of the Group's revenues. We have included Enterprise in our KPIs as a reflection of its growing importance.

With 4G and fixed broadband becoming more important in our emerging markets, we have adopted a Group metric for 4G customers and fixed broadband customers.

Paying for performance

The incentive plans used to reward the performance of our Directors and our senior managers, with some local variances, include measures linked to our KPIs.

More on **rewards for performance in the Remuneration Report: Pages 57 to 73**

Strategic performance

Europe 4G coverage

Data

%

One of our main objectives of Project Spring was to roll out rapidly 4G across our European markets with a target to reach over 90% coverage by March 2016.

We have now reached 87% coverage across our European markets, slightly behind our target of over 90%, which we expect to reach shortly.

More work to do

2014	46
2015	72
2016	**87**

4G customers

Data

million

To ensure we get a return on our Project Spring 4G investment it is important that we migrate and attract new customers onto our 4G network.

We more than doubled the number of our 4G customers in the year to 47 million and we expect this to continue to grow significantly.

Achieved

2014	4.9
2015	20.7
2016	**46.8**

Europe average monthly smartphone data usage[1]

Data

MB

A key goal in Europe is to ensure customers are using more data which will support revenue growth in the years ahead.

Average smartphone usage has almost tripled over the last two years, helped by the uptake of 4G and content packages.

Achieved

2014	473
2015	755
2016	**1,120**

Europe NGN coverage (owned assets)[2]

Convergence

million homes passed

As customers move towards converged services we have been investing in either building fibre or acquiring cable networks so we can offer high-speed broadband to our consumer and enterprise customers.

We can now reach 30 million homes across Europe with high-speed broadband (72 million when including our wholesale access deals).

Achieved

2014	16
2015	26
2016	**30**

Fixed broadband customers

Convergence

million

As we expand our fixed broadband coverage we have successfully been able to increase our broadband base.

We have added 1 million broadband customers across Europe and 266,000 customers across AMAP during the year, and expect to continue to grow our base this year and beyond.

Achieved

2014	9.2
2015	12.0
2016	**13.4**

Fixed as a percentage of enterprise service revenue

Enterprise

%

Fixed services have become more important as businesses increasingly look to procure fixed and mobile from a single provider.

Enterprise fixed revenue grew 4.4% in the year and we expect that this will increase as we continue to invest in our global fixed line footprint.

Achieved

2014	23
2015	25
2016	**27**

Notes:
1 Based on Android and iPhone devices.
2 Next Generation Network providing high-speed broadband over 30 Mbps.
3 Before the impact of M&A, spectrum purchases and restructuring costs.

Financial performance

Financial indicators

This has been a strong year of execution for the Group, delivering a return to organic growth in both revenue and EBITDA for the first time since 2008. With the recovery of our European performance and the continued strong growth in AMAP, we met our financial guidance for both EBITDA and free cash flow and increased our dividend per share by 2.0% to 11.45 pence.

More on **Financial performance: Page 30**

Organic service revenue growth

%

Growth in revenue demonstrates our ability to increase our customer base and stabilise or raise ARPU. Our aim was to return to service revenue growth.

We returned to service revenue growth supported by our Project Spring investment programme and achieved stabilisation in our European businesses.

Achieved

2014	–2.6
2015	–1.6
2016	+1.5

EBITDA

£ billion

Growth in EBITDA supports our free cash flow which helps fund investment and shareholder returns. Our guidance was for EBITDA of £11.5 billion to £12 billion in the year.

EBITDA fell 2.5% to £11.6 billion (up 2.7% on an organic basis). On a guidance basis, EBITDA was £11.9 billion, in line with the guidance range.

Achieved

2014	11.1
2015	11.9
2016	11.6

Free cash flow[3]

£ billion

Cash generation is key to delivering strong shareholder returns. Our guidance was for positive free cash flow after all capital expenditure.

Free cash flow fell slightly during the year due to elevated capital expenditures for Project Spring. On a guidance basis, free cash flow was £1.0 billion, consistent with the guidance range.

Achieved

2014	4.4
2015	1.1
2016	1.0

Dividend per share

pence

The ordinary dividend remains the primary method of shareholder return. We intend to increase the dividend per share annually.

We increased our dividend per share to 11.45 pence in the year. Our intention remains to grow the dividend per share annually.

Achieved

2014	11.00
2015	11.22
2016	11.45

Operational performance

Consumer mobile net promoter score

out of 21 markets

We use Net Promoter Scores ('NPS') to measure the extent to which our customers would recommend us to friends and family.

This year we increased the number of markets where we are ranked number one, but have more work to do in the UK and Germany.

Achieved

2014	9
2015	11
2016	13

Employee engagement

index

The employee engagement score measures a combination of the pride, loyalty and motivation of our workforce. Our goal here is to retain our top quartile position.

We increased our employee engagement score by two points this year, and we retained a top quartile position.

Achieved

2014	77
2015	77
2016	79

Percentage of women in senior management

%

Diversity increases the range of skills and styles in our business, and increased female representation across our senior management (top c.1,500 managers) is one measure of diversity. Our goal is to increase the proportion each year.

We have made progress on this metric this year, with the proportion increasing slightly.

More work to do

2014	24
2015	23
2016	24

The people behind our business

Our people are behind every aspect of our strategy and execution, so it is important that we attract, develop and retain exceptional people who are empowered to use their best judgement in every situation.

Building a high-performing culture

This year we employed an average of 108,000 people from 138 countries as well as over 26,000 contractors. Our senior leadership team includes 21 nationalities, bringing together a diverse set of experiences and opinions to help us achieve our goals by better understanding the needs of our customers.

Focusing on our customers

Over the last year more than 14,000 retail store managers and sales advisers received training in the Vodafone Way of Retail programme. To date, more than 31,000 retail customer service employees and third-party staff have received training to enhance the services provided to our customers. We have standardised the recruitment process across all of our local markets to improve the quality of new recruits to our stores and have developed a new assessment approach for all customer facing employees.

Our Group and local market senior leadership teams took part in the Customer Experience Leadership programme – a two-day workshop focused on listening to customers, external best practices, driving simplicity, and action planning.

Increasing employee engagement

We engage our employees on issues related to our strategy, our people agenda, our products and services and changes happening in the Company in a variety of ways, including executive video updates, events and forums, our intranet, emails, texts, as well as through individual team leaders.

Every year all our employees are invited to participate in a global survey which allows us to measure engagement levels, identify ways to improve how we do things, and compare ourselves with 30 other large companies. This year our engagement index, which measures how committed our employees are, their desire to continue working for us and their willingness to recommend Vodafone as an employer, increased by two points to 79, which is three points higher than other comparable companies.

Our employee net promoter score, which indicates employees' commitment to promoting our products and services, rose eight points to 59 (17 points higher than other large companies). The increase showed the growing levels of employee confidence that Project Spring and our Customer eXperience eXcellence programme are delivering.

Training and developing future leaders

We empower our people to contribute to our business success by tailoring their training and development to their individual capabilities and ambitions. We provide a combination of formal training, on the job experiences, and regular feedback from managers.

This year we trained around 50,000 people through our global academies which enable our employees to develop world class capabilities within their core discipline and support their career development. These academies have won several industry awards for innovation and quality.

Our global employee survey showed that 80% of employees feel they can learn the skills and knowledge to do their jobs well.

We conduct regular talent reviews to identify high-potential future leaders. Each year we provide 60 of those with the opportunity for an accelerated development through our "Inspire" programme. The programme offers development and executive coaching and may include an assignment to another Vodafone market or function.

Making progress on Diversity and Inclusion

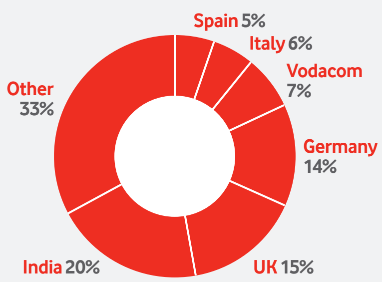
We are committed to treating all employees fairly and offering equal opportunities in all aspects of employment and advancement. This year's global employee survey showed that 89% of employees believe that Vodafone treats people fairly.

Last year we launched a new global maternity policy, providing mandatory minimum maternity benefits, including 16 weeks of full pay followed by full pay for a 30-hour week for the first six months after employees return to work.

This year, our CEO, Vittorio Colao, signed up to be a UN HeforShe Impact Champion, making significant commitments to gender equality for Vodafone. 37,000 colleagues, suppliers, and customers have already joined the campaign, which promotes gender equality – socially, economically and politically.

In 2015 we developed a new unconscious bias training for all leadership teams to highlight the key decisions and everyday situations that may be affected by bias. In addition, employee networks in the areas of Lesbian, Gay, Bisexual and Transgender ('LGBT'), disability and gender have expanded globally and these serve a critical purpose in supporting these communities.

Employees by location %



Monthly average employees[1] number

2014	92,812
2015	101,443
2016	**107,667**

Employee engagement index

2014	77
2015	77
2016	**79**

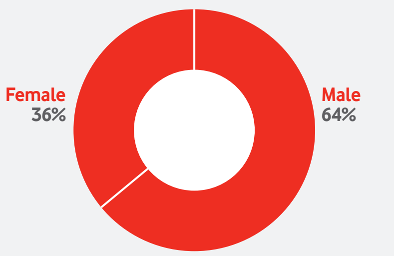
Employee turnover rate %

2014	15
2015	18
2016	**19**

Nationalities in top senior leadership roles

2014	24
2015	24
2016	**21**

Gender of employees %



Our "Discover" programme for graduates accelerates the careers of high performing graduates, with over 700 people recruited onto this programme during the year. After the programme, a number of "Discovers" join an international programme, "Columbus" with the purpose of building leadership skills through a challenging two-year assignment outside of their home market.

Recognising performance

We reward people based on their performance, potential and contribution to our success. This year, we simplified the process by directly empowering our line managers to make performance decisions without a higher level approval.

We continue to benchmark roles regularly to ensure competitive, fair remuneration in every country in which we operate. We also offer competitive retirement and other benefit provisions which vary depending on conditions and practices in local markets.

Global short-term incentive plans are offered to a large percentage of employees and global long-term incentive plans are offered to our senior managers. Our incentive arrangements are subject to company performance measures, comprising both financial and strategic metrics, and individual performance measures.

During the year we introduced a Customer Appreciation metric into our Global short-term incentive plan. See page 57 for more on remuneration.

Doing what's right

We recognise that ethical conduct is just as important as high performance, and failure to operate ethically will impact our business success. Our "Code of Conduct" sets out our business principles and what we expect from employees to ensure they protect themselves as well as the Company's reputation and assets.

This year we launched a mobile app and website so employees can access topics such as anti-bribery, conflict of interest, speak up, privacy, security and competition law via their phone when they are out of the office.

Creating a safe place to work

We want everyone working with Vodafone – employees and contractors – to return home safely every day. We start with the wellbeing of our employees: we launched our third annual Global Wellbeing Challenge on World Heart Day in October 2015. Around 5,000 employees took part in a wide range of exercise activities including cycling, dancing, running, swimming, and Zumba. Together, they covered a total of over 245,507 miles – equivalent to going around the world 10 times.

For our safety campaign we focus on our top five risks: occupational road risk, working with electricity, working at height, control of contractors, and laying cables in the ground. Our efforts start at the top and our senior executives are personally involved, we train our people and suppliers, and we participate in best practice sharing with industry partners.

Despite all our efforts, we deeply regret that 12 people[2] lost their lives during the year. Traffic accidents involving contractors in India and Africa continue to be our main area of exposure. We have robust policies and processes to manage risks, and if incidents occur we work hard to identify and address the root causes. For more on Health & Safety read our sustainability report at www.vodafone.com/sustainability

1,700

women went on maternity leave this year and were eligible for our new global maternity policy

Notes:
1 Employee numbers are shown on a full time employee basis. A statutory view is provided on page 140.
2 There were 12 fatalities, one was an employee, three were members of the public and eight were contractors.

Sustainable business

Mobile and digital technologies are a powerful social good, enhancing citizens' understanding of, and ability to participate in, the world around them, and transforming the workplace, boosting productivity for businesses of all sizes in every industry.

A new strategic approach

Our businesses play an integral role in the daily lives of our more than 462 million mobile customers and are a vital part of the national infrastructure upon which the economies of our countries of operation depend.

During 2016, we developed a new sustainable business strategy to ensure an even closer alignment between our core commercial goals and the maximum possible social and economic benefits achievable at scale as a consequence of those goals.

Under that strategy, we have identified three areas where we believe our business activities can have the greatest positive societal impact:

→ **Women's empowerment**, extending the benefits of mobile to more women in emerging markets while striving to become the world's best employer for women by 2025

→ **Energy innovation**, optimising energy efficiency in, and reducing greenhouse gas emissions from, our activities while helping our customers reduce their own emissions

→ **Youth skills and jobs**, using our technologies and expertise to help young adults enhance their skills and secure job opportunities in countries with high levels of youth unemployment

In parallel, we will focus our ongoing corporate transparency programme on those aspects of our business that are the source of greatest public debate and concern, specifically:

→ **Taxation and total economic contribution**, building on our existing commitment to transparency in corporate taxation including country-by-country reporting

→ **Supply chain integrity and safety**, providing insights into our efforts to ensure responsible and ethical behaviour among our suppliers and sub-suppliers and to ensure safety in our operations

→ **Mobile, masts and health**, addressing public concern regarding electromagnetic frequency ('EMF') emissions from mobile phones and base stations

→ **Digital rights and freedoms**, building on our commitment to transparency in law enforcement assistance, censorship, privacy and data protection matters

We are also committed to explaining how we put our principles into practice to ensure that our businesses operate responsibly. Further details of our approach are set out in the Group's annual Sustainable Business Report, published on the same day as this Report.

Connecting women to healthcare
In 2016, 164,000 women subscribed to Vodafone Turkey's health and wellbeing SMS service which sends twice-weekly texts offering information and advice about prenatal, antenatal and infant care and women's health. An interactive app with information about child development has also been downloaded 160,000 times.

Energy innovation and greenhouse gas emissions

There is clear evidence that global temperatures are rising quickly and a very strong consensus among scientists and policymakers that carbon dioxide emissions from hydrocarbon fuels such as coal, oil and gas – together with other greenhouse gases – are having a direct impact on the climate.

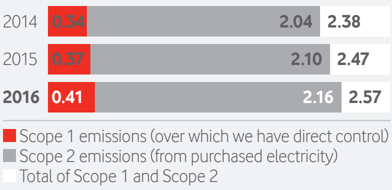
The information, communications and technology ('ICT') industry requires significant amounts of electricity to connect billions of people, devices and machines and transmit vast amounts of data every second. Most power is supplied "on-grid" by national power generation companies whose predominant energy source is hydrocarbons, especially coal. Telecommunications operators also rely on hydrocarbons – in the form of diesel used in on-site generators – to power infrastructure "off-grid" in remote locations or areas of unreliable on-grid power.

Vodafone is a signatory to the Paris Pledge for Action which recognises that climate change threatens future generations and calls for strong action to reduce emissions and achieve a safe and stable climate in which temperature rises are limited to well below 2°C. Our networks account for most of the energy consumption in our businesses and are therefore the main source of our greenhouse gas emissions. As customer demand for data increases every year, our power requirements also grow; energy efficiency programmes (and, consequently, emissions reduction) are therefore an important priority.

We collaborate closely with our major equipment suppliers to ensure that energy efficiency is integral to the design specification for new infrastructure. We have deployed highly efficient Single Radio Access Network ('SRAN') technologies (which allow 2G, 3G and 4G services to be run from a single piece of equipment) at more than 211,800 sites. We are also exploring a number of on-grid and off-grid renewable energy options.

Greenhouse gas ('GHG') emissions

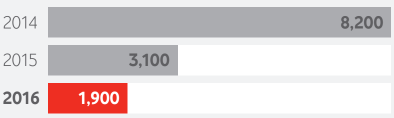
million tonnes of CO_2e



Note:
Calculated using local market actual or estimated data sourced from invoices, purchasing requisitions, direct data measurement and estimations. Carbon emissions calculated in line with GHG Protocol standards. The 2014 and 2015 values have been re-based in accordance with revised Scope 2 guidance. Scope 2 emissions are reported using the market-based methodology. For full methodology see our Sustainable Business Report 2016.

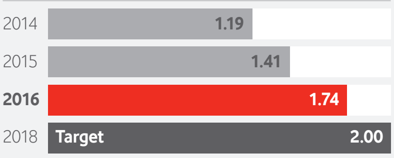
Greenhouse gas emissions per petabyte of data carried by our mobile networks

tonnes of CO_2e



Note:
Figures include all data carried by our mobile networks with an adjustment to include only part of the data carried in India, where only base stations under Vodafone's operational control are included in our greenhouse gas emissions totals.

Ratio of GHG emission savings for customers to our own GHG footprint



Note:
2014 figures have been extrapolated from actuals for 2013 and 2015. Emissions savings for customers have been calculated based on GeSI's ICT Enablement Methodology.

Our Sustainable Business Report 2016:
www.vodafone.com/sustainability/report2016

Our total greenhouse gas emissions in 2016 were 4% higher than in 2015 at 2.57 million tonnes of CO_2e (carbon dioxide equivalent), as a consequence of a 71% increase in the volume of data carried across our mobile networks. However, our measure of greenhouse gas efficiency improved greatly: annual greenhouse gas emissions per petabyte of data carried by our mobile networks were 40% lower than in 2015, dropping to an average of 1,900 tonnes CO_2e/petabyte.

Our technologies and services also provide our customers with the means to make a meaningful reduction in their own emissions, most notably through the deployment of Internet of Things ('IoT') applications – a field in which we are the world's leading mobile provider. Using network intelligence to optimise energy use in a wide variety of machines, devices and processes could account for a 20% reduction in projected global CO_2e emissions by 2030 – enabling emissions to remain at 2015 levels[1].

In 2015, we announced a new goal under which we would seek to help our customers reduce their CO_2e emissions by two tonnes for every one tonne of emissions from our own operations. We aim to achieve that goal by the end of March 2018. As of the end of March 2016, we were well on track to do so, helping our customers to save 1.74 tonnes of CO_2e for every tonne of CO_2e generated through our activities.

We estimate that more than 30% of the 38 million IoT connections operated by Vodafone directly enable our customers to reduce their emissions. The total emissions avoided as a consequence of our IoT technologies and services in 2016 increased by 29%, over the same period in 2015, to reach 4.5 million tonnes CO_2e.

We provide further details of our approach to energy innovation in our annual Sustainable Business Report.

Human Rights

Communications technologies play an important role in underpinning human rights, enabling citizens to share information and exercise freedom of expression. However, many governments are concerned that these technologies are also empowering people intent on harm, such as criminals and terrorists; conversely, civil society groups are concerned that state actions to address the malign use of communications technologies have the effect of eroding the individual's right to privacy.

Human rights that extend in to the digital realm are important priorities for Vodafone – as can be seen in our Law Enforcement Disclosure Report. However, we are also fully mindful of other human rights risks in our operations – as our Code of Conduct makes clear – which are the focus of senior management scrutiny across all of our businesses. These include labour rights (particularly with regard to our supply chain) and economic, social and cultural rights.

Details of our principles, rules and compliance programmes in response to those risks are set out in our annual Sustainable Business Report including a statement – as stipulated under the UK Modern Slavery Act (2015) – summarising our actions to address the risk of modern slavery within our own operations and those of our suppliers and sub-suppliers. The Report also provides details of our ongoing work with our suppliers and other industry stakeholders to improve ethical, labour and environmental standards across our supply chain.

Note:
1 Smarter Report 2030, Global e-Sustainability Initiative (GeSI) June 2015.

Identifying and managing our risks

We have a clear framework for identifying and managing risk, both at an operational and strategic level. Our risk identification and mitigation processes have been designed to be responsive to the ever-changing environments in which we operate.

Our risk management framework

Vodafone needs to take risks and assume exposures to achieve its strategy. Risk, within agreed and defined parameters, is essential to the success of Vodafone. Equally, failure to suitably manage risk may have an adverse impact upon Vodafone's strategic goals and objectives.

Vodafone has recently introduced an enhanced global framework designed to identify risks; set risk appetite: put in place appropriate measures to ensure risks are properly managed and monitored; and facilitate informed decision making. The framework, as set out in the diagram, ensures we have one, company-wide approach to risk management, with local oversight and approvals.

Identify

- Risks identified in each Vodafone local market and entity
- Strategic risk reviews with Senior Leadership
- Group principal risks reviewed and agreed with the Board

Measure

- Risk appetites set by the Board for all principal risks and cascaded down
- Standardised scoring and categorisation allows consolidation and escalation across Group

Manage

- Controls and mitigating actions identified and measured
- Risk action plans created to control risks outside of appetite

Monitor

- Integrated assurance mapping identifies all levels of control and oversight in place
- Effectiveness of control and oversight is tested across the "three lines of defence"[1]

Report

- Inform the Board and Executive Committee on how effectively risks are being managed versus appetite
- Group-wide, consolidated views shared with risk managers

Strengthening our approach to risk management

To support the implementation of this framework, the following actions have been put in place during the 2016 financial year.

- Created a Group Risk function reporting to the Group Risk & Compliance Director
- Brought together a global risk community from local markets and specialist risk areas to support the delivery of the framework and share best practices
- Completed an Integrated assurance mapping project to identify and enable oversight into the mitigations and level of assurance in place for the key risks in all local markets and entities
- Assigned Executive Committee owners and Senior Leadership champions for each principal risk

Further enhancements are planned during the 2017 financial year, including the implementation of a Risk & Integrated Assurance platform that can bring the framework to life and support the ongoing development of integrated assurance across the "three lines of defence"[1].

Note:
1 A term used to describe the systematic approach to how we manage risk and provide assurance to the Board that risks are managed effectively. The first line of defence typically sits in the business operations (e.g. Technology), the second line of defence has oversight over the first line of defence (e.g. Compliance or Risk Management), and the third line of defence are the independent assurance providers (e.g. Internal Audit).

Oversight of risks

The Board has overall responsibility for the Group's risk management and internal controls system. The Audit and Risk Committee, under delegation from the Board, monitors the nature and extent of risk exposure against risk appetite for our principal risks. Details of the activities of the Audit and Risk Committee are set out on pages 47 to 52 of this report.

At an operational level, risks are reviewed and managed by the Executive Committee and through its delegated sub-committee, the Risk and Compliance Committee. Details of the activities of the Risk and Compliance Committee are set out on page 39 of this report.

As part of the Board review of all risks, an exercise is completed to assess the long-term viability of the company, which includes stress-testing our principal risks. The output from this is contained in the Long-Term Viability Statement on page 29.

Our principal risks

The risk management framework covers all risks to our business but includes a process to identify the principal risks to our strategic objectives through the integration of bottom-up and top-down exercises. The bottom-up exercise identifies and consolidates all of the priority risks raised by local markets and entities. The top-down exercise involves interviews with around 30 senior executives. The aggregated results from these exercises are used to form the principal risks which are approved by the Executive Committee, prior to submission to the Audit and Risk Committee and the Board. Each principal risk is assigned to a senior executive who is responsible for managing the risk and reporting on progress to the Executive Committee.

Vodafone's principal risks are similar to those reported last year, although with some changes to the driving force behind the risks, and one new risk regarding legal and regulatory requirements. Any changes from last year's principal risks are highlighted in the tables below.

Cyber threat

Movement from 2015: **Stable**

What is the risk?

A successful cyber-attack or internal event could result in us not being able to deliver service to our customers and/or failing to protect their data. This could include a terrorist attack, state sponsored hacking, hacktivists or threats from individuals.

How could it impact us?

This risk could have major customer, financial, reputational and regulatory impact in all markets in which we operate. As some systems operate at Group level and support more than one market, we could be affected in multiple markets at one time and for both consumer and enterprise customers, magnifying the impact.

Changes from 2015

This risk combines two risks from our previous annual report; malicious attack causing service disruption; and customer data breach. We have merged these to reflect that a single cyber-attack could result in both outcomes.

How do we manage it?

- → We have a global security strategy that is risk-based and approved by Executive Committee
- → We have a global security function that sets policies and processes. Security controls are implemented centrally and in local markets, and we have a continuous improvement programme to mitigate the changing threats we face
- → We manage the risk of malicious attacks on our infrastructure using our global security operations centre that provides 24/7 proactive monitoring of our global infrastructure, responds to incidents and manages recovery from those incidents
- → Applications or infrastructure that store or transmit confidential personal and business voice and data traffic have layers of security control applied
- → We have an assurance programme that incorporates both internal reviews and reviews of third parties that hold data on our behalf. Vodafone holds internationally recognised certifications for its information security processes
- → We regularly provide mandatory security and privacy awareness training to Vodafone employees

Failure to deliver on convergence

Movement from 2015: **Increased**

What is the risk?

We face competition from providers who have the ability to sell converged services (combinations of fixed line, broadband, TV content and mobile) on their existing infrastructure. If we fail to deliver converged services in key markets, due to inability to access infrastructure or content at a reasonable price, this could potentially lead to higher customer churn and/or significant downward pressure on our prices.

How could it impact us?

Our own convergence strategy may be compromised if we are unable to obtain regulated or equivalent access to infrastructure and content, or acquire, rent or build the right assets, or if we are unable to effectively integrate those businesses we do acquire into our existing operations.

Changes from 2015

The risk has slightly increased as regulation is failing to deliver a level playing field across fixed and content markets leading to potential re-monopolisation by incumbent operators.

How do we manage it?

- We actively look for opportunities, in all markets, to provide services beyond mobile through organic investment, acquisition, partnerships, or joint ventures. In key European and some non-European markets we are already providing converged services
- Timely and coordinated intervention with regulatory and competition authorities to ensure that dominant infrastructure access and content providers cannot discriminate or restrict competition
- Integration plans ensure that cost synergies and revenue benefits are delivered and acquired businesses are successfully integrated through the alignment of policies, processes and systems

Adverse political measures

Movement from 2015: **Stable**

What is the risk?

Vodafone operates under licence in most markets. Increased financial pressures on governments may lead them to target foreign investors for further licence fees or to charge unreasonably high prices to obtain or renew spectrum.

Similarly we could be exposed to additional liabilities if we faced a new challenge from tax or competition authorities or if local or international tax laws were to change, for example as a result of the OECD's recommendations on base erosion and profit shifting or the proposed EU tax and financial reporting Directives.

How could it impact us?

If we are not licensed to operate, we cannot serve our customers. If the cost of operations were to significantly increase, directly or indirectly, this would impact Vodafone's profitability and returns to shareholders.

Additionally, disputes in regards to the level of tax payable and any related penalties could be significant, as reflected in our ongoing dispute in India.

Changes from 2015

There have been no significant changes over the last 12 months.

How do we manage it?

- We work with governments and regulators, nationally and internationally, to help shape any proposals that impact our business
- We maintain constructive but robust engagement with the tax authorities, relevant government representatives and non-governmental organisations as well as active engagement with a wide range of international companies and business organisations with similar issues
- Where appropriate, we engage advisers and legal counsel to obtain opinions on tax legislation and principles

EMF related health risks

Movement from 2015: **Stable**

What is the risk?

Concerns have been expressed that electromagnetic signals emitted by mobile telephone handsets and base stations may pose health risks. Authorities, including the World Health Organization ('WHO') agree there is no evidence that convinces experts that exposure to radio frequency fields from mobile devices and base stations operated within guideline limits has any adverse health effects. A change to this view could result in a range of impacts from a change to national legislation, to a major reduction in mobile phone usage or to major litigation.

How could it impact us?

This is an unlikely risk; however, it would have a major impact on services used by our customers in all our markets – particularly in countries that have a very low tolerance for environmental and health-related risks.

Changes from 2015

There have been no significant changes to this risk over the last 12 months.

How do we manage it?

- We have a global health and safety policy that includes standards for electromagnetic fields ('EMF') that are mandated in all our local markets. Compliance to this policy is monitored and overseen by the Risk and Compliance Committee
- We have a Group EMF Board that manages potential risks through cross sector initiatives and which oversees a coordinated global programme to respond to public concern, and develop appropriate advocacy related to possible precautionary legislation
- We monitor scientific developments and engage with relevant bodies to support the delivery and transparent communication of the scientific research agenda set by the WHO

Major enterprise contracts

Movement from 2015: **Stable**

What is the risk?

We have a number of high-value, ongoing contracts with corporate customers, including some government agencies and departments. Successful and profitable delivery of our major enterprise contracts is dependent on complex technologies deployed across multiple geographies, as well as relative stability in the requirements, strategies and businesses of our customers.

How could it impact us?

Failure to deliver these enterprise services may lead to a reduction in our expected revenue and could impact our credibility to deliver on large, complex deals. Delivery challenges for any national critical service would have a particularly adverse impact on our reputation.

Changes from 2015

We are facing new competitors for our Enterprise customers, specifically from major technology companies. Despite this, and the new business brought in over the last 12 months, the risk remains stable.

How do we manage it?

- Our Group Enterprise customer operations are now consolidated within one function, aligned to industry best practice which will deliver a standard service model to our customers
- We have implemented a single process across Group Enterprise that ensures alignment, visibility and control across the entire customer experience, from sales governance and commercial risk through to service delivery, billing and in-life operations. This is supported by global standardised "ways of working" frameworks
- We have an investment plan in implementation to digitise service operations, with investment having started in the 2016 financial year and to conclude in the 2018 financial year. This plan is aimed at lifting our Enterprise customer experience into a market leadership position

Unstable economic conditions

Movement from 2015: **Stable**

What is the risk?

As a multinational business, we operate in many countries and currencies, so changes to global economic conditions can impact us. This could be because another global crisis would result in reduced spending power for customers or because a relative strengthening or weakening of the major currencies in which we transact could impact our profitability. As a UK business, the UK leaving the European Union may impact us, and it could lead to wider concerns about the stability of the Eurozone.

How could it impact us?

The potential for another global financial crisis may lead to further economic instability and subsequent reductions in corporate and consumer confidence and spending. It could also have a prolonged impact on capital markets that may restrict our financing.

Changes from 2015

Eurozone stability has improved but low commodity prices, in part a consequence of reduced forecast growth in China, means the threat of another global financial crisis remains a significant risk factor, given the inability of central banks to reduce interest rates much further.

How do we manage it?

- We monitor closely economic and currency situations in both our AMAP and European markets
- We include contingencies in our business plans to cater for negative operational impacts that could arise from a variety of causes including the impact of lower economic growth than is generally expected
- We have credit facilities with 30 relationship banks that are committed for a minimum of five years and which total £5.8 billion. Such facilities could be used in the event of a prolonged disruption to the capital market
- Our exposure to any depreciation of sterling, for example from the UK leaving the EU, is limited by the fact that the vast majority of our income is denominated in other currencies

Market disruption

Movement from 2015: **Stable**

What is the risk?

We face increased competition from a variety of new technology providers, new market entrants and competitor consolidation.

How could it impact us?

There are two ways in which this risk could occur. First, advances in offerings of over the top ('OTT') services could reduce demand for our traditional voice and text services and impact revenue. Secondly, new entrants investing heavily or the consolidation of competitors could result in price wars in key markets. The threat from OTT competition is relevant for all markets where alternative services are commonly available and has the potential for major impact on service revenues. The risk of competitor disruption is higher in new and emerging markets.

Changes from 2015

This risk previously included supplier concentration. Improvements in how we manage key supplier groups and ensuring competitive tendering have reduced this risk.

How do we manage it?

- We have developed strategies which strengthen our relationships with customers through integrated voice, messaging and data price plans to avoid customers reducing their out of bundle usage through internet/Wi-Fi based substitution. The loss of voice and messaging revenue is partially offset by the increase in data revenue
- We monitor the competitor landscape in all markets, and react appropriately, working to make sure each market has a fair and competitive environment

Network/IT infrastructure failure

Movement from 2015: **Increased**

What is the risk?

If our network or IT systems fail, voice, video or data transmissions may be significantly interrupted. We need to ensure that our critical assets are protected and our systems are resilient, so that impact on our customers is minimised, particularly during our major IT transformation projects.

How could it impact us?

For the majority of network and IT infrastructure failures, the associated impacts would be confined to a single market. There are, however, some exceptions where data centres and critical network sites serve multiple markets.

There are a number of causes for failure such as major incidents caused by suppliers, natural disasters, deliberate attacks or a failure as a result of an internal project or transformation.

Failure to successfully implement key IT transformation projects would also increase the risk of IT systems being unable to support our strategic objectives.

Changes from 2015

During 2016 a number of major projects to improve key IT systems are taking place in some of our markets, which increases this risk, during the project implementation phase.

How do we manage it?

- Specific back-up and resilience policy requirements are built into our network and IT infrastructure
- We monitor our ability to replace strategic equipment promptly in the event of end-of-life failure, and for high risk components we maintain dedicated back-up equipment ready for use
- A blueprinted approach to geographic resilience, where the secondary IT location is expected to be in a different country, has been developed with external market specialists. This will be used for business applications which require this degree of location resilience
- Network and IT contingency plans are in place to cover the residual risks that cannot be mitigated
- A crisis management team and escalation processes are in place both nationally and internationally. Crisis simulations are conducted annually

Non-compliance with laws and regulation

Movement from 2015: **New**

What is the risk?

Vodafone must comply with a multitude of local and international laws as well as regulations. These encompass but are not limited to, licence requirements, customer registration, data privacy, anti-money laundering, competition law, anti-bribery and economic sanctions. Non-compliance with these requirements exposes Vodafone to financial and reputational risk.

How could it impact us?

Non-compliance with legislation or regulatory requirements could lead to reputational damage, financial penalties and/or suspension of our licence to operate.

Changes from 2015

Now included in our principal risks due to changes in laws and their enforcement.

How do we manage it?

- We have subject matter experts in legal and regulatory teams at a local and global level who manage risk across the Group
- Our Compliance team monitors all high risk policies and tracks remedial actions for non-compliance or partial compliance
- We train our employees in “Doing what’s right”, our training and awareness programme which defines and reinforces our ethical culture across the organisation

Customer Experience

Movement from 2015: **Reduced**

What is the risk?

If we fail to deliver a differentiated and superior experience to our customers in store, online and on the phone, this could diminish our brand and reputation, weakening our relationship with customers and reducing their loyalty to Vodafone.

How could it impact us?

This risk is relevant to all our markets in both our consumer and enterprise businesses. Differentiation based on a superior customer experience involves a number of areas, including those that directly deal with customers and others that look after our network and IT systems.

Changes from 2015

We have now completed one year of our Customer eXperience eXcellence programme. In the 2016 financial year we achieved improvements in our consumer Net Promoter Score ('NPS') position in 15 out of 20 of our Local Markets.

Vodafone is now ranked number one in 13 out of 21 markets. Nine out of 13 of these markets increased their gap over the closest competitor, supporting our ambition to become a clear customer experience leader. Most of the remaining markets significantly decreased the gap between Vodafone and the leader.

This marks Vodafone's best annual improvement on overall NPS to date.

How do we manage it?

- Customer experience has been prioritised as a key component of our strategy. Our customer experience programme has been implemented across the business to deliver a range of system capability improvements to support an enhanced customer experience
- We track and monitor our performance in delivering a superior customer experience through a range of KPIs; the most critical being our NPS and Brand Consideration metrics
- We communicate with our customers clearly and transparently particularly around tariffs and roaming costs
- We provide a leading customer experience through our My Vodafone app and online channels

Long-Term Viability Statement

In accordance with the revised UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a period significantly longer than 12 months from the approval of the financial statements. The Board has concluded that the most relevant time period for this assessment should be three years to align with the Group's normal business forecasting cycle and to reflect the pace of ongoing change in the telecoms industry.

The plans and projections prepared as part of this forecasting cycle include the Group's cash flows, committed and required funding and other key financial ratios. They were drawn up on the basis that debt refinance will be available in all plausible market conditions and that there will be no material changes to the business structure over the review period. As of 31 March 2016, the Group had sources of liquidity (primarily comprised of certain cash and cash equivalent balances) and available facilities, of £17.7 billion, which includes undrawn Revolving Credit Facilities expiring in 2020.

The Risk Management Framework on page 22 outlines the approach the Board has taken to identifying and managing risk. In making this statement, the Board carried out an assessment of the principal risks facing the Group, detailed on pages 23 to 28, including those that would threaten its business model, future performance, solvency or liquidity.

Against this background, the output of the long-range plan has been used to perform central debt profile and cash headroom analysis, including a review of sensitivity to "business as usual" risks to revenue and profit growth. In addition, severe but plausible scenarios in the event of each of the principal risks materialising individually and where multiple risks occur in parallel, were also tested. This combined scenario included the impact of a global economic downturn, with a major impact on consumer and enterprise sentiment causing material impact on financial performance, and a significant reduction in the Group's refinancing capability. This was considered together with a cyber-attack resulting in a major customer data breach in multiple markets leading to a broader reputational risk.

To assess viability, the headroom position under these scenarios has been calculated using the cash and facilities available to the Group. The assessment took into account the availability and likely effectiveness of the mitigating actions that could be taken to reduce the impact of the identified underlying risks. The headroom remained positive in all scenarios tested.

Having considered the principal risks that the Group may face, the Directors consider that this stress-testing based assessment of the Group's prospects is reasonable in the circumstances, taking into account the inherent uncertainty involved. Although this review has considered severe but plausible scenarios relevant to the Group, any such review cannot consider all risks which may occur, therefore an overall view of the total level of risk required to impede our viability was also considered. The cash and available facilities at year end, along with the mitigating actions available to reduce cash outgoings, provides a sufficient level of headroom.

Based on the results of their analysis, the Directors confirm that 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 three-year period ending 31 March 2019.

Our financial performance

This section presents our operating performance, providing commentary on how the revenue and the EBITDA performance of the Group and its operating segments have developed over the last year.

Group[1]

	Europe £m	AMAP £m	Other[2] £m	Eliminations £m	2016 £m	2015 £m	% change £	% change Organic
Revenue	26,718	13,208	1,160	(113)	40,973	42,227	(3.0)	2.3
Service revenue	24,461	11,843	968	(113)	37,159	38,497	(3.5)	1.5
Other revenue	2,257	1,365	192	–	3,814	3,730		
EBITDA	7,686	4,042	(116)	–	11,612	11,915	(2.5)	2.7
Adjusted operating profit	**1,409**	**1,813**	**(105)**	**–**	**3,117**	**3,507**	**(11.1)**	**(3.9)**
Adjustments for:								
Impairment loss					(450)	–		
Restructuring costs					(236)	(157)		
Amortisation of acquired customer bases and brand intangible assets					(979)	(1,269)		
Other income and expense					(75)	(114)		
Operating profit					**1,377**	**1,967**		
Non-operating income and expense					(2)	(19)		
Net financing costs					(1,824)	(853)		
Income tax (expense)/credit					(3,369)	4,765		
(Loss)/profit for the financial year from continuing operations					**(3,818)**	**5,860**		
Profit for the financial year from discontinued operations					**–**	**57**		
(Loss)/profit for the financial year					**(3,818)**	**5,917**		

Notes:
1 2016 results reflect average foreign exchange rates of £1:€1.37, £1:INR 98.61 and £1:ZAR 20.72.
2 The "Other" segment primarily represent the results of the partner markets and the net result of unallocated central Group costs.

Revenue

Group revenue decreased 3.0% to £41.0 billion and service revenue decreased by 3.5% to £37.2 billion. Reported growth includes the full year impact from the acquisitions of Hellas Online ('HOL') and Cobra Automotive ('Cobra') in the prior year. In Europe, organic service revenue declined 0.6%* reflecting continued competitive pressures in a number of markets, with improving trends throughout the year. In AMAP, organic service revenue increased by 6.9%* continuing its sustained track record of strong organic growth.

EBITDA

Group EBITDA declined 2.5% to £11.6 billion, with organic growth in Europe and AMAP and the acquisitions of HOL and Cobra being more than offset by foreign exchange movements. On an organic basis, EBITDA rose 2.7%* and the Group's EBITDA margin stabilised at 28.3%.

Operating profit

Adjusted operating profit excludes certain income and expenses that we have identified separately to allow their effect on the results of the Group to be assessed (see page 190). The items that are included in operating profit but are excluded from adjusted operating profit are discussed below.

An impairment loss of £450 million was recognised in the current financial year (2015: £nil). Further detail is provided in note 4 to the Group's consolidated financial statements. Restructuring costs of £236 million (2015: £157 million) have been incurred to improve future business performance and reduce costs.

Amortisation of intangible assets in relation to customer bases and brands are recognised under accounting rules after we acquire businesses and decreased to £979 million (2015: £1,269 million) due to the acquisition of Ono.

Including the above items, operating profit decreased by £0.6 billion to £1.4 billion as the £0.45 billion impairment charge, £0.3 billion reduction in EBITDA and £0.1 billion increase in restructuring costs were partly offset by £0.1 billion of lower depreciation and amortisation charges and £0.1 billion higher contribution from associates and joint ventures.

Net financing costs

	2016 £m	2015 £m
Investment income	300	883
Financing costs	(2,124)	(1.736)
Net financing costs	**(1,824)**	**(853)**
Analysed as:		
Net financing costs before interest on settlement of tax issues	(1,107)	(1,160)
Interest (expense)/credit arising on settlement of outstanding tax issues	(15)	4
	(1,122)	**(1,156)**
Mark-to-market losses	(247)	(134)
Foreign exchange[1]	(455)	437
	(1,824)	**(853)**

Note:
1 Comprises foreign exchange rate differences in relation to certain intercompany balances.

Net financing costs, excluding mark-to-market losses and foreign exchange differences in relation to certain intercompany balances, decreased by 3% primarily due to the impact of foreign exchange losses on financing costs.

Taxation

	2016 £m	2015 £m
Income tax		
Continuing operations before deferred tax on revaluation of investments in Luxembourg	(162)	(703)
Deferred tax on revaluation of investments in Luxembourg	(3,207)	5,468
Total income tax (expense)/credit – continuing operations	**(3,369)**	**4,765**
Tax on adjustments to derive adjusted profit before tax	(436)	(305)
Recognition of deferred tax asset for losses in Luxembourg	–	(3,341)
Deferred tax following revaluation of investments in Luxembourg	3,207	(2,127)
Deferred tax on use of Luxembourg losses	423	439
Adjusted income tax expense	**(175)**	**(569)**
Share of associates' and joint ventures' tax	(104)	(117)
Adjusted income tax expense for calculating adjusted tax rate	**(279)**	**(686)**
(Loss)/profit before tax	**(449)**	**1,095**
Adjustments to derive adjusted profit before tax (see earnings per share)	2,191	1,122
Adjusted profit before tax	**1,742**	**2,217**
Share of associates' and joint ventures' tax and non-controlling interest	104	117
Adjusted profit before tax for calculating adjusted effective tax rate	**1,846**	**2,334**
Adjusted effective tax rate	**15.1%**	**29.4%**

The Group's underlying tax rate for the year ended 31 March 2016 was 28.8%. Certain non-recurring items had a significant effect on the adjusted effective tax rate in the year, which was 15.1%. These include a benefit of 18.4% following the restructuring and simplification of our Indian business, partially offset by a tax cost of 4.6% due to the reduction in the UK corporation tax rate (which resulted in a decrease in the value of our UK capital allowances).

The Group's adjusted effective tax rate is expected to be in the mid-twenties over the medium term reflecting the ongoing impact from the re-organisation of our Indian business.

The Group's adjusted effective tax rate for both years does not include the use of Luxembourg losses in the year of £423 million (2015: £439 million) and a reduction in the deferred tax asset in the period of £3,207 million (2015: recognition of an additional asset of £2,127 million) arising from the tax treatment of the revaluation of investments based upon the local GAAP financial statements. These items reduce the amount of losses we have available for future use against our profits in Luxembourg and do not affect the amount of tax we pay in other countries.

Additionally, the adjusted effective tax rate in the year ended 31 March 2015 did not include the impact of the recognition of an additional £3,341 million deferred tax asset in respect of the Group's historic tax losses in Luxembourg. The losses were recognised as a consequence of the acquisition of Ono.

Earnings per share

Adjusted earnings per share, which excludes the reduction in the tax losses in Luxembourg following the revaluation of investments in the local statutory accounts in the current period and the recognition of deferred tax assets in respect of tax losses in Luxembourg in the prior year, was 5.04 pence, a decrease of 9.2% year-on-year, reflecting the Group's lower adjusted operating profit for the year.

Basic earnings per share was a loss of 15.08 pence primarily due to the reduction in deferred tax on losses, as described above, which has been excluded from adjusted earnings per share.

	2016 £m	2015 £m
(Loss)/profit attributable to owners of the parent	**(4,024)**	**5,761**
Adjustments:		
Impairment loss	450	–
Amortisation of acquired customer base and brand intangible assets	979	1,269
Restructuring costs	236	157
Other income and expense	75	114
Non-operating income and expense	2	19
Investment income and financing costs	449	(437)
	2,191	**1,122**
Taxation	3,194	(5,334)
Discontinued operations	–	(57)
Non-controlling interests	(17)	(21)
Adjusted profit attributable to owners of the parent	**1,344**	**1,471**

Europe[1]

	Germany £m	Italy £m	UK £m	Spain £m	Other Europe £m	Eliminations £m	Europe £m	Restated 2015 £m	% change £	% change Organic
Year ended 31 March 2016										
Revenue	7,787	4,405	6,173	3,633	4,835	(115)	26,718	27,687	(3.5)	0.4
Service revenue	7,197	3,758	5,849	3,274	4,494	(111)	24,461	25,588	(4.4)	(0.6)
Other revenue	590	647	324	359	341	(4)	2,257	2,099		
EBITDA	2,537	1,478	1,289	915	1,467	–	7,686	7,894	(2.6)	1.7
Adjusted operating profit	378	590	(69)	53	457	–	1,409	1,733	(18.7)	(12.9)
EBITDA margin	32.6%	33.6%	20.9%	25.2%	30.3%		28.8%	28.5%		

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 service revenue within Common Functions rather than within the service revenue amount disclosed for each country and region. The service revenue amounts presented for the year ended 31 March 2015 have been restated onto a comparable basis together with all disclosed organic service revenue growth rates. There is no impact on total Group service revenue or costs.

Revenue decreased 3.5% for the year. M&A activity, including HOL and Cobra, contributed a 1.3 percentage point positive impact, while foreign exchange movements contributed a 5.2 percentage point negative impact. On an organic basis, service revenue decreased by 0.6%*, reflecting continued competitive pressures in a number of markets.

EBITDA decreased 2.6%, including a 1.2 percentage point positive impact from M&A activity and a 5.5 percentage point negative impact from foreign exchange movements. On an organic basis EBITDA increased 1.7%* driven by good cost control in a number of our markets, as well as the benefits of acquisition integrations.

	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue – Europe	**0.4**	**1.3**	**(5.2)**	**(3.5)**
Service revenue				
Germany	(0.4)	–	(6.7)	(7.1)
Italy	(0.8)	–	(6.7)	(7.5)
UK	(0.3)	(0.4)	(0.1)	(0.8)
Spain	(3.5)	8.7	(6.6)	(1.4)
Other Europe	1.5	1.9	(6.8)	(3.4)
Europe	**(0.6)**	**1.3**	**(5.1)**	**(4.4)**
EBITDA				
Germany	2.1	–	(6.7)	(4.6)
Italy	3.1	–	(6.8)	(3.7)
UK	1.2	(5.4)	–	(4.2)
Spain	4.2	19.6	(6.8)	17.0
Other Europe	(1.5)	1.3	(6.5)	(6.7)
Europe	**1.7**	**1.2**	**(5.5)**	**(2.6)**
Europe adjusted operating profit	**(12.9)**	**(0.2)**	**(5.6)**	**(18.7)**

Note:
1 "Other activity" includes the impact of M&A activity. Refer to "Organic growth" on page 191 for further detail.

Germany

Service revenue declined 0.4%* for the year, but returned to growth in Q4 (Q3: -0.4%*; Q4: 1.6%*) led by improvements in consumer mobile and fixed trends and aided by an accounting reclassification in fixed line.

Mobile service revenue declined 1.6%*. Consumer contract revenue stabilised in the year, supported by consistent growth in contract net adds (+594,000 for the year). This performance has been driven by an increased focus on direct channels and our 'Otelo' second brand; during Q4, higher competition in indirect channels weighed on our contract net additions. The Enterprise market became increasingly competitive during the year, leading to a deteriorating revenue trend as falling ARPU more than offset good contract wins. We have made further strong progress on network investment, with 87% 4G coverage and dropped call rates declining 25% year-on-year to an all-time low of 0.44%. In November, the independent "Connect" test confirmed the premium quality of our voice network in Germany and a strong second and most improved data position.

Fixed service revenue growth was 1.5%*, with continued strong growth in cable and a slowing decline in DSL-related revenue. Cable net adds growth continued to be strong throughout the year, supplemented by ongoing migrations from the DSL base; in the second half of the year DSL net adds also turned positive, with growing customer demand for VDSL. Broadband ARPU was down year-on-year in a promotional market, with improvements in cable offset by DSL declines, although the pace of decline began to moderate during H2. The integration of KDG has been completed; we expect cost synergies to meet the initial targets set out at the time of acquisition, and now expect further upside potential longer-term. In November, we launched Vodafone Red One, our fully integrated fixed, mobile and TV service combining high speed mobile and fixed; as of 31 March 2016 we had 54,000 customers.

EBITDA grew 2.1%*, with EBITDA margin improving by 0.8* percentage points. The impact of lower revenues and increased Project Spring network opex was more than offset by opex efficiencies (including KDG synergies), savings in commercial costs (aided by our increased focus on direct channels) and a change in commission processes.

Italy

Service revenue declined 0.8%* for the year, but returned to growth in Q4 (Q3: -0.3%*; Q4: 1.3%*), aided by the leap-year benefit. The mobile business is on a steady recovery path, while fixed line performance continues to be positive despite increased competition in recent months.

Mobile service revenue declined 1.1%*, as a recovery in ARPU supported by prepaid price increases only partially offset the year-on-year decline in the customer base. Mobile number portability in the market has reduced in recent quarters and the customer base decline stabilised during the year, aided by market-leading NPS scores in mobile following our Project Spring investments. Consumer trends improved faster than Enterprise, where competitive intensity has increased in H2. As of 31 March 2016 we have 95% population coverage on our 4G network and 6.5 million 4G customers (September 2015: 4.0 million).

Fixed service revenue was up 1.2%*, driven by sustained commercial momentum. We added 168,000 broadband customers during the year, a strong performance, and in Q4 50% of our gross adds have taken a fibre-based service. Of our base of 2.0 million broadband customers, 297,000 are fibre customers. We have now built out our own fibre network to over 16,000 cabinets, enabling us to reach 3.6 million households. Our high speed broadband rollout in Italy will be enhanced by our commercial agreement with Enel, which plans to roll out Fibre-To-The-Home (FTTH) to 224 cities nationwide, providing access on competitive commercial terms. In these areas Enel will be our exclusive fibre partner going forward.

EBITDA was up 3.1%*, as we successfully offset the decline in service revenue with savings in commercial costs and operating expenses. The EBITDA margin was stable year-on-year due principally to higher handset revenues.

UK

Service revenue declined 0.3%* for the year (Q3: -0.7%*; Q4: -0.1%*), with improving trends in fixed line offset by a slowdown in mobile, reflecting operational challenges following a billing system migration. Q4 growth benefited from strong carrier services activity; excluding this, underlying trends were stable. The organic growth rate for the year excludes one-off settlements with other network operators in Q2.

Mobile service revenue declined 0.7%*. Contract customer growth slowed in Q4, impacted partly by higher churn in relation to the billing system migration. Revenue trends were also impacted by the pricing and usage of 08XX numbers following the introduction of Non-Geographic Call Services regulation, and a focus on giving customers more control of their out-of-bundle data spend. As a result, in-bundle revenue and demand for data add-ons continued to grow. Enterprise mobile trends remained relatively stable despite increased competition. National 4G coverage reached 91% (based on the OFCOM definition), and 99.5% in London; based on our estimations, 4G coverage was 84%, and despite some delays the pace of 4G coverage expansion in conjunction with our network sharing partner is now accelerating. We achieved significant growth in 4G customers, with 7.0 million at the period end (September 2015: 5.3 million).

Fixed service revenue grew 1.1%*. Excluding carrier services, fixed service revenue grew 2.4%* in the second half of the year including an improving performance in Enterprise. After regional trials during the summer, we began to offer our consumer broadband service to 24 million premises across the UK (98% of BT's fibre footprint) in October, securing 38,000 customers by 31 March 2016. Our new TV service is in field trials with plans to launch later in the current calendar year.

EBITDA grew 1.2%*, with a 0.2* percentage point increase in the EBITDA margin driven by continued operational efficiencies. Reported EBITDA benefited from one-off settlements with other network operators in the first half of the year.

Spain

Service revenue declined 3.5%* (Q3: -3.1%*; Q4: -3.2%*), with mobile revenue recovering steadily despite the negative effect of handset financing, and continued positive momentum in fixed. Excluding handset financing effects, service revenues declined by 0.3%* in the year.

Mobile service revenue fell 8.0%*. The contract customer base continued to grow in a more stable market, despite increased promotional activity around the start of the new football season. We are seeing signs that ARPU is beginning to stabilise, aided by our market-leading NPS scores in mobile and our 'more-for-more' pricing strategy, in which customers receive higher data allowances and additional features (e.g. free European roaming) together with an increase in the monthly tariff. Our 4G population coverage reached 91% at 31 March 2016 and we have 5.4 million 4G customers.

Fixed service revenue rose 7.8%*, supported by consistent growth in broadband net additions. The integration of Ono has proceeded successfully and we have already achieved 100% of the original €240 million of cost and capex synergies targeted. We now expect to be able to deliver €300 million of annualised run-rate savings over the original timeframe. In part this reflects the very successful launch in May of Vodafone One, our fully integrated cable, mobile and TV service, which has already reached 1.5 million customers. Including our joint fibre network build with Orange, we now reach 8.5 million premises with cable or fibre. Our recent agreement with Mediapro together with the wholesale obligations imposed on the incumbent provide us with access to a full range of premium TV channels for the coming years, albeit at an increased cost.

EBITDA increased 4.2%* year-on-year with a 1.3* percentage point increase in the EBITDA margin, as strong cost control, the benefit to margin from handset financing and the cost synergies from the Ono acquisition more than offset rising TV costs.

Other Europe

Service revenue rose 1.5%* (Q3: 1.6%*; Q4: 2.1%*), with all markets except Greece achieving growth during the year. In Q4, Romania (7.7%*), Portugal (3.5%*) and the Czech Republic enjoyed an improvement in top-line growth.

In the Netherlands, service revenue increased 0.3%*, with growth moving into decline during H2 (Q3: 0.2%*; Q4: -1.3%*) as continued gains in fixed line (partly aided by a Q4 accounting reclassification) were offset by a decline in mobile contract ARPU. In Portugal, fixed service revenue continues to grow strongly and mobile is recovering as ARPU and churn pressure from the shift towards convergent pricing begins to moderate. Our FTTH network now reaches 2.4 million homes. Ireland returned to service revenue growth in Q2, with strong momentum in fixed line and an improving trend in mobile. The initial 4G roll-out is complete with 95% population coverage. In Greece macroeconomic conditions remained a drag, however good cost control led to improved margins. The integration of HOL is progressing according to plan.

EBITDA declined 1.5%*, with a 1.0* percentage point decline in EBITDA margin, mainly driven by lower margins in Portugal and Romania.

Africa, Middle East and Asia Pacific[1]

	India £m	Vodacom £m	Other AMAP £m	Eliminations £m	AMAP £m	Restated 2015 £m	% change £	% change Organic
Year ended 31 March 2016								
Revenue	4,516	3,887	4,814	(9)	13,208	13,382	(1.3)	7.0
Service revenue	4,497	3,233	4,122	(9)	11,843	11,935	(0.8)	6.9
Other revenue	19	654	692	–	1,365	1,447		
EBITDA	1,331	1,484	1,227	–	4,042	4,086	(1.1)	7.2
Adjusted operating profit	469	992	352	–	1,813	1,802	0.6	11.7
EBITDA margin	29.5%	38.2%	25.5%		30.6%	30.5%		

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 service revenue within Common Functions rather than within the service revenue amount disclosed for each country and region. The service revenue amounts presented for the year ended 31 March 2015 have been restated onto a comparable basis together with all disclosed organic service revenue growth rates. There is no impact on total Group service revenues or costs.

Revenue decreased 1.3%, with strong organic growth offset by a 7.7 percentage point adverse impact from foreign exchange movements, particularly with regards to the South African rand, Turkish lira and Egyptian pound. On an organic basis, service revenue was up 6.9%* driven by growth in the customer base, increased voice and data usage, and continued good commercial execution. Overall growth was negatively impacted by MTR cuts and other regulatory charges, mainly in India.

EBITDA decreased 1.1%, including a 7.9 percentage point adverse impact from foreign exchange movements. On an organic basis, EBITDA grew 7.2%*, driven by growth in all major markets.

	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue – AMAP	**7.0**	**(0.6)**	**(7.7)**	**(1.3)**
Service revenue				
India	5.0	–	(0.2)	4.8
Vodacom	5.4	–	(12.7)	(7.3)
Other AMAP	10.1	(1.9)	(9.3)	(1.1)
AMAP	**6.9**	**(0.7)**	**(7.0)**	**(0.8)**
EBITDA				
India	4.1	–	(0.3)	3.8
Vodacom	12.7	–	(15.5)	(2.8)
Other AMAP	4.5	(1.3)	(7.1)	(3.9)
AMAP	**7.2**	**(0.4)**	**(7.9)**	**(1.1)**
AMAP adjusted operating profit	**11.7**	**(1.1)**	**(10.0)**	**0.6**

Note:
1 "Other activity" includes the impact of M&A activity. Refer to "Organic growth" on page 191 for further detail.

India

Service revenue increased 5.0%* (Q3: 2.3%*; Q4: 5.3%*) as customer base growth and strong demand for 3G data was partially offset by a number of regulatory changes, including MTR cuts, roaming price caps and an increase in service tax. Excluding these impacts, service revenue growth was 10.0%*. Q4 growth recovered versus Q3 as voice price competition moderated during the quarter and regulatory impacts began to reduce in March.

We added 14.1 million customers during the year, taking the total to 197.9 million. Growth in total minutes of use continued, but this was offset by a decline in average revenue per minute as a result of ongoing competition on voice business.

Data growth continues to be very strong, with data usage over the network up 64% year-on-year, and the active data customer base increasing by 3.8 million to 67.5 million. The 3G customer base grew to 27.4 million, up 41.4% year-on-year, and smartphone penetration in our four biggest urban areas is now 52.8%. In Q4, browsing revenue represented 19.2% of local service revenue, up from 14.9% in the equivalent quarter last year.

Since the launch of Project Spring we have added over 37,700 new 3G sites, taking the total to 55,500 and our population coverage to 95% of target urban areas. We have launched 4G in five key circles and plan to expand to cover over 60% of our data revenues in the coming year, ahead of the upcoming spectrum auction.

Our M-Pesa business continues to expand, with 1.3 million active customers at March 2016, and approximately 120,000 agents. In August, the Reserve Bank of India granted us 'in principle' approval to set up a payments bank.

EBITDA grew 4.1%*, with a 0.2* percentage point deterioration in EBITDA margin as the benefits of service revenue growth were offset by the ongoing increase in operating costs related to Project Spring, higher acquisition costs and the translation effects of non-rupee operating costs.

Market conditions remain competitive and may be further impacted by the forthcoming spectrum auctions and a new entrant. Preparations continue for a potential IPO of Vodafone India.

Vodacom

Vodacom Group service revenue increased 5.4%* (Q3: 7.2%*; Q4: 6.3%*), supported by strong momentum in both South Africa and the International operations.

In South Africa, organic service revenue grew 4.7%* (Q3: 7.2%*; Q4: 6.5%*), with the consumer and enterprise businesses both performing well. We continued to focus on building brand and network differentiation, with our performance driven by strong demand for data. We further enhanced our leading network position, more than doubling our LTE/4G sites to over 6,000, taking coverage to 58.2% on LTE/4G and 98.9% on 3G. Data revenue growth remained strong at 18.8*% in Q4 and data is now 36.3% of local service revenue. Our pricing transformation strategy is making good progress, with 85% of contract customers now on integrated price plans and churn falling to our lowest levels at 6.9% in Q4. Total bundle sales reached 1.1 billion, supported by our 'Just 4 U' personalised offers.

Service revenue growth in Vodacom's International operations outside South Africa was 10.0%*, driven by increased voice revenue as a result of pricing strategies and bundle offerings, data take-up and M-Pesa. Active data customers reached 10.1 million, 37% of total customers, and active M-Pesa customers totalled 6.8 million in Q4, all benefiting from sustained network investment.

Vodacom Group EBITDA increased 12.7%*, significantly faster than revenues, with a 3.6* percentage point improvement in EBITDA margin. This strong performance partly reflected a change in accounting for certain transactions in the indirect channel, which depressed equipment sales and total revenues with no impact on EBITDA. Excluding this effect, EBITDA margins rose driven by operating leverage, tight cost control and a tailwind from foreign exchange gains.

Other AMAP

Service revenue increased 10.1%* (Q3: 10.8%*; Q4: 12.1%*), with strong growth in Turkey, Egypt and Ghana partially offset by a decline in Qatar.

Service revenue in Turkey was up 19.7%*, reflecting continued strong growth in consumer contract and Enterprise revenue, and we launched 4G services in April 2016. Fixed line momentum was strong, almost quadrupling the fixed broadband customer base to 363,000 at the end of the period. In Egypt, service revenue was up 8.9%* driven by continued strong growth in data. New Zealand returned to modest growth, with solid mobile contract customer trends and improving fixed line ARPU.

EBITDA grew 4.5%*, with a 2.1* percentage point contraction in EBITDA margin. A strong revenue performance and improved margins in Turkey were partly offset by higher costs for imported goods post foreign exchange rate devaluations across the region.

Associates and joint ventures

Indus Towers, the Indian towers company in which Vodafone has a 42% interest, achieved local currency revenue growth of 5.8%. Indus Towers owned 119,881 towers as at 31 March 2016, with a tenancy ratio of 2.25. Our share of Indus Towers EBITDA was £305 million and its contribution to the Group's adjusted operating profit was £74 million.

Safaricom, Vodafone's 40% associate which is the leading mobile operator in Kenya, saw local currency service revenue growth of 13.8% for the year, with local currency EBITDA up 16.8%, driven by an increase in the customer base leading to growth across all revenue streams, predominantly mobile data and M-Pesa. 4G coverage is now in 20 out of 47 counties.

Vodafone Hutchison Australia ('VHA'), in which Vodafone owns a 50% stake, is performing solidly in an intensely competitive environment, with service revenues (excluding MTR impact) returning to growth after five years in decline. EBITDA growth was driven by an increase in revenue and improved cost management.

Notes:
References to "Q4" are to the quarter ended 31 March 2016 unless otherwise stated.
References to "Q3" are to the quarter ended 31 December 2015 unless otherwise stated.
References to the "second half of the year" or "H2" are to the six months ended 31 March 2016 unless otherwise stated. References to the "year" or "financial year" are to the financial year ended 31 March 2016 and references to the "prior financial year" are to the financial year ended 31 March 2015 unless otherwise stated.
All amounts marked with an "*" represent "organic growth", which presents performance on a comparable basis, both in terms of merger and acquisition activity as well as in terms of movements in foreign exchange rates. See page 191 "Non-GAAP information" for further details.

Financial position and resources

Consolidated statement of financial position

The consolidated statement of financial position is set out on page 88. Details on the major movements of both our assets and liabilities in the year are set out below:

Assets

Goodwill and other intangible assets

Goodwill and other intangible assets increased by £3.3 billion to £46.8 billion. The increase primarily arose as a result of £7.3 billion of additions, including £5.4 billion for spectrum purchased in India, Germany, Turkey, Spain, Italy and the UK, plus £2.3 billion of favourable movements in foreign exchange rates which were partly offset by £4.3 billion of amortisation, £1.7 billion transferred to assets held for resale and £0.5 billion of goodwill impairment.

Property, plant and equipment

Property, plant and equipment increased by £1.5 billion to £28.1 billion, principally due to £6.7 billion of additions driven by investment in the Group's networks as a result of Project Spring plus £1.0 billion of favourable foreign exchange movements, partly offset by £5.2 billion of depreciation charges and £0.9 billion transferred to assets held for resale.

Other non-current assets

Other non-current assets decreased by £2.0 billion to £30.7 billion, mainly due to decrease in deferred tax assets primarily due to the reduction of tax losses in Luxembourg (see note 6 for further details).

Current assets

Current assets increased by £8.3 billion to £28.1 billion, mainly due to a £3.3 billion increase in cash and cash equivalents, £2.9 billion of assets held for resale and a £1.1 billion increase in trade receivables.

Total equity and liabilities

Total equity

Total equity decreased by £0.4 billion to £67.3 billion as the £2.8 billion of proceeds from the convertible bonds was offset by £3.2 billion of dividends paid to equity shareholders and non-controlling interests and the total comprehensive loss for the year of £0.1 billion.

Non-current liabilities

Non-current liabilities increased by £7.1 billion to £33.0 billion, primarily due to a £6.9 billion increase in long-term borrowings.

Current liabilities

Current liabilities decreased by £4.5 billion to £33.4 billion, mainly due to £3.4 billion of additional short-term borrowings and a £0.8 billion increase in trade and other payables. Trade payables at 31 March 2016 were equivalent to 45 days (2015: 43 days) outstanding, calculated by reference to the amount owed to suppliers as a proportion of the amounts invoiced by suppliers during the year. It is our policy to agree terms of transactions, including payment terms, with suppliers and it is our normal practice that payment is made accordingly.

Contractual obligations and commitments

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

	Payments due by period £m				
Contractual obligations and commitments[1]	Total	< 1 year	1–3 years	3–5 years	>5 years
Borrowings[2]	53,816	16,188	9,999	7,215	20,414
Operating lease commitments[3]	7,862	1,527	2,084	1,429	2,822
Capital commitments[3,4]	2,051	1,839	178	32	2
Purchase commitments[5]	6,952	3,857	2,697	274	124
Total	**70,681**	**23,411**	**14,958**	**8,950**	**23,362**

Notes:
1 This table includes commitments in respect of options over interests in Group businesses held by non-controlling shareholders (see "Potential cash outflows from option agreements and similar arrangements" on page 133) and obligations to pay dividends to non-controlling shareholders (see "Dividends from associates and to non-controlling shareholders" on page 133). The table excludes current and deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 6 "Taxation" and 26 "Post employment benefits" respectively. The table also excludes the contractual obligations of associates and joint ventures.
2 See note 21 "Borrowings".
3 See note 29 "Commitments".
4 Primarily related to spectrum and network infrastructure.
5 Primarily related to device purchase obligations.

Dividends

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

The £3.0 billion equity dividend in the current year comprises £2.0 billion in relation to the final dividend for the year ended 31 March 2015 and £1.0 billion for the interim dividend for the year ended 31 March 2016.

The interim dividend of 3.68 pence per share announced by the Directors in November 2015 represented a 2.2% increase over last year's interim dividend. The Directors are proposing a final dividend of 7.77 pence per share. Total dividends for the year increased by 2.0% to 11.45 pence per share.

Liquidity and capital resources

Our liquidity and working capital may be affected by a material decrease in cash flow due to a number of factors as outlined in "Principal risk factors and uncertainties" on pages 22 to 28. We do not use non-consolidated special purpose entities as a source of liquidity or for other financing purposes.

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

Cash flows

A reconciliation of cash generated by operations to free cash flow, a non-GAAP measure used by management is shown on pages 190 and 191. The reconciliation to net debt is shown below.

	2016 £m	2015 £m
EBITDA	11,612	11,915
Working capital	(386)	(121)
Capital expenditure	(8,599)	(9,197)
Disposal of property, plant and equipment	140	178
Other	117	88
Operating free cash flow[1]	**2,884**	**2,863**
Taxation	(689)	(758)
Dividends received from associates and investments	67	224
Dividends paid to non-controlling shareholders in subsidiaries	(223)	(247)
Interest received and paid	(1,026)	(994)
Free cash flow[1]	**1,013**	**1,088**
Licence and spectrum payments	(2,944)	(443)
Acquisitions and disposals	(96)	(7,040)
Equity dividends paid	(2,998)	(2,927)
Foreign exchange	(1,968)	895
Convertible issue	2,754	–
Other[2]	(2,665)	(144)
Net debt increase	**(6,904)**	**(8,571)**
Opening net debt	(22,271)	(13,700)
Closing net debt[3]	**(29,175)**	**(22,271)**

Notes:
1. Operating free cash flow for the year ended 31 March 2016 excludes £186 million (2015: £336 million) of restructuring costs, £nil (2015: £365 million) UK pensions contribution payment and £nil (2015: £116 million) of KDG incentive scheme payments that vested upon acquisition.
2. Other cash flows for the year ended 31 March 2016 include £2,020 million (2015: £nil) of debt recognised in respect of spectrum in India and Germany, £186 million (2015: £336 million) of restructuring costs, £nil (2015: £365 million) UK pensions contribution payment, £nil (2015: £359 million) of Verizon Wireless tax dividends received after the completion of the disposal, £nil (2015: £328 million) of interest paid on the settlement of the Piramal option, £nil (2015: £116 million) of KDG incentive scheme payments that vested upon acquisition, £nil (2015: £176 million) tax refund relating to the rationalisation and reorganisation of our non-US assets prior to the disposal of our stake in Verizon Wireless and a £50 million (2015: £100 million) payment in respect of the Group's historic UK tax settlement.
3. Includes cash and cash equivalents of £14 million (2015: £nil) in respect of assets held for sale.

Cash generated by operations

Excluding restructuring and other costs, cash generated by operations increased 2.6% to £11.4 billion as lower EBITDA was offset by working capital movements.

Capital expenditure

Capital expenditure decreased £0.6 billion to £8.6 billion primarily driven by the completion of the Project Spring investment programme.

Free cash flow

Free cash flow was £1.0 billion, a decrease of £0.1 billion from the prior year, as higher cash generated by operations excluding restructuring and other costs and working capital movements in respect of capital expenditure were offset by lower capital expenditure and lower dividends received from Indus Towers.

Licence and spectrum payments

Payments for licences and spectrum include amounts relating to the purchase of spectrum in Germany of £1.4 billion, £0.6 billion in India, £0.6 billion in Turkey, £0.2 billion in Italy and £0.1 billion in the UK.

Acquisitions and disposals

Payments for acquisitions and disposals for the year ended 31 March 2015 primarily included £2,945 million in relation to the acquisition of the entire share capital of Ono plus £2,858 million of associated net debt acquired and £563 million in relation to the acquisition of the remaining 10.97% equity interest in Vodafone India.

Convertible issue and foreign exchange

A foreign exchange loss of £2.0 billion was recognised on net debt as losses on the euro and rupee offset favourable foreign exchange movements on the South African rand.

This was offset by £2.8 billion of proceeds from the issue of £2.9 billion of mandatory convertible bonds in February 2016, £2.8 billion of which have been classified as equity after taking into account the cost of future coupon payments.

The Group also holds $5.0 billion (2015: $5.25 billion) of Verizon loan notes, and has the potential to utilise the proceeds from these notes to repurchase the shares issued to satisfy the mandatory convertible bonds.

This year's report contains the strategic report on pages 1 to 37, which includes an analysis of our performance and position, a review of the business during the year, and outlines the principal risks and uncertainties we face. The strategic report was approved by the Board and signed on its behalf by the Chief Executive and Chief Financial Officer.

Vittorio Colao
Chief Executive

Nick Read
Chief Financial Officer

17 May 2016

Creating long-term value

A commitment to act with integrity at all times is integral to the creation of shareholder value. We fully complied with the 2014 UK Corporate Governance Code during the year.

What were the Board's main priorities during the year?

The Board's role is to define the long-term strategic objectives for the Group and then evaluate progress against those objectives while ensuring there is a strong and effective system of corporate governance in place at all levels. 2016 was another important transitional year for Vodafone: as I explain in my introduction on page 3, our expansion across 4G, cable and fibre networks and TV and content services is transforming our businesses. A key priority during the year was to ensure that the significant investments involved were allocated in a manner most likely to maximise returns to shareholders over time as well as enhance our customers' experience. We also continued to focus on measures to mitigate the wide range of operating and commercial risks that are inherent to our industry and which are summarised on pages 22 to 28.

How would you describe the decision making culture of the Board?

Highly collaborative and collegiate with a strong emphasis on open and honest debate involving all of the Directors. As Chairman, I strive to ensure that Vodafone has a Board that works effectively and where all can contribute freely. We are fortunate to be able to draw on a diverse range of professional skills and backgrounds around the boardroom table and I encourage each Director to share their intuitions to enrich the Board's collective understanding.

We seek to ensure that every Director has the facts and background context necessary to reach informed conclusions on the matters before the Board. We provide an insight into our induction process for new Directors on page 45. All Directors have access to training and specialist briefing opportunities to ensure they remain fully aware of major developments in this highly complex and dynamic industry.

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We comply with the corporate governance statement requirements pursuant to the FCA's Disclosure and Transparency Rules by virtue of the information included in this "Governance" section of the Annual Report together with information contained in the "Shareholder information" section on pages 175 to 181.

What do the Non-Executive Directors bring to the Board?

It is essential to ensure that the composition of the Board reflects the strategic priorities of the Group and provides a variety of informed insights to determine the appropriate approach to the management of risk. Each of the Directors brings a particular perspective to every discussion, shaped by their backgrounds in a number of industries and roles over many years, which underpins the Board's commitment as a whole to rigorous scrutiny and analysis of the Group's key issues and opportunities. We provide a summary of each Director's experience on pages 40 and 41.

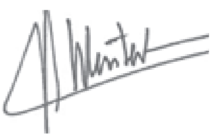
During the year, we were pleased to welcome David Nish to the Board. David is a highly experienced business leader with extensive financial expertise and capital markets skills.

Enhancing diversity in the boardroom, the executive team and at all levels in Vodafone is also a priority. This includes diversity of skills and experience, age, gender, disability, sexual orientation, cultural background and belief.

I am pleased to report that 25% of our Board roles are held by women. Our ambition over the coming years is to increase that proportion further. Details of our commitment to increase the number of women in executive roles (and to empower our female customers) are set out in our 2016 Sustainable Business Report.

What are the Board's key objectives for the coming year?

In March 2016 we concluded the largest organic investment programme in Vodafone's history. Project Spring was designed to bring about a material enhancement to the quality of the networks and services relied on by 462 million mobile customers and 13 million fixed broadband customers and as we explain on pages 10 and 14, that goal has largely been achieved. The priority for the year ahead will be to ensure that the Group's momentum post-Project Spring translates into stronger financial performance as well as a much better experience for our customers. Our return to growth after more than six years of significant macroeconomic pressure in Europe is very welcome. We intend to sustain that positive trend although, it should be noted, we continue to face a number of challenges in some markets. We will also maintain our focus on the effective management of risk and on compliance with the high standards of corporate governance across the Group.



Gerard Kleisterlee
Chairman

17 May 2016

How we are governed

We have a strong and effective governance system throughout the Group. Responsibility for good governance lies with your Board.

Chairman
Gerard Kleisterlee

- Is responsible for leadership of the Board
- Sets the Board's agenda
- Meets regularly with the Chief Executive and other key executives to stay informed

Chief Executive
Vittorio Colao

- Leads the business and implements strategy and policy
- Chairs the Executive Committee

Board
Responsible for the overall conduct of the Group's business and:

- is responsible for the long-term success of the Company;
- sets the Group strategy;
- is responsible for ensuring the effectiveness of and reporting on our system of corporate governance; and
- is accountable to shareholders for the proper conduct of the business.

More on:
Page 44

The Matters Reserved for the Board can be found on our website **vodafone.com/governance**

Executive Committee

- Focuses on strategy implementation, financial and competitive performance, commercial and technological developments, succession planning and organisational development

Disclosure Committee

- Oversees the accuracy and timeliness of Group disclosures and approves controls and procedures in relation to the public disclosure of financial information

Risk and Compliance Committee

- Assists the Executive Committee to fulfil its accountabilities with regard to risk management and policy compliance

Audit and Risk Committee

- Provides effective governance over the Group's financial results
- Reviews the activity and performance of the internal audit function and external auditor
- Reviews the integrity, adequacy and effectiveness of the Group's system of internal control including the risk management framework and related compliance activities

More on:
Pages 47 to 52

Nominations and Governance Committee

- Evaluates and makes recommendations regarding Board and committee composition, succession planning and diversity
- Oversees matters relating to corporate governance

More on:
Page 53

Remuneration Committee

- Sets, reviews and recommends the Group's overall remuneration policy and strategy and reviews the implementation of that policy and strategy

More on:
Page 57

Experienced, effective and diverse leadership

Our business is led by our Board of Directors (the 'Board'). Biographical details of the Directors and senior management as at 17 May 2016 are as follows (with further information available at vodafone.com/board).

Key to Committee membership:
(A) Audit and Risk (N) Nominations and Governance (R) Remuneration ● Red background denotes Committee Chairman

Gerard Kleisterlee (N)
Chairman

Tenure: 5 years **Nationality:** Dutch

Skills and experience:
Gerard has extensive experience of senior leadership of global businesses in both the developed and emerging markets. He brings to the Group a deep understanding of the consumer electronics, technology and lifestyle industries gained from his career with Philips Electronics spanning over 30 years and continues to use this experience to oversee the development of Vodafone's strategy and the effectiveness of its operations as a total communications company.

Other current appointments:
- Royal Dutch Shell, non-executive director and member of the audit committee
- IBEX Global Solutions plc, non-executive director
- ASML, Chairman of supervisory board

Vittorio Colao
Chief Executive – Executive Director

Tenure: 9 years **Nationality:** Italian

Skills and experience:
With over 20 years' experience working in the telecoms industry, Vittorio has extensive leadership skills developed within both Vodafone and the wider industry and is widely recognised as an outstanding leader in the telecoms sector.

Other current appointments:
- European Round Table of Industrialists, vice chairman
- Unilever Plc, non-executive director

Nick Read
Chief Financial Officer – Executive Director

Tenure: 2 years **Nationality:** British

Skills and experience:
Nick combines strong operational leadership with a detailed understanding of the industry and its challenges and opportunities. Nick has wide-ranging experience in senior finance roles at both Vodafone and other multinational companies including United Business Media plc and Federal Express Worldwide.

Other current appointments:
None

Sir Crispin Davis (A)
Independent Non-Executive Director

Tenure: 1 year **Nationality:** British

Skills and experience:
Sir Crispin has broad-ranging experience as a business leader in international content and technology markets from his roles as chief executive of Reed Elsevier and the digital agency Aegis Group plc and group managing director of Guinness PLC (now Diageo plc). He was knighted in 2004 for services to publishing and information. He brings a strong commercial perspective to Board discussions.

Other current appointments:
- Oxford University, trustee and member of the university board
- CVC Capital Partners, adviser

Dr Mathias Döpfner (R)
Independent Non-Executive Director

Tenure: 1 year **Nationality:** German

Skills and experience:
Mathias brings wide-ranging experience within the global digital media industry to his role. Having led his business, Axel Springer SE, through a highly successful transition into digital and international markets, he provides a digital perspective to the Board's strategy.

Other current appointments:
- Axel Springer SE, chairman and chief executive officer
- Time Warner and Warner Music Group, member of the board of directors
- Business Insider Inc., chairman of the board of directors
- American Academy, American Jewish Committee and the European Publishers Council, holds honorary offices
- St John's College, University of Cambridge, member

Dame Clara Furse (A)
Independent Non-Executive Director

Tenure: 1 year **Nationality:** British and Canadian

Skills and experience:
Dame Clara brings to the Board a deep understanding of international capital markets, regulation, services industries and business transformation developed from her previous roles as chief executive of the London Stock Exchange Group plc and Credit Lyonnais Rouse Ltd. Her financial proficiency is highly valued as a member of the Audit and Risk Committee. In 2008 she was appointed Dame Commander of the Order of the British Empire.

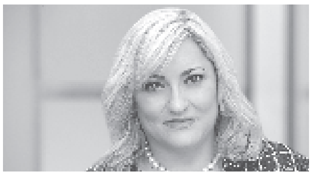
Other current appointments:
- Bank of England, Financial Policy Committee member
- Nomura Holdings Inc, non-executive director
- Amadeus IT Holdings SA, non-executive director

Valerie Gooding CBE (R) (N)
Independent Non-Executive Director

Tenure: 2 years **Nationality:** British

Skills and experience:
Valerie brings a wealth of international business experience obtained at companies with high levels of customer service including British Airways and as chief executive of BUPA which, together with her focus on leadership and talent, is greatly valuable to Board discussions.

Other current appointments:
- Premier Farnell plc, non-executive chairman
- TUI Group, non-executive director
- English National Ballet, trustee
- Historic Royal Palaces, trustee
- Royal Botanic Gardens, Kew, trustee



Renee James (R)
Independent Non-Executive Director

Tenure: 5 years **Nationality:** American

Skills and experience:
Renee brings comprehensive knowledge of the high technology sector developed from her long career at Intel Corporation where she was appointed president. Her extensive experience of international management and the development and implementation of corporate strategy is an asset to the Board and Remuneration Committee.

Other current appointments:
- US President's National Security Telecommunications Advisory Committee, vice chair
- C200, member
- Carlyle Group, operating executive
- Oracle Corporation, non-executive director
- Citigroup Inc., non-executive director
- Sabre Corporation, non-executive director
- University of Oregon, College of Arts, advisory board member

Samuel Jonah KBE

R

Independent
Non-Executive Director

Tenure: 7 years **Nationality:** Ghanaian

Skills and experience:
Samuel brings experience and understanding of business operations in emerging markets, particularly Africa. Previously executive president of AngloGold Ashanei Ltd and member of the Advisory Council of the President of the African Development Bank, he provides an international, commercial perspective to Board discussions.

Other current appointments:
- Iron Mineral Beneficiation Services, non-executive chairman
- Jonah Capital (Pty) Limited, executive chairman
- Metropolitan Insurance Company Limited, chairman
- Presidents of Togo and Nigeria, adviser
- The Investment Climate Facility, member of trustee board

Nick Land

A

Independent
Non-Executive Director

Tenure: 9 years **Nationality:** British

Skills and experience:
After a career spanning 36 years at Ernst & Young UK where Nick was executive chairman, he brings strong financial expertise and experience of dealing with major corporations in many parts of the world to the Board and to his role as Chairman of the Audit and Risk Committee.

Other current appointments:
- Ashmore Group plc, non-executive director
- Financial Reporting Council, non-executive director
- The Vodafone Foundation, Chairman of the Board of Trustees
- Dentons UKMEA LLP, adviser
- Silicon Valley Bank, London, adviser

David Nish

Independent
Non-Executive Director

Tenure: <1 year **Nationality:** British

Skills and experience:
David has wide-ranging operational and strategic experience as a senior leader and has a strong understanding of financial and capital markets through his previous directorships which include chief executive officer and chief financial officer of Standard Life plc and chief financial officer of Scottish Power plc.

Other current appointments:
- HSBC Holdings Plc, non-executive director
- London Stock Exchange Group Plc, non-executive director
- Zurich Insurance Group, board member
- UK Green Investment Bank Plc, non-executive director
- Council of the Institute of Chartered Accountants of Scotland, member

Philip Yea

A N

Senior Independent Director

Tenure: 10 years **Nationality:** British

Skills and experience:
Philip's experience as chief financial officer of Diageo plc and in the private equity industry at Investcorp and 3i Group plc, together with his knowledge of the Vodafone Group, makes him a valued member of the Board. Philip's financial expertise is an asset to his role as member of the Audit and Risk Committee.

Other current appointments:
- Aberdeen Asian Smaller Companies Investment Trust PLC, non-executive director
- The Francis Crick Institute, director of the trustee board
- Computacenter Plc, non-executive director
- Greene King Plc, chairman

Attendance at scheduled meetings of the Board in the 2016 financial year

Director	Attendance
Gerard Kleisterlee	7/7
Vittorio Colao	7/7
Stephen Pusey[1]	2/2
Nick Read	7/7
Sir Crispin Davis	7/7
Mathias Döpfner	5/7
Dame Clara Furse	6/7
Valerie Gooding	7/7
Renee James	7/7
Samuel Jonah	7/7
Nick Land	7/7
David Nish[2]	2/2
Luc Vandevelde[1]	2/2
Philip Yea	6/7

Audit and Risk Committee

Director	Attendance
Nick Land	5/5
Sir Crispin Davis	5/5
Dame Clara Furse	4/5
Philip Yea	5/5

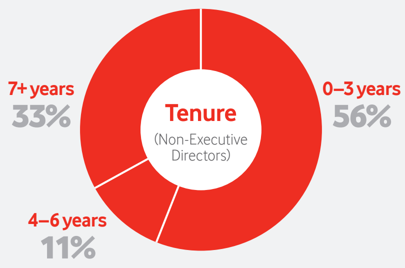
Nominations and Governance Committee

Director	Attendance
Gerard Kleisterlee	5/5
Valerie Gooding[4]	3/3
Philip Yea	5/5
Luc Vandevelde[1]	2/2

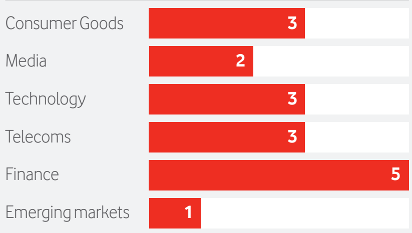
Remuneration Committee[3]

Director	Attendance
Valerie Gooding	5/5
Luc Vandevelde[1]	2/2
Renee James	5/5
Samuel Jonah	5/5

Board analysis



Sector experience[5]



Notes:
1 Stephen Pusey and Luc Vandevelde stepped down from the Board at the annual general meeting on 28 July 2015.
2 David Nish joined the Board on 1 January 2016.
3 Dr Mathias Döpfner joined the Remuneration Committee on 1 April 2016.
4 Valerie Gooding joined the Nominations and Governance Committee on 2 November 2015.
5 Some Directors have expertise in more than one sector.

Delivering our strategy, driving performance

Chaired by Vittorio Colao, the Executive Committee focuses on managing Vodafone's business affairs as a whole, which includes the delivery of a competitive strategy, developing our financial structure and planning, driving financial performance and ensuring good succession planning.

Membership

The Committee includes the Executive Directors and the senior managers as detailed below.

Committee Meetings

The Committee meets 11 times a year and typical agenda items include:

- strategy;
- substantial business developments and projects;
- Chief Executive's update on the business and the business environment;
- updates on business performance;
- Group function heads' updates;
- talent;
- presentations on various topics, for example, from the Group Financial Controller, the Group Audit Director and the Group Risk and Compliance Director; and
- competitor performance analysis.

Each year the Committee conducts a strategy review to identify key strategic issues facing Vodafone to be presented to the Board. The agreed strategy is then used as a basis for developing the upcoming budget and three-year operating plans.

Vittorio Colao

Chief Executive

(See page 40)

Nick Read

Chief Financial Officer

(See page 40)

Paolo Bertoluzzo

Group Chief Commercial Operations & Strategy Officer

Tenure: 3 years **Nationality:** Italian

Responsibilities:

Paolo has responsibility for Vodafone's global commercial operations and strategy, as well as innovation and transformation projects, including the Customer eXperience eXcellence programme.

Previous roles include:

- Vodafone Group, Regional Chief Executive Officer, Southern Europe (2012–2013)
- Vodafone Italy, Chief Executive Officer (2008–2013)
- Vodacom Group, Board Director (2010–2012)

Warren Finegold

Group Business Development Director

Tenure: 10 years **Nationality:** British

Responsibilities:

Warren has responsibility for managing Vodafone's mergers and acquisitions and business development strategy. Warren worked on Vodafone's initial IPO in 1988 as well as leading the recent sale of Vodafone's interest in Verizon Wireless. He will retire from the Executive Committee on 30 June 2016.

Previous roles include:

- UBS Investment Bank, managing director and head of European Technology
- Goldman Sachs, executive director (1985–1995)

Nick Jeffery

Group Enterprise Chief Executive Officer

Tenure: 3 years **Nationality:** British

Responsibilities:

Nick is responsible for Vodafone's strategy and execution in the Enterprise market worldwide, and has responsibility for a portfolio which includes: Vodafone Global Enterprise, Vodafone Carrier Services, The Internet of Things, Cloud & Hosting Services, Enterprise Marketing and Sales Operations as well as Enterprise Products and Operations and Enterprise Security Services.

Previous roles include:

- Cable & Wireless Worldwide, chief executive (2012–2013)
- Vodafone Global Enterprise, Chief Executive (2006–2012)

Matthew Kirk

Group External Affairs Director

Tenure: 7 years **Nationality:** British

Responsibilities:

Matthew leads Vodafone's engagement with external stakeholders (including governments, regulators, international institutions, the media and industry commentators) in order to project Vodafone's position on the contribution of our industry to broader policy objectives and on issues of importance to our customers and to the communities in which Vodafone operates. Matthew is also responsible for security, and for the Vodafone Foundation, of which he is a Trustee.

Previous roles include:

- British Ambassador to Finland (2002–2006)
- Member of the British Diplomatic Service (20+ years)

Rosemary Martin

Group General Counsel and Company Secretary

Tenure: 6 years **Nationality:** British

Responsibilities:

Rosemary has responsibility for managing Vodafone's legal risk and for providing legal and company secretariat services to the Group.

Previous roles include:

- Practical Law Company, chief executive (2008)
- Reuters Group Plc, various governance roles including group general counsel and company secretary (1997–2008)
- Rowe & Maw, partner (1990–1997)

Ronald Schellekens

Group Human Resources Director

Tenure: 7 years **Nationality:** Dutch

Responsibilities:

Ronald has responsibility for leading Vodafone's people and organisation strategy which includes developing strong talent and leadership, effective organisations, strategic capabilities and an engaging culture and work environment, thereby building strong capabilities in Vodafone to deliver growth.

Previous roles include:

- Royal Dutch Shell, HR executive vice president (2003–2008)
- PepsiCo, senior vice president (1994–2003)
- AT&T Network Systems, various human resources roles (1986–1994)

Serpil Timuray

Regional Chief Executive Officer – Africa, Middle East and Asia Pacific Region (AMAP)

Tenure: 2 years **Nationality:** Turkish

Responsibilities:
As Regional Chief Executive Officer of AMAP, Serpil oversees Vodafone's operations in the Vodacom Group, India, Australia, Egypt, Ghana, Kenya, Qatar, New Zealand and Turkey.

Previous roles include:
- Vodafone Turkey, Chief Executive Officer (2009–2013)
- Danone Turkey, chief executive officer (2002–2008)
- Danone Turkey, marketing director with additional sales director role (1999–2002)
- Procter & Gamble Turkey, various marketing roles including executive committee member (1991–1999)

European Chief Executive Officers

In October 2015, the Chief Executive Officers of our four large European markets became Executive Committee members. The remaining European markets are represented by Rob Shuter who also joined the Executive Committee in October 2015. The Chief Executive Officers are responsible for:
- defining Vodafone strategy in their local markets in accordance with Group strategy and operating models;
- executing the strategic vision into commercial plans; and
- ensuring delivery against key performance indicators.

In carrying out their role, they:
- own the end-to-end accountability for in-country profit and loss, balance sheet performance and brand differentiation;
- manage relationships with local stakeholders, protecting Vodafone's reputation, legal compliance, and ensuring Vodafone is contributing to the development of its local community; and
- define the culture and values of the organisation through the direction and communication of business objectives, vision and mission, and by developing people's talents and competences.

Tenure refers to the length of service in role.

Dr Hannes Ametsreiter

Chief Executive Officer – Vodafone Germany

Tenure: <1 year **Nationality:** Austrian

Previous roles include:
- Telkom Austria Group, group chief executive officer (2009–2015)
- A1 Telekom, chief executive officer (2009)
- Mobilkom Austria/Telkom Austria, chief marketing officer (2001–2009)

Aldo Bisio

Chief Executive Officer – Vodafone Italy

Tenure: 2 years **Nationality:** Italian

Previous roles include:
- Ariston Thermo Group, chief executive officer/managing director (2008–2013)
- McKinsey & Company, senior partner (2007–2008)
- RCS Quotidiani, managing director (2004–2006)

Johan Wibergh

Group Technology Officer

Tenure: 1 year **Nationality:** Swedish

Responsibilities:
Johan has responsibility for defining and leading Vodafone's global technology organisation which includes the organic investment programme and Project Spring. He is integral to developing Vodafone's convergence strategy on a global scale.

Previous roles include:
- Ericsson, various roles including executive VP (1996–2015)

António Coimbra

Chief Executive Officer – Vodafone Spain

Tenure: 3 years **Nationality:** Portuguese

Previous roles include:
- Vodafone Portugal, Chief Executive Officer (2009–2012)
- Vodafone Portugal, Executive Committee member (1995–2009)
- Apritel (on behalf of Vodafone Portugal), President (2005–2007)
- Vodafone Japan, Chief Marketing Officer (2004)

Jeroen Hoencamp

Chief Executive Officer – Vodafone UK

Tenure: 2 years **Nationality:** Dutch

Previous roles include:
- Vodafone UK, Enterprise Business Unit Director (2013)
- Vodafone Ireland, Chief Executive Officer (2010–2012)
- Vodafone Netherlands, various senior management positions (1998–2010)

Rob Shuter

Chief Executive Officer – Netherlands and Europe Cluster

Tenure: <1 year **Nationality:** British and South African

Responsibilities:
As Chief Executive Officer for Netherlands and Europe cluster, Rob oversees Vodafone's operations in the Netherlands, Portugal, Ireland, Greece, Romania, Czech Republic, Hungary, Albania and Malta.

Previous roles include:
- Vodafone Netherlands, Chief Executive Officer (2012–2015)
- Vodacom Group, Finance Director (2009–2012)
- Nedbank Retail, managing director (2000–2009)

Key areas of focus for your Board

Board activities are structured to assist the Board in achieving its goal to support and advise executive management on the delivery of the Group's strategy within a transparent governance framework.

What the Board did in 2016

●○○ Data ○●○ Convergence ○○● Enterprise

Performance (financial and operational)

Throughout the year the Board received and discussed:

	More on pages	Link to strategic objectives
→ reports from the Chief Executive on performance of operations in Europe, AMAP and Enterprise;	10 to 13	●●●
→ information on the financial performance of the Group;	10 to 15, 30 to 37	●●●
→ network and customer satisfaction updates and quarterly market share metrics; and	16 and 17	●●●
→ the annual budget and operating plan.	14 and 15	●●●

Strategy

The Board continued to focus on overseeing the execution of our strategy. The Board:

	More on pages	Link to strategic objectives
→ received regular business development reports;	10 to 13	●●●
→ discussed progress of the Customer eXperience eXcellence programme and commercial priority reports;	7, 10 to 13	●●●
→ received updates on content strategy;	11 and 12	●●○
→ discussed and approved the strategic combination of Vodafone and Liberty Global's Dutch operations; and	12, 149	●●●
→ held a strategy day, focusing on the evolution and sustainability of Vodafone's strategy, industry trends, competitor strategies and our organisation and governance.	10 to 13	●●●

Governance

The Board dealt with corporate governance matters, including:

	More on pages	Link to strategic objectives
→ reports from the Board Committees;	47 to 53, 57 to 73	○○○
→ the appointment of new Board members;	53	○○○
→ the Annual Report;	76 and 77	○○○
→ assessment of risks and internal controls;	23, 51 and 52	○○○
→ reports on compliance and litigation;	54 and 55, 149 to 152	○○○
→ the conclusions and recommendations of the external evaluation of the Board's performance; and	45	○○○
→ reviewing and approving the revisions to the terms of reference of the Board Committees and the Matters Reserved for the Board.	54 and 55	○○○

People

The Group HR Director updated the Board twice during the year on:

	More on pages	Link to strategic objectives
→ talent capability and diversity;	18 and 19	○●●
→ health and safety; and	19	○○○
→ other HR matters.	18 and 19	○○○

Deep dives

The Board received presentations on the following topics:

	More on pages	Link to strategic objectives
→ local market focus on Spain, Vodacom, UK and India;	32 to 35	●●●
→ Germany and Turkey spectrum auctions;	37, 183, 186	●●●
→ potential initial public offering of Vodafone India; and	35	●●●
→ Vodafone UK's TV offering.	33	●●○

Governance in action:

Board's visit to Munich

Offsite Board meetings give the Board further insights into the business.

In September 2015 the Board held its annual strategy meeting in Munich. As part of this visit, the Board received a presentation from local management of Vodafone Germany and KDG, visited a Vodafone Germany retail store and received a presentation on 5G communication. A Board meeting and an Audit and Risk Committee meeting were also held whilst in Munich.

Evaluating our performance and keeping up to date

The Board recognises that it continually needs to monitor and improve its performance. This is achieved through annual performance evaluation, full induction of new Board members and ongoing Board development activities.

Board Evaluation

Progress against recommendations set in 2015

Recommendation: The Board should continue to develop its understanding of the future challenges and trends in Vodafone's sector, especially convergence, technology trends and the regulatory environment.

Action taken in 2016: The Board received relevant training and carried out deep dives into these areas which were considered at Board meetings throughout the year.

Recommendation: The Board should increase its focus on customers' experience and it should continue to monitor management's success in delivering operational strategic objectives.

Action taken in 2016: The Board regularly reviewed the progress of the Customer eXperience eXcellence programme and continued to focus on the execution of our strategy.

This year's process

In accordance with our three-year cycle, our 2016 Board evaluation was externally facilitated by Ffion Hague of Independent Board Evaluation which has no other connection with Vodafone. The evaluation included a series of one-on-one interviews with all Directors and key senior managers, and observations of Board, Audit and Risk, Remuneration, and Nominations and Governance Committee meetings. Ffion Hague discussed her initial findings with the Chairman and presented the final results to the Board in March 2016.

Conclusions from this year's review

The conclusions of this year's review have been positive and have confirmed that the Board and its Committees operate effectively and that each Director contributes to the overall effectiveness and success of the Group.

The recommendations in this year's review included:

- reviewing the Board induction and development programme to focus on strategically significant areas;
- increasing transparency around Board and executive succession plans;
- clarifying expectations on an overall strategic framework; and
- creating more opportunities for Board members to spend informal time together.

The Board will address these recommendations during the 2017 financial year and will report on progress in our 2017 Annual Report.

Board Development

The Chairman is responsible for ensuring that all Non-Executive Directors receive ongoing training and development. Our Non-Executive Directors are conscious of the need to keep themselves properly briefed and informed about current issues.

Specific areas covered at sessions attended by Vodafone Directors in 2016 were the Enterprise business, technology, share dealing rules and corporate governance. In June 2015, Val Gooding went on a local market visit with Vittorio Colao to Vodafone Italy. They attended customer focus groups, a Customer eXperience eXcellence session run by local management, visited three retail stores, and received a 4G and fibre presentation.

Specific and tailored updates, delivered by PricewaterhouseCoopers LLP, were also provided to the members of our Audit and Risk Committee during the year covering key themes surrounding financial and narrative reporting, and accounting and auditing standards.

The Board also received reports from the Group General Counsel and Company Secretary on current legal and governance issues.

Governance in action:

David Nish's induction

Expertise

- Financial expertise and capital markets skills

Focus areas

- Learn about Vodafone and our business lines
- Learn about Vodafone's markets, competitions, customers, business opportunities and risks
- Meet senior management across the Group

Overview of induction programme

David's induction includes the following:

- meetings with the members of the Executive Committee to discuss our business, strategy and operations;
- presentations from the management teams of the Europe cluster, AMAP and Enterprise;
- visits to the headquarters of Vodafone UK, a Vodafone UK store and Vodafone's call centre in Stoke-on-Trent (UK);
- meetings with various Group senior managers to discuss Group strategy, people strategy and remuneration, technology and marketing, external affairs, finance, investor relations and risk;
- training on his duties as a director and on Vodafone's governance structure;
- meeting with the Chairs of the Board Committees and the Chairman; and
- meeting key Group advisers.

Communicating with our shareholders

We are committed to communicating our strategy and activities clearly to all our shareholders.

How we communicate with our shareholders

We maintained an active dialogue with our shareholders throughout the year through a planned programme of investor relations activities. We also respond to daily queries from shareholders and analysts through our Investor Relations team and have a section of our website which is dedicated to shareholders and analysts: vodafone.com/investor. Our registrars, Computershare, and BNY Mellon (as custodians of our American Depositary Receipts ('ADR') programme) also have a team of people to answer shareholder and ADR holder queries in relation to technical aspects of their holdings such as dividend payments and shareholding balances.

All of our financial results presentations are available on our website at vodafone.com/investor.

Our annual general meeting and our roadshows

Our annual general meeting is attended by our Board and Executive Committee members and is open to all our shareholders to attend. A summary presentation of financial results is given before the Chairman deals with the formal business of the meeting. All shareholders present can question the Board during the meeting.

We hold meetings with major institutional investors, individual shareholder groups and financial analysts to discuss the business performance and strategy. These are attended by the appropriate mix of Directors and senior management, including our Chairman, Chief Executive, Executive Committee members, senior leaders and the Investor Relations team. Institutional investors also meet with the Chairman to discuss matters of governance.

What our shareholders have asked us this year

Common topics raised by our institutional and individual shareholders include:

- 4G and data;
- cash flow, capital expenditure, debt and dividend cover;
- fixed broadband and TV strategy;
- performance outlook;
- Project Spring strategy;
- shareholder returns;
- regulation in Europe and emerging markets;
- spectrum renewal costs;
- integration of KDG and Ono; and
- administration of shareholding.

Our investor calendar

Set out below is a calendar of our investor events throughout the year.

May 2015
- Preliminary results published
- London, New York, Boston, Toronto, Paris and Edinburgh roadshows

June 2015
- Annual Report published
- Switzerland, Netherlands, Spain and Frankfurt roadshows
- Investor conference in London
- Investor meetings in Spain, Turkey and Italy
- Chairman's London roadshow

July 2015
- Q1 Trading Statement published
- Annual general meeting in London
- Investor meetings in India

September 2015
- Investor meeting about regulation
- Several investor conferences in London and New York

October 2015
- 5G webinar
- Investor conference in Germany

November 2015
- Half-year results published
- London, New York, Boston, Edinburgh, Paris, Toronto, Switzerland and Netherlands roadshows
- Investor conference in Barcelona

December 2015
- Investor conference in New York

January 2016
- Investor meetings in Spain and Italy

February 2016
- Q3 Trading Statement published

March 2016
- Investor conference in Miami
- Investor conference in London
- Investor meeting with Enterprise

Governance in action:

Launch of our low-cost share dealing programme

We launched a quick, simple and economical share dealing service for Vodafone shareholders with no more than 1,000 shares in February 2016. This service ran until 23 May 2016 and allowed shareholders to sell all their Vodafone shares or buy more shares either free of dealing costs or at a competitive rate. Over 27% of such shareholders chose to use this service.

Audit and Risk Committee

The Committee continued to focus its work on the Group's financial reporting, financial control and risk management and compliance processes. The Committee's role was expanded this year to provide assistance to the Board with assessing compliance with elements of the 2014 UK Corporate Governance Code.

Chairman and financial expert

Nick Land
Independent Non-Executive Director

Key objectives:
The provision of effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor and oversight over the Group's system of internal control including risk management and compliance activities.

Responsibilities:

The Board has approved terms of reference for the Committee which are available at vodafone.com/governance. These provided the framework for the Committee's work in the year and can be summarised into four primary sets of activities. These are oversight of the:

- appropriateness of the Group's external financial reporting;
- relationship with, and performance of, the external auditor;
- Group's system of internal control, including risk management framework and the work of the internal audit function; and
- Group's system of compliance activities.

The 2016 financial year has seen the Committee's activities and terms of reference reviewed and expanded to reflect the Group's adoption of the 2014 UK Corporate Governance Code, to cover:

- providing advice to the Board on the assessment, management and mitigation of the principal risks facing the Group;
- monitoring the Group's risk management system and its effectiveness; and
- providing advice on how the Group's prospects have been assessed in order to make the new longer-term viability statement.

Membership

The membership of the Committee has been selected with the aim of providing the range of financial and commercial expertise necessary to meet its responsibilities. Given my experience, I continue to be designated as the financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act and the UK Corporate Governance Code. There were no changes to the membership of the Committee during the year, all of whom are Non-Executive Directors of the Company.

How the Committee operates

The Committee met five times during the year under its standard schedule of meetings, an increase from the four meetings in the last financial year, a change reflecting its increased responsibilities particularly in relation to risk management. Meetings of the Committee generally take place the day before a Board meeting to maximise the efficiency of interaction with the Board and I report to the Board, as a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of its work.

The external auditor, PricewaterhouseCoopers LLP, is invited to each meeting together with the Chief Executive, the Chief Financial Officer, the Deputy Chief Financial Officer, the Group Financial Reporting Director, the Group Audit Director, the Group Risk and Compliance Director, and the Group General Counsel and Company Secretary. The Committee also regularly meets separately with each of PricewaterhouseCoopers LLP, the Chief Financial Officer and the Group Audit Director without others being present.

In the year, the Board appointed an external company to perform an independent review of the Committee which concluded that the Board members considered the Committee to be fully effective in meeting its objectives.

Financial reporting

The Committee's primary responsibility in relation to the Group's financial reporting is to review with both management and the external auditor the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- material areas in which significant judgements have been applied or where significant issues have been discussed with the external auditor;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements, including the 2014 UK Corporate Governance Code;
- any correspondence from regulators in relation to our financial reporting; and
- an assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. This assessment forms the basis of the advice given to the Board to assist them in making the statement required by the 2014 UK Corporate Governance Code.

Accounting policies and practices

The Committee received reports from management in relation to the identification of critical accounting judgements and key sources of estimation uncertainty, significant accounting policies and proposed disclosure of these in the 2016 Annual Report. This disclosure also includes qualitative details in relation to IFRS 15 "Revenue from contracts with customers" and IFRS 16 "Leases", both of which are likely to have a substantial effect on the Group's accounting when adopted.

Following discussions with management and the external auditor, the Committee approved these critical accounting judgements, significant accounting policies and disclosures which are set out in note 1 "Basis of preparation" to the consolidated financial statements.

Regulators and our financial reporting

There has been no correspondence from regulators in relation to our financial reporting during the 2016 financial year.

The Committee is committed to improving the effectiveness and clarity of the Group's corporate reporting and has continued to encourage management to consider, and adopt where appropriate, initiatives by regulatory bodies which would enhance our reporting, such as the FRC Lab projects on the use of digital media in corporate reporting, the disclosure of dividends and business model reporting.

Significant judgements and issues

The significant areas of focus considered and actions taken by the Committee in relation to the 2016 Annual Report are outlined below. We discussed these with the external auditor during the year and, where appropriate, these have been addressed as areas of audit focus as outlined in the Audit Report on pages 79 to 86.

Significant judgements and issues

Matter considered	Action
Revenue recognition The timing of revenue recognition, the recognition of revenue on a gross or net basis, the treatment of discounts, incentives and commissions and the accounting for arrangements with multiple deliverables are complex areas of accounting. See note 1 "Basis of preparation" for further detail. In addition there is heightened risk in relation to the accounting for revenue as a result of the inherent complexity of systems and changing pricing models.	An in-depth review of revenue accounting was undertaken by the Committee during the previous financial year. PricewaterhouseCoopers LLP shared its approach to the audit of revenue in their detailed audit plan, which identified the primary risks attaching to the audit of revenue to be (a) the controls over the underlying accuracy of billing systems and (b) presumed fraud risk, and reported on the results of its audit work in this area to the Committee at both the half-year and year end. The Committee received reporting from PricewaterhouseCoopers LLP in relation to revenue recognition and discussed a number of judgements in relation to the presentation of revenue and commissions. The Committee was satisfied with the appropriateness of the revenue recognised in the financial statements.
Taxation The Group is subject to a range of tax claims and related legal actions across a number of jurisdictions where it operates. The most material claim continues to be from the Indian tax authorities in relation to our acquisition of Vodafone India Limited in 2007, further details of which are included in note 30 "Contingent liabilities and legal proceedings". Further, the Group has extensive accumulated tax losses as detailed in note 6 "Taxation", and a key management judgement is whether a deferred tax asset should be recognised in respect of these losses. As at 31 March 2016, the Group had recognised a £22,382 million deferred tax asset primarily in respect of these tax losses.	The Group Tax Director presented on both provisioning and disclosure of tax contingencies and deferred tax asset recognition at the November 2015 and May 2016 Committee meetings. He also provided an update on upcoming changes in the wider tax landscape that were potentially relevant to the Group. PricewaterhouseCoopers LLP also identified this as an area of higher audit effort and the Committee received reporting from it on these matters. The Committee challenged both management and PricewaterhouseCoopers LLP on the legal judgements underpinning both the provisioning and disclosure stance adopted in relation to material elements of tax contingent liabilities and the IFRS basis of, and operating assumptions underlying, the deferred tax assets recognised at the period end. The Committee was satisfied with the approach adopted in the financial statements by management for each matter.

Significant judgements and issues

Matter considered	Action
Goodwill impairment testing This is an area of focus for the Committee given the materiality of the Group's goodwill balances (£22.8 billion at 31 March 2016) and the inherent subjectivity in impairment testing. The judgements in relation to goodwill impairment continue to relate primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the long-term business plan and the macroeconomic and related modelling assumptions underlying the valuation process. See note 4 "Impairment losses" for further detail.	The Committee received detailed reporting from management and challenged the appropriateness of the assumptions made, including: → the consistent application of management's methodology; → the achievability of the business plans; → assumptions in relation to terminal growth in the businesses at the end of the plan period; and → discount rates. This remains an area of audit focus and PricewaterhouseCoopers LLP provided detailed reporting on these matters to the Committee, including sensitivity testing. The Committee was satisfied with both the appropriateness of the analysis performed by management that indicated a goodwill impairment charge of £450 million in relation to Vodafone Romania, and the impairment related disclosures set out in note 4 to the financial statements.
Liability provisioning The Group is subject to a range of claims and legal actions from a number of sources, including competitors, regulators, customers, suppliers and on occasion fellow shareholders in Group subsidiaries. The level of provisioning for contingent and other liabilities is an issue where management and legal judgements are important and accordingly an area of Committee focus. See note 30 "Contingent liabilities and legal proceedings" for further detail.	The Committee received a presentation from the Group's General Counsel and Company Secretary and the Director of Litigation in both November 2015 and May 2016 on management's assessment of the most significant claims. As this is an area of audit focus, PricewaterhouseCoopers LLP also reviews these claims and relevant legal advice received by the Group, to form a view on the appropriateness of the level of provisioning that is shared with the Committee. The Committee challenged both management and PricewaterhouseCoopers LLP on the level of provisioning for legal claims and was satisfied that the amounts recorded appropriately reflected the risk of loss.
Significant one-off transactions The Committee reviewed the accounting and reporting of a number of material one-off transactions. These included: → The recognition of spectrum assets and a corresponding liability of £2.7 billion during the 2016 financial year in relation to Vodafone India. See note 22 "Liquidity and capital resources" for further detail. → The issue by the Group in February 2016 of £2.9 billion of mandatory convertible bonds. See note 22 "Liquidity and capital resources" for further detail.	Management outlined the key accounting and disclosure impacts in relation to these transactions. The Committee received detailed reporting from PricewaterhouseCoopers LLP on their assessment of the accounting and disclosures made by management in both the half-year and annual financial statements and were satisfied with the accounting and disclosure in the financial statements for both matters.
Key business controls 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. During the year, this focused on ongoing work programmes over general ledger account controls and user access to the Group's core Enterprise Resource Planning ('ERP') system as well as new activity, including a multi-year project to implement a suite of standard controls over the Group's core financial processes and managing the business and IT control implications of changes to the scope of the Group's section 404 of the US Sarbanes-Oxley compliance activities.	The Committee reviewed the work performed by management in relation to the implementation and maintenance of these controls, including the degree to which they operated effectively throughout the year and at the year end. This was supplemented by the results of related reviews performed by Internal Audit. The audit scope of PricewaterhouseCoopers LLP included certain of these key business and IT controls and they reported to the Committee the results of their audit testing in these areas. Further detail is provided in the PricewaterhouseCoopers LLP audit report on pages 79 to 86. The Committee was satisfied with the basis of management's report on internal control over financial reporting as required by section 404 of the US Sarbanes-Oxley Act and with management's ongoing focus on enhancements to the internal control environment.

Other matters
The Committee also undertook a range of further activities in relation to the Group's accounting and external reporting in the year:

Adoption of recent accounting developments
The Committee received regular reporting from management on the Group's implementation of IFRS 15 "Revenue from contracts with customers", which will be adopted in the financial year ending 31 March 2019, focusing on the key decision points relating to the choice of IT system for generating the necessary accounting entries, systems integration, the methodology in which the standard would be adopted and programme resourcing. The Committee will also review the Group's implementation of IFRS 16 "Leases", which will be adopted in either the financial years ending 31 March 2019 or 2020, once management has more fully assessed the impact of the changes.

Fair, balanced and understandable
As part of the Committee's assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, it draws on the work of the Group's Disclosure Committee and has discussions with senior management. The processes and controls that underpin our consideration include ensuring that:

- all contributors are fully briefed on the fair, balanced and understandable requirement;
- a dedicated and experienced core team is responsible for the coordination of content submissions, verification, detailed review and challenge;
- senior management confirms that the content in respect of their areas of responsibility is considered to be fair, balanced and understandable;
- the Disclosure Committee reviews and assesses the Annual Report as a whole; and
- the Committee receives an early draft of the Annual Report to enable timely review and comment.

These processes allowed us to provide positive assurance to the Board to assist them in making the statement required by the 2014 UK Corporate Governance Code.

Long-term viability statement
Following the adoption of the 2014 UK Corporate Governance Code during the 2016 financial year, the Committee's terms of reference were extended to include providing advice to the Board on the form and basis underlying the long-term viability statement as set out on page 29.

The Committee reviewed the process and assessment of the Group's prospects made by management, including:

- the review period and alignment with the Group's internal long-term forecasts;
- the assessment of the capacity of the Group to remain viable after consideration of future cash flows, expected debt service requirements, undrawn facilities and access to capital markets; and
- the modelling of the financial impact of certain of the Group's principal risks materialising using severe but plausible scenarios.

Management also sought independent external advice on best practice to ensure appropriate compliance with the requirements of the 2014 UK Corporate Governance Code.

External audit
The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing their independence on an ongoing basis and for negotiating the audit fee.

Auditor appointment
PricewaterhouseCoopers LLP were appointed as the Group's external auditor in July 2014 following an audit tender and, in accordance with the 2014 UK Corporate Governance Code, the Group will be required to put the external audit contract out to tender by 2024. In addition, PricewaterhouseCoopers LLP will be required to rotate the audit partner responsible for the Group audit every five years and, as a result, the current lead audit partner will be required to change in 2019.

The Committee continues to review the auditor appointment and the need to tender the audit, ensuring the Group's compliance with the 2014 UK Corporate Governance Code and the reforms of the audit market by the UK Competition and Markets Authority. Accordingly, the Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review. For the financial year ending 31 March 2017, the Committee has recommended to the Board that PricewaterhouseCoopers LLP be reappointed under the current external audit contract and the Directors will be proposing the reappointment of PricewaterhouseCoopers LLP at the annual general meeting in July 2016.

Audit risk
At the start of the audit cycle for the new financial year we received from PricewaterhouseCoopers LLP a detailed audit plan identifying their audit scope, planning materiality and their assessment of key risks. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process, and the key risks for the 2016 financial year, which were unchanged from the previous year, were as follows:

- 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.
- Accounting for significant one-off transactions.
- Capitalisation and asset lives.
- Management override of internal controls.

These risks are regularly reviewed by the Committee to ensure the external auditor's areas of audit focus remain appropriate.

Working with the auditor
We hold private meetings with the external auditor at each Committee meeting to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include the external auditor's assessment of business risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, the independence of their audit and how they have exercised professional scepticism. I also meet with the external lead audit partner outside the formal Committee process throughout the year.

Effectiveness of the external audit process

The Committee reviewed the quality of the external audit throughout the year and considered the performance of PricewaterhouseCoopers LLP, taking into account the Committee's own assessment, the results of a detailed survey of senior finance personnel across the Group focusing on a range of factors we considered relevant to audit quality, feedback from PricewaterhouseCoopers LLP on their performance against their own performance objectives and the firm-wide audit quality inspection report issued by the FRC in May 2015.

Based on this review, the Committee concluded that there had been appropriate focus and challenge on the primary areas of audit focus and PricewaterhouseCoopers LLP had applied robust challenge and scepticism throughout the audit.

Independence and objectivity

In its assessment of the independence of the auditor and in accordance with the US Public Company Accounting Oversight Board's standard on independence, the Committee receives details of any relationships between the Company and PricewaterhouseCoopers LLP that may have a bearing on their independence and receives confirmation that they are independent of the Company within the meaning of the securities laws administered by the US Securities and Exchange Commission ('SEC').

As one of the ways in which it seeks to protect the independence and objectivity of the external auditor, the Committee has a policy governing the engagement of the external auditor to provide non-audit services. This precludes PricewaterhouseCoopers LLP from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that PricewaterhouseCoopers LLP should only be engaged for non-audit services where there is no legal or practical alternative supplier.

For certain specific permitted services, the Committee has pre-approved that PricewaterhouseCoopers LLP can be engaged by management, subject to the policies set out above, and subject to a £50,000 fee limit for individual engagements, a £500,000 total fee limit for services where there is no legal alternative and a £500,000 total fee limit for services where there is no practical alternative supplier. For all other services or those permitted services that exceed these specified fee limits, I, as Chairman, or in my absence another Committee member, can pre-approve permitted services.

Following the publication by the Competition and Markets Authority of its final order in relation to the responsibilities of the audit committee, the Board approved amendments to the Committee's terms of reference during the 2016 financial year such that only the Committee can negotiate and approve the statutory audit fee, the scope of the statutory audit and approval of the appointment of the lead audit engagement partner.

In addition, the Committee assessed the impact of further expected UK regulation restricting non-audit services that auditors can provide, including a cap on the amount of non-audit fees that can be billed and a list of prohibited services. Consequently, the Group's policy on non-audit fees will be amended to reflect these additional restrictions during the financial year ending 31 March 2017 for implementation in the financial year ending 31 March 2018.

For the 2016 financial year, the Committee considered the ongoing fee proposal included as part of the audit tender, negotiated audit scope changes for the 2016 financial year and, following the receipt of formal assurance that their fees were appropriate for the scope of the work required, agreed a charge from PricewaterhouseCoopers LLP and related member firms of £12 million for statutory audit services. In addition to the statutory audit fee, PricewaterhouseCoopers LLP and related member firms charged the Group £1 million for audit-related and other assurance services primarily in connection with local regulatory filings where we were legally required to appoint them by virtue of their position as statutory auditor. Further details of the fees paid, for audit and non-audit services to both PricewaterhouseCoopers LLP for the 2016 and 2015 financial years and to Deloitte LLP for the 2014 financial year, can be found in note 3 to the consolidated financial statements.

Internal control and risk management

The Committee has the primary responsibility for the oversight of the Group's system of internal control, including the risk management framework and the work of the internal audit function.

Assessment of Group's system of internal control, including risk management framework

The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. Our activity here was driven primarily by the Group's assessment of its principal risks and uncertainties, as set out on pages 23 to 28.

This year, the Committee performed a detailed review of the Company's new risk management framework document which is designed to: clarify roles and responsibilities for risk management and oversight, set out a consistent end-to-end process for managing risk across the business, provide the Board with a clear line of sight over the principal risks, and provide an overview of how the principal risks are being managed. Our review included reports from the Group Risk and Compliance Director on the Group's risk evaluation process as well as a review of changes to significant risks identified at both operating entity and Group levels.

The Committee also maintains a programme of in-depth reviews into specific financial, operational and regulatory areas of the business. These reviews are critical to the role of the Committee, as they allow us to meet key business leaders responsible for these areas and provide independent challenge to their activities. During the 2016 financial year, the areas reviewed included:

- the integration of KDG into Vodafone Germany and the transition to Vodafone compliance standards;
- changes to the Group's Enterprise operations to improve service and delivery to customers;
- the risk and control framework associated with implementation of a new billing system in the Netherlands;
- the Group's cyber security strategy, covering network, IT and retail systems; and
- the Group's network resilience policy and the ability to recover from a significant fault or challenge to normal operations.

The Group has in place an internal control environment to protect the business from the material risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and we have responsibility for ensuring the effectiveness of these controls.

This year, the Group implemented an integrated assurance mapping process to improve the coordination of assurance activities across the Group and to provide a framework that allowed a comprehensive assessment of the assurance and compliance activities for the Group's significant risks. The mapping process was piloted in the UK and Irish operating companies before being rolled out to all business units during the second half of the 2016 financial year.

We reviewed the process by which the Group evaluated its control environment. Our work here was driven primarily by the Group Audit Director's reports on the effectiveness of internal controls, significant identified frauds and any identified fraud that involved management or employees with a significant role in internal controls. Oversight of the Group's compliance activities in relation to section 404 of the US Sarbanes-Oxley Act also falls within the Committee's remit.

The Committee has completed its review of the effectiveness of the Group's system of internal control, including risk management, during the year and up to the date of this Annual Report, in accordance with the requirements of the Guidance on Risk Management, Internal Control and related Financial and Business Reporting published by the FRC.

It confirms that no significant failings or weaknesses were identified in the review for the 2016 financial year and allowed us to provide positive assurance to the Board to assist them in making the statements required by the 2014 UK Corporate Governance Code. Where areas for improvement were identified, processes are in place to ensure that the necessary action is taken and that progress is monitored.

Internal audit

Monitoring and review of the scope, extent and effectiveness of the activity of the Group Internal Audit department is an agenda item at each Committee meeting. We approve the annual audit plan prior to the start of each financial year and receive updates from the Group Audit Director on audit activities, progress against the approved Group audit plan, the results of any unsatisfactory audits and the action plans to address these areas. I play a major role in setting the Group Audit Director's annual objectives and we meet regularly to discuss the team's activities and any significant issues arising from their work.

Compliance with section 404 of the US Sarbanes-Oxley Act

The Committee takes an active role in monitoring the Group's compliance activities in respect of section 404 of the US Sarbanes-Oxley Act, receiving reports from management in the year covering:

- financial control governance;
- changes to the section 404 programme, including scoping, the development of a standard controls framework and the development of a quality assurance programme; and
- the enhancement of the wider control environment in response to ongoing business developments.

The external auditor reported the status of their work in relation to this matter in each of their reports to the Committee.

Compliance activities

The Committee is responsible for the oversight of the Group's compliance programme and held a number of deep dive sessions on compliance-related matters in the year. These focused on:

- changes to the control environment, including the creation of two new management controls governance committees and a redefined finance operating model providing greater clarity of roles and responsibilities;
- updates to the Group's Code of Conduct, which is reviewed every three years;
- the results from the annual Policy Compliance Review which tests the extent to which local markets and Group entities are compliant with our high risk policies;
- the results from our "Doing What's Right" employee awareness and e-learning programmes and other measures designed to assess the culture of the organisation;
- the results of the use of "Speak Up" channels in place to enable employees to raise concerns about possible irregularities in financial reporting or other issues and the outputs of any resulting investigations; and
- the methodology for fraud reporting and investigations into known or suspected fraudulent activities by both third parties and employees.

Nick Land

Nick Land
On behalf of the Audit and Risk Committee

17 May 2016

Nominations and Governance Committee

The Committee continues its work of ensuring the Board composition is right and that our governance is effective.

Chairman

Gerard Kleisterlee
Chairman of the Board – Independent on appointment

Key objective:
To make sure the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities and to have oversight of all matters relating to corporate governance.

Responsibilities:

- assessing the composition of the Board and making recommendations on appointments to the Board and senior executive succession planning;
- overseeing the performance evaluation of the Board, its committees and individual Directors; and
- overseeing all matters relating to corporate governance, bringing any issues to the attention of the Board.

The terms of reference of the Committee are available on vodafone.com/governance.

Committee meetings

The Committee met five times during the year. I invite other individuals and external advisers to attend all or part of any meeting, as and when appropriate.

I report to the Board, as a separate agenda item, on the activities of the Committee at the following Board meeting.

David Nish's appointment

The Committee reviewed the mix and skills of the Board and identified that it would be valuable for a Non-Executive Director to be appointed who had financial expertise and capital markets skills as well as experience as a chief executive. A description of the role and capabilities required for this appointment was prepared. Sciteb, an external search consultancy, was appointed, which has no other connection to Vodafone and has signed up to the voluntary Code of Conduct for Executive search firms. David was identified as a suitable candidate. He was invited to meet with the members of the Committee and following those meetings, the Committee recommended to the Board that he be invited to become a Non-Executive Director. The Board accepted the recommendation and David accepted the Board's invitation and became a Non-Executive Director with effect from 1 January 2016.

Changes to the Board and Committees

The changes made to the composition of the Board and Committees during the year are set out on page 54.

Assessment of the independence of the Non-Executive Directors

The Committee reviewed the independence of all the Non-Executive Directors and in particular Philip Yea and Nick Land, who have both served on the Board for over nine years. The Committee considered their length of tenure on the Board, independence and other external commitments. As a result of its assessment, the Committee is confident that Philip and Nick continue to demonstrate qualities of independence and judgement in carrying out their roles. In addition, the Committee believes that Philip's and Nick's external commitments have not negatively impacted their commitment to Vodafone and therefore recommended to the Board that Philip and Nick stand for reappointment at the 2016 annual general meeting. All of the Non-Executive Directors are considered independent.

Board evaluation

The Committee oversaw the external evaluation of the Board and Committees. A description of the process and conclusions of the evaluation is set out on page 45.

Succession planning

The Committee received several presentations throughout the year from the Chief Executive and Group Human Resources Director. The presentations provided details of the changes to the Vodafone organisational structure in order to deliver our strategy as well as succession planning for senior management. Potential successors have been identified for the top senior management positions and the Committee reviewed the profiles for all of these positions during the year.

The Committee also monitors a schedule on the length of tenure of the Chairman and Non-Executive Directors and the mix and skills of the Directors.

The Committee is satisfied that adequate succession planning is currently in place for the Executive Directors and senior executives, but will keep succession planning under review and monitor the progress and success of the development plans which have been established for relevant employees.

Diversity

Vodafone acknowledges the importance of diversity and inclusion to the effective functioning of the Board. This includes diversity of skills and experience, age, gender, disability, sexual orientation, cultural background or belief.

25% of our Board roles are held by women and our ambition over the coming years is to increase that proportion further.

Diversity extends beyond the boardroom. The Board supports management in its efforts to build a diverse organisation and endorses the Group's "Recruiting and Managing People" policy, one of the objectives of which is to "attract and develop a highly qualified and diverse workforce and ensure that all selection decisions are based on merit".

Governance

The Committee reviewed Vodafone's compliance with the 2014 UK Corporate Governance Code and was satisfied that Vodafone complied with the Code during the year. It also received updates on corporate governance developments during the year and considered the impact of these developments on Vodafone.

Gerard Kleisterlee
On behalf of the Nominations and Governance Committee

17 May 2016

Compliance with the 2014 UK Corporate Governance Code

Throughout the financial year and to the date of this document, we complied with the provisions and applied the main principles of the 2014 version of the UK Corporate Governance Code (the 'Code').

The Code can be found on the Financial Reporting Council website (frc.org.uk). This table sets out how we have applied the main principles of the Code, cross referring to other parts of this Annual Report. This table is intended to assist with the evaluation of our compliance during the year and should be read alongside the Governance section as a whole. Headings correspond to the headings in the Code.

The auditor's report on the corporate governance statement is on page 86.

A. Leadership

A.1 – The role of the Board

The Board's responsibilities are set out on page 39 along with a statement of how it operates.

The Board held seven scheduled meetings during the year and holds additional meetings, as required.

All Directors are expected, wherever possible, to attend all Board and relevant Committee meetings. Details of such attendance are on page 41.

A.2 and A.3 – Division of responsibilities and the role of the Chairman

The roles of the Chairman and Chief Executive are separate: their key responsibilities are set out on page 39.

Board meetings are arranged to ensure sufficient time is available for the discussion of all items.

The Chairman was independent on appointment.

A.4 – Non-Executive Directors

Philip Yea has been Senior Independent Director since July 2015 when he took over from Luc Vandevelde who stepped down from the Board. Philip:

- acts as a sounding board for the Chairman and as an intermediary for the other Directors;
- is available to shareholders if they have concerns which they have not been able to otherwise resolve;
- reviews the performance of the Chairman annually; and
- if necessary, convenes meetings of the Non-Executive Directors.

The Non-Executive Directors are responsible for using their skills, experience and independent judgement to:

- constructively challenge the strategy proposed by the Executive Directors;
- scrutinise and challenge performance and risk management across the Group's business; and
- assess the risk and integrity of the financial information and controls.

The Chairman met with just the Non-Executive Directors at every Board meeting this year.

B. Effectiveness

B.1 – The composition of the Board

The Board consists of 12 Directors, (nine Non-Executive Directors, the Chairman and two Executive Directors). 11 Directors served throughout the year.

Changes made to the composition of the Board and Committees during the year were as follows:

- Philip Yea became Senior Independent Director on 28 July 2015 after Luc Vandevelde stepped down from the Board. Stephen Pusey also stepped down from the Board in July 2015;
- Valerie Gooding became Chairman of the Remuneration Committee on 28 July 2015; and
- Valerie Gooding joined the Nominations and Governance Committee on 2 November 2015.

Dr Mathias Döpfner joined the Remuneration Committee on 1 April 2016.

It is expected that David Nish will join the Audit and Risk Committee on 29 July 2016.

The balance and independence of the Board is kept under review by the Nominations and Governance Committee. Its terms of reference are available at vodafone.com/governance.

Philip Yea, Nick Land and Samuel Jonah have served on the Board for ten, nine and seven years respectively. The Board has determined that they, along with all of the Non-Executive Directors, continue to demonstrate qualities of independence and judgement in carrying out their roles, supporting the Executive Directors and senior management in an objective manner. Their length of service and resulting experience are of great benefit to the Board.

B.2 – Appointments to the Board

David Nish was appointed as a Non-Executive Director from 1 January 2016. Further details on the appointment process are set out on page 53, which also includes the Board's policy on diversity.

B.3 – Commitment

The Board is satisfied that the external commitments of its Chairman and other Non-Executive Directors (set out on pages 40 and 41) do not conflict with their duties and commitments as Directors of the Company. Directors must:

- report any changes to their commitments to the Board;
- complete an annual conflicts questionnaire. Any conflicts identified are considered and, as appropriate, authorised by the Board. If authorised, it is recorded in a register and reviewed periodically; and
- notify the Company of actual or potential conflicts or a change in circumstances relating to an existing authorisation.

The Executive Directors' service contracts and Non-Executive Directors' appointment letters are available for inspection at our registered office and at our annual general meeting.

B.4 – Development

Details of Board induction and training and development are set out on page 45.

B.5 – Information and support

There is a procedure to enable Directors to take independent legal and/or financial advice at the Company's expense, managed by the Group General Counsel and Company Secretary. No such independent advice was sought in the 2016 financial year.

The Group General Counsel and Company Secretary also:

- assists the Chairman by organising induction and training programmes and ensuring that all Directors have full and timely access to all relevant information;
- ensures that the correct Board procedures are followed; and
- advises the Board on corporate governance matters.

The removal of the Group General Counsel and Company Secretary is a matter for the Board as a whole.

B.6 – Evaluation

Information on Board evaluation is set out on page 45.

B.7 – Election/Re-election

All Directors have submitted themselves for re-election at the 2016 annual general meeting with the exception of David Nish who will be elected for the first time in accordance with our Articles of Association.

The Nominations and Governance Committee confirmed to the Board that the contributions made by the Directors continue to be effective and that the Company should support their re-election.

The biographies for our Directors can be found on pages 40 and 41.

C. Accountability

C.1 – Financial and business reporting

The following statements can be found in this Annual Report

Statement	Pages
The Directors' statement of responsibility regarding the financial statements, including the going concern assessment.	76 and 77
A statement confirming that the Board considers that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.	76
A statement on the responsibility of our auditor (set out in the Audit Report).	78 to 86
An explanation of the Company's business model and the strategy for delivering the objectives of the Company.	6 to 13

C.2 – System of risk management and internal control

An overview of the Group's framework for identifying and managing risk is on pages 22 to 28.

The Board has overall responsibility for the system of risk management and internal control (and for reviewing its effectiveness) and has conducted a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Such a system is designed to manage rather than eliminate business risks and can only provide reasonable and not absolute assurance against material mistreatment or loss.

The long-term viability statement can be found on page 29.

The Board has implemented in full the FRC "Guidance on Risk Management Internal Control and related Financial and Business Reporting" for the year and to the date of this Annual Report. The resulting procedures, which are subject to regular monitoring and review, provide an ongoing process for identifying, evaluating and managing the Company's principal risks.

Further information can be found in the Directors' statement of responsibility on pages 76 and 77 and in the Audit and Risk Committee report on pages 47 to 52 (which also covers the oversight and monitoring of the system, and its effectiveness).

C.3 – Audit Committee and auditor

The Audit and Risk Committee is responsible for governance around both the internal audit function and external auditor and for oversight of the Group's systems of internal controls.

Further details on the Audit and Risk Committee and its activities are set out on pages 47 to 52. Its terms of reference are available at vodafone.com/governance.

D. Remuneration

D.1 and D.2 – The level and components of remuneration and procedure

- The Remuneration Committee is responsible for determining the policy on remuneration of the Chairman, executives and senior management team. More information is set out on pages 57 to 73.
- The Chairman of the Board and the Remuneration Committee's Chairman are also responsible for maintaining contact with the Company's principal shareholders about remuneration. Full details are set out in its terms of reference, available at vodafone.com/governance.

E. Relations with shareholders

E.1 – Dialogue with shareholders

The Chairman ensures that there is effective communication with investors and that the Board understands the views of major shareholders on matters such as governance and strategy. He is available to meet shareholders for this purpose.

The other members of the Board are also available to meet major investors on request.

Further information is set out on page 46.

E.2 – Constructive use of the annual general meeting

Our annual general meeting will be held on 29 July 2016 and is an opportunity for shareholders to vote on certain aspects of Group business and present questions to the Board.

- A summary presentation of the full year results is given before the Chairman deals with the formal business of the meeting.
- All shareholders can question any member of the Board both during the meeting and informally afterwards. The Board encourages participation of investors at the meeting.
- The meeting is also broadcast live and on demand on our website at vodafone.com/agm.
- Voting on all resolutions is on a poll. The proxy votes cast, including details of the votes withheld, are disclosed to those in attendance at the meeting and the results are published on our website and announced via the Regulatory News Service.
- A copy of our notice of meeting can be found at vodafone.com/agm.

Our US listing requirements

As Vodafone's American depositary shares are listed on NASDAQ Stock Market LLC ('NASDAQ'), we are required to disclose a summary of any material differences between the corporate governance practices we follow and those of US companies listed on NASDAQ. Vodafone's corporate governance practices are primarily based on UK requirements but substantially conform to those required of US companies listed on NASDAQ. The material differences are set out in the following table:

Board member independence	Different tests of independence for Board members are applied under the Code and the NASDAQ listing rules. The Board is not required to take into consideration NASDAQ's detailed definitions of independence as set out in the NASDAQ listing rules. The Board has carried out an assessment based on the independence requirements of the Code and has determined that, in its judgement, each of Vodafone's Non-Executive Directors is independent within the meaning of those requirements.
Committees	The NASDAQ listing rules require US companies to have a nominations committee, an audit committee and a compensation committee, each composed entirely of independent directors, with the nominations committee and the audit committee each required to have a written charter which addresses the committee's purpose and responsibilities, and the compensation committee having sole authority and adequate funding to engage compensation consultants, independent legal counsel and other compensation advisers. → Our Nominations and Governance Committee is chaired by the Chairman of the Board and its other members are independent Non-Executive Directors. → Our Remuneration Committee is composed entirely of independent Non-Executive Directors. → Our Audit and Risk Committee is composed entirely of Non-Executive Directors, each of whom (i) the Board has determined to be independent based on the independence requirements of the Code and (ii) meets the independence requirements of the Securities Exchange Act 1934. → We have terms of reference for our Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee, each of which complies with the requirements of the Code and is available for inspection on our website at vodafone.com/governance. → These terms of reference are generally responsive to the relevant NASDAQ listing rules, but may not address all aspects of these rules.
Code of Ethics and Code of Conduct	Under the NASDAQ listing rules, US companies must adopt a Code of Conduct applicable to all directors, officers and employees that complies with the definition of a "code of ethics" set out in section 406 of the Sarbanes-Oxley Act. → We have adopted a Code of Ethics that complies with section 406 of the Sarbanes-Oxley Act which is applicable only to the senior financial and principal executive officers, and which is available on our website at vodafone.com/governance. → We have also adopted a separate Code of Conduct which applies to all employees.
Quorum	The quorum required for shareholder meetings, in accordance with our articles of association, is two shareholders, regardless of the level of their aggregate share ownership, while US companies listed on NASDAQ are required by the NASDAQ listing rules to have a minimum quorum of 33.33% of the shareholders of ordinary shares for shareholder meetings.
Related party transactions	In lieu of obtaining an independent review of related party transactions for conflicts of interests in accordance with the NASDAQ listing rules, we seek shareholder approval for related party transactions that (i) meet certain financial thresholds or (ii) have unusual features in accordance with the Listing Rules issued by the FCA in the United Kingdom (the 'Listing Rules'), the Companies Act 2006 and our articles of association. Further, we use the definition of a transaction with a related party as set out in the Listing Rules, which differs in certain respects from the definition of related party transaction in the NASDAQ listing rules.
Shareholder approval	When determining whether shareholder approval is required for a proposed transaction, we comply with both the NASDAQ listing rules and the Listing Rules. Under the NASDAQ listing rules, whether shareholder approval is required for a transaction depends on, among other things, the percentage of shares to be issued or sold in connection with the transaction. Under the Listing Rules, whether shareholder approval is required for a transaction depends on, among other things, whether the size of a transaction exceeds a certain percentage of the size of the listed company undertaking the transaction.

Remuneration Committee

During the year the Committee has continued to ensure its work supports our long-term strategic goals and that remuneration levels fairly reflect ongoing performance in the context of wider market conditions and shareholder views.

Chairman

Valerie Gooding
Independent Non-Executive Director

Key objective:
To assess and make recommendations to the Board on the policies for executive remuneration and reward packages for the individual Executive Directors.

Responsibilities:

- determining, on behalf of the Board, the policy on the remuneration of the Chairman of the Board, the Executive Directors and the senior management team;
- determining the total remuneration packages for these individuals including any compensation on termination of office;
- operating within recognised principles of good governance; and
- preparing an Annual Report on Directors' remuneration.

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Letter from the Remuneration Committee Chairman

Dear shareholder

On behalf of the Board, I present our 2016 Directors' Remuneration Report – my first as Chairman of the Remuneration Committee. This report sets out both our policy, as approved by shareholders at the 2014 annual general meeting, and how this policy was implemented during 2016.

Last year's report received a vote in favour from shareholders of over 97% – indicating support for the Committee's focus on implementing the key principles of our executive remuneration approach. The Committee remains committed to ensuring that all of our decisions are guided by the principles of:

- offering competitive and fair rates of pay and benefits;
- ensuring our remuneration policy, and the manner in which it is implemented, drives the behaviours that support our strategy and business objectives;
- maintaining a "pay for performance" approach to remuneration which ensures our incentive plans only deliver significant rewards if and when they are justified by business performance; and
- aligning the interests of our senior management team with those of shareholders by developing an approach to share ownership that helps to maintain commitment over the long term.

Project Spring during 2016

The year under review saw operational progress made under Project Spring. In AMAP this was reflected through continued customer and data growth whilst in Europe our progress was evident in the fact that c.70% of our markets returned to service revenue growth.

Our improved financial performance was complemented by significant steps being made in the "Customer eXperience eXcellence" phase of Project Spring. This saw us increase the number of markets where we are Consumer NPS leader by 2, to 13 out of 21.

In addition to the above, the combined impact of these results has led to a number of notable achievements this year, including:

- doubling the number of our 4G customers to 47m;
- increasing our fixed broadband base to 13.4m (an increase of 1.3m);
- returning to full year growth in both EBITDA and service revenue;
- strong enterprise performance; and
- meeting targets in Europe for dropped call rates of less than 0.5% and for data sessions above three megabits per second of above 90%.

Remuneration outcomes during 2016

Annual bonus performance during the year was assessed against both financial and strategic measures. The former constituted 60% of maximum opportunity and was comprised of service revenue, EBITDA and adjusted cash flow (all equally weighted). Our strategic measure was comprised of Customer Appreciation KPIs, reflecting our focus on customer experience excellence and included Net Promoter Score and Brand Consideration, as well as consideration of other factors such as customer churn.

During the year, performance under all of the financial measures exceeded target performance, with cash flow in particular recording strong results. These results reflected both a stabilisation of performance in our European markets, with outcomes for this region ranging from slightly below to slightly above financial targets, and continued strong performance in our AMAP markets where financial performance across all three measures was significantly above targets.

Performance under the Customer Appreciation KPIs element of the bonus was slightly above on target performance highlighting that whilst there has been a positive start to our customer experience excellence focus, there still remain further gains to be made. We will be looking closely at underlying local market performance to ensure that all of our customers, regardless of where they are in the world, feel the benefit of our significant investment in this area. Further details about how this measure was assessed is provided on page 66.

As part of our commitment to full and open disclosure we have, for several years, published details of the performance required to achieve a target payout under the GSTIP for the year under review. This year we have sought to further reflect best practice by disclosing full target ranges of which further details can also be found on page 66. Performance against these targets during the year resulted in an overall payout of 58.4% of maximum.

In terms of long-term incentives, the 2014 GLTI award was measured over the three financial years ending 31 March 2016 and was assessed against both Free Cash Flow and TSR performance. Over the course of the performance period, the Free Cash Flow measure exceeded threshold performance, which was complemented by a slight outperformance of the median of the TSR comparator group. This resulted in a combined payout of 23.2% of maximum.

Application of policy for the year ahead

Following the Committee's annual review of the current policy it was agreed that no changes would be made in respect of the year ahead. Similarly, it was determined that the current balance of performance measures, following last year's introduction of the Customer Appreciation KPIs measure under the GSTIP, remains appropriate.

As part of this annual review, the Committee also contacted our top 20 shareholders to consult on the proposed application of the policy for the year ahead. This included the decision to increase the base salary of the Chief Financial Officer by 2.0% in light of business performance, salary increases for other UK employees and external market information. The Chief Executive Officer requested not to be considered for a salary increase during the year, and the Committee respected this request.

The Committee appreciates the importance of consulting with shareholders on matters of executive remuneration and was therefore pleased with the high level of engagement and support shown by investors.

During the year the Committee also completed a risk assessment of the current incentive plans. Although such an assessment is conducted annually, the Committee saw the review as particularly important this year given the current external environment. Following the assessment, the Committee remains satisfied that the current incentive plans do not promote undue risk.

This will therefore constitute the third financial year in which the current policy has been in place – a reflection of its success in providing an effective framework which has demonstrated the flexibility to meet our changing strategic priorities over the last three years.

In line with the reporting requirements our Policy Report will be put forward to a binding shareholder vote at the 2017 annual general meeting. The Committee is therefore in the process of conducting a full review of our existing arrangements to ensure that the Policy Report put forward for shareholder approval is appropriately positioned to support our executive remuneration programme over the next three years.

Conclusion

The success of Project Spring was always going to require more than financial investment. Indeed, our latest results show how our significant investment in infrastructure has been matched by a contribution from all our colleagues to improving our customers' experience. Continuous improvement for customers will be crucial in maximising the benefits from Project Spring for years to come.

Finally, I would like to take this opportunity to welcome Dr Mathias Döpfner to the Remuneration Committee and thank my predecessor, Luc Vandevelde, who stepped down from both the Committee and the Board following the 2015 annual general meeting, for his hard work and support during his tenure. I look forward to ensuring that the Committee continues to maintain and develop an executive remuneration framework that supports the opportunities ahead.

V. Gooding

Valerie Gooding
Chairman of the Remuneration Committee
17 May 2016

Remuneration policy

No changes have been made to our policy since its approval at the 2014 annual general meeting which was held on 29 July 2014. Our approved Policy Report is available on our website at vodafone.com, and has been reproduced below exactly as it was set out in the 2014 Annual Report. As such, a few phrases (e.g. references to the 2014 annual general meeting) are now out of date.

REMUNERATION POLICY (FIRST PUBLISHED IN THE 2014 ANNUAL REPORT)

In this forward-looking section we describe our remuneration policy for the Board. This includes our considerations when determining policy, a description of the elements of the reward package and an indication of the potential future value of this package for each of the executive directors. In addition we describe our policy applied to the Chairman and non-executive directors.

We will be seeking shareholder approval for our remuneration policy at the 2014 AGM and we intend to implement at that point. We do not envisage making any changes to our policy over the next three years, however, we will review it each year to ensure that it continues to support our Company strategy. If we feel it is necessary to make a change to our policy within the next three years, we will seek shareholder approval.

Considerations when determining remuneration policy

Our remuneration principles which are outlined on page 57 are the context for our policy. Our principal consideration when determining remuneration policy is to ensure that it supports our Company strategy and business objectives.

The views of our shareholders are also taken into account when determining executive pay. In advance of asking for approval for the remuneration policy we have consulted with our major shareholders. We invited our top 20 shareholders to comment on remuneration at Vodafone and several meetings between shareholders and the Remuneration Committee Chairman took place. The main topics of consultation were as follows:

- new share plan rules for which we will seek shareholder approval at the 2014 annual general meeting;
- changes to executive remuneration arrangements (reduction of maximum long-term incentive vesting levels and pension provision); and
- impact of Project Spring on Free Cash Flow performance under the global long-term incentive plan ('GLTI').

We have not consulted with employees on the executive remuneration policy nor is any fixed remuneration comparison measurement used. However, when determining the policy for Executive Directors, we have been mindful of the pay and employment conditions of employees in Vodafone Group as a whole, with particular reference to the market in which the executive is based. Further information on our remuneration policy for other employees is given on page 62.

Performance measures and targets

Our Company strategy and business objectives are the primary consideration when we are selecting performance measures for our incentive plans. The targets within our incentive plans that are related to internal financial measures (such as revenue, profit and cash flow) are typically determined based on our budgets. Targets for strategic and external measures (such as competitive performance and Total Shareholder Return ('TSR')) are set based on Company objectives and in light of the competitive marketplace. The threshold and maximum levels of performance are set to reflect minimum acceptable levels at threshold and very stretching but achievable levels at maximum.

As in previous remuneration reports we will disclose the details of our performance targets for our short and long-term incentive plans. However, our annual bonus targets are commercially sensitive and therefore we will only disclose our targets in the remuneration report following the completion of the financial year. We will disclose the targets for each long-term award in the remuneration report for the financial year preceding the start of the performance period.

At the end of each performance period we review performance against the targets, using judgement to account for items such as (but not limited to) mergers, acquisitions, disposals, foreign exchange rate movements, changes in accounting treatment, material one-off tax settlements etc. The application of judgement is important to ensure that the final assessments of performance are fair and appropriate.

In addition, the Remuneration Committee reviews the incentive plan results before any payments are made to executives or any shares vest and has full discretion to adjust the final payment or vesting downwards if they believe circumstances warrant it. In particular, the Committee may use discretion to clawback any unvested share award (or vested but unexercised options) as it sees appropriate, in which case the award may lapse wholly or in part, may vest to a lesser extent than it would otherwise have vested or vesting may be delayed.

Remuneration policy (continued)

The remuneration policy table

The table below summarises the main components of the reward package for Executive Directors.

	Purpose and link to strategy	Operation
Base salary	→ To attract and retain the best talent.	→ Salaries are usually reviewed annually and fixed for 12 months commencing 1 July. Decision is influenced by: → level of skill, experience and scope of responsibilities of individual; → business performance, scarcity of talent, economic climate and market conditions; → increases elsewhere within the Group; and → external comparator groups (which are used for reference purposes only) made up of companies of similar size and complexity to Vodafone.
Pension	→ To remain competitive within the marketplace.	→ Executive Directors may choose to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of pension.
Benefits	→ To aid retention and remain competitive within the marketplace.	→ Travel related benefits. This may include (but is not limited to) company car or cash allowance, fuel and access to a driver where appropriate. → Private medical, death and disability insurance and annual health checks. → In the event that we ask an individual to relocate we would offer them support in line with Vodafone's relocation or international assignment policies. This may cover (but is not limited to) relocation, cost of living allowance, housing, home leave, education support, tax equalisation and advice. → Legal fees if appropriate. → Other benefits are also offered in line with the benefits offered to other employees for example, all-employee share plans, mobile phone discounts, maternity/paternity benefits, sick leave, paid holiday, etc.
Annual Bonus – Global Short-Term Incentive Plan ('GSTIP')	→ To drive behaviour and communicate the key priorities for the year. → To motivate employees and incentivise delivery of performance over the one year operating cycle. → The financial metrics are designed to both drive our growth strategies whilst also focusing on improving operating efficiencies. Measuring competitive performance with its heavy reliance on net promoter score ('NPS') means providing a great customer experience remains at the heart of what we do.	→ Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure they continue to support our strategy. → Performance over the financial year is measured against stretching financial and non-financial performance targets set at the start of the financial year. → The annual bonus is usually paid in cash in June each year for performance over the previous year.
Long-Term Incentive – Global Long-Term Incentive Plan ('GLTI') base awards and co-investment awards (further details can be found in the notes that follow this table)	→ To motivate and incentivise delivery of sustained performance over the long term. → To support and encourage greater shareholder alignment through a high level of personal financial commitment. → The use of free cash flow as the principal performance measure ensures we apply prudent cash management and rigorous capital discipline to our investment decisions, whilst the use of TSR along with a performance period of not less than three years means that we are focused on the long-term interests of our shareholders.	→ Award levels and the framework for determining vesting are reviewed annually to ensure they continue to support our strategy. → Long-term incentive base awards consist of performance shares which are granted each year. → Individuals must co-invest in Vodafone shares and hold them in trust for at least three years in order to receive the full target award. → All awards vest not less than three years after the award based on Group operational and external performance. → Dividend equivalents are paid in cash after the vesting date.

	Opportunity	Performance metrics
	→ Average salary increases for existing Executive Committee members (including Executive Directors) will not normally exceed average increases for employees in other appropriate parts of the Group. Increases above this level may be made in specific situations. These situations could include (but are not limited to) internal promotions, changes to role, material changes to the business and exceptional company performance.	None.
	→ The pension contribution or cash payment is equal to 30% of annual gross salary. In light of pension levels elsewhere in the Group we have decided to reduce the pension benefits level from 30% to no more than 24% from November 2015.	None.
	→ Benefits will be provided in line with appropriate levels indicated by local market practice in the country of employment. → We expect to maintain benefits at the current level but the value of benefit may fluctuate depending on, amongst other things, personal situation, insurance premiums and other external factors.	None.
	→ Bonuses can range from 0–200% of base salary, with 100% paid for on-target performance. Maximum is only paid out for exceptional performance.	→ Performance over each financial year is measured against stretching targets set at the beginning of the year. → The performance measures normally comprise of a mix of financial and strategic measures. Financial measures may include (but are not limited to) profit, revenue and cash flow with a weighting of no less than 50%. Strategic measures may include (but are not limited to) competitive performance metrics such as net promoter score and market share.
	→ The basic target award level is 137.5% of base salary for the Chief Executive (110% for other Executive Directors). → The target award level may increase up to 237.5% of base salary for the Chief Executive (or 210% for others) if the individual commits to a co-investment in shares equal in value to their base salary. → Minimum vesting is 0% of target award level, threshold vesting is 50% and maximum vesting is 250% of the target award level. → Maximum long-term incentive face value at award of 594% of base salary for the Chief Executive (237.5% x 250%) and 525% for others. → The awards that vest accrue cash dividend equivalents over the three year vesting period. → Awards vest to the extent performance conditions are satisfied. There is a mandatory holding period where 50% of the post-tax shares are released after vesting, a further 25% after the first anniversary of vesting, and the remaining 25% will be released after the second anniversary.	→ Performance is measured against stretching targets set at the beginning of the performance period. → Vesting is determined based on a matrix of two measures: → adjusted free cash flow as our operational performance measure; and → relative TSR against a peer group of companies as our external performance measure.

Remuneration policy (continued)

Notes to the remuneration policy table

Existing arrangements

We will honour existing awards to Executive Directors, and incentives, benefits and contractual arrangements made to individuals prior to their promotion to the Board. This will last until the existing incentives vest (or lapse) or the benefits or contractual arrangements no longer apply.

Long-Term Incentive ('GLTI')

When referring to our long-term incentive awards we use the financial year end in which the award was made. For example, the '2013 award' was made in the financial year ending 31 March 2013. The awards are usually made in the first half of the financial year (the 2013 award was made in July 2012).

The extent to which awards vest depends on two performance conditions:

- underlying operational performance as measured by adjusted free cash flow; and
- relative Total Shareholder Return ('TSR') against a peer group median.

Adjusted free cash flow

The free cash flow performance is based on the cumulative adjusted free cash flow figure over the performance period. The detailed targets and the definition of adjusted free cash flow are determined each year as appropriate. The target adjusted free cash flow level is set by reference to our long-range plan and market expectations. We consider the targets to be critical to the Company's long-term success and its ability to maximise shareholder value, and to be in line with the strategic goals of the Company. The Remuneration Committee sets these targets to be sufficiently demanding with significant stretch where only outstanding performance will be rewarded with a maximum payout.

The cumulative adjusted free cash flow vesting levels as a percentage of target are shown in the table below (with linear interpolation between points):

Performance	Vesting percentage
Below threshold	0%
Threshold	50%
Target	100%
Maximum	125%

TSR outperformance of a peer group median

We have a limited number of appropriate peers and this makes the measurement of a relative ranking system volatile. As such, the outperformance of the median of a peer group is felt to be the most appropriate TSR measure. The peer group for the performance condition is reviewed each year and amended as appropriate.

The relative TSR position determines the performance multiplier. This will be applied to the adjusted free cash flow vesting percentage. There will be no multiplier until TSR performance exceeds median. Above median, the following table will apply (with linear interpolation between points):

	Multiplier
Median	No increase
Percentage outperformance of the peer group median equivalent to 65th percentile	1.5 times
Percentage outperformance of the peer group median equivalent to 80th percentile	2.0 times

In order to determine the percentages for the equivalent outperformance levels above median, the Remuneration Committee seeks independent external advice.

Combined vesting matrix

The combination of the two performance measures gives a combined vesting matrix as follows (with linear interpolation between points):

	TSR outperformance		
Adjusted free cash flow measure	Up to Median	65th percentile equivalent	80th percentile equivalent
Below threshold	0%	0%	0%
Threshold	50%	75%	100%
Target	100%	150%	200%
Maximum	125%	187.5%	250%

The combined vesting percentages are applied to the target number of shares granted.

Outstanding awards

For the awards made in the 2013 and 2014 financial years (vesting in July 2015 and June 2016 respectively) the award structure is as set out above, except that the maximum vesting percentage for cumulative adjusted free cash flow was 150% leading to an overall maximum of 300% of target award.

Remuneration policy for other employees

While our remuneration policy follows the same fundamental principles across the Group, packages offered to employees reflect differences in market practice in the different countries, role and seniority.

For example, the remuneration package elements for our Executive Directors are essentially the same as for the other Executive Committee members, with some small differences, for example higher levels of share awards. The remuneration for the next level of management, our senior leadership team, again follows the same principles but with differences such as local and individual performance aspects in the annual bonus targets and performance share awards. They also receive lower levels of share awards which are partly delivered in restricted shares.

Estimates of total future potential remuneration from 2015 pay packages

The tables below provide estimates of the potential future remuneration for each of the Executive Directors based on the remuneration opportunity granted in the 2015 financial year and therefore do not reflect the latest remuneration information. Potential outcomes based on different performance scenarios are provided for each Executive Director.

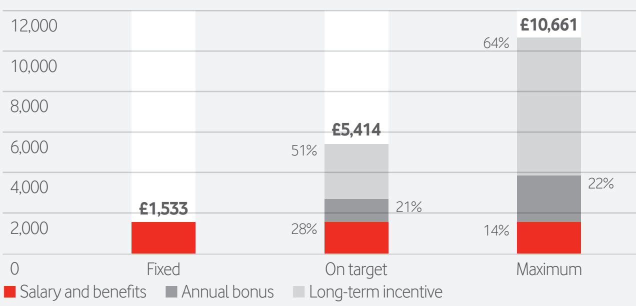
The assumptions underlying each scenario are described below.

Fixed	Consists of base salary, benefits and pension.
	Base salary is at 1 July 2014.
	Benefits are valued using the figures in the total remuneration for the 2014 financial year table on page 78 (of the 2014 report) and on a similar basis for Nick Read (promoted to the Board on 1 April 2014).
	Pensions are valued by applying cash allowance rate of 30% of base salary at 1 July 2014.

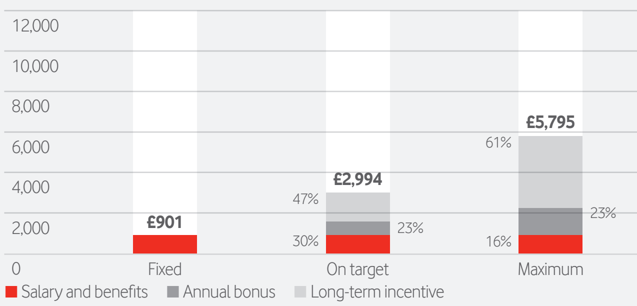
	Base (£'000)	Benefits (£'000)	Pension (£'000)	Total fixed (£'000)
Chief Executive	1,150	38	345	1,533
Chief Financial Officer	675	23	203	901
Chief Technology Officer	600	21	180	801

On target	Based on what a Director would receive if performance was in line with plan.
	The target award opportunity for the annual bonus ('GSTIP') is 100% of base salary.
	The target award opportunity for the long-term incentive ('GLTI') is 237.5% of base salary for the Chief Executive and 210% for others. We assumed that TSR performance was at median.
Maximum	Two times the target award opportunity is payable under the annual bonus ('GSTIP').
	The maximum levels of performance for the long-term incentive ('GLTI') are 250% of target award opportunity. We assumed that TSR performance was at or above the 80th percentile equivalent.
All scenarios	Each executive is assumed to co-invest the maximum allowed under the long-term incentive ('GLTI'), 100% of salary, and the long-term incentive ('GLTI') award reflects this.
	Long-term incentives consist of share awards only which are measured at face value i.e. no assumption for increase in share price or cash dividend equivalents payable.

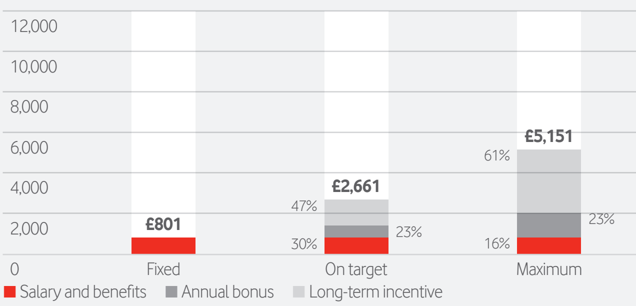
Vittorio Colao, Chief Executive £'000



Nick Read, Chief Financial Officer (appointed 1 April 2014) £'000



Stephen Pusey, Chief Technology Officer £'000



Recruitment remuneration

Our approach to recruitment remuneration is to pay no more than is necessary and appropriate to attract the right talent to the role.

The remuneration policy table (pages 60 and 61) sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director. Any new Director's remuneration package would include the same elements, and be subject to the same constraints, as those of the existing Directors performing similar roles. This means a potential maximum bonus opportunity of 200% of base salary and long-term incentive maximum face value of opportunity at award of 594% of base salary.

When considering the remuneration arrangements of individuals recruited from external roles to the Board, we will take into account the remuneration package of that individual in their prior role. We only provide additional compensation to individuals for awards foregone. If necessary we will seek to replicate, as far as practicable, the level and timing of such remuneration, taking into account also any remaining performance requirements applying to it. This will be achieved by granting awards of cash or shares that vest over a timeframe similar to those forfeited and if appropriate based on performance conditions. A commensurate reduction in quantum will be applied where it is determined that the new awards are either not subject to performance conditions or subject to performance conditions that are not as stretching as those of the awards forfeited.

Remuneration policy (continued)

Service contracts of Executive Directors

After an initial term of up to two years Executive Directors' contracts have rolling terms and are terminable on no more than 12 months' notice.

The key elements of the service contract for executives relate to remuneration, payments on loss of office (see below), and restrictions during active employment (and for 12 months thereafter). These restrictions include non-competition, non-solicitation of customers and employees etc.

Additionally, all of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control to the extent that any performance condition has been satisfied and pro-rated to reflect the acceleration of vesting.

Payments for departing executives

In the table below we summarise the key elements of our policy on payment for loss of office. We will of course, always comply both with the relevant plan rules and local employment legislation.

Provision	Policy
Notice period and compensation for loss of office in service contracts	→ 12 months' notice from the Company to the Executive Director. → Up to 12 months' base salary (in line with the notice period). Notice period payments will either be made as normal (if the executive continues to work during the notice period or is on gardening leave) or they will be made as monthly payments in lieu of notice (subject to mitigation if alternative employment is obtained).
Treatment of annual bonus ('GSTIP') on termination under plan rules	→ The annual bonus will be pro-rated for the period of service during the financial year and will reflect the extent to which Company performance has been achieved. → The Remuneration Committee has discretion to reduce the entitlement to an annual bonus to reflect the individual's performance and the circumstances of the termination.
Treatment of unvested long-term incentive awards ('GLTI') and co-investment awards on termination under plan rules	→ An Executive Director's award will vest in accordance with the terms of the plan and satisfaction of performance conditions measured at the normal completion of the performance period, with the award pro-rated for the proportion of the vesting period that had elapsed at the date of cessation of employment. → The Remuneration Committee has discretion to vary the level of vesting as deemed appropriate, and in particular to determine that awards should not vest in the case of a 'bad leaver' which may include, at their absolute discretion, departure in case of poor performance, departure without the agreement of the Board, or detrimental competitive activity.
Pension and benefits	→ Generally pension and benefit provisions will continue to apply until the termination date. → Where appropriate other benefits may be receivable, such as (but not limited to) payments in lieu of accrued holiday and legal fees or tax advice costs in relation to the termination. → Benefits of relative small value may continue after termination where appropriate, such as (but not limited to) mobile phone provision.

In exceptional circumstances, an arrangement may be established specifically to facilitate the exit of a particular individual albeit that any such arrangement would be made within the context of minimising the cost to the Group. We will only take such a course of action in exceptional circumstances and where it is considered to be in the best interests of shareholders.

Chairman and Non-Executive Directors' remuneration

Our policy is for the Chairman to review the remuneration of Non-Executive Directors annually following consultation with the Remuneration Committee Chairman. Fees for the Chairman are set by the Remuneration Committee.

Element	Policy
Fees	→ We aim to pay competitively for the role including consideration of the time commitment required. We benchmark the fees against an appropriate external comparator group. We pay fees to our Chairman and Senior Independent Director that include fees for chairmanship of any committees. We pay a fee to each of our other Non-Executive Directors and they receive an additional fee if they chair a committee. Non-executive fee levels are set within the maximum level as approved by shareholders as part of our articles of association.
Allowances	→ An allowance is payable each time a non-Europe-based Non-Executive Director is required to travel to attend Board and committee meetings to reflect the additional time commitment involved.
Incentives	→ Non-Executive Directors do not participate in any incentive plans.
Benefits	→ Non-Executive Directors do not participate in any benefit plans. The Company does not provide any contribution to their pension arrangements. The Chairman is entitled to the use of a car and a driver whenever and wherever he is providing his services to or representing the Company. We have been advised that for Non-Executive Directors, certain travel and accommodation expenses in relation to attending Board meetings should be treated as a taxable benefit therefore we also cover the tax liability for these expenses.

Non-Executive Director service contracts

Non-Executive Directors are engaged on letters of appointment that set out their duties and responsibilities. The appointment of Non-Executive Directors may be terminated without compensation. Non-Executive Directors are generally not expected to serve for a period exceeding nine years. For further information refer to the "Nomination and Governance Committee" section of the Annual Report (pages 69 and 70).

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken during the 2016 financial year. The Committee is comprised to exercise independent judgement and consists only of the following independent Non-Executive Directors:

Chairman: Valerie Gooding (from 28 July 2015)
Committee members: Renee James and Samuel Jonah

The Committee regularly consults with Vittorio Colao, the Chief Executive, and Ronald Schellekens, the Group HR Director, on various matters relating to the appropriateness of awards for Executive Directors and senior executives, though they are not present when their own compensation is discussed. In addition, Adrian Jackson, the Group Reward and Policy Director, provides a perspective on information provided to the Committee, and requests information and analysis from external advisers as required. Rosemary Martin, the Group General Counsel and Company Secretary, advises the Committee on corporate governance guidelines and acts as secretary to the Committee.

External advisers

The Remuneration Committee seeks and considers advice from independent remuneration advisers where appropriate. The appointed advisers, Willis Towers Watson, were selected through a thorough process led by the Chairman of the Remuneration Committee and were appointed by the Committee in 2007. The Chairman of the Remuneration Committee has direct access to the advisers as and when required, and the Committee determines the protocols by which the advisers interact with management in support of the Committee. The advice and recommendations of the external advisers are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisers attend Committee meetings occasionally, as and when required by the Committee.

Willis Towers Watson is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. Willis Towers Watson has confirmed that it adheres to that Code of Conduct throughout the year for all remuneration services provided to Vodafone and therefore the Committee is satisfied that it is independent and objective. The Remuneration Consultants' Group Code of Conduct is available at remunerationconsultantsgroup.com.

Adviser	Appointed by	Services provided to the Committee	Fees for services provided to the Committee £'000[1]	Other services provided to the Company
Willis Towers Watson	Remuneration Committee in 2007	Advice on market practice; governance; provision of market data on executive reward; reward consultancy; and performance analysis.	£102	Reward and benefits consultancy; provision of benchmark data; pension administration; and insurance consultancy services.

Note:
1 Fees are determined on a time spent basis.

2015 annual general meeting – Remuneration Report voting results

At the 2015 annual general meeting there was an advisory vote on our Remuneration Report. Details of the voting outcomes are provided in the table below.

	Votes for	%	Votes against	%	Total votes	Withheld
Remuneration Report	17,072,436,151	97.19	493,289,470	2.81	17,565,725,621	553,520,692

2014 annual general meeting – Remuneration Policy voting results

At the 2014 annual general meeting there was a binding vote on our Remuneration Policy. Details of the voting outcomes are provided in the table below.

	Votes for	%	Votes against	%	Total votes	Withheld
Remuneration Policy	16,620,036,145	95.97	698,459,069	4.03	17,318,495,214	227,447,313

Meetings

The Remuneration Committee had seven formal meetings during the year. In addition, informal conference calls can also take place. The principal agenda items at the formal meetings were as follows:

Meeting	Agenda items	
May 2015	→ 2015 annual bonus achievement and 2016 targets and ranges → 2012 long-term incentive award vesting and 2016 targets and ranges	→ 2015 Directors' Remuneration Report
June 2015	→ Re-organisation of Europe region	
July 2015	→ 2016 long-term incentive awards	→ Large local market CEO remuneration
September 2015	→ 2015 grant of co-investment awards	
November 2015	→ 2016 reward strategy → Annual review of remuneration policy	→ Corporate governance matters
January 2016	→ 2016 annual bonus framework	
March 2016	→ 2016 reward packages for the Executive Committee → Non-Executive Director fee levels → Chairman's fees	→ 2016 Directors' Remuneration Report → Committee's Terms of Reference → Risk assessment

Annual Report on remuneration (continued)

2016 remuneration

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2016 financial year versus 2015. Specifically we have provided a table that shows all remuneration that was earned by each individual during the year and computed a single total remuneration figure for the year. The value of the annual bonus ('GSTIP') reflects what was earned in respect of the year but will be paid out in cash in the following year. Similarly the value of the long-term incentive ('GLTI') reflects the share awards which will vest in June 2016 as a result of the performance through the three year period ended at the completion of our financial year on 31 March 2016.

The Remuneration Committee reviews all incentive awards prior to payment and uses judgement to ensure that the final assessments of performance are fair and appropriate. If circumstances warrant it, the Committee may adjust the final payment or vesting downwards. On this occasion, based on the fact that final annual bonus payout and final vesting level long-term incentives awards GLTI were deemed to be an accurate reflection of performance and were considered fair and appropriate, the Committee did not use its discretion to adjust final outcomes.

Total remuneration for the 2016 financial year (audited)

	Vittorio Colao		Stephen Pusey[1]		Nick Read	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Salary/fees	1,150	1,140	200	594	694	675
Taxable benefits[2]	32	40	7	21	26	28
Annual bonus: GSTIP (see below for further detail)	1,342	1,287	233	671	817	755
Total long-term incentive:	2,429	–	754	–	1,412	–
GLTI vesting during the year[3]	2,102	–	653	–	861	–
Cash in lieu of GLTI dividends[4]	327	–	101	–	134	–
GLTR vesting during the year[5]	–	–	–	–	380	–
GLTR dividend equivalent shares[6]	–	–	–	–	37	–
Cash in lieu of pension	316	342	60	178	191	203
Other[7]	1	1	–	–	1	1
Total	**5,270**	**2,810**	**1,254**	**1,464**	**3,141**	**1,662**

Notes:
1 Stephen Pusey stepped down from the Board following the AGM held on 28 July 2015 and retired on 31 July 2015.
2 Taxable benefits include amounts in respect of: – Private healthcare (2016: £1,946; 2015: £1,854);
– Cash car allowance £19,200 p.a.; and
– Travel (2016: Vittorio Colao £10,764, Nick Read £4,546; 2015: Vittorio Colao £18,022; Nick Read £7,164).
3 The value shown in the 2016 column is the award which vests on 26 June 2016 and is valued using an average of closing share price over the last quarter of the 2016 financial year of 216.59 pence.
4 Participants also receive a cash award, equivalent in value to the dividends that would have been paid during the vesting period on any shares that vest. The cash in lieu of dividend value shown in 2016 relates to the award which vests on 26 June 2016.
5 On 26 June 2013, prior to his appointment to the Board, Nick Read was granted a GLTR share award which was subject to a continued employment condition. This award subsequently vested on June 2015 following the fulfilment of the continued employment condition. The value shown in the 2016 column in respect of Nick Read is based on the execution share price on 26 June 2015 of 238.09 pence.
6 Nick Read received an award of 15,620 dividend equivalent shares in respect of the GLTR share award which vested on 26 June 2015.
7 Reflects the value of the SAYE benefit which is calculated as £250 x 12 months x 20% to reflect the discount applied based on savings made during the year.

2016 annual bonus ('GSTIP') payout (audited)

In the table below we disclose our achievement against each of the performance measures and targets in our annual bonus ('GSTIP') and the resulting total annual bonus payout level for the year ended 31 March 2016 of 116.7%. This is applied to the target bonus level of 100% of base salary for each executive. Commentary on our performance against each measure is provided below the table.

Performance measure	Payout at target performance 100%	Payout at maximum performance 200%	Actual payout %	Threshold performance level £bn	Target performance level £bn	Maximum performance level £bn	Actual performance level[1] £bn
Service revenue	20%	40%	20.7%	37.2	39.2	41.1	39.2
EBITDA	20%	40%	23.7%	11.4	12.2	13.1	12.4
Adjusted free cash flow	20%	40%	30.7%	0.1	0.7	1.3	1.0
Customer Appreciation KPIs	40%	80%	41.6%	See below for further details			
Total annual bonus payout level	**100%**	**200%**	**116.7%**				

Note:
1 These figures are adjusted to include the removal of the impact of M&A, foreign exchange movements and any changes in accounting treatment.

During the year under review, service revenue performance was slightly above budget, with both Europe and AMAP regions recording above target performances. EBITDA results also demonstrated above target performance, with both Europe and AMAP again recording equally strong performances. With regards to Adjusted Free Cash Flow, overall performance reflected particularly strong AMAP performance, with our Europe region recording below target results.

An assessment of performance under the Customer Appreciation KPIs measure was conducted on a market by market basis, with these scores then being subject to a revenue-weighted average to give an overall performance achievement. Performance was primarily judged against an assessment of net promoter score and brand consideration for both consumer and enterprise operations, where applicable, within each market. Additional consideration was then given to other relevant factors including customer churn rates and revenue market share. Group performance for the year was slightly above target reflecting our position as Consumer NPS leader in 13 out of 21 markets – an increase from our previous position as leader in 11 markets.

2016 annual bonus ('GSTIP') amounts	Base salary £'000	Target bonus % of base salary	2016 payout % of target	Actual payment £'000
Vittorio Colao	1,150	100%	116.7%	1,342
Stephen Pusey[1]	600	100%	116.7%	233
Nick Read	700	100%	116.7%	817

Note:
1 The actual payment figure for Stephen Pusey reflects the pro-rated amount paid in respect of time served.

Long-term incentive ('GLTI') award vesting in June 2016 (audited)

The 2014 long-term incentive ('GLTI') awards which were made in June 2013 will partially vest in June 2016. The performance conditions for the three year period ending in the 2016 financial year are as follows:

		TSR outperformance		
Adjusted free cash flow measure	£bn	0.0% (Up to median)	4.5% (65th percentile equivalent)	9.0% (80th percentile equivalent)
Below threshold	<12.4	0%	0%	0%
Threshold	12.4	50%	75%	100%
Target	14.4	100%	150%	200%
Maximum	16.4	150%	225%	300%

TSR peer group	
AT&T	Orange
BT Group	Telecom Italia
Deutsche Telekom	Telefónica
Emerging markets composite	

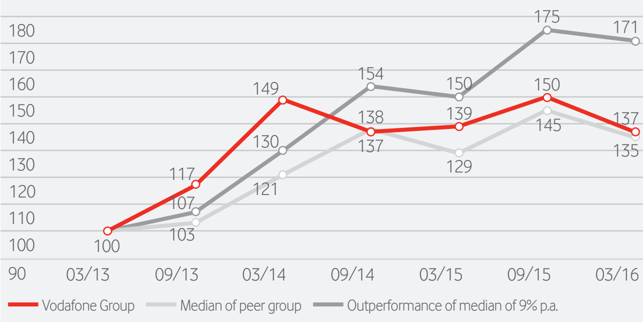
The adjusted free cash flow for the three year period ended on 31 March 2016, having removed the impact of the investment made under Project Spring as set out in our 2014 Annual Remuneration Report, was £13.1 billion. This compares with a threshold of £12.4 billion and a target of £14.4 billion.

The chart to the right shows that our TSR performance against our peer group for the same period resulted in an outperformance of the median by 0.4% a year.

Using the combined payout matrix above, this performance resulted in a payout of 69.6% of target.

The combined vesting percentages are applied to the target number of shares granted as shown below.

2013 GLTI award: TSR performance (growth in the value of a hypothetical US$100 holding over the performance period, six-month averaging)



2014 GLTI performance share awards vesting in June 2016	Maximum number of shares	Target number of shares	Adjusted free cash flow performance payout % of target	TSR multiplier	Overall vesting % of target	Number of shares vesting	Value of shares vesting ('000)
Vittorio Colao	4,185,370	1,395,123	66.6%	1.05 times	69.6%	970,586	£2,102
Stephen Pusey[1]	1,904,846	634,948	66.6%	1.05 times	69.6%	301,272	£653
Nick Read	1,713,392	571,130	66.6%	1.05 times	69.6%	397,335	£861

Note:
1 The number and value of shares vesting for Stephen Pusey reflect the pro-rated amount paid in respect of time served.

These share awards will vest on 26 June 2016. Specified procedures are performed by PricewaterhouseCoopers LLP over the adjusted free cash flow to assist with the Committee's assessment of performance. The performance assessment in respect of the TSR outperformance of the peer group median is undertaken by Willis Towers Watson. Details of how the plan works can be found on pages 60 to 62.

Long-term incentive ('GLTI') awarded during the year (audited)

The performance conditions for the 2016 long-term incentive awards made in June 2015 and September 2015 are a combination of adjusted free cash flow and TSR performance as follows:

		TSR outperformance		
Adjusted free cash flow measure	£bn	0.0% (Up to median)	4.5% (65th percentile equivalent)	9.0% (80th percentile equivalent)
Below threshold	<7.3	0%	0%	0%
Threshold	7.3	50%	75%	100%
Target	9.0	100%	150%	200%
Maximum	10.7	125%	187.5%	250%

TSR peer group	
Bharti	Orange
BT Group	Telecom Italia
Deutsche Telekom	Telefónica
MTN	

The combined vesting percentages are applied to the target number of conditional shares granted.

Annual Report on remuneration (continued)

In order to participate fully in this award, executives had to co-invest personal shares worth 100% of salary. The resulting awards to Executive Directors were as follows:

2016 GLTI performance share awards made in June 2015 and September 2015	Number of shares awarded: **Target vesting level (40% of max)**	Number of shares awarded: Maximum vesting level	Face value of shares awarded[1]: **Target vesting level**	Face value of shares awarded[1]: Maximum vesting level	Proportion of maximum award vesting at minimum performance	Performance period end
Vittorio Colao	**1,215,662**	3,039,156	**£2,731,579**	£6,828,949	⅕th	31 Mar 2018
Nick Read	**635,986**	1,589,967	**£1,417,652**	£3,544,135	⅕th	31 Mar 2018

Note:
1 Face value calculated based on target awards of 137.5 % of salary for Vittorio Colao and 110% of salary for Nick Read made in June 2015 using a share price for the awards of 239.4 pence and, following co-investment at the end of the close period, target awards of 100% of salary in September 2015 for both Executive Directors, using a share price for the awards of 207.2 pence (i.e. closing share price for the day prior to each grant).

Dividend equivalents on the shares that vest are paid in cash after the vesting date.

All-employee share plans

The Executive Directors are also eligible to participate in the UK all-employee plans.

Summary of plans

Sharesave

The Vodafone Group 2008 Sharesave Plan is an HM Revenue & Customs ('HMRC') approved scheme open to all staff permanently employed by a Vodafone Company in the UK as of the eligibility date. Options under the plan are granted at up to a 20% discount to market value. Executive Directors' participation is included in the option table on page 69.

Share Incentive Plan

The Vodafone Share Incentive Plan ('SIP') is an HMRC approved plan open to all staff permanently employed by a Vodafone Company in the UK. Participants may contribute up to a maximum of £125 per month (or 5% of salary if less) which the trustee of the plan uses to buy shares on their behalf. An equivalent number of shares are purchased with contributions from the employing company. UK-based Executive Directors are eligible to participate.

Pensions (audited)

The Executive Directors received a cash allowance of 30% of base salary in lieu of pension contributions until 31 October 2015. From 1 November 2015, cash allowance in lieu of pension contributions for Vittorio Colao and Nick Read were reduced to 24% of base salary. No Executive Directors accrued benefits under any defined contribution pension plans during the year or have participated in a defined benefits scheme while an Executive Director.

The Executive Directors are provided benefits in the event of death in service. They also have an entitlement under a long-term disability plan from which two-thirds of base salary, up to a maximum benefit determined by the insurer, would be provided until normal retirement date (aged 60). In respect of the Executive Committee members, the Group has made aggregate contributions of £130,806 (2015: £43,000) into defined contribution pension schemes.

Alignment to shareholder interests (audited)

All of our Executive Directors have shareholdings in excess of their goals. Current levels of ownership by the Executive Directors, and the date by which the goal should be or should have been achieved, are shown below. The values are calculated using an average share price over the six months to 31 March 2016 of 216.09 pence.

At 31 March 2016	Goal as a % of salary	Current % of salary held	% of goal achieved	Number of shares	Value of shareholding	Date for goal to be achieved
Vittorio Colao	400%	2,049%	512%	10,906,223	£23.6m	July 2012
Stephen Pusey (position at retirement)	300%	569%	190%	1,579,543	£3.4m	June 2014
Nick Read	300%	644%	215%	2,086,257	£4.5m	April 2019

Collectively the Executive Committee including the Executive Directors own more than 24 million Vodafone shares, with a value of over £52.3 million. None of the Executive Committee members' shareholdings amounts to more than 1% of the issued shares in that class of share, excluding treasury shares.

Directors' interests in the shares of the Company (audited)

A summary of interests in shares and scheme interests of the Directors who served during the year is given below. More details of the performance shares and options follows.

At 31 March 2016	Total number of interests in shares	Share plans: Unvested GLTI shares (with performance conditions)	Share options: SAYE (unvested without performance conditions)	Share options: GIP (vested)
Executive Directors				
Vittorio Colao	21,490,367	10,574,537	9,607	–
Stephen Pusey (position at retirement)	4,317,502	2,737,959	–	–
Nick Read	8,120,116	5,096,027	10,389	927,443
Total	**33,927,985**	**18,408,523**	**19,996**	**927,443**

The total number of interests in shares includes interests of connected persons, unvested share awards and share options.

At 31 March 2016	Total number of interests in shares
Non-Executive Directors	
Sir Crispin Davis	34,500
Dr Mathias Döpfner	11,500
Dame Clara Furse	25,000
Valerie Gooding[1]	4,038
Renee James	27,272
Samuel Jonah	30,190
Gerard Kleisterlee	107,078
Nick Land	42,090
David Nish	21,227
Luc Vandevelde (position at retirement on 28 July 2015)	75,474
Philip Yea	33,408

Note:
1 On 17 May 2016, Valerie Gooding acquired an interest in a further 7,962 shares resulting in a total interest in 12,000 shares as at 17 May 2016.

At 17 May 2016 and during the period from 1 April 2016 to 17 May 2016, no Director had any interest in the shares of any subsidiary company. Other than those individuals included in the tables above who were Board members at 31 March 2016, members of the Group's Executive Committee at 31 March 2016 had an aggregate beneficial interest in 11,188,246 ordinary shares of the Company. At 17 May 2016 the Directors had an aggregate beneficial interest in 13,336,745 ordinary shares of the Company and the Executive Committee members had an aggregate beneficial interest in 11,197,712 ordinary shares of the Company, which includes awards made under the Vodafone Share Incentive Plan after 31 March 2016 and share purchases made after the year-end outside of the close period. None of the Directors or the Executive Committee members had an individual beneficial interest amounting to greater than 1% of the Company's ordinary shares.

With the exception of the acquisition of an interest in 7,962 ordinary shares by Valerie Gooding as outlined above, the Directors' total number of interests in shares did not change during the period from 1 April 2016 to 17 May 2016.

Performance shares

The maximum number of outstanding shares that have been awarded to Directors under the long-term incentive ('GLTI') plan are currently as follows:

GLTI performance share awards	2014 award Awarded: June 2013 and September 2013[1] Performance period ending: March 2016 Vesting date: June 2016 Share price at grant: 180.2 pence and 202.5 pence	2015 award Awarded: June 2014 Performance period ending: March 2017 Vesting date: June 2017 Share price at grant: 189.9 pence	2016 award Awarded: June 2015 and September 2015[1] Performance period ending: March 2018 Vesting date: June 2018 Share price at grant: 239.4 pence and 207.2 pence
Vittorio Colao	4,185,370	3,350,011	3,039,156
Stephen Pusey	1,904,846	833,113	–
Nick Read	1,713,392	1,792,668	1,589,967

Note:
1 Due to a close period, Executive Directors were not able to make co-investment commitments at the time of the main award in June 2013 and 2015 and therefore part of the award was made in September 2013 and 2015 respectively.

For details of the performance conditions please see page 62.

Share options

The following information summarises the Executive Directors' options under the Vodafone Group 2008 Sharesave Plan ('SAYE'), the Vodafone Group Incentive Plan ('GIP') and the Vodafone Group Plc 1999 Long-Term Stock Incentive Plan ('LTSIP'). HMRC approved awards may be made under all of the schemes mentioned. No other Directors have options under any schemes and, other than under the SAYE, no options have been granted since 2007.

Options under the Vodafone Group 2008 Sharesave Plan were granted at a discount of 20% to the market value of the shares at the time of the grant. No other options may be granted at a discount.

	Grant date	At 1 April 2015 or date of appointment Number of shares	Options granted during the 2016 financial year Number of shares	Options exercised during the 2016 financial year Number of shares	Options lapsed during the 2015 financial year Number of shares	Options held at 31 March 2016 Number of shares	Option price Pence[1]	Date from which exercisable	Expiry date	Market price on exercise Pence	Gain on exercise
Vittorio Colao											
SAYE	Jul 2014	9,607	–	–	–	9,607	156.13	Sep 2019	Feb 2020	–	–
Total		**9,607**				**9,607**					
Nick Read											
LTSIP[2]	Jul 2005	257,838	–	257,838	–	–	136.00	Jul 2008	Jul 2015	206.89	£182,786
GIP[3]	Jul 2007	927,443	–	–	–	927,443	167.80	Jul 2010	Jul 2017	–	–
SAYE	Jul 2012	10,389	–	–	–	10,389	144.37	Sep 2017	Feb 2018	–	–
Total		**1,195,670**				**937,832**					

Notes:
1 The closing trade share price on 31 March 2016 was 221.20 pence. The highest trade share price during the year was 255.35 pence and the lowest price was 200.20 pence.
2 The options granted in July 2005 were subject to a three year cumulative growth in adjusted earnings per share performance condition. The options vested 100% in July 2008.
3 The options granted in July 2007 were subject to a three year cumulative growth in adjusted earnings per share performance condition. The options vested 100% in July 2010.

Annual Report on remuneration (continued)

At 17 May 2016 there had been no change to the Directors' interests in share options from 31 March 2016.

Other than those individuals included in the table above, at 17 May 2016 members of the Group's Executive Committee held options for 26,501 ordinary shares at prices ranging from 156.1 pence to 189.2 pence per ordinary share, with a weighted average exercise price of 174.3 pence per ordinary share exercisable at dates ranging from 1 September 2017 to 1 September 2020.

Hannes Ametsreiter, Paolo Bertoluzzo, Aldo Bisio, António Coimbra, Warren Finegold, Ronald Schellekens, Robert Shuter and Serpil Timuray held no options at 17 May 2016.

Loss of office payments (audited)

Stephen Pusey retired on 31 July 2015 having worked 9 months of his 12 month notice period. Stephen was entitled to receive payments in lieu of notice each month for the remainder of his notice period subject to mitigation. In total, Stephen received the equivalent of 3 months salary (£150,000) and an amount equivalent to the pro-rated annual leave that had not been taken during his employment in the year (£16,846).

Since Stephen was employed for part of the 2016 financial year his annual bonus payment (as disclosed on page 67) was pro-rated for time served (i.e. to 31 July 2015). Stephen's 2014 GLTI award, the final vesting of which is described on page 67, will also be pro-rated for time worked and will vest at the normal vesting date.

Stephen's outstanding 2015 GLTI award will be pro-rated on a time worked basis and will vest, subject to performance, at the normal vesting date, in accordance with our share plan rules.

Stephen will receive no further benefits aside from the provision of a SIM card for his personal use at the Company's expense for a period of three years commencing on 1 August 2015.

Payments to past Directors (audited)

During the 2016 financial year Lord MacLaurin received benefit payments in respect of security costs as per his contractual arrangements. These costs exceeded our de minimis threshold of £5,000 p.a. and, including the tax paid, were £9,411.

Fees retained for external non-executive directorships

Executive Directors may hold positions in other companies as non-executive directors and retain the fees.

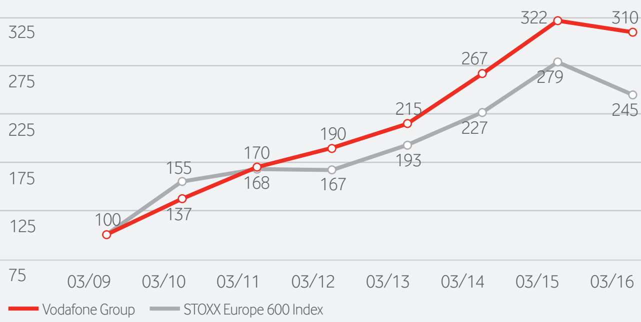
With effect from 1 July 2015, Vittorio Colao was appointed to the boards of Unilever N.V. and Unilever PLC as a non-executive director. During the year ended 31 March 2016 Vittorio retained fees of £63,783 in respect of this role.

With effect from 1 April 2015, Stephen Pusey was appointed to the board of Centrica plc as a non-executive director. During the period up to his retirement on 31 July 2015, Stephen retained fees of £24,000 in respect of this role.

Assessing pay and performance

In the table below we summarise the Chief Executive's single figure remuneration over the past seven years, as well as how our variable pay plans have paid out in relation to the maximum opportunity. This can be compared with the historic TSR performance over the same period. The chart below shows the performance of the Company relative to the STOXX Europe 600 Index over a six year period. The STOXX Europe 600 Index was selected as this is a broad-based index that includes many of our closest competitors. It should be noted that the payout from the long-term incentive plan is based on the TSR performance shown in the chart on page 67 and not this chart.

Seven-year historical TSR performance
(growth in the value of a hypothetical €100 holding over seven years)



Financial year remuneration for Chief Executive (Vittorio Colao)	2010[1]	2011	2012	2013	2014	2015	2016
Single figure of total remuneration £'000	3,350	7,022	15,767	11,099	8,014	2,810	5,270
Annual variable element (actual award versus maximum opportunity)	64%	62%	47%	33%	44%	56%	58%
Long-term incentive (vesting versus maximum opportunity)	25%	31%	100%	57%	37%	0%	23%

Note:
1 The single figure reflects share awards which were granted in 2006 and 2007, prior to his appointment to Chief Executive in 2008.

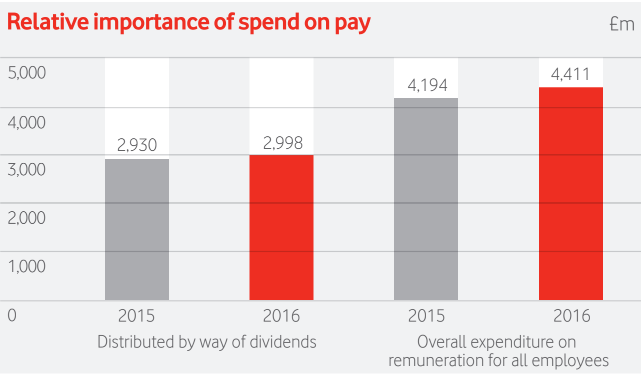
Change in the Chief Executive's remuneration

In the table below we show the percentage change in the Chief Executive's remuneration (salary, taxable benefits and annual bonus payment) between the 2015 and 2016 financial years compared to the average for other Vodafone Group employees who are measured on comparable business objectives and who have been employed in the UK since 2015 (per capita). Vodafone has employees based all around the world and some of these individuals work in countries with very high inflation therefore a comparison to Vodafone's UK-based Group employees is more appropriate than to all employees.

	Percentage change from 2015 to 2016	
Item	Chief Executive: Vittorio Colao	Other Vodafone Group employees employed in the UK
Base salary	0.9%	5.1%
Taxable benefits	-20.0%	0.4%
Annual bonus	4.3%	15.4%

Relative spend on pay

The chart below shows both the dividends distributed in the year and the total cost of remuneration in the Group.



For more details on dividends and expenditure on remuneration for all employees, please see pages 111 and 140 respectively.

2016 remuneration for the Chairman and Non-Executive Directors (audited)

	Salary/fees		Benefits[1]		Total	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Chairman						
Gerard Kleisterlee	625	625	77	66	702	691
Senior Independent Director						
Philip Yea	128	115	1	–	129	115
Non-Executive Directors						
Sir Crispin Davis (appointed 28 July 2014)	115	78	–	26	115	104
Dr Mathias Döpfner (appointed 1 April 2015)	115	–	1	–	116	–
Dame Clara Furse (appointed 1 September 2014)	115	67	–	–	115	67
Valerie Gooding	132	115	6	5	138	120
Renee James[2]	133	145	10	11	143	156
Samuel Jonah[2]	151	151	17	5	168	156
Nick Land	140	140	1	1	141	141
David Nish (appointed 1 January 2016)	29	–	7	–	36	–
Former Non-Executive Directors						
Alan Jebson[2] (retired 31 July 2014)	–	56	–	32	–	88
Omid Kordestani[2] (retired 31 December 2014)	–	116	–	14	–	130
Anne Lauvergeon (retired 31 July 2014)	–	38	–	1	–	39
Luc Vandevelde (retired 28 July 2015)	53	160	19	6	72	166
Anthony Watson (retired 31 July 2014)	–	38	–	4	–	42
Total	**1,736**	**1,844**	**139**	**171**	**1,875**	**2,015**

Notes:
1 We have been advised that for Non-Executive Directors, certain travel and accommodation expenses in relation to attending Board meetings should be treated as a taxable benefit. The table above includes these travel expenses and the corresponding tax contribution.
2 Salary/fees include an additional allowance of £6,000 per meeting for Directors based outside Europe.

Annual Report on remuneration (continued)

2017 remuneration

Details of how the remuneration policy will be implemented for the 2017 financial year are set out below.

2017 base salaries

The Remuneration Committee considered business performance, salary increases for other UK employees and external market information and decided to increase the salary of the Chief Financial Officer by 2.0% which is in line with the average salary increase budget for all employees across the UK. The Chief Executive requested not to be considered for a salary increase during the review. The average salary increase for Executive Committee members will be 2.5%; this compares to a budget of 2.4% which is based on an average of the relevant local market budget for each Executive Committee member.

The annual salaries for 2017 (effective 1 July 2016) are as follows:

→ Chief Executive: Vittorio Colao £1,150,000; and

→ Chief Financial Officer: Nick Read £714,000.

2017 annual bonus ('GSTIP')

The performance measures and weightings for 2017, which remain unchanged from 2016, are as follows:

→ service revenue (20%);

→ EBITDA (20%);

→ adjusted free cash flow (20%); and

→ customer appreciation KPIs (40%). This includes an assessment of net promoter score ('NPS') and brand consideration measures.

In respect of the measures included under the customer appreciation KPIs, net promoter score is used as a measure of the extent to which our customers would recommend us, whilst brand consideration acts as a measure of the percentage of people who would consider using a certain brand as their telecoms provider. Both measures utilise data collected in our local markets which is validated for quality and consistency by independent third party agencies. The data is sourced from studies involving both our own customers and customers of our competitors for the NPS measure, and both Vodafone users and non-users for the brand consideration measure. In formulating a final assessment of performance under the customer appreciation KPIs, the Committee will also consider other relevant customer factors such as churn, customer growth and service levels.

Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and therefore will be disclosed in the 2017 remuneration report following the completion of the financial year.

Long-term incentive ('GLTI') awards for 2017

As described in our policy on pages 60 to 62 the performance conditions are a combination of adjusted free cash flow and TSR performance. The details for the 2017 award are provided in the table below (with linear interpolation between points). Following the annual review of the performance measure, the Committee decided that for the 2017 award the TSR outperformance range should remain unchanged. The Committee will keep the calibration of the range under review and continue to only make changes where there is sufficient evidence to suggest this is appropriate.

		TSR outperformance		
Adjusted free cash flow measure	£bn[1]	0.0% (Up to median)	4.5% (65th percentile equivalent)	9.0% (80th percentile equivalent)
Below threshold	<9.95	0%	0%	0%
Threshold	9.95	50%	75%	100%
Target	11.80	100%	150%	200%
Maximum	13.65	125%	187.5%	250%

TSR peer group	
Bharti	Orange
BT Group	Telecom Italia
Deutsche Telekom	Telefónica
MTN	

Note:
1 In line with the decision to change the Group's reporting currency to euros from pounds sterling, as outlined in the Chairman's statement on page 3, the equivalent targets in euros, based on internal foreign exchange rate assumptions, including €1.38 : £1, will be a threshold of €13.75bn, a target of €16.30bn and a maximum of €18.85bn.

The combined vesting percentages are applied to the target number of shares granted.

2016 remuneration for the Chairman and Non-Executive Directors

For the 2016 review, the fees for our Chairman and non-executives have been benchmarked against a comparator group of the FTSE 30 companies (excluding Financial Services). Following the review it was agreed that the additional fee for the Senior Independent Director should be increased by £5,000 which brings it in line with other fees for additional responsibilities.

Position/role	Fee payable £'000 From 1 April 2016
Chairman[1]	625
Non-Executive Director	115
Additional fee for Senior Independent Director	25
Additional fee for Chairmanship of Audit, Remuneration and Risk Committees	25

Note:
1 The Chairman's fee also includes the fee for the Chairmanship of the Nominations and Governance Committee.

For 2017, the allowance payable each time a non-Europe-based Non-Executive Director is required to travel to attend Board and Committee meetings to reflect the additional time commitment involved is £6,000.

Further remuneration information

Dilution

All awards are made under plans that incorporate dilution limits as set out in the guidelines for share incentive schemes published by the Investment Association. The current estimated dilution from subsisting executive awards is approximately 2.8% of the Company's share capital at 31 March 2016 (3.0% at 31 March 2015), whilst from all-employee share awards it is approximately 0.5% (0.5% at 31 March 2015). This gives a total dilution of 3.3% (3.5% at 31 March 2015).

Service contracts

The terms and conditions of appointment of our Directors are available for inspection at the Company's registered office during normal business hours and at the annual general meeting (for 15 minutes prior to the meeting and during the meeting). The Executive Directors have notice periods in their service contracts of 12 months. The Non-Executive Directors' letters of appointment do not contain provision for notice periods or for compensation if their appointments are terminated.

This report on remuneration has been approved by the Board of Directors and signed on its behalf by:

V. Gooding

Valerie Gooding
Chairman of the Remuneration Committee
17 May 2016

Directors' report

The Directors of the Company present their report together with the audited consolidated financial statements for the year ended 31 March 2016.

This report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report as required under Disclosure & Transparency Rule ('DTR') 4. Certain information that fulfils the requirements of the Directors' report can be found elsewhere in this document and is referred to below. This information is incorporated into this Directors' report by reference.

Responsibility statement

As required under the DTR a statement made by the Board regarding the preparation of the financial statements is set out on pages 76 and 77 which also provides details regarding the disclosure of information to the Company's auditor and management's report on internal control over financial information.

Going concern

The going concern statement required by the Listing Rules and the Code is set out in the "Directors' statement of responsibility" on pages 76 and 77.

Corporate governance statement

The corporate governance statement setting out how the Company complies with the Code and which includes a description of the main features of its internal control and risk management arrangements in relation to the financial reporting process is set out on pages 54 and 55. The information required by DTR 7.2.6R can be found in the "shareholder information" section on pages 175 to 181. A description of the composition and operation of the Board and its Committees is set out on pages 38 to 73.

Strategic Report

The Strategic Report is set out on pages 2 to 37 and is incorporated into this Directors' report by reference.

Directors and their interests

The Directors of the Company who served during the financial year ended 31 March 2016 and up to the date of signing the financial statements are as follows: Gerard Kleisterlee, Vittorio Colao, Nick Read, Sir Crispin Davis, Dr Mathias Döpfner, Dame Clara Furse, Valerie Gooding, Renee James, Samuel Jonah, Nick Land, Philip Yea and David Nish. Luc Vandevelde and Stephen Pusey stepped down during the financial year ended 31 March 2016. Details of Directors' interests in the Company's ordinary shares, options held over ordinary shares, interests in share options and long-term incentive plans are set out on pages 66 to 72.

Directors' conflicts of interest

Established within the Company is a procedure for managing and monitoring conflicts of interest for Directors. Details of this procedure are set out on page 54.

Directors' indemnities

In accordance with our Articles of Association and to the extent permitted by law, Directors are granted an indemnity from the Company in respect of liability incurred as a result of their office. In addition, we maintained a Directors' and officers' liability insurance policy throughout the year. Neither our indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Disclosures required under Listing Rule 9.8.4

The information on the amount of interest capitalised and the treatment of tax relief can be found in notes 5 and 6 to the consolidated financial statements respectively. The remaining disclosures required by Listing Rule 9.8.4 are not applicable to Vodafone.

Capital structure and rights attaching to shares

All information relating to the Company's capital structure, rights attaching to shares, dividends, the policy to repurchase the Company's own shares and other shareholder information is contained on pages 175 to 181.

Change of control

Details of change of control provisions in the Company's revolving credit facilities is set out on page 130.

Information on agreements between the Company and its Directors providing for compensation for loss of office of employment (including details of change of control provisions in share schemes) is set out on page 64. Subject to that, there are no agreements between the Company and its employees providing for compensation for loss of office of employment that occurs because of a takeover bid.

Dividends

Full details of the Company's dividend policy and proposed final dividend payment for the year ended 31 March 2016 are set out on pages 17 and 36 and note 9 to the consolidated financial statements.

Sustainability

Information about the Company's approach to sustainability risks and opportunities is set out on pages 20 and 21. Also included on these pages are details of our greenhouse gas emissions.

Political donations

No political donations or contributions to political parties under the Companies Act 2006 have been made during the financial year. The Group policy is that no political donations be made or political expenditure incurred.

Financial risk management objectives and policies

Disclosures relating to financial risk management objectives and policies, including our policy for hedging are set out in note 23 to the consolidated financial statements and disclosures relating to exposure to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 23.

Important events since the end of the financial year

Details of those important events affecting the Group which have occurred since the end of the financial year are set out in the Strategic Report and note 32 to the consolidated financial statements.

Future developments within the Group

The Strategic Report contains details of likely future developments within the Group.

Group policy compliance

Each Group policy is owned by a member of the Executive Committee so that there is clear accountability and authority for ensuring the associated business risk is adequately managed. Regional chief executives and the senior leadership team member responsible for each Group function have primary accountability for ensuring compliance with all Group policies by all our markets and entities. Our Group compliance team and policy champions support the policy owners and local markets in implementing policies and monitoring compliance.

Code of Conduct

All of the key Group policies have been consolidated into the Vodafone Code of Conduct. This is a policy document applicable to all employees and those who work for or on behalf of Vodafone. It sets out the standards of behaviour expected in relation to areas such as insider dealing, bribery and raising concerns through the whistle-blowing process (known internally as "Speak Up").

Branches

The Group, through various subsidiaries, has branches in a number of different jurisdictions in which the business operates.

Employee disclosures

Our disclosures relating to the employment of disabled persons, women in senior management roles, employee engagement and policies are included in "Our people" on pages 18 and 19.

By Order of the Board

Rosemary Martin
Group General Counsel and Company Secretary

17 May 2016

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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

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:

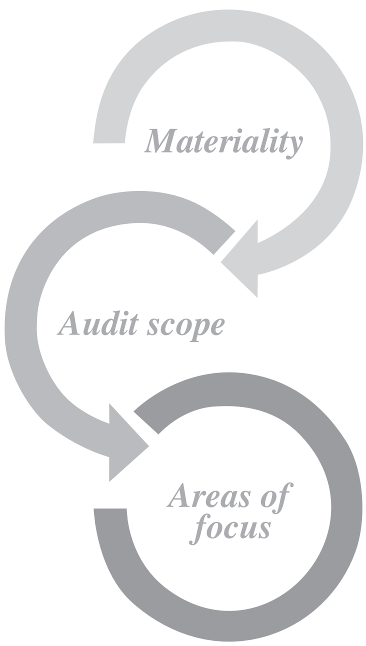
- the consolidated statement of financial position as at 31 March 2016;
- the Company statement of financial position as at 31 March 2016;
- the consolidated income statement and the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for 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.

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
Taxation matters 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. 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. 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. 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.	We evaluated the design and implementation of controls in respect of provisioning for withholding tax and the recognition and recoverability of deferred tax assets. 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. In respect of the deferred tax assets, we assessed the recoverability of losses from a tax perspective through performing the following: → understanding how losses arose and where they are located, including to which subgroups they are attributed; → considering whether the losses can be reversed; → assessing any restrictions on future use; → evaluating the results of local statutory impairment assessments including reversals; → considering the impact of recent regulatory developments, as applicable; and → determining whether any of the losses will expire. In addition we assessed the application of International Accounting Standard 12 – Income Taxes including: → understanding the triggers for recognition and derecognition of deferred tax assets; → considering effects of tax planning strategies; and → assessing recoverability of assets against forecast income streams, including reliability of future income projections. We determined that the carrying value of deferred tax assets at 31 March 2016 was supported by management's plans including intercompany funding arrangements. 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.

Area of focus	How our audit addressed the area of focus
Carrying value of goodwill Vodafone Group Plc has goodwill of £22,789 million contained within 22 cash generating units ('CGUs'). 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. 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. In the year ended 31 March 2016, a pre-tax impairment charge of £450 million was recognised related to goodwill in Romania. 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.	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. 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: → 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; → testing the mathematical accuracy of the cash flow models and agreeing relevant data to Board approved Long-Range Plans; and → assessing the reliability of management's forecast through a review of actual performance against previous forecasts. 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. Based on our procedures, we noted no exceptions and consider management's key assumptions to be within a reasonable range.
Provisions and contingent liabilities 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. 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.	Our procedures included the following: → testing key controls surrounding litigation, regulatory and tax procedures; → where relevant, reading external legal opinions obtained by management; → meeting with regional and local management and reading subsequent Group correspondence; → discussing open matters with the Group general counsel, Group litigation, regulatory, general counsel and tax teams; → assessing and challenging management's conclusions through understanding precedents set in similar cases; and → circularising where appropriate relevant third party legal representatives and direct discussion with them regarding certain material cases. 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. 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.

Area of focus	How our audit addressed the area of focus
Revenue recognition – accuracy of revenue recorded given the complexity of systems 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.). The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates. Refer to the Audit and Risk Committee Report and note 1 – Critical accounting judgements and key sources of estimation uncertainty.	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: → 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; → 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; → 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 → testing cash receipts for a sample of customers back to the customer invoice. 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. Based on our work, we noted no significant issues on the accuracy of revenue recorded in the year.

Significant one-off transactions
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.
 	
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.
 	
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.
 	
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.
	Our procedures included the following:
	→ evaluating the design and implementation of controls in respect of significant one-off transactions; and
	→ 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.
	
	In addition we performed procedures on specific transactions as follows:
	→ 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
	→ issuance of mandatory convertible bonds –
	  → 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;
	  → assessed the appropriateness of the liability and equity split; and
	  → considered the terms of related hedging transactions to confirm that these transactions should be accounted for independently to the bond.
	
	Based on our procedures, we noted no issues and were satisfied with the associated accounting for these matters.
	
	We validated the appropriateness of the related disclosures in note 22 of the financial statements.

Area of focus	How our audit addressed the area of focus
Capitalisation and asset lives 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: → the decision to capitalise or expense costs; → the annual asset life review including the impact of changes in the Group's strategy; and → the timeliness of the transfer from assets in the course of construction. 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.	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. 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: → the nature of underlying costs capitalised as part of the cost of the network rollout; → the appropriateness of asset lives applied in the calculation of depreciation; and → in assessing the need for accelerated depreciation given the network modernisation programme in place across Europe under Project Spring. No issues were noted from our testing.
IT systems and controls 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. 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. 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.	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. In response to the changes and control enhancements made during the year, we performed the following: → 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; → where systems changed during the year, tested IT general controls and data migration processes; → tested the enhanced user access management controls; → 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 → tested controls and performed additional substantive procedures of key general ledger account reconciliations and manual journals. 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.

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:

Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – 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 – otherwise misleading.	We have no exceptions to report arising from this responsibility.
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.	We have no exceptions to report arising from this responsibility.
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.	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:

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.	We have nothing material to add or to draw attention to.
the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
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.	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 £m	2015 £m	2014 £m
Revenue	2	**40,973**	**42,227**	**38,346**
Cost of sales		(30,435)	(30,882)	(27,942)
Gross profit		**10,538**	**11,345**	**10,404**
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)
Operating profit/(loss)	3	**1,377**	**1,967**	**(3,913)**
Non-operating income and expense		(2)	(19)	(149)
Investment income	5	300	883	346
Financing costs	5	(2,124)	(1,736)	(1,554)
(Loss)/profit before taxation		**(449)**	**1,095**	**(5,270)**
Income tax (expense)/credit	6	(3,369)	4,765	16,582
(Loss)/profit for the financial year from continuing operations		**(3,818)**	**5,860**	**11,312**
Profit for the financial year from discontinued operations	7	–	**57**	**48,108**
(Loss)/profit for the financial year		**(3,818)**	**5,917**	**59,420**
Attributable to:				
– Owners of the parent		(4,024)	5,761	59,254
– Non-controlling interests[1]		206	156	166
(Loss)/profit for the financial year		**(3,818)**	**5,917**	**59,420**
(Loss)/earnings per share				
From continuing operations:				
– Basic		(15.08)p	21.53p	42.10p
– Diluted		(15.08)p	21.42p	41.77p
Total Group:				
– 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 £m	2015 £m	2014 £m
(Loss)/profit for the financial year		**(3,818)**	**5,917**	**59,420**
Other comprehensive income:				
Items that may be reclassified to profit or loss in subsequent years:				
(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	–
Total items that may be reclassified to profit or loss in subsequent years		**3,642**	**(6,515)**	**(2,755)**
Items that will not be reclassified to profit or loss in subsequent years:				
Net actuarial gains/(losses) on defined benefit pension schemes, net of tax	26	126	(212)	37
Total items that will not be reclassified to profit or loss in subsequent years		**126**	**(212)**	**37**
Other comprehensive income/(expense)		**3,768**	**(6,727)**	**(2,718)**
Total comprehensive expense/(income) for the year		**(50)**	**(810)**	**56,702**
Attributable to:				
– Owners of the parent		(123)	(1,076)	56,711
– Non-controlling interests		73	266	(9)
		(50)	**(810)**	**56,702**

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.

Consolidated statement of financial position

at 31 March

	Note	31 March 2016 £m	31 March 2015 £m
Non-current assets			
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
		105,569	**102,726**
Current assets			
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	–
		28,144	**19,847**
Total assets		**133,713**	**122,573**
Equity			
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
Total attributable to owners of the parent		**65,885**	**66,145**
Non-controlling interests		1,437	1,595
Put options over non-controlling interests		(5)	(7)
Total non-controlling interests		**1,432**	**1,588**
Total equity		**67,317**	**67,733**
Non-current liabilities			
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
		33,001	**25,943**
Current liabilities			
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	–
		33,395	**28,897**
Total equity and liabilities		**133,713**	**122,573**

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

					Other comprehensive income							
	Share capital[1] £m	Additional paid-in capital[2] £m	Treasury shares £m	Retained losses £m	Currency reserve[3] £m	Pensions reserve £m	Investment reserve[4] £m	Revaluation surplus[5] £m	Other[6] £m	Equity share-holders' funds £m	Non-controlling interests £m	Total £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[7]	–	–	–	–	–	–	–	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
31 March 2014	**3,792**	**116,973**	**(7,187)**	**(51,428)**	**8,164**	**(611)**	**16**	**1,040**	**43**	**70,802**	**979**	**71,781**
Issue or reissue of shares	–	2	142	(126)	–	–	–	–	–	18	–	18
Share-based payments	–	95[7]	–	–	–	–	–	–	–	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)
31 March 2015	**3,792**	**117,054**	**(7,045)**	**(49,471)**	**1,537**	**(823)**	**11**	**1,040**	**50**	**66,145**	**1,588**	**67,733**
Issue or reissue of shares	–	1	105	(93)	–	–	–	–	–	13	–	13
Share-based payments	–	116[7]	–	–	–	–	–	–	–	116	–	116
Issue of mandatory convertible bonds[8]	–	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
31 March 2016	**3,792**	**119,925**	**(6,940)**	**(56,608)**	**5,280**	**(697)**	**9**	**1,040**	**84**	**65,885**	**1,432**	**67,317**

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.

Consolidated statement of cash flows

for the years ended 31 March

	Note	2016 £m	2015 £m	2014 £m
Inflow from operating activities	19	**10,481**	**9,715**	**6,227**
Cash flows from investing activities				
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
(Outflow)/inflow from investing activities		**(10,151)**	**(10,327)**	**30,743**
Cash flows from financing activities				
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)
Inflow/(outflow) from financing activities		**2,960**	**(2,418)**	**(34,249)**
Net cash inflow/(outflow)		**3,290**	**(3,030)**	**2,721**
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)
Cash and cash equivalents at end of the financial year	20	**10,209**	**6,861**	**10,112**

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.

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.

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 £m	Intra-region revenue £m	Regional revenue £m	Inter-region revenue £m	Group revenue £m	EBITDA £m
31 March 2016						
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
Europe	**26,833**	**(115)**	**26,718**	**(19)**	**26,699**	**7,686**
India	4,516	(9)	4,507	(14)	4,493	1,331
Vodacom[1]	3,887	–	3,887	–	3,887	1,484
Other AMAP	4,814	–	4,814	(15)	4,799	1,227
AMAP	**13,217**	**(9)**	**13,208**	**(29)**	**13,179**	**4,042**
Common Functions	1,160	–	1,160	(65)	1,095	(116)
Group	**41,210**	**(124)**	**41,086**	**(113)**	**40,973**	**11,612**
31 March 2015 restated						
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
Europe	**27,777**	**(90)**	**27,687**	**(28)**	**27,659**	**7,894**
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
AMAP	**13,393**	**(11)**	**13,382**	**(25)**	**13,357**	**4,086**
Common Functions	1,257	–	1,257	(46)	1,211	(65)
Group	**42,427**	**(101)**	**42,326**	**(99)**	**42,227**	**11,915**
31 March 2014 restated						
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
Europe	**23,971**	**(42)**	**23,929**	**(19)**	**23,910**	**6,788**
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
AMAP	**13,387**	**–**	**13,387**	**(12)**	**13,375**	**4,130**
Common Functions	1,065	–	1,065	(4)	1,061	166
Group	**38,423**	**(42)**	**38,381**	**(35)**	**38,346**	**11,084**
Discontinued operations						
Verizon Wireless[2]	*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.

2. Segmental analysis (continued)

	2016 £m	2015 £m	2014 £m
EBITDA	**11,612**	**11,915**	**11,084**
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
Adjusted operating profit	**3,117**	**3,507**	**4,310**
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)
Operating profit/(loss)	**1,377**	**1,967**	**(3,913)**

Segmental assets and cash flow

	Non-current assets[1] £m	Capital expenditure[2] £m	Other expenditure on intangible assets £m	Depreciation and amortisation £m	Impairment loss £m	Restated Operating free cash flow[3] £m
31 March 2016						
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
Europe	**52,694**	**5,632**	**2,135**	**7,123**	**450**	**1,587**
India	11,115	812	2,731	937	–	544
Vodacom	4,183	621	17	530	–	792
Other AMAP	5,381	864	593	859	–	385
AMAP	**20,679**	**2,297**	**3,341**	**2,326**	–	**1,721**
Common Functions	1,477	670	–	49	–	(424)
Group	**74,850**	**8,599**	**5,476**	**9,498**	**450**	**2,884**
31 March 2015						
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
Europe	**50,561**	**6,029**	**306**	**7,242**	–	**2,230**
India	8,599	882	140	863	–	332
Vodacom	4,712	745	2	566	–	762
Other AMAP	4,915	919	35	900	–	398
AMAP	**18,226**	**2,546**	**177**	**2,329**	–	**1,492**
Common Functions	1,306	622	1	(6)	–	(859)
Group	**70,093**	**9,197**	**484**	**9,565**	–	**2,863**
31 March 2014						
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
Europe	**51,184**	**3,735**	**276**	**5,124**	**6,600**	**3,780**
India	7,824	633	1,938	828	–	811
Vodacom	4,560	663	3	593	–	1,174
Other AMAP	4,850	711	11	932	–	605
AMAP	**17,234**	**2,007**	**1,952**	**2,353**	**–**	**2,590**
Common Functions	1,121	571	–	83	–	209
Group	**69,539**	**6,313**	**2,228**	**7,560**	**6,600**	**6,579**

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 £m	2015 £m	2014 £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 £m	2015 £m	2014 £m
Parent company	2	2	1
Subsidiaries	10	10	8
Audit fees:	**12**	**12**	**9**
Audit-related fees[1]	1	1	1
Other assurance services[2,3]	–	1	3
Tax fees[3]	–	2	–
Non-audit fees:	**1**	**4**	**4**
Total fees	**13**	**16**	**13**

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 £m	2015 £m	2014 £m
Germany	Germany	–	–	4,900
Spain	Spain	–	–	800
Portugal	Other Europe	–	–	500
Czech Republic	Other Europe	–	–	200
Romania	Other Europe	450	–	200
		450	**–**	**6,600**

Goodwill

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

	2016 £m	2015 £m
Germany	9,867	9,019
Italy	2,889	2,641
Spain	3,015	2,755
	15,771	**14,415**
Other	7,018	8,122
	22,789	**22,537**

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	Budgeted EBITDA has been based on past experience adjusted for the following:
	→ 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;
	→ 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
	→ 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.
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	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:
	→ the nominal GDP rates for the country of operation; and
	→ the long-term compound annual growth rate in EBITDA in years six to ten estimated by management.
Pre-tax risk adjusted discount rate	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.
	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.
	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.

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 %	Germany %	Spain %
Pre-tax risk adjusted discount rate	9.7	8.2	9.7
Long-term growth rate	1.0	0.5	1.5
Budgeted EBITDA[1]	(0.3)	3.1	8.8
Budgeted capital expenditure[2]	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.

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 pps	Spain pps
Pre-tax risk adjusted discount rate	0.5	0.6
Long-term growth rate	(0.5)	(0.8)
Budgeted EBITDA[1]	(0.9)	(1.2)
Budgeted capital expenditure[2]	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 £bn	Decrease by 2pps £bn
Pre-tax risk adjusted discount rate	(0.2)	0.3
Long-term growth rate	0.3	(0.1)
Budgeted EBITDA[1]	0.2	(0.2)
Budgeted capital expenditure[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.

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 %	Italy %	Spain %
Pre-tax risk adjusted discount rate	8.2	10.5	9.8
Long-term growth rate	0.5	1.0	1.5
Budgeted EBITDA[1]	3.2	0.8	11.0
Budgeted capital expenditure[2]	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 pps	Italy pps	Spain 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[1]	(7.3)	(7.5)	(2.6)
Budgeted capital expenditure[2]	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[1]	2.8	(2.2)	(0.7)	(0.8)	(0.6)	1.7	4.7
Budgeted capital expenditure[2]	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[1]	0.8	(0.8)	0.2	(0.2)	0.1	(0.1)
Budgeted capital expenditure[2]	(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[1]	–	–	0.1	(0.1)
Budgeted capital expenditure[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 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 £m	2015 £m	2014 £m
Investment income:			
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[1]	7	559	70
	300	**883**	**346**
Financing costs:			
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[2]	669	842	557
Bonds and other loans[3]	767	677	770
Interest charge/(credit) on settlement of tax issues[4]	15	(4)	(15)
Equity put rights and similar arrangements[5]	–	11	143
Fair value through the income statement (held for trading):			
Derivatives – forward starting swaps and futures	146	131	1
Other[1]	433	–	6
	2,124	**1,736**	**1,554**
Net financing costs	**1,824**	**853**	**1,208**

Notes:
1 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.
2 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%)
3 Amounts for 2016 include net foreign exchange losses of £293 million (2015: £250 million; 2014: £201 million).
4 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.
5 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 £m	2015 £m	2014 £m
United Kingdom corporation tax income/(expense):			
Current year[1]	(94)	–	–
Adjustments in respect of prior years	49	11	17
	(45)	**11**	**17**
Overseas current tax expense:			
Current year	609	846	3,114
Adjustments in respect of prior years	(329)	(149)	(25)
	280	**697**	**3,089**
Total current tax expense	**235**	**708**	**3,106**
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)
Total deferred tax expense/(income)	**3,134**	**(5,473)**	**(19,688)**
Total income tax expense/(income)[2]	**3,369**	**(4,765)**	**(16,582)**

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 £m	2015 £m	2014 £m
Tax (credit)/charge on profit from ordinary activities of discontinued operations	–	(57)	1,709
Total tax (credit)/charge on discontinued operations	**–**	**(57)**	**1,709**

Tax (credited)/charged directly to other comprehensive income

	2016 £m	2015 £m	2014 £m
Current tax	(58)	2	–
Deferred tax	218	(267)	23
Total tax charged/(credited) directly to other comprehensive income	**160**	**(265)**	**23**

Tax (credited)/charged directly to equity

	2016 £m	2015 £m	2014 £m
Current tax	(5)	(4)	12
Deferred tax	2	(3)	–
Total tax (credited)/charged directly to equity	**(3)**	**(7)**	**12**

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 £m	2015 £m	2014 £m
Continuing (loss)/profit before tax as shown in the consolidated income statement	**(449)**	**1,095**	**(5,270)**
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[1]	1,001	(3,341)	(19,318)
Deferred tax charge/(credit) following revaluation of investments in Luxembourg[1]	2,277	(2,127)	–
Tax charge on rationalisation and re-organisation of non-US assets prior to VZW disposal[2]	–	–	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)
Income tax expense/(income)	**3,369**	**(4,765)**	**(16,582)**

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)
31 March 2016	**21,936**

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

	Amount (charged)/ credited in income statement £m	Gross deferred tax asset £m	Gross deferred tax liability £m	Less amounts unrecognised[1] £m	Net recognised deferred tax (liability)/ asset £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
31 March 2016	**(3,134)**	**30,078**	**(3,070)**	**(5,072)**	**21,936**

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)
31 March 2016	**21,936**

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

	Amount credited/ (charged) in income statement £m	Gross deferred tax asset £m	Gross deferred tax liability £m	Less amounts unrecognised £m	Net recognised deferred tax (liability)/ asset £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
31 March 2015	**5,473**	**31,065**	**(3,193)**	**(4,622)**	**23,250**

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)
31 March 2015	**23,250**

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.

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 £m	Expiring within 6–10 years £m	Unlimited £m	Total £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
	334	**95**	**101,517**	**101,946**

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

	Expiring within 5 years £m	Expiring within 6–10 years £m	Unlimited £m	Total £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
	1,228	**607**	**103,330**	**105,165**

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 £m	2015 £m	2014 £m
Share of result in associates	–	–	3,191
Net financing income	–	–	27
Profit before taxation	**–**	**–**	**3,218**
Taxation relating to performance of discontinued operations	–	57	(1,709)
Post-tax profit from discontinued operations	**–**	**57**	**1,509**

Gain on disposal of discontinued operations

	2016 £m	2015 £m	2014 £m
Gain on disposal of discontinued operations before taxation (see note 28)	**–**	**–**	**44,996**
Other items arising from the disposal[1]	–	–	1,603
Net gain on disposal of discontinued operations	**–**	**–**	**46,599**

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 £m	2015 £m	2014 £m
Profit for the financial year from discontinued operations	–	57	1,509
Net gain on disposal of discontinued operations	–	–	46,599
Profit for the financial year from discontinued operations	**–**	**57**	**48,108**

Earnings per share from discontinued operations

	2016 Pence per share	2015 Pence per share	2014 Pence per share
– Basic	–	0.22p	181.74p
– Diluted	–	0.21p	180.30p

Total comprehensive income for the financial year from discontinued operations

	2016 £m	2015 £m	2014 £m
Attributable to owners of the parent	**–**	**57**	**48,108**

Cash flows from discontinued operations[1]

	2016 £m	2015 £m	2014 £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)
Net decrease in cash and cash equivalents	**–**	**–**	**(12)**
Cash and cash equivalents at the beginning of the financial year	–	–	–
Exchange gain on cash and cash equivalents	–	–	12
Cash and cash equivalents at the end of the financial year	**–**	**–**	**–**

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

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 Millions	2015 Millions	2014 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
Weighted average number of shares for diluted earnings per share	**26,692**	**26,629**	**26,682**

	2016 £m	2015 £m	2014 £m
(Loss)/earnings for basic and diluted earnings per share	**(4,024)**	**5,761**	**59,254**

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 £m	2015 £m	2014 £m
Declared during the financial year:			
Final dividend for the year ended 31 March 2015: 7.62 pence per share (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 (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 (2015: nil, 2014: 172.94 US cents per share – see below)	–	–	35,490
	2,998	**2,930**	**40,566**
Proposed after the end of the reporting period and not recognised as a liability:			
Final dividend for the year ended 31 March 2016: 7.77 pence per share (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 £m	Licences and spectrum £m	Computer software £m	Other £m	Total £m
Cost:					
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)
31 March 2015	**69,999**	**29,804**	**10,615**	**5,700**	**116,118**
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)[1]	(445)	(2)	(2,809)
Transfer of assets held for resale	(680)	(1,654)	(374)	(9)	(2,717)
Other	–	–	98	–	98
31 March 2016	**74,779**	**32,398**	**12,437**	**5,888**	**125,502**
Accumulated impairment losses and amortisation:					
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
31 March 2015	**47,462**	**14,454**	**7,202**	**3,510**	**72,628**
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)[1]	(410)	(2)	(2,774)
Transfer of assets held for resale	–	(722)	(209)	(7)	(938)
Other	–	–	17	–	17
31 March 2016	**51,990**	**13,544**	**8,640**	**4,560**	**78,734**
Net book value:					
31 March 2015	**22,537**	**15,350**	**3,413**	**2,190**	**43,490**
31 March 2016	**22,789**	**18,854**	**3,797**	**1,328**	**46,768**

Note:
1 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 £m**	2015 £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 buildings £m	Equipment, fixtures and fittings £m	Total £m
Cost:			
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
31 March 2015	**1,669**	**53,430**	**55,099**
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)
31 March 2016	**1,892**	**58,896**	**60,788**
Accumulated depreciation and impairment:			
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
31 March 2015	**754**	**27,742**	**28,496**
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)
31 March 2016	**902**	**31,804**	**32,706**
Net book value:			
31 March 2015	**915**	**25,688**	**26,603**
31 March 2016	**990**	**27,092**	**28,082**

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[1] 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 £m	2015 £m
Investment in joint ventures	(438)	(331)
Investment in associates	356	328
31 March	**(82)**	**(3)**

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 though 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[1] shareholdings
Indus Towers Limited[2]	Network infrastructure	India	42.0
Vodafone Hutchison Australia Pty Limited[3]	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 £m	2015 £m	2014 £m	2016 £m	2015 £m	2014 £m	2016 £m	2015 £m	2014 £m	2016 £m	2015 £m	2014 £m
Vodafone Omnitel B.V.[1]	–	–	–	–	–	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
Total	**(438)**	**(331)**	**(158)**	**(67)**	**(151)**	**221**	**(1)**	**1**	**–**	**(68)**	**(150)**	**221**

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.[1]			Indus Towers Limited			Vodafone Hutchison Australia Pty Limited		
	2016 £m	2015 £m	2014 £m	2016 £m	2015 £m	2014 £m	2016 £m	2015 £m	2014 £m
Income statement and statement of comprehensive income									
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)
Statement of financial position									
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.

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[1] shareholdings
Safaricom Limited[2,3]	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 £m	2015 £m	2014 £m	**2016 £m**	2015 £m	2014 £m	**2016 £m**	2015 £m	2014 £m	**2016 £m**	2015 £m	2014 £m
Cellco Partnership	–	–	–	–	–	–	–	–	(1)	–	–	3,190
Other	356	328	272	111	88	57	–	–	–	111	88	57
Total	**356**	**328**	**272**	**111**	**88**	**57**	**–**	**–**	**(1)**	**111**	**88**	**3,247**

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 £m	2015 £m	2014 £m
Income statement and statement of comprehensive income			
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
Statement of financial position			
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 £m	2015 £m
Included within non-current assets:		
Equity securities:		
Listed	3	4
Unlisted	82	222
Debt securities:		
Public debt and bonds	95	148
Other debt and bonds	3,482	3,383
	3,662	**3,757**

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 £m	2015 £m
Included within current assets:		
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
	4,220	**3,855**

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 £m	2015 £m
Goods held for resale	565	482

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

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

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 £m	2015 £m
Included within non-current assets:		
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
	4,580	**4,865**
Included within current assets:		
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
	9,141	**8,053**

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 £m	2015 £m	2014 £m
1 April	802	589	770
Exchange movements	4	(60)	(67)
Amounts charged to administrative expenses	498	541	347
Other	(209)	(268)	(461)
31 March	**1,095**	**802**	**589**

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 £m	2015 £m
Included within "Derivative financial instruments":		
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
	2,530	**2,629**
Designated hedge relationships:		
Interest rate swaps	384	88
Cross currency interest rate swaps	1,390	1,288
	4,304	**4,005**

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 £m	2015 £m
Included within non-current liabilities:		
Other payables	98	86
Accruals	144	161
Deferred income	130	123
Derivative financial instruments	1,129	894
	1,501	**1,264**
Included within current liabilities:		
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
	15,732	**14,908**

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 £m	2015 £m
Included within "Derivative financial instruments":		
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
	1,355	**958**
Designated hedge relationships		
Interest rate swaps	22	10
Cross currency interest rate swaps	187	16
	1,564	**984**

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 £m	Legal and regulatory £m	Other £m	Total £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
31 March 2015	**466**	**834**	**549**	**1,849**
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
31 March 2016	**451**	**961**	**625**	**2,037**

17. Provisions (continued)

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

31 March 2016

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

31 March 2015

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

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
Ordinary shares of 20 20⁄21 US cents each allotted, issued and fully paid:[1]				
1 April	28,812,787,098	3,792	28,811,923,128	3,792
Allotted during the year	608,910	–	863,970	–
31 March	**28,813,396,008**	**3,792**	**28,812,787,098**	**3,792**

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 £m	Net proceeds £m
UK share awards	–	–	–
US share awards	608,910	–	1
Total share awards	**608,910**	–	**1**

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 £m	2015 £m	2014 £m
(Loss)/profit for the financial year		**(3,818)**	**5,917**	**59,420**
Profit for the financial year from discontinued operations	7	–	(57)	(48,108)
(Loss)/profit for the financial year from continuing operations		**(3,818)**	**5,860**	**11,312**
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)
Operating profit/(loss)		**1,377**	**1,967**	**(3,913)**
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
Cash generated by operations		**11,220**	**10,397**	**12,147**
Net tax paid		(739)	(682)	(5,920)
Net cash flow from operating activities		**10,481**	**9,715**	**6,227**

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 £m	2015 £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
Cash and cash equivalents as presented in the statement of financial position	**10,218**	**6,882**
Bank overdrafts	(9)	(21)
Cash and cash equivalents as presented in the statement of cash flows	**10,209**	**6,861**

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 £m	Long-term borrowings £m	Total £m	Short-term borrowings £m	Long-term borrowings £m	Total £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[1,2]	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
	16,020	**29,327**	**45,347**	**12,623**	**22,435**	**35,058**

Notes:
1 At 31 March 2016, amount includes £2,837 million (2015: £2,542 million) in relation to collateral support agreements.
2 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 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Financial liabilities measured at amortised cost[1]	**13,737**	**10,689**	**13,995**	**10,843**	**13,987**	**10,837**
Bonds:	**395**	**1,265**	**399**	**1,309**	**412**	**1,297**
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	–
Bonds in designated hedge relationships:	**1,598**	**489**	**1,637**	**489**	**1,621**	**489**
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	–
Short-term borrowings	**15,730**	**12,443**	**16,031**	**12,641**	**16,020**	**12,623**

Note:
1 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 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Financial liabilities measured at amortised cost:	**5,533**	**5,306**	**7,260**	**5,346**	**7,192**	**5,261**
Bank loans	5,298	5,173	7,025	5,213	6,957	5,128
Other liabilities[1]	235	133	235	133	235	133
Bonds:	**10,707**	**6,002**	**11,475**	**6,908**	**11,287**	**6,684**
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
Bonds in designated hedge relationships:	**9,680**	**9,397**	**10,218**	**10,201**	**10,848**	**10,490**
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	–
Long-term borrowings	**25,920**	**20,705**	**28,953**	**22,455**	**29,327**	**22,435**

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 loans £m	Commercial paper £m	Bonds £m	Other liabilities £m	Loans in designated hedge relationships £m	Total £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
	12,419	**7,405**	**13,067**	**4,608**	**16,323**	**53,822**
Effect of discount/financing rates	(3,208)	(9)	(1,368)	(36)	(3,854)	(8,475)
31 March 2016	**9,211**	**7,396**	**11,699**	**4,572**	**12,469**	**45,347**
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
	7,291	**5,092**	**9,313**	**4,053**	**14,624**	**40,373**
Effect of discount/financing rates	(287)	(15)	(1,332)	(36)	(3,645)	(5,315)
31 March 2015	**7,004**	**5,077**	**7,981**	**4,017**	**10,979**	**35,058**

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 £m	**Receivable £m**	Payable £m	Receivable £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
	61,078	**65,001**	**28,035**	**34,129**

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 £m	**Receivable £m**	Payable £m	Receivable £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
	43,371	**44,595**	**29,049**	**30,105**

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 £m	2015 £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 £m	Floating rate borrowings £m	Fixed rate borrowings[1] £m	Other borrowings[2] £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	–
31 March 2016	**45,347**	**19,535**	**24,258**	**1,554**
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	–
31 March 2015	**35,058**	**14,987**	**18,757**	**1,314**

Notes:
1 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).
2 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[1].

	2016		2015	
	Interest rate futures £m	**Interest rate swaps £m**	Interest rate futures £m	Interest rate swaps £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[2]	–	(2,411)	–	(5,258)

Notes:
1 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.
2 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 Drawn £m	2016 Undrawn £m	2015 Drawn £m	2015 Undrawn £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
31 March	**4,944**	**8,197**	**4,371**	**6,620**

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

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.
2 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.
3 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.
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 m	Sterling equivalent £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.

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
28 March 2014		
€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.	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. 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.
27 February 2015		
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.	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. 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.
27 November 2013		
£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.
15 September 2009		
€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.
29 September 2009		
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.
8 December 2011		
€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.
20 December 2011		
€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.
4 March 2013		
€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
2 December 2014		
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.
17 December 2014		
€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.
9 September 2015		
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.
9 November 2015		
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 £m	2015 £m
Financial assets:		
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)
Financial liabilities:		
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
Net debt	**29,189**	**22,271**
Equity	67,317	67,733
Capital	**96,506**	**90,004**

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 £m	2015 £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
	30,297	**25,363**

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 £m	2015 £m
Sovereign	2,700	1,977
Supranational	–	23
	2,700	**2,000**

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 £m	2015 £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 receivables £m	Less provisions £m	Net receivables £m	Gross receivables £m	Less provisions £m	Net receivables £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
	2,490	**(945)**	**1,545**	**2,141**	**(778)**	**1,363**

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 £m	2015 £m
Euro 8% (2015: 5%) change – Operating profit[1]	109	81

Note:
1 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[1] of financial instruments held at fair value by the Group at 31 March.

	Level 1[2]		Level 2[3]		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Financial assets:						
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
	–	**–**	**6,258**	**7,197**	**6,258**	**7,197**
Financial investments available-for-sale:						
Listed equity securities[4]	3	4	–	–	3	4
Unlisted equity securities[4]	–	–	82	222	82	222
	3	**4**	**82**	**222**	**85**	**226**
	3	**4**	**6,340**	**7,419**	**6,343**	**7,423**
Financial liabilities:						
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
	–	**–**	**1,564**	**984**	**1,564**	**984**

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

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

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

At 31 March 2015

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

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 £m	2015 £m	2014 £m
Salaries and fees	4	4	4
Incentive schemes[1]	2	3	2
Other benefits[2]	1	1	1
	7	**8**	**7**

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 £m	2015 £m	2014 £m
Short-term employee benefits	22	18	17
Share-based payments	20	18	21
	42	**36**	**38**

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 Employees	2015 Employees	2014 Employees
By activity:			
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
	111,684	**105,300**	**89,146**
By segment:			
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
Europe	**56,854**	**54,228**	**43,669**
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
Africa, Middle East and Asia Pacific	**35,123**	**33,875**	**35,103**
Non-Controlled Interests and Common Functions	19,707	17,197	10,374
Total	**111,684**	**105,300**	**89,146**

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

	2016 £m	2015 £m	2014 £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
	4,411	**4,194**	**3,875**

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 £m	2015 £m	2014 £m
Defined contribution schemes	163	155	124
Defined benefit schemes	44	40	34
Total amount charged to income statement (note 25)	**207**	**195**	**158**

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.

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 %	2015 %	2014 %
Weighted average actuarial assumptions used at 31 March[1]:			
Rate of inflation[2]	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:
1 Figures shown represent a weighted average assumption of the individual schemes.
2 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 ('SOCI') on the basis of the assumptions stated above are:

	2016 £m	2015 £m	2014 £m
Current service cost	36	37	14
Net interest charge	8	3	20
Total included within staff costs	**44**	**40**	**34**
Actuarial (gains)/losses recognised in the SOCI[1]	(156)	269	(57)

Note:
1 Amounts disclosed in the SOCI 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 £m	Liabilities £m	Net deficit £m
1 April 2014	**3,842**	**(4,391)**	**(549)**
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
31 March 2015	**4,956**	**(5,354)**	**(398)**
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
31 March 2016	**4,925**	**(5,195)**	**(270)**

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

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Analysis of net deficit:					
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)
Net deficit for funded schemes	**(204)**	**(332)**	**(483)**	**(516)**	**(249)**
Present value of unfunded scheme liabilities	(66)	(66)	(66)	(12)	(12)
Net deficit	**(270)**	**(398)**	**(549)**	**(528)**	**(261)**
Net deficit is analysed as:					
Assets[1]	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.

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[1]				Vodafone Section[2]				
	2016 £m	2015 £m	2014 £m	2013 £m	**2016 £m**	2015 £m	2014 £m	2013 £m	2012 £m
Analysis of net assets/(deficit):									
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)
Net assets/(deficit)	**173**	**166**	**48**	**(47)**	**(111)**	**(221)**	**(334)**	**(319)**	**(226)**
Net assets/(deficit) are analysed as:									
Assets[3]	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 £m	2015 £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:[1]		
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
Total	**4,925**	**4,956**

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% £m	Increase by 0.5% £m	Decrease by 0.5% £m	Increase by 0.5% £m	Decrease by 0.5% £m	Increase by 0.5% £m	Increase by 1 year £m	Decrease by 1 year £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 Millions	2015 Millions	2014 Millions	**2016 Millions**	2015 Millions	2014 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)
31 March	**–**	**–**	**–**	**24**	**25**	**27**
Weighted average exercise price:						
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
31 March	**–**	**–**	**–**	**£1.62**	**£1.49**	**£1.42**

Summary of options outstanding and exercisable at 31 March 2016

	Outstanding			Exercisable		
	Outstanding shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months	Exercisable shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months
Vodafone Group savings related and Sharesave Plan:						
£1.01–£2.00	23	£1.62	29	–	–	–
Vodafone Group 1999 Long-Term Stock Incentive Plan:						
£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 average fair value at grant date	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at 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
31 March	**198**	**£1.77**	**217**	**£1.56**	**243**	**£1.44**

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
Cash consideration paid:	
Acquisitions completed during the year	44
Net cash acquired	(1)
	43

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 £m
Net assets acquired:	
Identifiable intangible assets[1]	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)
Net identifiable assets acquired	**1,527**
Non-controlling interests	(5)
Goodwill[2]	1,423
Total consideration[3]	**2,945**

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.

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 £m	2015 £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
	7,862	**6,580**

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 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Contracts placed for future capital expenditure not provided in the financial statements[1]	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 £m	2015 £m
Performance bonds[1]	849	766
Other guarantees and contingent liabilities[2]	2,543	2,539

Notes:
1 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.
2 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 VIHBV respectively received notices from the Indian tax authority alleging potential liability in connection with an alleged failure by VIHBV 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 VIHBV 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 VIHBV's interpretation of the Income Tax Act 1961 was correct, that the HTIL transaction in 2007 was not taxable in India, and that consequently, VIHBV 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 VIHBV in respect of withholding tax and interest. On 20 March 2012 the Indian Government returned VIHBV'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 VIHBV's transaction with HTIL in 2007. Further it seeks to subject a purchaser, such as VIHBV, to a retrospective obligation to withhold tax. VIHBV 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, VIHBV 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.

VIHBV arbitration proceedings

On 17 April 2014, VIHBV served its notice of arbitration under the Dutch BIT, formally commencing the Dutch BIT arbitration proceedings. An arbitrator has been appointed by VIHBV. 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, VIHBV 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 VIHBV 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 VIHBV 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 VIHBV 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 IPCom, 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 Alieu 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 £m	2015 £m	2014 £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[1]	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[1]	85	61	57
Other balances owed to joint arrangements[1]	84	54	63

Note:
1 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.

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
Albania		
Autostrada Tirane-Durres, Rruga: "Pavaresia", Nr 61, Kashar, Tirana, Albania		
Vodafone M-PESA SH.P.K.	99.94	Ordinary shares
Vodafone Albania Sh.A	99.94	Ordinary shares
Angola		
Avenida Che Guevara, No 49, Maculusso, Luanda, Angola		
Vodacom Business Limitada[3]	65.00	Ordinary shares
Argentina		
Cerrito 348, 5to B, C1010AAH, Buenos Aires, Argentina		
CWGNL S.A.	100.00	Ordinary shares
Australia		
HLB Mann Judd (NSW) Pty Ltd, Level 19, 207 Kent Street, Sydney NSW NSW 2000, Australia		
Bluefish Australia Pty Ltd	100.00	Ordinary shares
Level 12, 210 George Street, Sydney NSW 2001, Australia		
Vodafone Enterprise Australia Pty Limited	100.00	Ordinary shares
Level 7, 210 George Street, Sydney NSW 2000, Australia		
Quickcomm Pty Limited	100.00	Ordinary shares, Redeemable convertible preference shares
Level 7, 40 Mount Street, North Sydney NSW 2060, Australia		
PPL Pty Limited	100.00	Ordinary shares
Talkland Australia Pty Limited	100.00	Ordinary shares
VAPL No. 2 Pty Limited	100.00	Ordinary shares
Austria		
Kohlmarkt 8-10, 1010, Wien, Austria		
Vodafone Enterprise Austria GmbH	100.00	Ordinary shares
Bahrain		
Office 304, Building 60 Falcon Tower, Road 1701, Diplomatic Area, Manama, 317, Bahrain		
Vodafone Enterprise Bahrain W.L.L.	100.00	Ordinary shares
Belgium		
Malta House, rue Archimède 25, 1000 Bruxelles, Belgium		
Vodafone Belgium SA/NV	100.00	Ordinary shares
Zaventemsesteenweg 162 1831 Diegem, Belgium		
Ipergy Communications NV	100.00	Ordinary shares
Brazil		
Av José Rocha Bonfim, 214, Cond Praça Capital – Edifício Toronto, sls 228/229 13080-900 Jardim Santa Genebra, Campinas, São Paulo, Brazil		
Cobra do Brasil Serviços de Telemàtica ltda.	70.00	Ordinary shares
Avenida Cidade Jardim, 400, 7th and 20th Floors, Jardim Paulistano, Sao Paulo, Brazil, 01454-000, Brazil		
Vodafone Serviços Empresariais Brasil Ltda.	100.00	Ordinary shares
Rua Iguatemi, 1521. 29 anddar, Sao Paulo, Brazil		
Datora Mobile Telecomunicacoes S.A[10]	N/A	N/A
Cameroon		
Porte 201A 3eme Etage Entree C, immeuble SOCAR, Boulevard de la liberte, Akwa, Douala, Cameroon		
Vodacom Business Cameroon SA[3]	65.00	Ordinary shares
Canada		
53 Glenellen Drive East, Etobicoke ON M8Y 2G7, Canada		
Cable & Wireless Canada Inc	100.00	Common shares
Cayman Islands		
190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands		
CGP Investments (Holdings) Limited	100.00	Ordinary shares
Chile		
222 Miraflores, P.28, Santiago, Metrop 97-763		
Vodafone Enterprise Chile SA	100.00	Regular nominative shares
China		
Building 21, 11, Kangding St., BDA, Beijing, 100176 - China,		
Cobra (Beijing) Automotive Technologies Co, Ltd	100.00	Ordinary shares
Unit 3626, China World Tower 1, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing 100004, China		
Vodafone China Limited (China)	100.00	Equity interest shares
Unit 558-560, Regus SCB Tower, No. 210 Century Avenue, Pudong District, Shanghai, 200120, China		
Cable & Wireless Communications Technical Services (Shanghai) Co. Ltd	100.00	Ordinary shares
Congo, The Democratic Republic of the		
292 Avenue de la Justice, Commune de la Gombe, Kinshasa, Congo		
Vodacash s.p.r.l.[3]	33.15	Ordinary shares
Vodacom Congo (RDC) SA[3,4]	33.15	Ordinary shares, 4% redeemable preference shares
Côte d'Ivoire		
No 62, Rue du Docteur Blanchard, Zone 4C, Abidjan, Cote d'Ivoire		
Vodacom Business Cote D'ivoire S.A.R.L.[3]	65.00	Ordinary shares
Cyprus		
Ali Rıza Efendi Caddesi No:33/A Ortaköy, Lefkoşa, Cyprus		
Vodafone Mobile Operations Limited	100.00	Ordinary shares
Czech Republic		
Náměstí Junkových 2, Prague 5, Czech Republic, 13000, Czech Republic		
Vodafone Czech Republic A.S.	100.00	Ordinary shares
Oskar Mobil S.R.O.	100.00	Basic capital shares
náměstí Junkových 2, Praha 5, Stodůlky, 155 00, Czech Republic		
Nadace Vodafone Česká republika	100.00	Ordinary shares
Olbrachtova 1980/5, Krč, 140 00 Praha 4, Czech Republic		
Vodafone Enterprise Europe (UK) Limited – Czech Branch	100.00	Branch
Denmark		
c/o BDO, Havneholmen 29, 1561, København V, Denmark		
Vodafone Enterprise Denmark A/S	100.00	Ordinary shares

Company name	% held by Group companies	Share class

Egypt

Company name	% held by Group companies	Share class
14 Wadi el Nile ST, Dokki, Giza, Egypt, Egypt		
Sarmady Communications	54.91	Ordinary shares
17 Port Said Street, Maadi El Sarayat, Cairo, Egypt		
Misrfone Trading Company LLC	54.38	Ordinary shares
2 Building, 36 Central road, Giza, Egypt		
Vodafone Data	54.93	Ordinary shares
Piece No. 1215, Plot of Land No. 1/14A, 6th October City, Egypt		
Vodafone International Services LLC	54.93	Ordinary shares
Site No 15/3C, Central Axis, 6th October City, Egypt		
Vodafone Egypt Telecommunications S.A.E.	54.93	Ordinary shares
37 Kaser El Nil St, 4th. Floor, Cairo, Egypt		
Starnet	54.93	Ordinary shares

France

Company name	% held by Group companies	Share class
1300 route de Cretes, Le WTC, Bat I1, 06560, Valbonne Soph, France		
Vodafone Automotive Telematics Development S.A.S	100.00	Ordinary shares
144, Avenue Roger Salengro, 92372 – Chaville Cedex, France		
Vodafone Automotive France S.A.S	50.94	Ordinary shares
Tour Neptune – 20, Place de Seine, 92400 Courbevoie, France		
Vodafone Enterprise France SAS	100.00	New euro shares

Germany

Company name	% held by Group companies	Share class
Altes Forsthaus 2, 67661, Kaiserslautern, Germany		
TKS Telepost Kabel-Service Kaiserslautern Beteiligungs GmbH[7]	76.70	Ordinary shares
TKS Telepost Kabel-Service Kaiserslautern GmbH & Co. KG[7]	76.70	Ordinary shares
Betastraße 6-8, 85774 Unterföhring, Germany		
Kabel Deutschland Holding AG[7]	76.70	Ordinary shares
Kabel Deutschland Holding Erste Beteiligungs GmbH[7]	76.70	Ordinary shares
Kabel Deutschland Holding Zweite Beteilgungs GmbH[7]	76.70	Ordinary shares
Kabel Deutschland Siebte Beteiligungs GmbH[7]	76.70	Ordinary shares
Vodafone Kabel Deutschland GmbH[7]	76.70	Ordinary shares
Vodafone Kabel Deutschland Kundenbetreuung GmbH[7]	76.70	Ordinary shares
Buschurweg 4, 76870 Kandel, Germany		
Vodafone Automotive Deutschland GmbH	100.00	Ordinary shares
Ferdinand-Braun-Platz 1, 40549, Duesseldorf, Germany		
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 Gemeinnutzige GmbH[7]	76.70	Ordinary shares
Vodafone Vierte Verwaltungs AG	100.00	Ordinary shares
Vouchercloud GmbH	82.89	Ordinary shares
Friedrich-Wilhelm-Strasse 2, 38100, Braunschweig, Germany		
KABELCOM Braunschweig Gesellschaft Fur Breitbandkabel-Kommunikation Mit Beschrankter Haftung[7]	76.70	Ordinary shares
Landsberger Strasse 155, 80687 Munich, Germany		
Vodafone Enterprise Germany GmbH	100.00	Ordinary shares, Ordinary #2 shares
Medienallee 24, 85774, Unterfohring, Germany		
Kabelfernsehen Munchen Servicenter GmbH & Co. KG[7]	23.18	Ordinary shares
Nobelstrasse 55, 18059, Rostock, Germany		
Urbana Teleunion Rostock GmbH & Co.KG	53.69	Ordinary shares
Verwaltung "Urbana Teleunion" Rostock GmbH[7]	38.35	Ordinary shares
Seilerstrasse 18, 38440, Wolfsburg, Germany		
KABELCOM Wolfsburg Gesellschaft Fur Breitbandkabel-Kommunikation Mit Beschrankter Haftung[7]	76.70	Ordinary shares
Sudwestpark 15, 90449, Nurnberg, Germany		
Vodafone Kabel Deutschland Field Services GmbH[7]	76.70	Ordinary shares

Ghana

Company name	% held by Group companies	Share class
25 Sir Arku Korsah Road, Airport Residential Area, Accra, Ghana		
Vodacom Business (Ghana) Limited[3]	65.00	Ordinary shares and non-voting, irredeemable, non-cumulative preference shares
Telecom House, Nswam Road, Accra-North, Greater Accra Region, PMB 221, Ghana		
Ghana Telecommunications Company Limited	70.00	Ordinary shares
National Communications Backbone Company Limited	70.00	Ordinary shares

Greece

Company name	% held by Group companies	Share class
1-3 Tzavella str, 152 31 Halandri, Athens, Greece		
Vodafone Global Enterprise Telecommunications (Hellas) A.E.	100.00	Ordinary shares
Vodafone-Panafon Hellenic Telecommunications Company S.A.	99.87	Ordinary shares
2 Adrianiou & Papada, Athens, 115 25, Greece		
Hellas Online S.A.	99.87	Ordinary shares
Marathonos Ave 18 km & Pylou, Pallini, Attica, Pallini, Attica, 15351, Greece		
Victus Networks S.A.	50.00	Ordinary shares
Parnithos 43 & Dilou, Metamorfosi, Athens		
Zelitron S.A.	99.87	Ordinary shares
Pireos 74A Avenue, Neo Faliro, Neo Faliro, 18547, Greece		
360 Connect S.A.	99.87	Ordinary shares

Hong Kong

Company name	% held by Group companies	Share class
2207-08, 22/F, St. George's Building, No. 2 Ice House Street, Central, Hong Kong		
Vodafone Global Enterprise (Hong Kong) Limited	100.00	Ordinary shares
35th Floor, Bank of China Tower, 1 Garden Road, Central Hong Kong, Hong Kong		
Vodafone China Limited (Hong Kong)[1]	100.00	Ordinary shares
Level 24, Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong		
Vodafone Enterprise Global Network HK Ltd	100.00	Ordinary shares
Vodafone Enterprise Hong Kong Ltd	100.00	Ordinary shares

Hungary

Company name	% held by Group companies	Share class
40-44 Hungaria Krt. Budapest, H-1087, Hungary		
VSSB Vodafone Shared Services Budapest Private Limited Company	100.00	Registered ordinary shares
6 Lechner Ödön fasor, Budapest, 1096, Hungary		
TESCO MBL Telecommunications Company Limited by Shares[9]	100.00	Ordinary shares
Vodafone Magyarorszag Mobile Tavkozlesi Zartkoruen Mukodo Reszvenytarsasag[2]	100.00	Series A registered common shares

India

Company name	% held by Group companies	Share class
127, Maker Chamber III, Nariman Point, Mumbai, Maharashtra, 400021, India		
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
8th Floor, RDB Boulevard, Plot K-1, Block- EP & GP, Sector - V, Saltlake City, Kolkata, West Bengal, 700091, India		
UMT Investments Limited	100.00	Equity shares
Usha Martin Telematics Limited	100.00	Equity shares
C-48, Okhla Industrial Estate, Phase - II, New Delhi, 110 020, India		
Vodafone Mobile Services Limited	100.00	Equity shares
Vodafone Towers Limited	100.00	Equity shares
First Floor, Annexe Building, 30, Nizamuddin East, New Delhi, 110013, India		
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
Flat No.6, 3rd Floor, Plot No. 22, Dsk, Nishigandh, Opp. Joshi Sweets, Erandwane, Pune- 411038 India		
Vodafone Global Services Private Limited	100.00	Equity shares
Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai, Maharashtra, 400013, India		
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
Unit 1A & 1B Creator ITPL Whitefield Road Bangalore KA 56006		
Cable & Wireless Global (India) Private Limited	100.00	Ordinary shares
Skyline Ikon, 1st Floor, 86/92, Andheri Kurla Road, Marol Naka, Andheri East, Mumbai, Maharashtra, 400059, India		
Connect (India) Mobile Technologies Private Limited	100.00	Equity shares
Unit 2B, Creator, Itpl, Whitefield Road, Bangalore, Bangalore, Karnataka, 560066, India		
Cable & Wireless Networks India Private Limited	74.00	Equity shares
Vodafone House, Corporate Road, Prahladnagar, Off S. G. Highway, Ahmedabad, Gujarat, 380051, India		
Vodafone Business Services Limited	100.00	Equity shares
Vodafone India Services Private Limited	100.00	Ordinary shares

33. Related undertakings (continued)

Company name	% held by Group companies	Share class
Ireland		
27 Lower Fitzwilliam Street, Dublin 2, Ireland		
Siro Limited	50.00	Ordinary shares
Mountainview, Leopardstown, Dublin 18, Ireland		
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[8]	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
Italy		
SS 33 del Sempione KM 35, 212, 21052 Busto Arsizio (VA), Italy		
Vodafone Automotive Italia S.p.A	100.00	Ordinary shares
Via Astico 41, 21100 Varese, Italy		
Vodafone Automotive Electronic Systems S.r.L	100.00	Ordinary shares
Vodafone Automotive SpA	100.00	Ordinary shares
Via Battistotti Sassi 11, 20133, Milano, Italy		
Vodafone Enterprise Italy S.r.L	100.00	Euro shares
Via Lorenteggio 240, 20147, Milan, Italy		
Vodafone Gestioni S.p.A.	100.00	Ordinary shares
Vodafone Servizi E Tecnologie S.R.L.	100.00	Equity shares
Viale Bianca Maria 23, 20122, Milan, Italy		
Vodafone Global Enterprise (Italy) S.R.L.	100.00	Ordinary shares
Via Jervis 13, 10015, Ivrea, Tourin, Italy		
Vodafone Italia S.p.A.	100.00	Ordinary shares

Company name	% held by Group companies	Share class
Japan		
5-2-32 Minami-azabu, Minato-ku, Tokyo, 106-0047, Japan		
Vodafone Global Enterprise (Japan) K.K.	100.00	Ordinary shares
KAKiYa building, 9F, 2-7-17 Shin-Yokohama, Kohoku-ku, Yokoha- City, Kanagawa, 222-0033, Japan		
Vodafone Japan K.K	100.00	Ordinary shares
1-1-1 Uchisaiwai cho, Chiyoda-ku, Tokyo 111-0011 Japan		
Cable & Wireless U.K. - Japan Branch	100.00	Branch
Kenya		
3rd Floor, The Rahimtulla Towers, Upper Hill Road, Nairobi, Kenya		
Vodacom Business (Kenya) Limited[3]	52.00	Ordinary shares and ordinary B shares
6th Floor, ABC Towers, ABC Place, Waiyaki Way, Nairobi, 00100, Kenya		
M-PESA Holding Co. Limited	100.00	Ordinary shares
Vodafone Kenya Limited	100.00	Ordinary voting shares
8th floor, Lonrho House, Standard Street, Nairobi, LR No 209/, Kenya		
M-PESA Foundation	100.00	N/A
Korea, Republic of		
3rd Floor, 54 Gongse-ro, Gieheung-gu, Yongin-si, Gyeonggi-do, Korea, Republic of		
Vodafone Automotive Korea Limited	100.00	Ordinary shares
Seocho-dong, Gangnam Building, 16th Floor, 396, Seocho-daero, Seocho-gu, Seoul		
VGE South Korea Limited	100.00	Ordinary shares
Lesotho		
Block B, Level 7, Development House, Kingsway Road, Maseru, Lesotho		
Vodacom Lesotho (Pty) Limited[3]	52.00	Ordinary shares
Luxembourg		
15 rue Edward Steichen, Luxembourg, 2540, Luxembourg		
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 by Group companies	Share class
Malaysia		
Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia		
Vodafone Global Enterprise (Malaysia) Sdn Bhd	100.00	Ordinary shares
Malta		
SkyParks Business Centre, Malta International Airport, Luqa, LQA 4000, Malta		
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
Mauritius		
DTOS Ltd 10th Floor, Raffles Tower, 19, Cybercity, Ebene, Mauritius		
Mobile Wallet VM1[3]	65.00	Ordinary shares
Vodacom International Limited[3]	65.00	Ordinary shares, non cumulative preference shares
Mobile Wallet VM2[3]	65.00	Ordinary shares
VBA (Mauritius) Limited[3]	65.00	Ordinary shares
Fifth Floor, Ebene Esplanade, 24 Cybercity, Ebene, Mauritius		
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
Mexico		
Ejercito Nacional 904, Piso 12, Polanco Los Morales, Miguel Hidalgo, C.P, 11510 MEXICO D.F, Mexico		
Vodafone Empresa México S.de R.L. de C.V.	100.00	Corporate certificate series A shares, corporate certificate series B shares
Morocco		
129 Rue du Prince Moulay, Abdellah, Casablanca, Morocco		
Vodafone Maroc SARL	79.75	Ordinary shares

Company name	% held by Group companies	Share class

Mozambique

Company name	% held by Group companies	Share class
Rua dos Desportistas, Numero 649, Cidade de Maputo, Mozambique		
VM, SA[3]	55.25	Ordinary shares and redeemable preference shares

Netherlands

Company name	% held by Group companies	Share class
Avenue Ceramique 300, 6221 KX, Maastricht, Netherlands		
Vodafone Libertel B.V.	100.00	Ordinary shares
Klipperaak 2 D, 2411 ND, Bodegraven, Netherlands		
Wiericke B.V.	100.00	Ordinary shares
Kronenburgplantsoen 10, 3401 BP, Ijsselstein, Netherlands		
mITE Systems B.V.	100.00	Ordinary shares
Rivium Quadrant 173, 15th Floor, 2909 LC, Capelle Aan Den Ijssel, Netherlands		
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

Company name	% held by Group companies	Share class
Level 1, 20 Viaduct Harbour Avenue, Auckland, 1010, New Zealand		
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
Level 1, Building C, 14-22 Triton Drive, Albany, New Zealand		
TNAS Limited	50.00	Ordinary shares

Nigeria

Company name	% held by Group companies	Share class
3A Aja Nwachukwu Close, Ikoyi, Lagos, Nigeria		
Spar Aerospace (Nigeria) Limited[3]	65.00	Ordinary shares
Vodacom Business Africa (Nigeria) Limited[3]	65.00	Ordinary shares and preference shares
ICT Lawyers & Consultants, 2nd Floor, Oakland Center, Plot 2940, Aguyi Ironi Street, Maitama, Abuja, Nigeria		
C&W Worldwide Nigeria Limited	100.00	Ordinary shares

Norway

Company name	% held by Group companies	Share class
Sørkedalsveien 6 in Oslo, post address is PB. Box. 7000, Majorstuen, 0306 Oslo		
Vodafone Enterprise Norway AS	100.00	Ordinary shares

Portugal

Company name	% held by Group companies	Share class
Av. D. Joao II, Lote 1.04.01, 8 Piso, Parques Das Nacoes, 1990-093 Lisboa, Portugal		
Oni Way – Infocomunicacoes, S.A	100.00	Ordinary shares
Vodafone Portugal – Comunicacoes Pessoais, S.A.[1]	100.00	Ordinary shares
Av. da República, 50 - 10º, 1069-211, Lisboa, Portugal		
Vodafone Enterprise Spain, S.L.U. – Portugal Branch	100.00	Branch

Qatar

Company name	% held by Group companies	Share class
P.O. Box 27727, Doha, Qatar		
Vodafone And Qatar Foundation L.L.C	51.00	Ordinary shares
Vodafone Qatar Q.S.C.[4]	22.95	Ordinary shares

Romania

Company name	% held by Group companies	Share class
15 Charles de Gaulle Square, 10 floor, Bucharest, District 1, Romania		
Vodafone Shared Services Romania SRL	100.00	Ordinary shares
Oraş Voluntari, Şoseaua Pipera, Tunari, Nr. 2/II, Etaj 3, Ilfov, Oras Voluntari, Romania		
Vodafone România Technologies SRL	100.00	Ordinary shares
Oraş Voluntari, Şoseaua Pipera, Tunari, Nr. 2/II, Etaj 5, Judet Ilfov, Romania		
Vodafone România M - Payments SRL	52.32	Ordinary shares
Sector 1, 15 Charles de Gaulle Piata, Bucharest, Romania		
Vodafone Romania S.A	100.00	Nominactive shares, Ordinary shares

Russian Federation

Company name	% held by Group companies	Share class
Chayanova ulitsa 14/10, stroenye 2, 125047 Moscow, Russia		
Cable & Wireless CIS Svyaz LLC	100.00	Charter Capital shares
Sadovnicheskaya st. 82, bld.2, 115035, Moscow, Russian Federation		
Vodafone Global Enterprise Russia LLC	100.00	Equity shares

Seychelles

Company name	% held by Group companies	Share class
F20, 1st Floor, Eden Plaza, Eden Island, Seychelles		
Cavalry Holdings Ltd[3]	31.85	Ordinary A and Ordinary B shares
East Africa Investment (Mauritius) Limited[3]	31.85	Ordinary A and Ordinary B shares

Sierra Leone

Company name	% held by Group companies	Share class
12 White Street, Brookfield, Off Railway Line, Freetown, Sierra Leone		
VBA International (SL) Limited[3]	65.00	Ordinary shares

Singapore

Company name	% held by Group companies	Share class
Asia Square Tower 2, 12 Marina View, #17-01, Singapore, 018961, Singapore		
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

Company name	% held by Group companies	Share class
Namestie, SNP15, Bratislava, 811 06, Slovakia		
Vodafone Global Network Limited – Slovakia Branch	100.00	Branch

South Africa

Company name	% held by Group companies	Share class
15 Burnside Island, 410 Jan Smuts Avenue, Craighall, 2024, South Africa		
XLink Communications (Proprietary) Limited[3]	73.23	Ordinary A shares
319 Frere Road, Glenwood, 4001, South Africa		
Cable and Wireless Worldwide South Africa (Pty) Ltd	65.00	Ordinary shares
76 Maude Street, Sandton, Johannesberg, 2196, South Africa		
Waterberg Lodge (Proprietary) Limited[3]	65.00	Ordinary shares
9 Kinross Street, Germiston South, 1401, South Africa		
Vodafone Holdings (SA) Proprietary Limited	100.00	Ordinary shares
9 Kinross Street, PO Box 4119, Germiston South, 1411, Germiston South, 1401, South Africa		
Vodafone Investments (SA) Proprietary Limited	100.00	Ordinary A shares, "B" ordinary no par value shares
Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand, 1685, South Africa		
GS Telecom (Pty) Limited[3]	65.00	Ordinary shares
Motifpros 1 (Proprietary) Limited[3]	60.94	Ordinary shares
Scarlet Ibis Investments 23 (Pty) Limited[3]	60.94	Ordinary shares
Vodacom (Pty) Limited[3]	60.94	Ordinary shares
Vodacom Business Africa Group (Pty) Limited[3]	65.00	Ordinary shares
Vodacom Financial Services (Proprietary) Limited[3]	60.94	Ordinary shares
Vodacom Group Limited[3]	65.00	Ordinary shares
Vodacom Insurance Administration Company (Proprietary) Limited[3]	60.94	Ordinary shares
Vodacom Insurance Company(RF) Limited[3]	65.00	Ordinary shares
Vodacom International Holdings (Pty) Limited[3]	65.00	Ordinary shares
Vodacom Life Assurance Company (RF) Limited[3]	60.94	Ordinary shares
Vodacom Payment Services (Proprietary) Limited[3]	60.94	Ordinary shares
Vodacom Properties No 1 (Proprietary) Limited[3]	60.94	Ordinary shares
Vodacom Properties No.2 (Pty) Limited[3]	60.94	Ordinary shares
Wheatfields Investments 276 (Proprietary) Limited[3]	65.00	Ordinary shares
Wheatfields Investments No 261 (Proprietary) Limited[3]	65.00	Ordinary shares
Jupicol (Proprietary) Limited[3]	42.65	Ordinary shares
Mezzanine Ware Proprietary Limited (RF)[3]	45.07	Ordinary shares
Storage Technology Services (Pty) Limited[3]	31.00	Ordinary shares

33. Related undertakings (continued)

Company name	% held by Group companies	Share class
Spain		
Antracita, 7 – 28045, Madrid CIF B-91204453, Spain		
Vodafone Automotive Espana S.L	100.00	Ordinary shares
Avenida de América 115, 28042, Madrid, Spain		
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
Ctra. Zaragoza, Km. 3, 31191, Cordovilla, Navarra, Spain		
Tenaria, S.A.U.	100.00	Ordinary shares
Sweden		
c/o Hellström advokatbyrå, Box 7305, 103 90, Stockholm, Sweden		
Vodafone Enterprise Sweden AB	100.00	Ordinary shares
Switzerland		
BDO Ltd, Fabrikstrasse 50, CH-8031, Zurich, Switzerland		
Vodafone Enterprise Switzerland AG	100.00	Ordinary shares
Via Franscini 10, 6850 Mendrisio, Switzerland		
Vodafone Automotive Telematics S.A	100.00	Ordinary shares
Taiwan		
13F, No. 156, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 10596, Taiwan (R.O.C.)		
Vodafone Global Enterprise Taiwan Limited	100.00	Ordinary shares
Tanzania, United Republic of		
3rd Floor, Maktaba (Library), ComplexBibi, Titi Mohaned Road, Dar es Salaam, Tanzania, United Republic of		
Gateway Communications Tanzania Limited[3]	65.00	Ordinary shares
Mlimani City Office Park, Mlimani City, Sam Nujoma Road, Dar es Salaam, Tanzania, United Republic of		
Vodacom Tanzania Limited[3]	53.40	Ordinary shares
Vodacom Tanzania Limited Zanzibar[3]	53.40	Ordinary shares
Plot No 77, Kipawa industrial area, P. O. Box 40985, Dar es Salaam, Tanzania		
Mirambo Limited[3]	31.85	Ordinary shares
Turkey		
Büyükdere Cad. No:251 Maslak, Şişli, İstanbul, Turkey, 34398, Turkey		
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 Telekomunikasyon A.S	100.00	Registered shares
Vodafone Bilgi Ve Iletisim Hizmetleri AS	100.00	Registered shares
İTÜ Ayazağa Kampüsü, Koru Yolu, Arı Teknokent Arı 3 Binası, Maslak, İstanbul, 586553, Turkey		
Vodafone Teknoloji Hizmetleri A.S.	100.00	Registered shares
Ukraine		
01033, Kyiv, Haydar Street 50, Ukraine		
LLC Vodafone Enterprise Ukraine	100.00	Ordinary shares
United Arab Emirates		
Premises 2120, Floor 21, Building AL Shatha Tower, Dubai, United Arab Emirates		
Vodafone Enterprise Europe (UK) Limited – DUBAI BRANCH	100.00	Branch

Company name	% held by Group companies	Share class
United Kingdom		
1-2 Berkeley Square, 99 Berkeley Street, Glasgow, G3 7HR, Scotland		
Thus Group Holdings Limited	100.00	Ordinary shares
Thus Profit Sharing Trustees Limited	100.00	Ordinary shares
Thus Group Limited	100.00	Ordinary shares
5th Floor Legal Department, Group Corporate Secretariat, 1 Kingdom Street, Paddington, London, England, W2 6BY, United Kingdom		
Cable & Wireless Worldwide Pension Trustee Limited	100.00	Ordinary shares
90 Long Acre, London, WC2E 9NP, England		
Apollo Submarine Cable System Limited	100.00	Ordinary shares
Avon House, Horizon West, Canal View Road, Newbury, Berkshire, RG15 5XF, United Kingdom		
Talkmobile Limited	100.00	Ordinary shares
Crossgate House, Cross Street, Sale, Cheshire, M33 7FT, United Kingdom		
Vodafone Automotive UK Limited	100.00	Ordinary shares
Imperial House, 4–10 Donegall Square East, Belfast, BT1 5HD		
Vodafone (NI) Limited	100.00	Ordinary shares
Leven House, 10 Lochside Place, Edinburgh Park, Edinburgh, Scotland, EH12 9RG, United Kingdom		
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
Quarry Corner, Dundonald, Belfast, BT16 1UD, Northern Ireland		
Energis (Ireland) Limited	100.00	A Ordinary shares, B Ordinary shares
Shuttleworth House, 21 Bridgewater Close, Network 65 Business Park, Hapton, Burnley, Lancashire, England, BB11 5TE, United Kingdom		
Navtrak Ltd	100.00	Ordinary shares
Staple Court, 11 Staple Inn Building, London, WC1V 7QH, United Kingdom		
Vodacom Business Africa Group Services Limited[3]	65.00	Ordinary shares and preference shares
Vodacom UK Limited[3]	65.00	Ordinary shares, ordinary A shares
Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, United Kingdom		
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 preference shares, B preference shares and C preference shares
Astec Communications Limited	100.00	Ordinary shares
Bluefish Communications Limited	100.00	Ordinary B shares, ordinary A shares, ordinary C shares, 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 shares, ordinary-B shares, series A convertible preference shares

Company name	% held by Group 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, '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, 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
Dataroam Limited	100.00	Ordinary shares, 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, series A preferred shares

United Kingdom (continued)

Company name	% held by Group companies	Share class
Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, United Kingdom		
Isis Telecommunications Management Limited	100.00	A ordinary shares, C ordinary shares, B ordinary shares
Jaguar Communications Limited	100.00	Ordinary shares
Legend Communications Plc	100.00	Ordinary shares
London Hydraulic Power Company	100.00	Ordinary shares, 5% non-cumulative 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 Company	100.00	Ordinary shares
Oxygen Solutions Limited	100.00	Ordinary shares, redeemable preference shares, participating preference shares
P.C.P. (North West) Limited	100.00	Ordinary shares
Peoples Phone Limited	100.00	Ordinary shares
Project Telecom Holdings Limited[1]	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 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 Limited	100.00	Ordinary shares
Ternhill Communications Limited	100.00	Ordinary shares, non C redeemable preference shares
The Eastern Leasing Company 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[1]	100.00	Ordinary shares
Vodafone (New Zealand) Hedging 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, ordinary shares
Vodafone Business Services Limited	100.00	Ordinary shares
Vodafone Business Solutions Limited	100.00	Ordinary shares
Vodafone Cellular Limited[1]	100.00	Ordinary shares
Vodafone Central Services Limited	100.00	Ordinary shares

Company name	% held by Group companies	Share class
Vodafone Connect 2 Limited	100.00	Ordinary shares
Vodafone Connect Limited	100.00	Ordinary shares
Vodafone Consolidated Holdings Limited	100.00	Ordinary shares
Vodafone Corporate Limited	100.00	Ordinary shares
Vodafone Corporate Secretaries Limited[1]	100.00	Ordinary shares
Vodafone DC Pension Trustee Company Limited[1]	100.00	Ordinary shares
Vodafone Distribution Holdings Limited	100.00	Ordinary shares
Vodafone Enterprise Equipment Limited	100.00	Ordinary shares
Vodafone Enterprise Europe (UK) 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[1]	100.00	Ordinary shares
Vodafone European Portal Limited[1]	100.00	Ordinary shares
Vodafone Finance Limited[1]	100.00	Ordinary shares
Vodafone Finance Luxembourg 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 Limited	100.00	Ordinary shares
Vodafone Global Enterprise Limited	100.00	Ordinary shares
Vodafone Group (Directors) Trustee Limited[1]	100.00	Ordinary shares
Vodafone Group Pension Trustee Limited[1]	100.00	Ordinary shares
Vodafone Group Services Limited	100.00	Ordinary shares, deferred shares
Vodafone Group Services No.2 Limited[1]	100.00	Ordinary shares
Vodafone Group Share Trustee Limited[1]	100.00	Ordinary shares
Vodafone Hire Limited	100.00	Ordinary shares
Vodafone Holdings Luxembourg Limited	100.00	Ordinary shares
Vodafone Intermediate Enterprises Limited	100.00	Ordinary shares
Vodafone International Holdings Limited	100.00	Ordinary shares
Vodafone International Operations Limited	100.00	Ordinary shares
Vodafone Investment UK	100.00	Ordinary shares
Vodafone Investments Australia Limited	100.00	Ordinary shares
Vodafone Investments Limited[1]	100.00	Ordinary shares
Vodafone IP Licensing Limited[1]	100.00	Ordinary shares
Vodafone Leasing Limited	100.00	Ordinary shares
Vodafone Limited	100.00	Ordinary shares
Vodafone M.C. Mobile Services Limited	100.00	Ordinary shares
Vodafone Marketing UK	100.00	Ordinary shares
Vodafone Mobile Commerce Limited	100.00	Ordinary shares
Vodafone Mobile Communications Limited	100.00	Ordinary shares
Vodafone Mobile Enterprises Limited	100.00	A ordinary shares, ordinary shares,
Vodafone Mobile Network Limited	100.00	A ordinary shares, ordinary shares
Vodafone Multimedia Limited	100.00	Ordinary shares
Vodafone Nominees Limited[1]	100.00	Ordinary shares
Vodafone Oceania Limited	100.00	Ordinary shares
Vodafone Old Show Ground Site Management Limited	100.00	Ordinary shares
Vodafone Overseas Finance Limited	100.00	Ordinary shares
Vodafone Overseas Holdings Limited	100.00	Ordinary shares

Company name	% held by Group companies	Share class
Vodafone Panafon UK	100.00	Ordinary shares
Vodafone Partner Services Limited	100.00	Ordinary shares
Vodafone Property Investments 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 Communications Limited	100.00	Ordinary shares
Vodafone UK Content Services Limited	100.00	Ordinary shares
Vodafone UK Investments Limited	100.00	Ordinary shares
Vodafone UK Limited[1]	100.00	Ordinary shares
Vodafone Ventures Limited[1]	100.00	Ordinary shares
Vodafone Worldwide Holdings Limited	100.00	Ordinary shares
Vodafone Yen Finance Limited	100.00	Ordinary shares
Vodafone-Central Limited	100.00	Ordinary shares
Vodaphone Limited	100.00	Ordinary shares
Vodata Limited	100.00	Ordinary shares
Your Communications Group Limited	100.00	Ordinary shares
c/o BDO MPR Management Limited, PO Box 119, Martello Court, Admiral park, St Peter Port, Guernsey		
FB Holdings Limited	100.00	Ordinary shares
Ogier House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA, Guernsey		
Silver Stream Investments Limited	100.00	Ordinary shares
P.O. Box 119, Commerce House, St Peter Port, Guernsey, Channel Islands, GY1 3HB		
Le Bunt Holdings Limited	100.00	Ordinary shares
Roseneath, The Grange, St Peter Port, GY1 2QJ, Guernsey		
VBA Holdings Limited[3]	65.00	Ordinary shares And non-voting irredeemable non-cumulative preference
VBA International Limited[3]	65.00	Ordinary shares And non-voting irredeemable non-convertible non-cumulative Preference
Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey		
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) Limited	100.00	Ordinary shares
Vodafone International 2 Limited	100.00	Ordinary shares
Vodafone Jersey Dollar Holdings Limited	100.00	Ordinary shares
Vodafone Jersey Finance	100.00	Ordinary shares
Vodafone Jersey Yen Holdings Unlimited	100.00	Limited liability shares

33. Related undertakings (continued)

Company name	% held by Group companies	Share class
United States		
560 Lexington Avenue, 8th Floor, New York NY 10022, United States		
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
c/o United Corporate Services Inc., 15 North East Street, Kent County, Dover DE 19901, United States		
Cable & Wireless a-Services, Inc	100.00	Common shares
Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, United States of America		
Cable & Wireless Americas Systems, Inc.	100.00	Common stock shares
Denver Place, South Tower, 17th Floor, 999 18th Street, Denver 80202, United States		
Vodafone Americas Foundation	100.00	N/A
Zambia		
Orange Park, Plot 35185, Alick Nkhata Road, Lusaka, Zambia		
Africonnect (Zambia) Limited[3]	65.00	Ordinary shares

Associated undertakings and joint arrangements

Company Name	% held by Group Companies	Share class
Australia		
Level 7, 40 Mount Street, North Sydney, NSW 2060, Australia		
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
Czech Republic		
U Rajské zahrady 1912/3, Praha 3, 130 00, Czech Republic		
COOP Mobil s.r.o.	33.33	Ordinary shares
Egypt		
23 Kasr El Nil St., Cairo, Egypt, 11211		
Wataneya Telecommunications S.A.E	50.00	Ordinary shares
India		
Bharti Crescent, 1 Nelson Mandela Road, Vasant Kunj, Phase-II, New Delhi – 110070, India		
Indus Towers Limited	42.00	Equity shares
Ireland		
8/9 Fairview, Dublin, 3, Ireland		
MediaOne Limited	22.50	Ordinary Euro shares
Unit 2, 77 Furze Road, Sandyford Industrial Estate, Dublin 18, Ireland		
Fonua Limited	49.00	Ordinary shares
Kenya		
Safaricom, P O Box 46350, 00100, Nairobi, Kenya		
Safaricom Limited[5,6]	40.00	Ordinary shares
New Zealand		
2nd Floor, Ferry Building, 99 Quay Street, Auckland, 1010, New Zealand		
TSM NZ Limited	32.50	Ordinary shares
Portugal		
Avenida D. João II Lote 1.03.23 Parque das Nações, 1998-017, Lisboa, Portugal		
Celfocus – Solucoes Informaticas Para Telecomunicacoes S.A	45.00	Ordinary shares
Russian Federation		
bld. 3, 11, Promishlennaya Street, Moscow, 115516, Russian Federation		
Autoconnex Limited	35.00	Ordinary shares
South Africa		
Building 13 Ground Floor East, Thornhill, Office Park, 94 Bekker Road, Vorna Valley X67, Midrand, 1685, South Africa		
Number Portability Company (Proprietary) Limited[3]	20.00	Ordinary shares
United Kingdom		
83 Baker Street, London, W1U 6AG, United Kingdom		
Digital Mobile Spectrum Limited	25.00	Ordinary shares
260 Bath Road, Slough, Berkshire, SL1 4DX, United Kingdom		
Cornerstone Telecommunications Infrastructure Limited	50.00	Ordinary shares
62-65, Chandos Place, London, WC2N 4LP, United Kingdom		
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 Telecommunications S.A.E.		Vodafone Qatar Q.S.C.	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Summary comprehensive income information						
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)
Other financial information						
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
Summary financial position information						
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
Total assets	**5,591**	**6,249**	**1,940**	**1,875**	**1,333**	**1,377**
Non-current liabilities	(1,586)	(490)	(61)	(57)	(205)	(8)
Current liabilities	(1,196)	(2,478)	(709)	(729)	(189)	(339)
Total assets less total liabilities	**2,809**	**3,281**	**1,170**	**1,089**	**939**	**1,030**
Equity shareholders' funds	2,337	2,722	708	673	215	237
Non-controlling interests	472	559	462	416	724	793
Total equity	**2,809**	**3,281**	**1,170**	**1,089**	**939**	**1,030**
Statement of cash flows						
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)
Net cash flow	**(62)**	**182**	**234**	**168**	**(4)**	**8**
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
Cash and Cash Equivalents	**367**	**492**	**489**	**311**	**25**	**28**

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
AAA (MCR) Ltd	2797823
AAA (UK) Ltd	2484222
Cable & Wireless Capital Limited	6702535
Cable & Wireless CIS Services Limited	2964774
Cable & Wireless Europe Holdings Limited	4659719
Cable & Wireless Global Holding Limited	3740694
Cable and Wireless Nominee Limited	3249884
Cable & Wireless Worldwide plc	7029206
Cable & Wireless UK Holdings Limited	3840888
Cable & Wireless Waterside Holdings Limited	6859946
Cellops Limited	3942192
Cellular Operations Limited	3231393
Erudite Systems Limited	3948967
Energis Communications Limited	2630471
Energis Holdings Limited	3649524
Flexphone Limited	4949207
Generation Telecom Limited	4131101
Legend Communications Plc	3923166
Oxygen Solutions Limited	2405625
The Eastern Leasing Company Limited	1672832
Thus Group Holdings Limited	SC192666
T.W. Telecom Limited	1971198
Vizzavi Limited	4017435
Vodafone 2	4083193
Vodafone 4 UK	6357658
Vodafone 5 Limited	6688527
Vodafone 5 UK	2960479
Vodafone Americas 4	6389457
Vodafone Benelux Limited	4200960
Vodafone Business Services Limited	4321446
Vodafone Cellular Limited	896318
Vodafone Consolidated Holdings Limited	5754561
Vodafone Enterprise Equipment Limited	1648524
Vodafone Enterprise Europe (UK) Limited	3137479
Vodafone Euro Hedging Limited	3954207
Vodafone Euro Hedging Two	4055111
Vodafone European Investments	3961908

Name	Registration number
Vodafone European Portal Limited	3973442
Vodafone Europe UK	5798451
Vodafone Finance Luxembourg Limited	5754479
Vodafone Finance Sweden	2139168
Vodafone Finance UK Limited	3922620
Vodafone Financial Operations	4016558
Vodafone Global Content Services Limited	4064873
Vodafone Holdings Luxembourg Limited	4200970
Vodafone IP Licensing Limited	6846238
Vodafone Intermediate Enterprises Limited	3869137
Vodafone International Holdings Limited	2797426
Vodafone International Operations Limited	2797438
Vodafone Investments Australia Limited	2011978
Vodafone Investments Limited	1530514
Vodafone Investment UK	5798385
Vodafone Marketing UK	6858585
Vodafone Mobile Communications Limited	3942221
Vodafone Mobile Enterprises Limited	3961390
Vodafone Mobile Network Limited	3961482
Vodafone (New Zealand) Hedging Limited	4158469
Vodafone (NI) Limited	NI23033
Vodafone Nominees Limited	1172051
Vodafone Oceania Limited	3973427
Vodafone Overseas Finance Limited	4171115
Vodafone Overseas Holdings Limited	2809758
Vodafone Panafon UK	6326918
Vodafone Partner Services Limited	4012582
Vodafone Property Investments Limited	3903420
Vodafone (Scotland) Limited	SC170238
Vodafone UK Limited	2227940
Vodafone Worldwide Holdings Limited	3294074
Vodafone Yen Finance Limited	4373166
Voda Limited	1847509
Vodaphone Limited	2373469
Vodata Limited	2502373
Your Communications Group Limited	4171876

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[1,2]

	Restated[2] Europe £m	Restated[2] AMAP £m	Restated[2] Other[3] £m	Restated[2] Eliminations £m	2015 £m	2014 £m	% change £	% 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)
Adjusted operating profit	**1,733**	**1,802**	**(28)**	**–**	**3,507**	**4,310**	**(18.6)**	**(24.1)**
Adjustments for:								
Impairment loss					–	(6,600)		
Restructuring costs					(157)	(355)		
Amortisation of acquired customer bases and brand intangible assets					(1,269)	(551)		
Other income and expense					(114)	(717)		
Operating loss					**1,967**	**(3,913)**		

Notes:
1 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).
2 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.
3 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.

Prior year operating results (continued)

Europe[1]

	Germany £m	Italy £m	UK £m	Spain £m	Other Europe £m	Eliminations £m	Europe £m	% change £	% change Organic*
Year ended 31 March 2015 restated									
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%		
Year ended 31 March 2014 restated									
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 change* %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue – Europe	**(4.5)**	**26.7**	**(6.5)**	**15.7**
Service revenue				
Germany	(3.7)	12.0	(7.5)	0.8
Italy[1]	(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)
Europe	**(5.0)**	**26.2**	**(6.5)**	**14.7**
EBITDA				
Germany	(11.0)	17.3	(7.4)	(1.1)
Italy[1]	(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)
Europe	**(12.3)**	**35.6**	**(7.0)**	**16.3**
Adjusted operating profit				
Europe	**(40.6)**	**20.6**	**(4.7)**	**(24.7)**

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.

Prior year operating results (continued)

Africa, Middle East and Asia Pacific[1]

	India £m	Vodacom £m	Other AMAP £m	Eliminations £m	AMAP £m	% change £	% change Organic*
Year ended 31 March 2015 restated							
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%		
Year ended 31 March 2014 restated							
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:
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 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 change* %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue – AMAP	**6.9**	**0.5**	**(7.4)**	**–**
Service revenue				
India	12.4	–	(2.9)	9.5
Vodacom	(1.0)	–	(8.8)	(9.8)
Other AMAP	5.2	1.8	(9.2)	(2.2)
AMAP	**5.7**	**0.5**	**(7.1)**	**(0.9)**
EBITDA				
India	16.3	–	(3.4)	12.9
Vodacom	(2.1)	–	(8.9)	(11.0)
Other AMAP	7.0	0.3	(7.4)	(0.1)
AMAP	**5.9**	**0.1**	**(7.1)**	**(1.1)**
Adjusted operating profit				
AMAP	**0.1**	**0.1**	**(6.9)**	**(6.7)**

Note:
1 "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 £m	2015 £m
Fixed assets			
Shares in Group undertakings	2	66,891	64,798
Current assets			
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
		172,775	**161,366**
Creditors: amounts falling due within one year	5	(171,303)	(163,164)
Net current assets/(liabilities)		**1,472**	**(1,798)**
Total assets less current liabilities		**68,363**	**63,000**
Creditors: amounts falling due after more than one year	5	(25,432)	(19,404)
		42,931	**43,596**
Capital and reserves			
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
Total equity shareholders' funds		**42,931**	**43,596**

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 share capital £m	Share premium account[1] £m	Capital redemption reserve[1] £m	Other reserves[1] £m	Reserve for own shares[2] £m	Profit and loss account[3] £m	Total equity shareholders' funds £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)
31 March 2015	**3,792**	**16,111**	**88**	**720**	**(7,147)**	**30,032**	**43,596**
Issue or reissue of shares	–	1	–	–	105	–	106
Issue of mandatory convertible bonds[4]	–	–	–	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
31 March 2016	**3,792**	**16,112**	**88**	**3,497**	**(7,042)**	**26,484**	**42,931**

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.

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
Cost:	
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)
31 March 2016	**72,697**
Amounts provided for:	
1 April 2015	5,806
Amounts provided in the year	–
31 March 2016	**5,806**
Net book value:	
31 March 2015	**64,798**
31 March 2016	**66,891**

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 £m	2015 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	166,609	156,933
Taxation recoverable	162	161
Other debtors	108	109
Derivative financial instruments[1]	795	267
	167,674	**157,470**
Amounts falling due after more than one year:		
Derivative financial instruments[1]	**3,422**	**3,676**

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 £m	2015 £m
Investments[1]	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 £m	2015 £m
Amounts falling due within one year:		
Bank loans and other loans	13,263	9,895
Amounts owed to subsidiaries	157,538	152,904
Derivative financial instruments[1]	387	327
Other creditors	78	13
Accruals and deferred income	37	25
	171,303	**163,164**
Amounts falling due after more than one year:		
Deferred tax	–	4
Other loans	24,304	18,736
Derivative financial instruments[1]	1,128	664
	25,432	**19,404**

Note:
1 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 Number	2016 £m	2015 Number	2015 £m
Ordinary shares of 20$^{20}/_{21}$ US cents each allotted, issued and fully paid:[1,2]				
1 April	28,812,787,098	3,792	28,811,923,128	3,792
Allotted during the year	608,910	–	863,970	–
31 March	**28,813,396,008**	**3,792**	**28,812,787,098**	**3,792**

Notes:
1 50,000 (2015: 50,000) 7% cumulative fixed rate shares of £1 each were allotted, issued and fully paid by the Company.
2 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 £m	Net proceeds £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 £m	2015 £m
Declared during the financial year:		
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
	2,998	**2,930**
Proposed after the balance sheet date and not recognised as a liability:		
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 £m	2015 £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.

Shareholder information

Unaudited information

Investor calendar

Ex-dividend date for final dividend	9 June 2016
Record date for final dividend	10 June 2016
Trading update	22 July 2016
Annual general meeting	29 July 2016
Final dividend payment	3 August 2016
Half-year financial results	15 November 2016
Ex-dividend date for interim dividend[1]	24 November 2016
Record date for interim dividend[1]	25 November 2016
Interim dividend payment[1]	2 February 2017

Note:
1 Provisional dates.

Dividends

See pages 36 and 111 for details on dividend amount per share.

Payment of dividends by direct credit

We pay cash dividends directly to shareholders' bank or building society accounts. This ensures secure delivery and means dividend payments are credited to shareholders' bank or building society accounts on the same day as payment. A dividend confirmation covering both the interim and final dividends paid during the financial year is sent to shareholders at the time of the interim dividend in February. ADS holders may alternatively have their cash dividends paid by cheque.

Overseas dividend payments

Holders of ordinary shares resident in the Eurozone (defined for this purpose as a country that has adopted the euro as its national currency) automatically receive their dividends in euros. The sterling/euro exchange rate is determined by us in accordance with our Articles of Association up to 13 business days before the payment date.

Holders resident outside the UK and Eurozone automatically receive dividends in pounds sterling but may elect to receive dividends in local currency directly into their bank account by registering for our registrar's (Computershare) Global Payments Service. Visit investorcentre.co.uk for details and terms and conditions.

Cash dividends to ADS holders will be paid by the ADS depositary in US dollars. The sterling/US dollar exchange rate for this purpose is determined by us up to ten New York and London business days before the payment date.

For the financial year ending 31 March 2017 and beyond, dividends will be declared in euros and paid in euros, pounds sterling and US dollars, aligning the Group's shareholder returns with the primary currency in which we generate free cash flow. The foreign exchange rate at which future dividends declared in euros will be converted into pounds sterling and US dollars will be calculated based on the average exchange rate of the five business days during the week prior to the payment of the dividend. The Board has determined that future dividend growth will be calculated from the level of 14.48 eurocents per share in 2016, which is equivalent to the 2016 total dividend payout of 11.45 pence at the year-end £:€ exchange rate of 1.2647.

See vodafone.com/dividends for further information about dividend payments or, alternatively, please contact our registrar or the ADS depositary, as applicable. See page 176 for their contact information.

Dividend reinvestment plan

We offer a dividend reinvestment plan which allows holders of ordinary shares who choose to participate to use their cash dividends to acquire additional shares in the Company. These are purchased on their behalf by the plan administrator through a low cost dealing arrangement. For ADS holders, BNY Mellon maintains a Global BuyDIRECT Plan which is a direct purchase and sale plan for depositary receipts with a dividend reinvestment facility.

Dividend tax allowance

From April 2016 dividend tax credits will be replaced by an annual £5,000 tax-free allowance on dividend income across an individual's entire share portfolio. Above this amount, individuals will pay tax in the UK on their dividend income at a rate dependent on their income tax bracket and personal circumstances. Vodafone will continue to provide registered shareholders with a confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

This change was announced by the Chancellor, as part of the UK Government Budget in July 2015. If you have any tax queries, please contact a financial adviser.

Managing your shares via Investor Centre

Computershare operates a portfolio service for investors in ordinary shares, called Investor Centre. This provides our shareholders with online access to information about their investments as well as a facility to help manage their holdings online, such as being able to:

- update dividend mandate bank instructions and review dividend payment history;
- update member details and address changes; and
- register to receive Company communications electronically.

Computershare also offers an internet and telephone share dealing service to existing shareholders.

The service can be obtained at investorcentre.co.uk. Shareholders with any queries regarding their holding should contact Computershare. See page 176 for their contact details.

Shareholders may also find the investors section of our corporate website, vodafone.com/investor, useful for general queries and information about the Company.

Shareholder communications

A growing number of our shareholders have opted to receive their communications from us electronically using email and web-based communications. The use of electronic communications, rather than printed paper documents, means information about the Company can be received as soon as it is available and has the added benefit of reducing costs and our impact on the environment. Each time we issue a shareholder communication, shareholders who have positively elected for electronic communication (or are deemed to have consented to receive electronic communication in accordance with the Companies Act 2006) will be sent an email alert containing a link to the relevant documents.

We encourage all our shareholders to sign up for this service by providing us with an email address. You can register your email address via our registrar at investorcentre.co.uk or contact them via the telephone number provided on page 176. See vodafone.com/investor for further information about this service.

Annual General Meeting

Our thirty-second annual general meeting will be held at the Hilton London Metropole Hotel, 225 Edgware Road, London W2 1JU, on Friday 29 July 2016 at 11.00 am. The annual general meeting will be transmitted via a live webcast which can be viewed on our website at vodafone.com/agm on the day of the meeting. A recording will be available to view after that date.

ShareGift

We support ShareGift, the charity share donation scheme (registered charity number 1052686). Through ShareGift, shareholders who have only a very small number of shares, which might be considered uneconomic to sell, are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities.

See sharegift.org or call +44 (0)20 7930 3737 for further details.

Landmark Asset Search

We participate in an online service which provides a search facility for solicitors and probate professionals to quickly and easily trace UK shareholdings relating to deceased estates. Visit www.landmarkfas.co.uk or call +44 (0)844 844 9967 for further information.

Warning to shareholders ("boiler room" scams)

Over recent years we have become aware of investors who have received unsolicited calls or correspondence, in some cases purporting to have been issued by us, concerning investment matters. These callers typically make claims of highly profitable opportunities in UK or US investments which turn out to be worthless or simply do not exist. These approaches are usually made by unauthorised companies and individuals and are commonly known as "boiler room" scams. Investors are advised to be wary of any unsolicited advice or offers to buy shares. If it sounds too good to be true, it often is.

See the FCA website at fca.org.uk/consumers/scams for more detailed information about this or similar activities.

Registrar and transfer office

The Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road, Bristol BS99 6ZZ, England
Telephone: +44 (0)370 702 0198
investorcentre.co.uk/contactus

ADS depositary

BNY Mellon Shareowner Services
PO Box 30170
College Station, TX 77842-3170, United States of America
Telephone: +1 800 233 5601 (toll free) or, for calls outside the United States, +1 201 680 6825 (not toll free) and enter company number 2160
Email: shrrelations@cpushareownerservices.com

Holders of ordinary shares resident in Ireland

Computershare Investor Services (Ireland) Ltd
PO Box 9742
Dublin 18, Ireland
Telephone: +353 (0)818 300 999
investorcentre.co.uk/contactus

Share price history

The closing share price at 31 March 2016 was 221.20 pence (31 March 2015: 220.45 pence). The closing share price on 16 May 2016 was 223.65 pence.

The following tables set out, for the periods indicated, (i) the reported high and low middle market quotations of ordinary shares on the London Stock Exchange, and (ii) the reported high and low sales prices of ADSs on NASDAQ.

	London Stock Exchange Pounds per ordinary share		NASDAQ Dollars per ADS	
Year ended 31 March	High	Low	High	Low
2012	1.84	1.54	29.46	24.31
2013	1.92	1.54	30.07	24.42
2014	2.52	1.80	41.57	27.74
2015	2.40	1.85	38.26	29.67
2016	2.55	2.00	39.21	29.19

Quarter	High	Low	High	Low
2014/2015				
First quarter	2.27	1.90	38.26	32.00
Second quarter	2.10	1.89	34.54	32.18
Third quarter	2.34	1.85	36.55	29.67
Fourth quarter	2.40	2.15	36.03	32.30
2015/2016				
First quarter	2.55	2.20	39.21	32.71
Second quarter	2.46	2.04	38.25	30.90
Third quarter	2.26	2.04	34.42	31.00
Fourth quarter	2.25	2.00	32.72	29.19
2016/2017				
First quarter[1]	2.33	2.16	33.82	30.66

	London Stock Exchange Pounds per ordinary share		NASDAQ Dollars per ADS	
Month	High	Low	High	Low
November 2015	2.26	2.14	34.42	32.31
December 2015	2.22	2.04	33.47	31.20
January 2016	2.24	2.10	32.54	30.05
February 2016	2.25	2.00	32.72	29.19
March 2016	2.23	2.13	32.10	30.57
April 2016	2.33	2.16	33.82	30.66
May 2016[1]	2.25	2.18	33.01	32.08

Note:
1 Covering period up to 16 May 2016.

Foreign currency translation

The following table sets out the pounds sterling exchange rates of the other principal currencies of the Group, being: "euros", "€" or "eurocents", the currency of the European Union ('EU') member states which have adopted the euro as their currency, and "US dollars", "US$", "cents" or "¢", the currency of the United States.

Currency (=£1)	2016	31 March 2015	% Change
Average:			
Euro	1.37	1.28	7.0
US dollar	1.51	1.61	(6.2)
At 31 March:			
Euro	1.26	1.38	(8.7)
US dollar	1.44	1.48	(2.7)

The following table sets out, for the periods and dates indicated, the period end, average, high and low exchanges rates for pounds sterling expressed in US dollars per £1.00.

Year ended 31 March	31 March	Average	High	Low
2012	1.60	1.60	1.67	1.53
2013	1.52	1.58	1.63	1.49
2014	1.67	1.59	1.67	1.49
2015	1.48	1.61	1.71	1.46
2016	1.44	1.51	1.59	1.39

The following table sets out, for the periods indicated, the high and low exchange rates for pounds sterling expressed in US dollars per £1.00.

Year ended 31 March	High	Low
November 2015	1.54	1.50
December 2015	1.52	1.48
January 2016	1.47	1.42
February 2016	1.46	1.39
March 2016	1.45	1.39
April 2016	1.46	1.41

Markets

Ordinary shares of Vodafone Group Plc are traded on the London Stock Exchange and in the form of ADSs on NASDAQ.

ADSs, each representing ten ordinary shares, are traded on NASDAQ under the symbol "VOD". The ADSs are evidenced by ADRs issued by BNY Mellon, as depositary, under a deposit agreement, dated as of 12 October 1988, as amended and restated on 26 December 1989, 16 September 1991, 30 June 1999, 31 July 2006 and 24 February 2015 between the Company, the depositary and the holders from time to time of ADRs issued thereunder.

ADS holders are not members of the Company but may instruct BNY Mellon on the exercise of voting rights relative to the number of ordinary shares represented by their ADSs. See "Articles of Association and applicable English laws and rights attaching to the Company's shares – Voting rights" on page 178.

Shareholders as at 31 March 2016

Number of ordinary shares held	Number of accounts	% of total issued shares
1–1,000	338,780	0.22
1,001–5,000	49,830	0.38
5,001–50,000	15,606	0.64
50,001–100,000	525	0.12
100,001–500,000	672	0.54
More than 500,000	1,172	98.10
	406,585	100.00

Major shareholders

BNY Mellon, as custodian of our ADR programme, held approximately 13.46% of our ordinary shares of $20^{20/21}$ US cents each at 16 May 2016 as nominee. The total number of ADRs outstanding at 16 May 2016 was 387,958,868. At this date 1,495 holders of record of ordinary shares had registered addresses in the United States and in total held approximately 0.008% of the ordinary shares of the Company.

At 31 March 2016 the following percentage interests in the ordinary share capital of the Company, disclosable under the Disclosure and Transparency Rules, (DTR 5), have been notified to the Directors.

Shareholder	Shareholding
Black Rock Investment Management Ltd.	6.62%
Legal & General Investment Management Ltd.	3.19%

No changes in the interests disclosed under DTR 5 have been notified to the Company between 31 March 2016 and 16 May 2016.

Between 1 April 2013 and 16 May 2016 Capital Group Companies Inc. has held more than 3% of, or 3% of voting rights attributable to, the ordinary shares of the Company. During this period, and as notified, its holding was reduced to below the 3% reporting threshold.

The rights attaching to the ordinary shares of the Company held by these shareholders are identical in all respects to the rights attaching to all the ordinary shares of the Company. The Directors are not aware at 16 May 2016 of any other interest of 3% or more in the ordinary share capital of the Company. The Company is not directly or indirectly owned or controlled by any foreign government or any other legal entity. There are no arrangements known to the Company that could result in a change of control of the Company.

Articles of Association and applicable English law

The following description summarises certain provisions of the Company's Articles of Association and applicable English law. This summary is qualified in its entirety by reference to the Companies Act 2006 of England and Wales and the Company's Articles of Association. See "Documents on display" on page 179 for information on where copies of the Articles of Association can be obtained.
The Company is a public limited company under the laws of England and Wales. The Company is registered in England and Wales under the name Vodafone Group Public Limited Company with the registration number 1833679.

All of the Company's ordinary shares are fully paid. Accordingly, no further contribution of capital may be required by the Company from the holders of such shares.

English law specifies that any alteration to the Articles of Association must be approved by a special resolution of the shareholders.

Articles of Association

The Company's Articles of Association do not specifically restrict the objects of the Company.

Directors

The Directors are empowered under the Articles of Association to exercise all the powers of the Company subject to any restrictions in the Articles of Association, the Companies Act (as defined in the Articles of Association) and any special resolution.

Under the Company's Articles of Association a Director cannot vote in respect of any proposal in which the Director, or any person connected with the Director, has a material interest other than by virtue of the Director's interest in the Company's shares or other securities. However, this restriction on voting does not apply in certain circumstances set out in the Articles of Association.

The Directors are empowered to exercise all the powers of the Company to borrow money, subject to the limitation that the aggregate amount of all liabilities and obligations of the Group outstanding at any time shall not exceed an amount equal to 1.5 times the aggregate of the Group's share capital and reserves calculated in the manner prescribed in the Articles of Association unless sanctioned by an ordinary resolution of the Company's shareholders.

The Company can make market purchases of its own shares or agree to do so in the future provided it is duly authorised by its members in a general meeting and subject to and in accordance with section 701 of the Companies Act 2006. Such authority was given at the 2015 annual general meeting but no purchases were made during this financial year.

At each annual general meeting all Directors who were elected or last re-elected at or before the annual general meeting held in the third calendar year before the current year shall automatically retire. However, the Board has decided in the interests of good corporate governance that all of the Directors wishing to continue in office should offer themselves for re-election annually.

Directors are not required under the Company's Articles of Association to hold any shares of the Company as a qualification to act as a Director, although the Executive Directors are required to under the Company's remuneration policy. Further details are set out on pages 57 to 73.

Rights attaching to the Company's shares

At 31 March 2016 the issued share capital of the Company was comprised of 50,000 7% cumulative fixed rate shares of £1.00 each and 26,558,570,312 ordinary shares (excluding treasury shares) of $20\frac{20}{21}$ US cents each. As at 31 March 2016, 2,254,825,696 ordinary shares were held in Treasury.

Dividend rights

Holders of 7% cumulative fixed rate shares are entitled to be paid in respect of each financial year, or other accounting period of the Company, a fixed cumulative preferential dividend of 7% per annum on the nominal value of the fixed rate shares. A fixed cumulative preferential dividend may only be paid out of available distributable profits which the Directors have resolved should be distributed.

The fixed rate shares do not have any other right to share in the Company's profits.

Holders of the Company's ordinary shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the Directors. The Board of Directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Dividends on ordinary shares can be paid to shareholders in whatever currency the Directors decide, using an appropriate exchange rate for any currency conversions which are required.

If a dividend has not been claimed for one year after the date of the resolution passed at a general meeting declaring that dividend or the resolution of the Directors providing for payment of that dividend, the Directors may invest the dividend or use it in some other way for the benefit of the Company until the dividend is claimed. If the dividend remains unclaimed for 12 years after the relevant resolution either declaring that dividend or providing for payment of that dividend, it will be forfeited and belong to the Company.

Voting rights

At a general meeting of the Company, when voting on substantive resolutions (i.e. any resolution which is not a procedural resolution) each shareholder who is entitled to vote and is present in person or by proxy has one vote for every share held (a poll vote). Procedural resolutions (such as a resolution to adjourn a general meeting or a resolution on the choice of Chairman of a general meeting) shall be decided on a show of hands, where each shareholder who is present at the meeting has one vote regardless of the number of shares held, unless a poll is demanded. Shareholders entitled to vote at general meetings may appoint proxies who are entitled to vote, attend and speak at general meetings.

Two shareholders present in person or by proxy constitute a quorum for purposes of a general meeting of the Company.

Under English law shareholders of a public company such as the Company are not permitted to pass resolutions by written consent. Record holders of the Company's ADSs are entitled to attend, speak and vote on a poll or a show of hands at any general meeting of the Company's shareholders by the depositary's appointment of them as corporate representatives with respect to the underlying ordinary shares represented by their ADSs. Alternatively, holders of ADSs are entitled to vote by supplying their voting instructions to the depositary or its nominee who will vote the ordinary shares underlying their ADSs in accordance with their instructions.

Holders of the Company's ADSs are entitled to receive notices of shareholders' meetings under the terms of the deposit agreement relating to the ADSs.

Employees are able to vote any shares held under the Vodafone Group Share Incentive Plan and "My ShareBank" (a vested nominee share account) through the respective plan's trustees.

Holders of the Company's 7% cumulative fixed rate shares are only entitled to vote on any resolution to vary or abrogate the rights attached to the fixed rate shares. Holders have one vote for every fully paid 7% cumulative fixed rate share.

Liquidation rights

In the event of the liquidation of the Company, after payment of all liabilities and deductions in accordance with English law, the holders of the Company's 7% cumulative fixed rate shares would be entitled to a sum equal to the capital paid up on such shares, together with certain dividend payments, in priority to holders of the Company's ordinary shares. The holders of the fixed rate shares do not have any other right to share in the Company's surplus assets.

Pre-emptive rights and new issues of shares

Under section 549 of the Companies Act 2006 Directors are, with certain exceptions, unable to allot the Company's ordinary shares or securities convertible into the Company's ordinary shares without the authority of the shareholders in a general meeting. In addition, section 561 of the Companies Act 2006 imposes further restrictions on the issue of equity securities (as defined in the Companies Act 2006 which include the Company's ordinary shares and securities convertible into ordinary shares) which are, or are to be, paid up wholly in cash and not first offered to existing shareholders. The Company's articles of association allow shareholders to authorise Directors for a period specified in the relevant resolution to allot (i) relevant securities generally up to an amount fixed by the shareholders; and (ii) equity securities for cash other than in connection with a pre-emptive offer up to an amount specified by the shareholders and free of the pre-emption restriction in section 561. At the 2015 annual general meeting the amount of relevant securities fixed by shareholders under (i) above and the amount of equity securities specified by shareholders under (ii) above were both in line with corporate governance guidelines. Further details of such proposals are provided in the 2016 notice of annual general meeting.

Disclosure of interests in the Company's shares

There are no provisions in the Articles of Association whereby persons acquiring, holding or disposing of a certain percentage of the Company's shares are required to make disclosure of their ownership percentage although such requirements exist under rules derived from the UK Disclosure and Transparency Rules.

General meetings and notices

Subject to the Articles of Association, annual general meetings are held at such times and place as determined by the Directors of the Company. The Directors may also, when they think fit, convene other general meetings of the Company. General meetings may also be convened on requisition as provided by the Companies Act 2006.

An annual general meeting needs to be called on not less than 21 days' notice in writing. Subject to obtaining shareholder approval on an annual basis, the Company may call other general meetings on 14 days' notice. The Directors may determine that persons entitled to receive notices of meetings are those persons entered on the register at the close of business on a day determined by the Directors but not later than 21 days before the date the relevant notice is sent. The notice may also specify the record date, the time of which shall be determined in accordance with the Articles of Association and the Companies Act 2006.

Under section 336 of the Companies Act 2006 the annual general meeting of shareholders must be held each calendar year and within six months of the Company's year end.

Variation of rights

If at any time the Company's share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the Companies Act 2006, either with the consent in writing of the holders of three quarters in nominal value of the shares of that class or at a separate meeting of the holders of the shares of that class.

At every such separate meeting all of the provisions of the Articles of Association relating to proceedings at a general meeting apply, except that (i) the quorum is to be the number of persons (which must be at least two) who hold or represent by proxy not less than one third in nominal value of the issued shares of the class or, if such quorum is not present on an adjourned meeting, one person who holds shares of the class regardless of the number of shares he holds; (ii) any person present in person or by proxy may demand a poll; and (iii) each shareholder will have one vote per share held in that particular class in the event a poll is taken. Class rights are deemed not to have been varied by the creation or issue of new shares ranking equally with or subsequent to that class of shares in sharing in profits or assets of the Company or by a redemption or repurchase of the shares by the Company.

Limitations on transfer, voting and shareholding

As far as the Company is aware there are no limitations imposed on the transfer, holding or voting of the Company's ordinary shares other than those limitations that would generally apply to all of the shareholders, those that apply by law (e.g. due to insider dealing rules) or those that apply as a result of failure to comply with a notice under section 793 of the Companies Act 2006. No shareholder has any securities carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Documents on display

The Company is subject to the information requirements of the Exchange Act applicable to foreign private issuers. In accordance with these requirements the Company files its Annual Report on Form 20-F and other related documents with the SEC. These documents may be inspected at the SEC's public reference rooms located at 100 F Street, NE Washington, DC 20549. Information on the operation of the public reference room can be obtained in the United States by calling the SEC on +1-800-SEC-0330. In addition, some of the Company's SEC filings, including all those filed on or after 4 November 2002, are available on the SEC's website at sec.gov. Shareholders can also obtain copies of the Company's Articles of Association from our website at vodafone.com/governance or from the Company's registered office.

Material contracts

At the date of this Annual Report the Group is not party to any contracts that are considered material to the Group's results or operations except for:

- its US$4.1 billion and €4.0 billion revolving credit facilities which are discussed in note 22 "Liquidity and capital resources" to the consolidated financial statements;
- its subscription agreements for the £2.9 billion of subordinated mandatory convertible bonds placed on 25 February 2016 as discussed in note 22 "Liquidity and capital resources" to the consolidated financial statements; and
- the agreed form Contribution and Transfer Agreement in respect of the Dutch joint venture with Liberty Global as detailed in note 29 "Commitments" to the consolidated financial statements.

Exchange controls

There are no UK Government laws, decrees or regulations that restrict or affect the export or import of capital, including but not limited to, foreign exchange controls on remittance of dividends on the ordinary shares or on the conduct of the Group's operations.

Taxation

As this is a complex area investors should consult their own tax advisor regarding the US federal, state and local, the UK and other tax consequences of owning and disposing of shares and ADSs in their particular circumstances.

This section describes, primarily for a US holder (as defined below), in general terms, the principal US federal income tax and UK tax consequences of owning or disposing of shares or ADSs in the Company held as capital assets (for US and UK tax purposes). This section does not, however, cover the tax consequences for members of certain classes of holders subject to special rules including, for example, US expatriates and former long-term residents of the United States; officers and employees of the Company; holders that, directly, indirectly or by attribution, hold 5% or more of the Company's voting stock; financial institutions; insurance companies; individual retirement accounts and other tax-deferred accounts; tax-exempt organisations; dealers in securities or currencies; investors that will hold shares or ADSs as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes; investors holding shares or ADSs in connection with a trade or business conducted outside of the US; or investors whose functional currency is not the US dollar.

A US holder is a beneficial owner of shares or ADSs that is for US federal income tax purposes:

- an individual citizen or resident of the United States;
- a US domestic corporation;
- an estate, the income of which is subject to US federal income tax regardless of its source; or
- a trust, if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorised to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

If an entity or arrangement treated as a partnership for US federal income tax purposes holds the shares or ADSs, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. Holders that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their tax advisors concerning the US federal income tax consequences to them and their partners of the ownership and disposition of shares or ADSs by the partnership.

This section is based on the US Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, and on the tax laws of the UK, the Double Taxation Convention between the United States and the UK (the 'treaty') and current HM Revenue and Customs published practice, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. This section also assumes that the UK Finance Bill, as ordered to be published on 24 March 2016, will be enacted without amendment.

This section is further based in part upon the representations of the depositary and assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

For the purposes of the treaty and the US–UK double taxation convention relating to estate and gift taxes (the 'Estate Tax Convention'), and for US federal income tax and UK tax purposes, this section is based on the assumption that a holder of ADRs evidencing ADSs will generally be treated as the owner of the shares in the Company represented by those ADRs. Investors should note that a ruling by the first-tier tax tribunal in the UK has cast doubt on this view, but HMRC have stated that they will continue to apply their long-standing practice of regarding the holder of such ADRs as holding the beneficial interest in the underlying shares. Similarly, the US Treasury has expressed concern that US holders of depositary receipts (such as holders of ADRs representing our ADSs) may be claiming foreign tax credits in situations where an intermediary in the chain of ownership between such holders and the issuer of the security underlying the depositary receipts, or a party to whom depositary receipts or deposited shares are delivered by the depositary prior to the receipt by the depositary of the corresponding securities, has taken actions inconsistent with the ownership of the underlying security by the person claiming the credit, such as a disposition of such security. Such actions may also be inconsistent with the claiming of the reduced tax rates that may be applicable to certain dividends received by certain non-corporate holders, as described below. Accordingly, (i) the creditability of any UK taxes and (ii) the availability of the reduced tax rates for any dividends received by certain non-corporate US Holders, each as described below, could be affected by actions taken by such parties or intermediaries. Generally exchanges of shares for ADRs and ADRs for shares will not be subject to US federal income tax or to UK tax other than stamp duty or stamp duty reserve tax (see the section on these taxes on page 181).

Taxation of dividends

UK taxation

Under current UK law, no amount will be required to be withheld on account of UK tax from the dividends that we pay. Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on the dividends we pay unless the dividends fall within an exempt class and certain other conditions are met. It is expected that the dividends we pay would generally be exempt.

Individual shareholders in the Company who are residents in the UK will be subject to the income tax on the dividends we pay. For dividends received before 6 April 2016, a tax credit equal to one-ninth of the cash dividend will be available. For dividends received on or after 6 April 2016 dividends received will no longer be eligible for tax credit and will be taxable in the UK at the dividend rates applicable where the income received is above the tax-free dividend allowance (£5,000 per tax year).

US federal income taxation

Subject to the passive foreign investment company ('PFIC') rules described below, a US holder is subject to US federal income taxation on the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for US federal income tax purposes). However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US holders should therefore assume that any distribution by the Company with respect to shares will be reported as ordinary dividend income. Dividends paid to a non-corporate US holder will be taxable to the holder at the reduced rate normally applicable to long-term capital gains provided that certain requirements are met.

Dividends must be included in income when the US holder, in the case of shares, or the depositary, in the case of ADSs, actually or constructively receives the dividend and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations.

The amount of the dividend distribution to be included in income will be the US dollar value of the pound sterling payments made determined at the spot pound sterling/US dollar rate on the date the dividends are received by the US holder, in the case of shares, or the depositary, in the case of ADSs, regardless of whether the payment is in fact converted into US dollars at that time. If dividends received in pounds sterling are converted into US dollars on the day they are received, the US holder generally will not be required to recognise any foreign currency gain or loss in respect of the dividend income.

Where UK tax is payable on any dividends received, a foreign tax credit may be claimable under the treaty.

Taxation of capital gains

UK taxation

A US holder that is not resident in the UK will generally not be liable for UK tax in respect of any capital gain realised on a disposal of our shares or ADSs.

However, a US holder may be liable for both UK and US tax in respect of a gain on the disposal of our shares or ADSs if the US holder:

- is a citizen of the United States and is resident in the UK;
- is an individual who realises such a gain during a period of "temporary non-residence" (broadly, where the individual becomes resident in the UK, having ceased to be so resident for a period of five years or less, and was resident in the UK for at least four out of the seven tax years immediately preceding the year of departure from the UK);
- is a US domestic corporation resident in the UK by reason of being centrally managed and controlled in the UK; or
- is a citizen or a resident of the United States, or a US domestic corporation, that has used, held or acquired the shares or ADSs in connection with a branch, agency or permanent establishment in the UK through which it carries on a trade, profession or vocation in the UK.

In such circumstances, relief from double taxation may be available under the treaty. Holders who may fall within one of the above categories should consult their professional advisers.

US federal income taxation

Subject to the PFIC rules described below, a US holder that sells or otherwise disposes of our shares or ADSs generally will recognise a capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount realised and the holder's adjusted tax basis, determined in US dollars, in the shares or ADSs. This capital gain or loss will be a long-term capital gain or loss if the US holder's holding period in the shares or ADSs exceeds one year.

The gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The deductibility of losses is subject to limitations.

Additional tax considerations

UK inheritance tax

An individual who is domiciled in the United States (for the purposes of the Estate Tax Convention) and is not a UK national will not be subject to UK inheritance tax in respect of our shares or ADSs on the individual's death or on a transfer of the shares or ADSs during the individual's lifetime, provided that any applicable US federal gift or estate tax is paid, unless the shares or ADSs are part of the business property of a UK permanent establishment or pertain to a UK fixed base used for the performance of independent personal services. Where the shares or ADSs have been placed in trust by a settlor they may be subject to UK inheritance tax unless, when the trust was created, the settlor was domiciled in the United States and was not a UK national. Where the shares or ADSs are subject to both UK inheritance tax and to US federal gift or estate tax, the estate tax convention generally provides a credit against US federal tax liabilities for UK inheritance tax paid.

UK stamp duty and stamp duty reserve tax

Stamp duty will, subject to certain exceptions, be payable on any instrument transferring our shares to the custodian of the depositary at the rate of 1.5% on the amount or value of the consideration if on sale or on the value of such shares if not on sale. Stamp duty reserve tax ('SDRT'), at the rate of 1.5% of the amount or value of the consideration or the value of the shares, could also be payable in these circumstances but no SDRT will be payable if stamp duty equal to such SDRT liability is paid.

Following rulings of the European Court of Justice and the first-tier tax tribunal in the UK, HMRC have confirmed that the 1.5% SDRT charge will not be levied on an issue of shares to a depositary receipts system on the basis that such a charge is contrary to EU law.

No stamp duty should in practice be required to be paid on any transfer of our ADSs provided that the ADSs and any separate instrument of transfer are executed and retained at all times outside the UK. A transfer of our shares in registered form will attract ad valorem stamp duty generally at the rate of 0.5% of the purchase price of the shares. There is no charge to ad valorem stamp duty on gifts.

SDRT is generally payable on an unconditional agreement to transfer our shares in registered form at 0.5% of the amount or value of the consideration for the transfer, but if, within six years of the date of the agreement, an instrument transferring the shares is executed, any SDRT which has been paid would be repayable or, if the SDRT has not been paid, the liability to pay the tax (but not necessarily interest and penalties) would be cancelled. However, an agreement to transfer our ADSs will not give rise to SDRT.

PFIC rules

We do not believe that our shares or ADSs will be treated as stock of a PFIC for US federal income tax purposes for our current taxable year or the foreseeable future. This conclusion is a factual determination that is made annually and thus is subject to change. If we are treated as a PFIC, US holders of shares would be required (i) to pay a special US addition to tax on certain distributions and (ii) any gain realised on the sale or other disposition of the shares or ADSs would in general not be treated as a capital gain unless a US holder elects to be taxed annually on a mark-to-market basis with respect to the shares or ADSs.

Otherwise a US holder would be treated as if he or she has realised such gain and certain "excess distributions" rateably over the holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated. An interest charge in respect of the tax attributable to each such preceding year beginning with the first such year in which our shares or ADSs were treated as stock in a PFIC would also apply. In addition, dividends received from us would not be eligible for the reduced rate of tax described above under "Taxation of Dividends – US federal income taxation".

Back-up withholding and information reporting

Payments of dividends and other proceeds to a US holder with respect to shares or ADSs, by a US paying agent or other US intermediary will be reported to the Internal Revenue Service ('IRS') and to the US holder as may be required under applicable regulations. Back-up withholding may apply to these payments if the US holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements.

Certain US holders are not subject to back-up withholding. US holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of shares or ADSs, including requirements related to the holding of certain foreign financial assets.

History and development

Unaudited information

The Company was incorporated under English law in 1984 as Racal Strategic Radio Limited (registered number 1833679). After various name changes, 20% of Racal Telecom Plc share capital was offered to the public in October 1988. The Company was fully demerged from Racal Electronics Plc and became an independent company in September 1991, at which time it changed its name to Vodafone Group Plc.

Since then we have entered into various transactions which significantly impacted on the development of the Group. The most significant of these transactions are summarised below:

- → The merger with AirTouch Communications, Inc. which completed on 30 June 1999. The Company changed its name to Vodafone AirTouch Plc in June 1999 but then reverted to its former name, Vodafone Group Plc, on 28 July 2000.
- → The completion on 10 July 2000 of the agreement with Bell Atlantic and GTE to combine their US cellular operations to create the largest mobile operator in the United States, Verizon Wireless, resulting in the Group having a 45% interest in the combined entity.
- → The acquisition of Mannesmann AG which completed on 12 April 2000. Through this transaction we acquired businesses in Germany and Italy and increased our indirect holding in Société Française u Radiotéléphone S.A. ('SFR').
- → Through a series of business transactions between 1999 and 2004 we acquired a 97.7% stake in Vodafone Japan. This was then disposed of on 27 April 2006.
- → On 8 May 2007 we acquired companies with controlling interests in Vodafone India Limited ('VIL'), formerly Vodafone Essar Limited, for US$10.9 billion (£5.5 billion).
- → On 20 April 2009 we acquired an additional 15.0% stake in Vodacom for cash consideration of ZAR 20.6 billion (£1.6 billion). On 18 May 2009 Vodacom became a subsidiary.
- → On 10 September 2010 we sold our entire 3.2% interest in China Mobile Limited for cash consideration of £4.3 billion.
- → On 16 June 2011 we sold our entire 44% interest in SFR to Vivendi for a cash consideration of €7.75 billion (£6.8 billion) and received a final dividend from SFR of €200 million (£176 million).
- → Through a series of business transactions on 1 June and 1 July 2011, we acquired an additional 22% stake in VIL from the Essar Group for a cash consideration of US$4.2 billion (£2.6 billion) including withholding tax.
- → Through a series of business transactions in 2011 and 2012, Vodafone assigned its rights to purchase approximately 11% of VIL from the Essar Group to Piramal Healthcare Limited ('Piramal'). On 18 August 2011 Piramal purchased 5.5% of VIL from the Essar Group for a cash consideration of INR 28.6 billion (£368 million). On 8 February 2012, they purchased a further 5.5% of VIL from the Essar Group for a cash consideration of approximately INR 30.1 billion (£399 million) taking Piramal's total shareholding in VIL to approximately 11%.
- → On 9 November 2011 we sold our entire 24.4% interest in Polkomtel in Poland for cash consideration of approximately €920 million (£784 million) before tax and transaction costs.
- → On 27 July 2012 we acquired the entire share capital of Cable & Wireless Worldwide plc for a cash consideration of £1,050 million.
- → On 31 October 2012 we acquired TelstraClear Limited in New Zealand for a cash consideration of NZ$840 million (£440 million).
- → On 13 September 2013 we acquired a 76.57% interest in Kabel Deutschland Holding AG in Germany for cash consideration of €5.8 billion (£4.9 billion).
- → The completion on 21 February 2014 of the agreement, announced on 2 September 2013, to dispose of our US Group whose principal asset was its 45% interest in Verizon Wireless ('VZW') to Verizon Communications Inc. ('Verizon'), Vodafone's joint venture partner, for a total consideration of US$130 billion (£79 billion) including the remaining 23.1% minority interest in Vodafone Italy. Following completion, Vodafone shareholders received Verizon shares and cash totalling US$85 billion (£51 billion).
- → In March 2014 we acquired the indirect equity interests in VIL held by Analjit Singh and Neelu Analjit Singh, taking our stake to 89.03% and then in April 2014 we acquired the remaining 10.97% of VIL from Piramal Enterprises Limited for cash consideration of INR 89.0 billion (£0.9 billion), taking our ownership interest to 100%.
- → On 23 July 2014 we acquired the entire share capital of Grupo Corporativo Ono, S.A. ('Ono') in Spain for total consideration, including associated net debt acquired, of €7.2 billion (£5.8 billion).

Details of significant transactions that occurred during year ended 31 March 2016 are included in note 28 "Acquisitions and disposals" and in note 29 "Commitments".

Details of significant transactions that occurred after 31 March 2016 and before the signing of this Annual Report on 17 May 2016 are included in note 32 "Subsequent events".

Regulation

Unaudited information

Our operating companies are generally subject to regulation governing the operation of their business activities. Such regulation typically takes the form of industry specific law and regulation covering telecommunications services and general competition (antitrust) law applicable to all activities.

The following section describes the regulatory frameworks and the key regulatory developments at national and supranational level and in selected countries in which we have significant interests during the year ended 31 March 2016. Many of the regulatory developments reported in the following section involve ongoing proceedings or consideration of potential proceedings that have not reached a conclusion. Accordingly, we are unable to attach a specific level of financial risk to our performance from such matters.

European Union ('EU')

In October 2015 the European Parliament and the European Council adopted the European Commission's ('the Commission') proposed regulation known as the Telecoms Single Market Package. The regulation requires the abolition of retail roaming surcharges by June 2017 and introduces net neutrality rules which come into force from 30 April 2016.

In May 2015 the Commission published the Digital Single Market strategy, aimed at producing a more advanced digital single market. The strategy has three pillars: (i) maximising the growth potential of the European digital economy; (ii) creating the right conditions for digital networks and services to flourish; and (iii) better access for consumers and businesses to online e-goods and services across Europe. The Commission is currently undertaking various consultations which will lead to the revision of existing, or the adoption of new, legislation.

One of these consultations considers the revision of the EU telecoms regulatory framework that covers five areas: Next-Generation Access ('NGA') regulation, spectrum, rules for communications services, universal service, and the institutional set-up and governance. There is a clear focus on incentivising investment in NGA (including access for mobile backhaul), the further harmonisation of spectrum regulation and the creation of a fair and level playing field for competing services.

Other consultations we have or are responding to include: Internet speed and quality; review of national wholesale roaming markets, fair use policy and the sustainability mechanism; online platforms, cloud & data, liability of intermediaries, collaborative economy; ICT Standards; tackling unjustified geo-blocking; the needs for internet speed and quality beyond 2020; review of the Satellite and Cable Directive; the revision of the Audio Visual Media Services Directive; contract rules for online purchases of digital content and tangible goods; the e Privacy Directive; and the evaluation of Commission Recommendation 2009/396/EU on the regulatory treatment of fixed and mobile termination rates in the EU.

The Commission are also planning a consultation on the review of safety of apps and other non-embedded software.

Europe region

Germany

In June 2015 Vodafone Germany acquired 110MHz out of the 270MHz made available in the spectrum auction. This consisted of 2x10MHz of 700MHz band, 2x10MHz of 900MHz band, 1x20MHz of 1500MHz band and 2x25MHz of 1800MHz band for a total of €2,091 million. Total auction bids amounted to €5,081 million.

In February 2016 Deutsche Telekom applied for approval of new Unbundled Local Loop ('ULL') fees that would lead to an average increase of 10% and would be valid until the end of 2019. On 20 April 2016 the National Regulatory Authority ('BNetzA') proposed reducing the existing ULL rates by up to 1.7%. The rate decision will, after EU consolidation proceedings, become effective on 1 July 2016.

In April 2016 BNetzA issued its draft decision on Deutsche Telekom's layer 2 bitstream access product proposal. The final BNetzA decision is expected in June 2016. Furthermore, BNetzA has proposed to mandate an additional Virtual Unbundled Local Access ('VULA') product at street cabinets which is not currently technically and commercially defined.

In May 2016 the Commission announced that BNetzA's proposal to allow DT the exclusive deployment of vectoring within the nearshore areas of the main distribution frames may not be compliant with EU law, based on the apparent restrictions it places on alternative operators. Therefore the vectoring proposal and the associated conditions for the new VULA product will be subject to further scrutiny, with the Commission due to announce its decision by September 2016.

Italy

In September 2015 Vodafone obtained one of the two L band TDD blocks equal to 20MHz at just under €232 million. The licence commenced on 1 January 2016 and expires on 31 December 2029.

In December 2015 further to its investigation into irregularities in the maintenance services of fixed networks, the Italian competition authority ('AGCM') announced its decision to fine Telecom Italia ('TI') €21.5 million on the basis it had engaged in agreements with six other undertakings that abused its market dominance. In accordance with the decision, TI is now obliged to provide unbundled access to maintenance activities and to allow their competitors to acquire maintenance services from third parties.

In December 2015 the National Regulatory Authority ('AGCOM') adopted the final decision regarding the wholesale fixed access market. The decision requires the application of the same remedies and prices nationally, cost orientation for all wholesale copper and fibre access services and price reductions from 2015 to 2017 for VULA fibre to the cabinet ('FTTC') (-36%) and copper bit-stream (-18%).

For information on litigation in Italy, see note 30 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

United Kingdom

In September 2015 the national regulatory authority ('Ofcom') published its final decision revising the annual licence fees payable on licences for the use of spectrum in the 900MHz and 1800MHz bands to reflect full market value, following the completion of the 4G auction. From 31 October 2016 Vodafone UK will pay annual fees of approximately £50 million for the spectrum. An application has been made by Everything Everywhere ('EE') to appeal this decision. Vodafone has given notice of its intention to intervene in any resulting appeal.

In May 2016 the European Commission competition authority ('DGCOMP') announced its decision to prohibit the proposed Hutchison 3G acquisition of Telefonica UK ('O2'). Hutchinson 3G have the option to appeal to the EU's General Court in Luxembourg.

In December 2015 Vodafone UK acquired 20MHz of 1400MHz spectrum with an indefinite licence from Qualcomm.

In January 2016 British Telecom's acquisition of mobile network operator EE received final approval from the UK's Competition and Markets Authority ('CMA').

In February 2016 Ofcom released its initial conclusions following its Strategic Review of Digital Communications. Ofcom's proposals include requirements on BT to open up its network to competitors, reforming BT Openreach's governance and delivering better Quality of Service for all customers. Vodafone UK will continue to engage with Ofcom as it implements these proposals including a consultation on Openreach governance expected in summer 2016.

Spain
The fines applied to Telefónica, Orange and Vodafone Spain in December 2012 for abuse of dominant position by imposing excessive pricing of wholesale SMS/MMS services on mobile virtual network operators ('MVNO'), remain suspended until the judicial review is concluded.

In June 2015 in response to the national competition authority's ('CNMC') conditional approval of Telefónica's acquisition of pay-TV operator Distribuidora de Televisión Digital ('DTS'), Vodafone Spain appealed to the National Court. The appeal required the adoption of precautionary measures to increase the amount of premium content made available to other operators from 50% to 75% and to include football within the same pricing mechanism as other premium content channels. The National Court rejected the adoption of the precautionary measures on 18 April 2016.

In January 2016 following a review of the regulatory ex ante price squeeze test run on Telefónica's retail offers, CNMC issued a draft decision that proposes to modify the test to ensure it is capable of being replicated by other operators. This was further to Vodafone Spain's submission to CNMC's surveillance procedure that called for action on the retail offers of Telefónica; the wholesale conditions of access; and the breach by Telefónica of its commitments.

In October 2015 DGCOMP approved Orange's proposed acquisition of Jazztel, based on an agreement that included, among other provisions, the commitment to sell a certain amount of Jazztel's fibre-optic assets to Masmóvil.

In January 2016 Telefónica and Mediapro reached an agreement under which Telefónica acquires the rights to broadcast the beIN Sports LaLiga channel (Spanish first division and King's Cup/Copa del Rey) and the beIN Sports channel (Champions League and Europa League), for the seasons 2016/17 to 2018/19, for a total amount of €2.4 billion. Vodafone Spain challenged the exclusive nature of the agreement and, after obtaining CNMC's support, in February 2016 Mediapro initiated a second round of talks where Vodafone Spain confirmed its interest to acquire the beIN Sports LaLiga channel on a non-exclusive basis and the contract for the licence with Mediapro was signed on 5 April 2016.

In March 2016 CNMC approved the resolution on wholesale regulation of broadband markets (Markets 3a, 3b & 4, including NGA).

Netherlands
The Dutch Government has renewed the existing 2.1GHz licences that were due to expire by the end of 2016. The renewal is for a period of four years (2017–2020), and provides an opportunity for a simultaneous auction with the 700MHz band.

In October 2014 the Court of Appeal ('CBb') decided to refer the ongoing case of termination rates to the European Court of Justice ('ECJ') regarding the legal status of the recommendation to use pure bottom up long run incremental cost ('BULRIC'). The CBb will be able to issue its final decision once it has received the ruling of the ECJ, which is currently expected during the second half of 2016.

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.

Ireland
In February 2016 further to Vodafone Ireland's successful appeal in the High Court against the national regulatory authority's ('ComReg') interim mobile termination rate ('MTR') decision, ComReg published a revised MTR decision. Effective from 1 September 2016 and based on a pure Long Run Incremental Cost ('LRIC') model, the MTR will be 0.84 eurocents per minute. ComReg confirmed that following discussions with Vodafone Ireland they would drop their appeal to the Supreme Court. Vodafone Ireland has agreed to accept the new rate and drop the remaining related challenges outstanding before the High Court.

Portugal
In February 2016 the national regulatory authority ('ANACOM') confirmed the renewal of Vodafone Portugal's 2.1GHz spectrum band with increased coverage obligations and additional reporting commitments but without the requirement of an auction or licence fee. The expiry date has been extended to 5 May 2033.

In March 2016 ANACOM commenced a consultation into the 3a (Wholesale local access), 3b (Wholesale central access) and 4 (Wholesale high-quality access) markets.

Romania
In November 2015 the national regulatory authority ('ANCOM') announced their decision to deregulate the wholesale local access market (market 3a/2014), removing all of the fixed wholesale access regulations previously imposed on Telekom Romania, the former incumbent. ANCOM's analysis concludes that the retail broadband market in Romania is competitive and ex ante regulation at the wholesale level cannot be justified. The decision was unopposed by the European Commission.

Greece
In December 2015 Vodafone Greece's spectrum (2x56MHz) at 2.6GHz band licence expired. To date, we await the Ministry of Infrastructure, Transport and Networks ('MITN') to take the appropriate action for renewal, in the meantime Vodafone Greece continues to have access to the spectrum.

The MITN and the national regulatory authority, ('EETT' – where currently the role of Chair is vacant) have not commenced the formal procedure to determine price and the award process prior to the August 2016 expiration date of Vodafone Greece's 2x15MHz spectrum at 1800MHz.

Czech Republic
In June 2015 the former fixed incumbent (O2 Czech Republic) was split into two legally separate entities (network and service company) but both entities are still controlled by the private investment fund PPF.

In February 2016 further to the national regulatory authority ('CTU') consultation on the unsold 1800MHz and 2.6GHz spectrum from 2013, an auction was announced with bidding commencing in April 2016. The auction for the 3.7GHz spectrum is due to commence in the second half of 2016.

Hungary
Vodafone Hungary has no material items to report for 2016.

Albania

In March 2015 Vodafone M-Pesa was licensed as an e-money issuance institution and has since been able to perform utility payments and money transfer services for its customers.

Between April and June 2015 Vodafone Albania secured spectrum for 2x1.8MHz of 900MHz band, 2x14.4MHz of 1800MHz and 2x20+20MHz of 2.6GHz band, allowing 4G services to be made available.

In September 2015 spectrum neutrality and reshuffling in the 1800MHz spectrum band was introduced.

Malta

In March 2014 the national regulatory authority ('MCA') set the MTR at 0.40 eurocents per minute. Vodafone Malta has submitted an appeal to the Administrative Review Tribunal on the basis that there was a lack of transparency in the consultation process.

Africa, Middle East and Asia-Pacific region

India

In February 2012 Vodafone India challenged the Department of Telecommunications ('DoT') at the Telecom Tribunal on the financial requirements for approving the transfer of Vodafone India telecom licenses that were held under seven subsidiary companies to create two telecom licensed companies – Vodafone India Limited and its subsidiary Vodafone Mobile Services Limited. Pleadings were completed on 6 April 2016 and the next hearing is due on 19 May 2016.

In February 2015 the national regulatory authority ('TRAI') announced its revised regulation on MTRs, reducing the rate from 20 paisa to 14 paisa per minute for mobile termination and nil termination for calls originating from, or terminating on, a fixed line. Vodafone India has challenged TRAI's decision in the Delhi High Court and the hearing is due to commence in May 2016.

In April 2015 TRAI launched a consultation on the regulatory framework for Over-The-Top ('OTT') services and Net Neutrality and the completion of that consultation is awaited. In February 2016 TRAI issued a regulation prohibiting the charging of discriminatory tariffs on the basis of content or services accessed.

In March 2015 in the spectrum auction for 800MHz, 900MHz, 1800MHz and 2.1GHz bands, Vodafone India won spectrum in all six circles where the existing spectrum was due for expiry in December 2015, thus ensuring continuity of business. It also won an additional 2.1GHz spectrum in six service areas. The total auction spend by Vodafone India was INR 258 billion.

In May 2015 the Supreme Court dismissed Vodafone India's appeal against the DoT's refusal to extend its existing spectrum licences in Delhi, Mumbai and Kolkata.

In September and October 2015 guidelines for Spectrum Sharing and Spectrum Trading were issued respectively.

In January 2016 TRAI submitted its recommendations to the DoT on the Valuation & Reserve price of Spectrum and DoT's decision is expected by the end of May 2016.

In February 2016 further to Prime Minister Narendra Modi's allocation of budget for the Government's Digital India agenda, TRAI recommended a public-private partnership ('PPP') "build own operate transfer" ('BOOT') model as the preferred means of the implementation strategy for BharatNet (the Government's national optic fibre network programme). DoT's decision on the TRAI recommendation is awaited.

In May 2016 further to a challenge by the telecom operators, the Indian Supreme Court held that the order announced in October 2015 by TRAI, mandating MNOs to compensate customers for any call drops, was "arbitrary, unreasonable and non-transparent" and therefore cancelled.

For information on litigation in India, see note 30 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

Vodacom: South Africa

In March 2014 the High Court ruled in favour of Vodacom and MTN in their challenge to the national regulatory authority's ('ICASA') decision on Call Termination Regulations ('CTR'). This led to ICASA initiating another consultation process and in September 2014 they published the final CTR that reduces the rate to ZAR 0.13 cents per minute by October 2016. In December 2014 Cell C served ICASA (including other interested parties such as Vodacom and MTN) with a notice of motion in terms of which it is seeking an order for the review and setting aside by the High Court, of the September 2014 CTRs. Vodacom had filed a notice to oppose Cell C's application. This matter was due to be heard from 7 March 2016 however Cell C withdrew its application.

In May 2014 the national competition authority ('CompCom') confirmed its intention to proceed with the investigation into an allegation by Cell C that Vodacom and MTN have abused their market dominance in contravention of section 8 of the Competition Act. Once the investigation is completed, the matter may be referred to the Competition Tribunal where Vodacom will have a further opportunity to make its case.

In May 2014 Vodacom entered into a sale and purchase agreement under which it would acquire 100% of the issued share capital of Neotel as well as Neotel's shareholder loans and liabilities. The proposed acquisition of the majority of Neotel's assets has been abandoned due to regulatory complexities and certain conditions not being fulfilled.

In September 2015 further to its International Mobile Telecommunications ('IMT') Radio Frequency Spectrum Assignment Plans ('RFSAP') published in March 2015 ICASA published an Information Memorandum ('IM') on the prospective licensing of the 700MHz, 800MHz and 2.6GHz High Demand Spectrum bands. The IM is a precursor to an Invitation to Apply ('ITA'). Vodacom has raised its concerns that the IM does not provide sufficient detail on some of the critical aspects of the auction design and process.

In February 2016 the Department of Trade and Industry ('DTI') published the revised draft ICT Sector Code for consultation. This code follows the May 2015 implementation of the revised generic DTI Codes on Black Economic Empowerment ('BEE') which saw a complete overhaul of the targets and requirements of the 2007 Codes, which included the removal of the recognition of ZAR7.5 billion rule for ownership and retention of 30% investing target that Vodacom must be compliant with to be eligible to bid in future Spectrum auctions. The revised Codes are expected to be finalised in June 2016 and will be applicable to the financial period of 1 April 2016 to 31 March 2017.

Vodacom: Democratic Republic of Congo

In December 2015 the Government ordered all operators to disconnect any unregistered customers. In February 2016 all operators received a non-compliance letter from the National Intelligence Agency, stating sanctions would be applied. Vodacom DRC is suspending customers with insufficient registration records and communicating to such customers the requirement to register to avoid disconnection. To date, no sanctions have been imposed.

In September 2015 the national regulatory authority ('ARPTC') retained the current on-net voice price floor at 5.1 US cents per minute and off net 8.5 US cents per minute set in March 2015 and extended the price floor to cover international outgoing calls and promotions until June 2016.

In December 2015 Vodacom Congo's 2G licence was renewed with a ten-year extension taking the expiry date to 1 January 2028, together with securing additional spectrum 2x5.8 1800MHz and 1x15 1900MHz. Collectively, the licence and spectrum fees paid was US$22.5 million.

Vodacom: Tanzania
In February 2016 further to the gazetted final regulations which set out voluntary requirements for all telecommunications licensees to list a minimum of 20% of their ordinary share capital on the Dar Stock Exchange to be held by Tanzanian investors, or make a one-off payment of 0.6% of gross revenues into an ICT development fund within 12 months of effective date of regulation, the Ministry of Communications commenced consultations with the industry on the governance, structure and payments into this fund.

In February 2016 the national regulatory authority ('TCRA') approved Vodacom Tanzania's acquisition of Shared Networks Tanzania which holds 2x5 900MHz spectrum which will be used to support provision of rural services. The national competition authority's ('FCC') approval is still pending.

In March 2016 TCRA commenced a Request for Proposal for spectrum auction consultants which is required ahead of the planned 700MHz auction.

Vodacom: Mozambique
In August 2015 following an announcement from the Minister of Communications that unregistered customers must be disconnected, a new registration regulation was introduced, which approved electronic registration. Subsequently, the operators and regulator agreed on a joint campaign and phased disconnection process to achieve complete registration by November 2016.

A new communications bill is being reviewed by the Parliament. The bill introduces inter alia, a new electronic communications licence regime, price regulation approval process, a competition law-based regulatory regime, and new law enforcement powers.

Vodacom: Lesotho
In September 2015 the national regulatory authority ('LCA') confirmed in writing to Vodacom Lesotho that its service licence will be renewed when it expires on 31 May 2016 at a cost of ZAR5 million.

In February 2016 Vodacom Lesotho was awarded 2 x 20 1800MHz spectrum to be used for Long-Term Evolution ('LTE').

International roaming in Africa
In November 2014 East Africa Community ('EAC') Ministers of Communications met and set the national regulation authorities ('NRAs') the task to implement "Phase 1" price caps for wholesale (US 7 cents) and retail (US 10 cents). It was agreed that Phase 1 would be interim until "Phase 2" Single Area Network regulation is issued following a study to be conducted by the regulators for the region. In November 2015, the Tanzania Ministry of Communications commenced a consultation on the Phase 1 price caps for EAC countries.

In September 2015 further to Southern African Development Community ('SADC') Ministers of Communications requirements that the NRAs implement international roaming wholesale and retail five-year glide-paths, the Communications Regulators' Association of Southern Africa ('CRASA') issued Regulatory Guidance and accompanying Policy. The CRASA requested that NRAs implement the glide-paths from 1 October 2015 and transparency measures in accordance with their applicable national law. The policy recognised that the glide-paths should not take prices below underlying cost and that member countries should take steps to reduce issues which increase costs, notably taxes on international incoming calls. Vodacom is participating in the processes conducted by NRAs in SADC member states.

Turkey
In March 2015 further to Vodafone's letter of appeal in the administrative court to the announcement by the national regulatory authority ('ICTA') in August 2014 that the scope of the 3G coverage must be broadened to include new metropolitan areas, the Council of State adopted a motion suspending the ICTA's action and the lawsuit is pending.

In May 2015 after the Electronic Trade Law came into force, secondary legislation was finalised by both the Ministry of Customs and Trade ('MoCT') and the ICTA. Under the new regulations, operators will only be permitted to use their marketing database for operator related marketing reasons. Third parties were permitted to send one time SMSs to mobile operators' databases asking their customers to opt into their database, up to and including 15 September 2015.

In August 2015 the 4.5G (IMT Advanced) auction was completed grossing total revenue of €3.36 billion excluding taxes, compared to reserve prices of €2.3 billion. Only three mobile operators bid for the spectrum bands and there were no bids for the 2.6GHz block reserved for a fourth operator. Vodafone Turkey paid a total of €778 million for 82.8MHz (2x10MHz in the 800MHz band, 2x1.4MHz in 900MHz band, 2x10MHz in 1800MHz band, 2x15MHz FDD in the 2.6GHz band and 1x10MHz TDD in the 2.6GHz band). The operators launched 4.5G services as of 1 April 2016.

Australia
The national regulatory authority ('ACMA') has completed an auction of up to 60MHz of regional 1800MHz spectrum to be made available in two to three years' time (currently allocated for fixed link wireless services). Vodafone Australia acquired spectrum in many regional areas, including Canberra.

After extensive lobbying by the industry, the Government is looking to undertake the most comprehensive overhaul of spectrum management in 15 years. Vodafone Australia is advocating for a framework that better considers the competition effects of spectrum policy (60% of regional spectrum is held by Telstra) and the establishment of more market-orientated spectrum licences and a better renewal process and more flexible payment terms.

Egypt
The Administrative Court ruling in favour of Vodafone Egypt in the case filed against Telecom Egypt and the national regulatory authority ('NTRA'), regarding the NTRA's authority to set MTRs between operators has been partially implemented with Orange Egypt (formerly Mobinil) and Telecom Egypt, however, an arbitration case is pending with Etisalat Misr.

The implementation of the Unified License remains on hold. The 4G and fixed licence proposals are being developed by the NTRA and will be presented for approval to the Egyptian Cabinet.

For information on litigation in Egypt, see note 30 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

Ghana
In December 2015 the national regulatory authority ('NCA') conducted a spectrum auction in the 800MHz band. Vodafone Ghana as well as the other four mobile network operators and three mobile broadband wireless access operators declined to participate in the auction on the basis of the high reserve price.

Scancom Ghana (trading as MTN Ghana) was the only entity to participate and submit bids in the auction. MTN was therefore awarded one of the blocks in the two lots of 2x10MHz at a reserve price of US$67.5 million.

New Zealand
In March 2015 the New Zealand Government announced the expansion of the existing Ultra-fast Broadband fibre to the premises ('FTTP') initiative from 75% to 80% of premises passed at a projected cost of between NZ$152 million and NZ$210 million. In addition, the Government announced a further NZ$150 million of funding to improve broadband coverage in rural areas and address mobile blackspots. Competitive tenders for these initiatives are expected to be completed in 2016.

Safaricom: Kenya

Safaricom continues to operate on a periodically renewed trial licence for the 2x15MHz 800MHz band spectrum granted in February 2015 until the national regulatory authority ('CA') is ready to issue the full Commercial Licence. The CA is also conducting a stakeholders' consultation on the allocation of LTE spectrum in the 800MHz band to all mobile operators.

In August 2015 CA issued new subscriber regulations to be implemented by February 2016. Safaricom is working with the authorities on revised timelines to ensure an effective transition to the new regime as the envisaged timeframe wasn't operationally feasible.

The CA has announced its intention to commission a study on competition within the telecommunications sector. The date for the commencement of the review has not been announced.

Qatar

In January 2016 Qatar underwent a significant government re-shuffle at cabinet level resulting in the amalgamation of the Ministry of Information and Communications Technology with the Ministry of Transport and the replacement of the incumbent Telecoms Minister.

Vodafone Qatar is currently challenging decisions made by both the previous Ministry and national regulatory authority ('NRA') relating to the application and enforcement of the dominance framework. Preliminary decisions were issued in respect of all three actions in March 2016. The action taken against the Ministry was rejected on technical grounds with the Court declining to recognise the decision of the Ministry as a "final administrative decision" under the Administrative Law. The two separate cases relating to subsequent decisions of the NRA have been reserved for further investigation and consideration.

Overview of spectrum licences at 31 March 2016

Country by region	700MHz Quantity[1] (Expiry date)	800MHz Quantity[1] (Expiry date)	900MHz Quantity[1] (Expiry date)	1400/1500MHz Quantity[1] (Expiry date)	1800MHz Quantity[1] (Expiry date)	2.1GHz Quantity[1] (Expiry date)	2.6GHz Quantity[1] (Expiry date)	3.5GHz Quantity[1] (Expiry date)
Europe region								
Germany	2x10 (2033)	2x10 (2025)	2x12 (2016)	1x20 (2033)	2x5 (2016)	2x10+5 (2020)	2x20+25 (2025)	n/a
			2x10[2] (2033)		2x25[2] (2033)	2x5[2] (2025)		
Italy	n/a	2x10 (2029)	2x10 (2018)	1x20 (2029)	2x15 (2018)	2x15+5 (2021)	2x15 (2029)	n/a
					2x5[2] (2029)			
UK	n/a	2x10 (2033)	2x17 See note[3]	1x20 (2023)	2x6 See note[3]	2x15 See note[3]	2x20+25 (2033)	n/a
Spain	n/a	2x10 (2030)	2x10 (2028)	n/a	2x20 (2030)	2x15+5 (2030)	2x20+20 (2030)	n/a
Netherlands	n/a	2x10 (2029)	2x10 (2030)	n/a	2x20 (2030)	2x20+5 (2020)	2x10 (2030)	n/a
Ireland	n/a	2x10 (2030)	2x10 (2030)	n/a	2x25 (2030)	2x15+5 (2022)	n/a	n/a
Portugal	n/a	2x10 (2027)	2x5 (2021)	n/a	2x6 (2021)	2x20 (2033)	2x20+25 (2027)	n/a
			2x5[2] (2027)		2x14[2] (2027)			
Romania	n/a	2x10 (2029)	2x10 (2029)	n/a	2x30 (2029)	2x15+5 (2020)	1x15 (2029)	1x40 (2025)
Greece	n/a	2x10 (2030)	2x15 (2027)	n/a	2x10 (2027)	2x20+5 (2021)	2x20+20 (2030)	n/a
					2x15[2] (2016)			
Czech Republic	n/a	2x10 (2029)	2x10 (2021)	n/a	2x18 (2021)	2x20 (2025)	2x20 (2029)	n/a
					2x4[2] (2029)			
Hungary	n/a	2x10 (2029)	2x10 (2022)[4]	n/a	2x15 (2022)[3]	2x15 (2019)	2x20+25 (2029)	n/a
			2x1 (2029)[4]					
Albania	n/a	n/a	2x8 (2016)	n/a	2x9 (2016)	2x15+5 (2025)	2x20+20 (2030)	n/a
			2x2[2] (2030)		2x14[2] (2030)	2x5[2] (2029)		
Malta	n/a	n/a	2x15 (2026)	n/a	2x25 (2026)	2x20+5 (2020)	n/a	1x42 (2020)

Unaudited information

Country by region	700MHz Quantity[1] (Expiry date)	800MHz Quantity[1] (Expiry date)	900MHz Quantity[1] (Expiry date)	1400/1500MHz Quantity[1] (Expiry date)	1800MHz Quantity[1] (Expiry date)	2.1GHz Quantity[1] (Expiry date)	2.6GHz Quantity[1] (Expiry date)	3.5GHz Quantity[1] (Expiry date)
Africa, Middle East and Asia-Pacific								
India[5]	**n/a**	**n/a**	(2016–2035)[5]	**n/a**	(2016–2035)[5]	(2030)	**n/a**	**n/a**
Vodacom: South Africa[6]	**n/a**	**n/a**	**2x11**[6]	**n/a**	**2x12**[6]	**2x15+5**[6]	**n/a**	**n/a**
Vodacom: Democratic Republic of Congo	**n/a**	**n/a**	**2x6** (2028)	**n/a**	**2x18** (2028)	**2x10+15** (2032)	**n/a**	**1x30** (2026)
Lesotho[7]	**n/a**	**2x20**[7]	**2x22**[7]	**n/a**	**2x30**[7]	**2x15**[7]	**1x40**[7]	**1x42**[7]
Mozambique	**n/a**	**n/a**	**2x8** (2018)	**n/a**	**2x8** (2018)	**2x15+10** (2023)	**n/a**	**n/a**
Tanzania	**n/a**	**n/a**	**2x8** (2031)	**n/a**	**2x10** (2031)	**2x15** (2031)	**n/a**	**1x28** (2031)
Turkey	**n/a**	**2x10** (2029)	**2x11** (2023)	**n/a**	**2x10** (2029)	**2x15+5** (2029)	**2x15+10** (2029)	**n/a**
			2x1[2] (2029)					
Australia[8]	**n/a**	**2x10 (850MHz)** (2028)	**2x8** (2028)	**n/a**	**2x30** (annual)	**2x25+5** (2017)	**n/a**	**n/a**
Egypt	**n/a**	**n/a**	**2x13** (2022)	**n/a**	**2x10** (2022)	**2x15** (2022)	**n/a**	**n/a**
New Zealand	**2x15** (2031)	**n/a**	**2x15** (2031)	**n/a**	**2x25** (2021)	**2x25+10** (2021)	**2x15+5** (2028)	**2x28** (2022)
Safaricom: Kenya	**n/a**	**2x15** (Trial)	**2x17** (2024)	**n/a**	**2x20** (2024)	**2x10** (2022)	**n/a**	**n/a**
Ghana	**n/a**	**n/a**	**2x8** (2019)	**n/a**	**2x10** (2019)	**2x15** (2023)[9]	**n/a**	**n/a**
Qatar	**n/a**	**2x10** (2029)	**2x11** (2028)	**n/a**	**2x20** (2028)	**2x15** (2028)	**n/a**	**n/a**
					2x5[2] (2029)			

Notes:
1 Single (or unpaired) blocks of spectrum are used for asymmetric data (non-voice) use; block quantity has been rounded to the nearest whole number.
2 Blocks within the same spectrum band but with different licence expiry dates are separately identified.
3 UK – 900MHz, 1800MHz and 2.1GHz – indefinite licence with a five-year notice of revocation.
4 Hungary – 900MHz and 1800MHz – conditional options to extend these licences to 2034.
5 India comprises 22 separate service area licences with a variety of expiry dates.
6 Vodacom's South African spectrum licences are renewed annually. As part of the migration to a new licensing regime the national regulator has issued Vodacom a service licence and a network licence which will permit Vodacom to offer mobile and fixed services. The service and network licences have a twenty-year duration and will expire in 2028.
7 Vodacom's Lesotho spectrum licences are renewed annually, N.B. 1x40MHz in 2.6GHz column is actually 2.3GHz.
8 Australia –table refers to Sydney/Melbourne only. In total VHA has:
– 850MHz band – 2x10MHz in Sydney/Melbourne/Brisbane/Adelaide/Perth and 2x5MHz across the rest of Australia.
– 900MHz band – 2x8MHz across Australia.
– 1800MHz band – 2x30MHz in Sydney/Melbourne, 2x25MHz in Brisbane/Adelaide/Perth/Canberra, 2x10MHz in Victoria/North Queensland/Western Australia and 2x5MHz in Darwin/Tasmania/South Queensland.
– 2.1GHz band, VHA holds 2x25 MHz in Sydney/Melbourne, 2x20MHz in Brisbane/Adelaide/Perth, 2x10MHz in Canberra/Darwin/Hobart and 2x5MHz in regional Australia.
9 Ghana – The NRA has issued provisional licences with the intention of converting them to full licences once the NRA has been reconvened.

Mobile Termination Rates ('MTRs')

National regulators are required to take utmost account of the Commission's existing recommendation on the regulation of fixed and MTRs. This recommendation requires MTRs to be set using a long run incremental cost methodology. Over the last three years MTRs effective for our subsidiaries were as follows:

Country by region	2014[1]	2015[1]	2016[1]	1 April 2016[2]
Europe				
Germany (€ cents)	1.79	1.72	1.66	1.66
Italy (€ cents)	0.98	0.98	0.98	0.98
UK (GB £ pence)	0.85	0.67	0.68	0.51
Spain (€ cents)	1.09	1.09	1.09	1.09
Netherlands (€ cents)[3]	1.86	1.86	1.86	1.86
Ireland (€ cents)	2.60	2.60	2.60	0.84 (from September 2016)
Portugal (€ cents)	1.27	1.27	0.83	0.79 (from July 2016)
Romania (€ cents)	0.96	0.96	0.96	0.96
Greece (€ cents)	1.19	1.099	1.081	1.081
Czech Republic (CZK)	0.27	0.27	0.27	0.27
Hungary (HUF)	7.06	7.06	1.71	1.71
Albania (ALL)	2.66	1.48	1.48	1.48
Malta (€ cents)	2.07	0.40	0.40	0.40
Africa, Middle East and Asia-Pacific				
India (rupees)[4]	0.20	0.14	0.14	0.14
Vodacom: South Africa (ZAR)[5]	0.40	0.20	0.16	0.13 (from October 2016)
Vodacom: Democratic Republic of Congo (USD cents)	3.70	3.40	3.40	3.40 (until June 2016)
Lesotho (LSL/ZAR)	0.47	0.38	0.32	0.26 (from October 2016)
Mozambique (MZN/USD cents)	1.44	0.86	0.86	0.86
Tanzania (TZN)	32.40	30.58	28.57	26.96 (from January 2017)
Turkey (lira)	0.0258	0.0258	0.0258	0.0258
Australia (AUD cents)	3.60	3.60	1.70	1.70
Egypt (PTS/piastres)	10.00	10.00	10.00	10.00
New Zealand (NZD cents)	3.72	3.56	3.56	3.56
Safaricom: Kenya (shilling)	1.15	1.15	0.99	0.99
Ghana (peswas)	4.00	4.00	5.00	5.00
Qatar (dirhams)	16.60	16.60	9.00	8.31

Notes:
1 All MTRs are based on end of financial year values.
2 MTRs established from 1 April 2016 are included at the current rate or where a glide-path or a final decision has been determined by the national regulatory authority.
3 MTR under review by ECJ and decision due after June 2016.
4 MTR under appeal and due to be heard 18 May 2016.
5 Please see Vodacom: South Africa on page 185.

Non-GAAP information

Unaudited information

In the discussion of our reported financial position, operating results and cash flows, information is presented to provide readers with additional financial information that is regularly reviewed by management. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

EBITDA

EBITDA is operating profit excluding share in results of associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs, other operating income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Group. We use EBITDA, in conjunction with other GAAP and non-GAAP financial measures such as adjusted operating profit, operating profit and net profit, to assess our operating performance. We believe that EBITDA is an operating performance measure, not a liquidity measure, as it includes non-cash changes in working capital and is reviewed by the Chief Executive to assess internal performance in conjunction with EBITDA margin, which is an alternative sales margin figure. We believe it is both useful and necessary to report EBITDA as a performance measure as it enhances the comparability of profit across segments.

Because EBITDA does not take into account certain items that affect operations and performance, EBITDA has inherent limitations as a performance measure. To compensate for these limitations, we analyse EBITDA in conjunction with other GAAP and non-GAAP operating performance measures. EBITDA should not be considered in isolation or as a substitute for a GAAP measure of operating performance. A reconciliation of EBITDA to the closest equivalent GAAP measure, operating profit, is provided above and in note 2 "Segmental analysis" to the consolidated financial statements.

Group adjusted operating profit and adjusted earnings per share

Group adjusted operating profit excludes non-operating income of associates, impairment losses, restructuring costs, amortisation of customer bases and brand intangible assets, other operating income and expense and other significant one-off items. Adjusted earnings per share also excludes certain foreign exchange rate differences, together with related tax effects. We believe that it is both useful and necessary to report these measures for the following reasons:

- these measures are used for internal performance reporting;
- these measures are used in setting director and management remuneration; and
- they are useful in connection with discussion with the investment analyst community and debt rating agencies.

A reconciliation of adjusted operating profit to the respective closest equivalent GAAP measure, operating profit, is provided above and in note 2 "Segmental analysis" to the consolidated financial statements. A reconciliation of adjusted earnings per share to basic earnings per share is provided in the "Operating results" on page 31.

Cash flow measures

In presenting and discussing our reported results, free cash flow and operating free cash flow are calculated and presented even though these measures are not recognised within IFRS. We believe that it is both useful and necessary to communicate free cash flow to investors and other interested parties, for the following reasons:

- free cash flow allows us and external parties to evaluate our liquidity and the cash generated by our operations. Free cash flow does not include payments for licences and spectrum included within intangible assets, items determined independently of the ongoing business, such as the level of dividends, and items which are deemed discretionary, such as cash flows relating to acquisitions and disposals or financing activities. In addition, it does not necessarily reflect the amounts which we have an obligation to incur. However, it does reflect the cash available for such discretionary activities, to strengthen the consolidated statement of financial position or to provide returns to shareholders in the form of dividends or share purchases;
- free cash flow facilitates comparability of results with other companies, although our measure of free cash flow may not be directly comparable to similarly titled measures used by other companies;
- these measures are used by management for planning, reporting and incentive purposes; and
- these measures are useful in connection with discussion with the investment analyst community and debt rating agencies.

A reconciliation of cash generated by operations, the closest equivalent GAAP measure, to operating free cash flow and free cash flow, is provided below.

	2016 £m	2015 £m	2014 £m
Cash generated by operations (refer to note 19)	11,220	10,397	12,147
Capital expenditure	(8,599)	(9,197)	(6,313)
Working capital movement in respect of capital expenditure	(63)	762	456
Disposal of property, plant and equipment	140	178	79
Restructuring costs	186	336	210
Other[1]	–	387	–
Operating free cash flow	**2,884**	**2,863**	**6,579**
Taxation	(689)	(758)	(3,449)
Dividends received from associates and investments	67	224	2,842
Dividends paid to non-controlling shareholders in subsidiaries	(223)	(247)	(264)
Interest received and paid	(1,026)	(994)	(1,315)
Free cash flow	**1,013**	**1,088**	**4,393**

Note:
1 Other movements for the year ended 31 March 2016 include £nil (2015: £365 million, 2014: £nil) UK pensions contribution payment and £nil (2015: £116 million, 2014: £nil) of KDG incentive scheme payments that vested upon acquisition.

Other

Certain of the statements within the section titled "Chief Executive's strategic review" on pages 10 to 13 contain forward-looking non-GAAP financial information for which at this time there is no comparable GAAP measure and which at this time cannot be quantitatively reconciled to comparable GAAP financial information. Certain of the statements within the section titled "Looking ahead" on page 15 contain forward-looking non-GAAP financial information which at this time cannot be quantitatively reconciled to comparable GAAP financial information.

Organic growth

All amounts in this document marked with an "*" represent organic growth which presents performance on a comparable basis, in terms of both merger and acquisition activity and foreign exchange movements. While "organic growth" is neither intended to be a substitute for reported growth, nor is it superior to reported growth, we believe that the measure provides useful and necessary information to investors and other related parties for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance;
- it is used for internal performance analysis; and
- it facilitates comparability of underlying growth with other companies (although the term "organic" is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

For the quarter ended 31 March 2015 and consequently the year ended 31 March 2015, the Group's organic service revenue growth rate was adjusted to exclude the beneficial impact of a settlement of a historical interconnect rate dispute in the UK and the beneficial impact of an upward revision to interconnect revenue in Egypt from a re-estimation by management of the appropriate historical mobile interconnection rate. The adjustments in relation to Vodafone UK and Vodafone Egypt also impacted the disclosed organic growth rates for those countries. In addition, the Group's organic service revenue growth rates for the year ended 31 March 2015, the six months ended 30 September 2015 and the quarters ended 31 March 2015, 30 June 2015, 30 September 2015 and 31 December 2015 have been amended to exclude the adverse impact of an adjustment to intercompany revenue.

For the year ended 31 March 2016, 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 service revenue and costs within common functions rather than within the service revenue and cost amounts disclosed for each country and region. The results presented for the year ended 31 March 2015 have been restated on a comparable basis together with all disclosed organic growth rates. There is no impact on total Group results. In addition, for the quarter and six months ended 30 September 2015 and year ended 31 March 2016, the Group's and Vodafone UK's organic service revenue growth rate has been adjusted to exclude the beneficial impact of a settlement of a historical interconnect rate dispute in the UK.

Reconciliation of organic growth to reported growth is shown where used, or in the table below:

	Period	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
31 March 2016					
Group					
Revenue	FY	2.3	0.7	(6.0)	(3.0)
Service revenue	FY	1.5	0.7	(5.7)	(3.5)
Service revenue excluding the impact of MTR cuts	FY	2.1	0.7	(5.7)	(2.9)
Enterprise service revenue	FY	2.1	1.5	(5.3)	(1.7)
Enterprise fixed service revenue	FY	4.4	4.9	(3.7)	5.6
Vodafone Global Enterprise service revenue	FY	5.9	3.2	(1.3)	7.8
Machine-to-machine revenue	FY	28.6	10.8	(14.7)	24.7
EBITDA	FY	2.7	1.0	(6.2)	(2.5)
Percentage point change in EBITDA margin	FY	0.1	0.1	(0.1)	0.1
Adjusted operating profit	FY	(3.9)	0.2	(7.4)	(11.1)
EBITDA	H2	3.6	(2.1)	(4.9)	(3.4)
Service revenue	Q4	2.5	(1.8)	(0.8)	(0.1)
Europe					
Mobile service revenue	FY	(2.0)	0.2	(5.1)	(6.9)
Fixed service revenue	FY	3.5	5.1	(5.2)	3.4
Germany – Mobile service revenue	FY	(1.6)	–	(6.6)	(8.2)
Germany – Fixed service revenue	FY	1.5	–	(6.8)	(5.3)
Italy – Mobile service revenue	FY	(1.1)	–	(6.7)	(7.8)
Italy – Fixed service revenue	FY	1.2	–	(6.7)	(5.5)
UK – Mobile service revenue	FY	(0.7)	(0.6)	–	(1.3)
UK – Fixed service revenue	FY	1.1	–	–	1.1
UK – Fixed service revenue excluding carrier services	FY	2.4	–	–	2.4
Spain – Service revenue excluding the impact of handset financing	FY	0.3	8.7	(6.6)	2.4
Spain – Mobile service revenue	FY	(8.0)	2.5	(6.3)	(11.8)
Spain – Fixed service revenue	FY	7.8	30.5	(7.1)	31.2
Netherlands – Service revenue	FY	0.3	–	(6.7)	(6.4)
Germany – Percentage point change in EBITDA margin	FY	0.8	–	0.1	0.9
Italy – Percentage point change in EBITDA margin	FY	–	–	–	–
UK – Percentage point change in EBITDA margin	FY	0.2	(1.0)	–	(0.8)
Spain – Percentage point change in EBITDA margin	FY	1.3	2.1	0.2	3.6
Other Europe – Percentage point change in EBITDA margin	FY	(1.0)	(0.1)	–	(1.1)
Europe – Percentage point change in EBITDA margin	FY	0.4	–	(0.1)	0.3
EBITDA	H2	2.3	(3.2)	(1.9)	(2.8)
Europe – Percentage point change in EBITDA margin	H2	0.6	(0.8)	0.1	(0.1)
Service revenue	Q4	0.5	(1.1)	2.7	2.1
Mobile service revenue	Q4	(1.1)	0.2	2.7	1.8
Fixed service revenue	Q4	5.4	(5.3)	2.7	2.8
Germany – Service revenue	Q4	1.6	–	3.7	5.3
Italy – Service revenue	Q4	1.3	–	3.6	4.9
UK – Service revenue	Q4	(0.1)	(5.5)	–	(5.6)
Spain – Service revenue	Q4	(3.2)	–	3.4	0.2
Other Europe – Service revenue	Q4	2.1	0.1	4.1	6.3
Romania – Service revenue	Q4	7.7	–	3.9	11.6
Portugal – Service revenue	Q4	3.5	–	4.0	7.5
Netherlands – Service revenue	Q4	(1.3)	–	3.8	2.5
Mobile service revenue	Q3	(2.0)	(0.3)	(6.4)	(8.7)
Fixed service revenue	Q3	3.7	1.2	(7.0)	(2.1)
Germany – Service revenue	Q3	(0.4)	–	(8.4)	(8.8)
Italy – Service revenue	Q3	(0.3)	–	(8.5)	(8.8)
UK – Service revenue	Q3	(0.7)	(0.8)	–	(1.5)
Spain – Service revenue	Q3	(3.1)	(0.1)	(8.3)	(11.5)
Other Europe – Service revenue	Q3	1.6	1.8	(8.7)	(5.3)
Netherlands – Service revenue	Q3	0.2	–	(8.3)	(8.1)

	Period	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
AMAP					
India – Service revenue excluding the impact of MTR cuts and other	FY	10.0	–	(0.2)	9.8
South Africa – Service revenue	FY	4.7	–	(14.1)	(9.4)
Vodacom's international operations – Service revenue	FY	10.0	–	(10.1)	(0.1)
Turkey – Service revenue	FY	19.7	–	(18.5)	1.2
Egypt – Service revenue	FY	8.9	(6.3)	(2.0)	0.6
India – Percentage point change in EBITDA margin	FY	(0.2)	–	–	(0.2)
Vodacom – Percentage point change in EBITDA margin	FY	3.6	–	(0.6)	3.0
Other AMAP – Percentage point change in EBITDA margin	FY	(2.1)	–	0.7	(1.4)
AMAP – Percentage point change in EBITDA margin	FY	0.1	–	–	0.1
Service revenue	Q4	8.1	(2.2)	(8.7)	(2.8)
India – Service revenue	Q4	5.3	–	(2.6)	2.7
Vodacom – Service revenue	Q4	6.3	–	(19.3)	(13.0)
South Africa – Service revenue	Q4	6.5	–	(22.9)	(16.4)
South Africa – Data revenue	Q4	18.8	–	(25.4)	(6.6)
Other AMAP – Service revenue	Q4	12.1	(7.1)	(6.5)	(1.5)
Service revenue	Q3	6.5	(0.1)	(10.0)	(3.6)
India – Service revenue	Q3	2.3	–	(1.8)	0.5
Vodacom – Service revenue	Q3	7.2	–	(17.5)	(10.3)
South Africa – Service revenue	Q3	7.2	–	(18.7)	(11.5)
Other AMAP – Service revenue	Q3	10.8	–	(12.7)	(1.9)

31 March 2015 restated

Group					
Revenue	FY	(0.8)	17.8	(6.9)	10.1
Service revenue	FY	(1.6)	17.7	(6.7)	9.4
EBITDA	FY	(6.9)	21.4	(7.0)	7.5
Percentage point change in EBITDA margin	FY	(1.8)	1.2	(0.1)	(0.7)
Adjusted operating profit	FY	(24.1)	11.0	(5.5)	(18.6)
EBITDA	H2	(3.6)	18.4	(5.3)	9.5
Europe					
Germany – Mobile service revenue	FY	(3.5)	–	(6.6)	(10.1)
Germany – Fixed service revenue	FY	(4.4)	40.2	(9.8)	26.0
Germany – Service revenue	Q4	(3.5)	1.6	(10.0)	(11.9)
Germany – Fixed service revenue	H1	(5.0)	96.0	(10.8)	80.2
Germany – Fixed service revenue	H2	(3.8)	8.0	(8.5)	(4.3)
Germany – Percentage point change in EBITDA margin	FY	(3.0)	2.0	–	(1.0)
Italy – Service revenue	Q4	(4.1)	133.9	(28.7)	101.1
Italy – Mobile service revenue	FY	(12.1)	902.8	(123.7)	767.0
Italy – Fixed service revenue	FY	1.3	998.6	(130.2)	869.7
Italy – Percentage point change in EBITDA margin	FY	(2.4)	0.9	–	(1.5)
Italy – Operating expenses	FY	3.1	(1,079.3)	149.3	(926.9)
Italy – Customer costs	FY	3.0	(775.9)	108.1	(664.8)
UK – Service revenue	Q4	(0.6)	5.7	–	5.1
UK – Mobile service revenue	FY	0.5	–	–	0.5
UK – Fixed service revenue	FY	(9.1)	5.8	–	(3.3)
UK – Fixed service revenue	H1	(11.3)	–	–	(11.3)
UK – Fixed service revenue	H2	(6.8)	11.4	–	4.6
UK – Percentage point change in EBITDA margin	FY	(2.4)	1.7	–	(0.7)
Spain – Service revenue	Q4	(7.8)	35.0	(13.0)	14.2
Spain – Mobile service revenue	FY	(12.7)	5.8	(6.3)	(13.2)
Spain – Fixed service revenue	FY	7.8	201.9	(21.6)	188.1
Spain – Percentage point change in EBITDA margin	FY	(4.9)	3.9	–	(1.0)
Other Europe – Service revenue	Q4	(0.9)	2.7	(10.5)	(8.7)
Other Europe – Service revenue	Q3	(1.1)	0.8	(6.6)	(6.9)
Hungary – Service revenue	FY	8.6	–	(10.8)	(2.2)
Other Europe – Percentage point change in EBITDA margin	FY	0.1	(0.1)	–	–

	Period	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
AMAP					
Service revenue excluding the impact of MTR cuts	FY	7.0	0.5	(7.1)	0.4
India – Service revenue	Q4	11.7	–	9.3	21.0
India – Percentage point change in EBITDA margin	FY	1.0	–	(0.1)	0.9
Vodacom – Service revenue	Q4	(0.2)	–	1.4	1.2
South Africa – Service revenue	FY	(2.7)	–	(9.7)	(12.4)
South Africa – Service revenue excluding the impact of MTR cuts	FY	1.4	–	(9.7)	(8.3)
Vodacom's international operations – Service revenue	FY	4.8	–	(5.3)	(0.5)
Turkey – Service revenue	FY	9.9	–	(13.4)	(3.5)
Egypt – Service revenue	FY	2.8	6.4	(5.5)	3.7
New Zealand – Service revenue	FY	(3.1)	–	(2.8)	(5.9)
Ghana – Service revenue	FY	18.9	–	(40.2)	(21.3)
Qatar – Total revenue	FY	13.2	–	(1.0)	12.2
Vodacom – Percentage point change in EBITDA margin	FY	(1.1)	–	(0.1)	(1.2)
Other AMAP – Percentage point change in EBITDA margin	FY	(0.3)	(0.2)	0.5	–

	Period	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
31 March 2014 restated					
Group					
Revenue	FY	(1.6)	4.9	(2.5)	0.8
Service revenue	FY	(2.0)	4.9	(2.4)	0.5
EBITDA	FY	(6.7)	5.8	(2.4)	(3.3)
Adjusted operating profit	FY	(21.7)	57.8	(52.3)	(16.2)
Europe					
Revenue	FY	(8.8)	6.6	2.4	0.2
Service revenue	FY	(8.2)	6.5	2.3	0.6
EBITDA	FY	(17.1)	9.1	2.5	(5.5)
Adjusted operating profit	FY	(41.9)	1.3	2.1	(38.5)
AMAP					
Revenue	FY	8.9	0.8	(12.1)	(2.4)
Service revenue	FY	6.7	0.8	(11.7)	(4.2)
EBITDA	FY	10.8	1.1	(13.5)	(1.6)
Adjusted operating profit	FY	30.7	(0.1)	(18.6)	12.0

Note:
1 "Other activity" includes the impact of M&A activity. Refer to "Organic growth" on page 191 for further detail.

Form 20-F cross reference guide

Unaudited information

The information in this document that is referenced in the following table is included in our Annual Report on Form 20-F for 2016 filed with the SEC (the "2016 Form 20-F"). The information in this document may be updated or supplemented at the time of filing with the SEC or later amended if necessary. No other information in this document is included in the 2016 Form 20-F or incorporated by reference into any filings by us under the Securities Act. Please see "Documents on display" on page 179 for information on how to access the 2016 Form 20-F as filed with the SEC. The 2016 Form 20-F has not been approved or disapproved by the SEC nor has the SEC passed judgement upon the adequacy or accuracy of the 2016 Form 20-F.

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Note:
1 The parent company financial statements together with the associated notes and the audit report relating thereto, on pages 168 to 174 and pages 79 to 86 respectively, should not be considered to form part of the Company's annual report on Form 20-F.

Forward-looking statements

Unaudited information

This document contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and businesses, and certain of the Group's plans and objectives.

In particular, such forward-looking statements include statements with respect to:

- the Group's expectations and guidance regarding its financial and operating performance, the performance of associates and joint ventures, other investments and newly acquired businesses, expectations regarding the Project Spring organic investment programme and expectations regarding fixed revenue and broadband customers;
- intentions and expectations regarding the development of products, services and initiatives introduced by, or together with, Vodafone or by third parties;
- expectations regarding the global economy and the Group's operating environment and market position, including future market conditions, growth in the number of worldwide mobile phone users and other trends;
- revenue and growth expected from the Group's Enterprise and total communications strategy;
- mobile penetration and coverage rates, MTR cuts, the Group's ability to acquire spectrum, expected growth prospects in the Europe and AMAP regions and growth in customers and usage generally;
- anticipated benefits to the Group from cost-efficiency programmes;
- possible future acquisitions, including increases in ownership in existing investments, the timely completion of pending acquisition transactions and pending offers for investments;
- expectations and assumptions regarding the Group's future revenue, operating profit, EBITDA, EBITDA margin, free cash flow, depreciation and amortisation charges, foreign exchange rates, tax rates and capital expenditure;
- expectations regarding the Group's access to adequate funding for its working capital requirements and share buyback programmes, and the Group's future dividends or its existing investments; and
- the impact of regulatory and legal proceedings involving the Group and of scheduled or potential regulatory changes.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets". By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following:

- general economic and political conditions in the jurisdictions in which the Group operates and changes to the associated legal, regulatory and tax environments;
- increased competition;
- levels of investment in network capacity and the Group's ability to deploy new technologies, products and services;
- rapid changes to existing products and services and the inability of new products and services to perform in accordance with expectations;
- the ability of the Group to integrate new technologies, products and services with existing networks, technologies, products and services;
- the Group's ability to generate and grow revenue;
- a lower than expected impact of new or existing products, services or technologies on the Group's future revenue, cost structure and capital expenditure outlays;
- slower than expected customer growth, reduced customer retention, reductions or changes in customer spending and increased pricing pressure;
- the Group's ability to expand its spectrum position, win 3G and 4G allocations and realise expected synergies and benefits associated with 3G and 4G;

- the Group's ability to secure the timely delivery of high-quality products from suppliers;
- loss of suppliers, disruption of supply chains and greater than anticipated prices of new mobile handsets;
- changes in the costs to the Group of, or the rates the Group may charge for, terminations and roaming minutes;
- the impact of a failure or significant interruption to the Group's telecommunications, networks, IT systems or data protection systems;
- the Group's ability to realise expected benefits from acquisitions, partnerships, joint ventures, franchises, brand licences, platform sharing or other arrangements with third parties;
- acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities;
- the Group's ability to integrate acquired business or assets;
- the extent of any future write-downs or impairment charges on the Group's assets, or restructuring charges incurred as a result of an acquisition or disposition;
- developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends;
- the Group's ability to satisfy working capital requirements;
- changes in foreign exchange rates;
- changes in the regulatory framework in which the Group operates;
- the impact of legal or other proceedings against the Group or other companies in the communications industry; and
- changes in statutory tax rates and profit mix.

A review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under "Risk management" on pages 22 to 28 of this document. All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

Definition of terms

Unaudited information

2G	2G networks are operated using global system for mobile ('GSM') technology which offers services such as voice, text messaging and low speed data. In addition, all the Group's controlled networks support general packet radio services ('GPRS'), often referred to as 2.5G. GPRS allows mobile devices to access IP based data services such as the internet and email.
3G	A cellular technology based on wide band code division multiple access delivering voice and faster data services.
4G/LTE	4G or long-term evolution ('LTE') technology offers even faster data transfer speeds than 3G/HSPA.
5G	5G is the coming fifth-generation wireless broadband technology which will provide better speeds and coverage than the current 4G.
Acquisition costs	The total of connection fees, trade commissions and equipment costs relating to new customer connections.
ADR	American depositary receipts is a mechanism designed to facilitate trading in shares of non-US companies in the US stock markets. The main purpose is to create an instrument which can easily be settled through US stock market clearing systems.
ADS	American depositary shares are shares evidenced by American depositary receipts. ADSs are issued by a depositary bank and represent one or more shares of a non-US issuer held by the depositary bank. The main purpose of ADSs is to facilitate trading in shares of non-US companies in the US markets and, accordingly, ADRs which evidence ADSs are in a form suitable for holding in US clearing systems.
AGM	Annual general meeting.
AMAP	The Group's region: Africa, Middle East and Asia Pacific.
Applications ('apps')	Apps are software applications usually designed to run on a smartphone or tablet device and provide a convenient means for the user to perform certain tasks. They cover a wide range of activities including banking, ticket purchasing, travel arrangements, social networking and games. For example, the My Vodafone app lets customers check their bill totals on their smartphone and see the minutes, texts and data allowance remaining.
ARPU	Average revenue per user, defined as revenue and incoming revenue divided by average customers.
Capital expenditure ('capex')	This measure includes the aggregate of property, plant and equipment additions and capitalised software costs.
Churn	Total gross customer disconnections in the period divided by the average total customers in the period.
Cloud services	This means the customer has little or no equipment at their premises and all the equipment and capability associated with the service is run from the Vodafone network and data centres instead. This removes the need for customers to make capital investments and instead they have an operating cost model with a recurring monthly fee.
Controlled and jointly controlled	Controlled and jointly controlled measures include 100% of the Group's mobile operating subsidiaries and the Group's share of joint ventures and the Group's proportionate share of joint operations.
Customer costs	Customer costs include acquisition costs, retention costs and expenses related to ongoing commissions.
Depreciation and other amortisation	The accounting charge that allocates the cost of a tangible or intangible asset to the income statement over its useful life. This measure includes the profit or loss on disposal of property, plant and equipment and computer software.
Direct costs	Direct costs include interconnect costs and other direct costs of providing services.
EBITDA	Operating profit excluding share of results in associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs and other operating income and expense. The Group's definition of EBITDA may not be comparable with similarly titled measures and disclosures by other companies.
Enterprise	The Group's customer segment for businesses.
FCA	Financial Conduct Authority.
Fixed broadband customer	A fixed broadband customer is defined as a customer with a connection or access point to a fixed line data network.
FTTC	Fibre-to-the-Cabinet involves running fibre optic cables from the telephone exchange or distribution point to the street cabinets which then connect to a standard phone line to provide broadband.
FTTH	Fibre-to-the-Home provides an end-to-end fibre optic connection the full distance from the exchange to the customer's premises.
FRC	Financial Reporting Council.
Free cash flow	Operating free cash flow after cash flows in relation to taxation, interest, dividends received from associates and investments and dividends paid to non-controlling shareholders in subsidiaries but before restructuring costs and licence and spectrum payments. For the year ended 31 March 2014 and 31 March 2013, the income dividends received from Verizon Wireless and payments in respect of a tax case settlement were also excluded.
Gbps	Gigabits (billions) of bits per second.
HSPA+	An evolution of high speed packet access ('HSPA'). An evolution of third generation ('3G') technology that enhances the existing 3G network with higher speeds for the end user.
ICT	Information and communications technology.
IFRS	International Financial Reporting Standards.
Impairment	A downward revaluation of an asset.
Interconnect costs	A charge paid by Vodafone to other fixed line or mobile operators when a Vodafone customer calls a customer connected to a different network.

Internet of Things ('IoT') (formerly Machine-to-Machine ('M2M'))	The network of physical objects embedded with electronics, software, sensors, and network connectivity, including built-in mobile SIM cards, that enables these objects to collect data and exchange communications with one another or a database.
IP	Internet protocol ('IP') is the format in which data is sent from one computer to another on the internet.
IP-VPN	A virtual private network ('VPN') is a network that uses a shared telecommunications infrastructure, such as the internet, to provide remote offices or individual users with secure access to their organisation's network.
Mark-to-market	Mark-to-market or fair value accounting refers to accounting for the value of an asset or liability based on the current market price of the asset or liability.
Mbps	Megabits (millions) of bits per second.
Mobile broadband	Mobile broadband allows internet access through a browser or a native application using any portable or mobile device such as smartphone, tablet or laptop connected to a cellular network.
Mobile customer	A mobile customer is defined as a subscriber identity module ('SIM'), or in territories where SIMs do not exist, a unique mobile telephone number, which has access to the network for any purpose, including data only usage.
Mobile termination rate ('MTR')	A per minute charge paid by a telecommunications network operator when a customer makes a call to another mobile or fixed line network operator.
MVNO	Mobile virtual network operators, companies that provide mobile phone services under wholesale contracts with a mobile network operator, but do not have their own licence or spectrum or the infrastructure required to operate a network.
Net debt	Long-term borrowings, short-term borrowings and mark-to-market adjustments on financing instruments less cash and cash equivalents.
Net promoter score ('NPS')	Net promoter score is a customer loyalty metric used to monitor customer satisfaction.
Operating expenses	Operating expenses comprise primarily sales and distribution costs, network and IT related expenditure and business support costs.
Operating free cash flow	Cash generated from operations after cash payments for capital expenditure (excludes capital licence and spectrum payments) and cash receipts from the disposal of intangible assets and property, plant and equipment, but before restructuring costs.
Organic growth	All amounts 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. See page 191 "Non-GAAP information" for further details.
Partner markets	Markets in which the Group has entered into a partner agreement with a local mobile operator enabling a range of Vodafone's global products and services to be marketed in that operator's territory and extending Vodafone's reach into such markets.
Penetration	Number of SIMs in a country as a percentage of the country's population. Penetration can be in excess of 100% due to customers owning more than one SIM.
Petabyte	A petabyte is a measure of data usage. One petabyte is a million gigabytes.
Pps	Percentage points.
RAN	Radio access network is the part of a mobile telecommunications system which provides cellular coverage to mobile phones via a radio interface, managed by thousands of base stations installed on towers and rooftops across the coverage area, and linked to the core nodes through a backhaul infrastructure which can be owned, leased or a mix of both.
Reported growth	Reported growth is based on amounts reported in pounds sterling as determined under IFRS.
Retention costs	The total of trade commissions, loyalty scheme and equipment costs relating to customer retention and upgrade.
Roaming	Allows customers to make calls, send and receive texts and data on other operators' mobile networks, usually while travelling abroad.
Service revenue	Service revenue comprises all revenue related to the provision of ongoing services including, but not limited to, monthly access charges, airtime usage, roaming, incoming and outgoing network usage by non-Vodafone customers and interconnect charges for incoming calls.
Smartphone devices	A smartphone is a mobile phone offering advanced capabilities including access to email and the internet.
Smartphone penetration	The number of smartphone devices divided by the number of registered SIMs (excluding data only SIMs) and telemetric applications.
SME	Small to medium-sized enterprise.
Spectrum	The radio frequency bands and channels assigned for telecommunication services.
SRAN	Single Radio Access network, which allows 2G, 3G and 4G services to be run from a single piece of equipment.
Supranational	An international organisation, or union, whereby member states go beyond national boundaries or interests to share in the decision making and vote on issues pertaining to the wider grouping.
Tablets	A tablet is a slate shaped, mobile data or portable computing device equipped with a finger operated touchscreen or stylus, for example, the Apple iPad.
VGE	Vodafone Global Enterprise (VGE), which serves the Group's biggest multi-national customers.
VoIP	Voice over IP is a set of facilities used to manage the delivery of voice information over the internet in digital form via discrete packets rather than by using the traditional public switched telephone network.
VZW	Verizon Wireless, the Group's former associate in the United States.

Selected financial data

Unaudited information

At/for the year ended 31 March	2016	2015	2014	2013	2012
Consolidated income statement data (£m)					
Revenue	40,973	42,227	38,346	38,041	38,821
Operating profit/(loss)	1,377	1,967	(3,913)	(2,202)	5,618
(Loss)/profit before taxation	(449)	1,095	(5,270)	(3,483)	4,144
(Loss)/profit for financial year from continuing operations	(3,818)	5,860	11,312	(3,959)	3,439
(Loss)/profit for the financial year	(3,818)	5,917	59,420	657	6,994
Consolidated statement of financial position data (£m)					
Total assets	133,713	122,573	121,840	138,324	135,450
Total equity	67,317	67,733	71,781	72,488	78,202
Total equity shareholders' funds	65,885	66,145	70,802	71,477	76,935
Earnings per share[1,2]					
Weighted average number of shares (millions)					
– Basic	26,692	26,489	26,472	26,831	27,624
– Diluted	26,692	26,629	26,682	26,831	27,938
Basic earnings per ordinary share	(15.08)p	21.75p	223.84p	1.54p	25.15p
Diluted earnings per ordinary share	(15.08)p	21.63p	222.07p	1.54p	24.87p
Basic earnings per share from continuing operations	(15.08)p	21.53p	42.10p	(15.66)p	12.28p
Cash dividends[1,3]					
Amount per ordinary share (pence)	11.45p	11.22p	11.00p	10.19p	13.52p
Amount per ADS (pence)	114.5p	111.2p	110.0p	101.9p	135.2p
Amount per ordinary share (US cents)	16.49c	16.65c	18.31c	15.49c	21.63c
Amount per ADS (US cents)	164.9c	166.5c	183.1c	154.9c	216.3c
Other data					
Ratio of earnings to fixed charges[4]	–	1.6	–	1.7	4.3
Deficiency between fixed charges and earnings (£m)[4]	672	–	654	–	–

Notes:
1 See note 8 to the consolidated financial statements, "Earnings per share". Earnings and dividends per ADS is calculated by multiplying earnings per ordinary share by ten, the number of ordinary shares per ADS.
2 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. Earnings per share for the years ended 31 March 2013 and 2012 have been restated accordingly.
3 The final dividend for the year ended 31 March 2016 was proposed by the Directors on 17 May 2016 and is payable on 3 August 2016 to holders of record as of 10 June 2016. The total dividends have been translated into US dollars at 31 March 2016 for purposes of the above disclosure but the dividends are payable in US dollars under the terms of the ADS depositary agreement.
4 For the purposes of calculating these ratios, earnings consist of loss or profit before tax adjusted for fixed charges, dividend income from associates, share of profits and losses from associates, interest capitalised and interest amortised. Fixed charges comprise one third of payments under operating leases, representing the estimated interest element of these payments, interest payable and similar charges, interest capitalised and preferred share dividends.

Notes

Notes

Text printed on revive 50 silk which is made from 50% recycled and 50% virgin fibres. The cover is on amadeus 100 revive silk, made entirely from de-inked post-consumer waste. Both products are Forest Stewardship Council® ('FSC'®) certified and produced using elemental chlorine free ('ECF') bleaching. The manufacturing mill also holds ISO 14001 accreditation for environmental management.

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