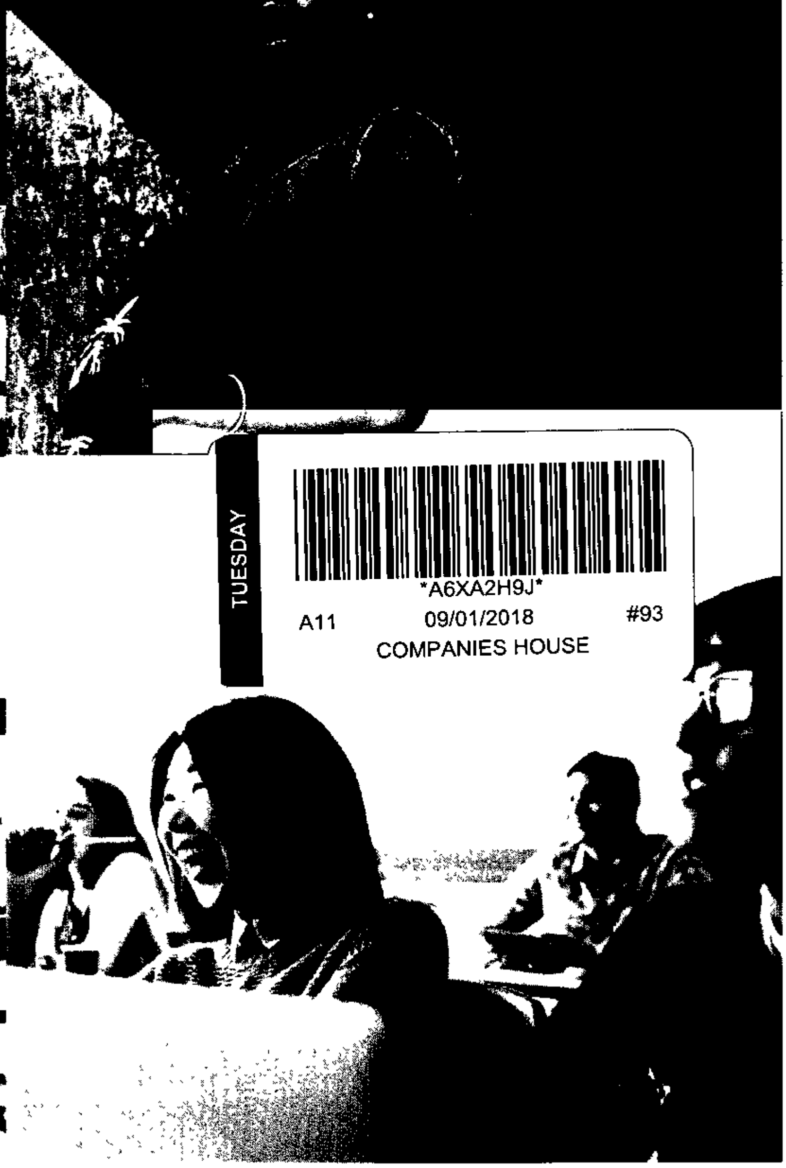
Connecting everybody to **live a better today and build a better tomorrow**

Vodafone Group Plc

Annual Report 2017



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The Strategic Report consists of the Overview, Strategy and Performance sections on pages 1 to 43 of this Annual Report

Overview

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Important presentational changes in this report

In April 2016 we adopted the euro as the Group's presentational currency, and this is the first annual report where **all financial figures are presented in euros rather than pounds sterling.**

On 20 March 2017 we announced an agreement to merge Vodafone India with Idea Cellular in India, as a result **Vodafone India is now excluded from Group figures unless otherwise stated. India still remains part of the Group from an operational perspective.**

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Our strategic framework

Our **purpose**

To connect everybody to **live a better today and build a better tomorrow**

Our **vision**

A converged communications leader, a Gigabit Vodafone for the Gigabit Society

We are building a competitive advantage through our **core programmes...**

We are constantly reinvesting in our core assets to drive growth, see **our business model**

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Network Leadership

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Customer eXperience eXcellence ('CARE')

Page 05

Fit for Growth

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People and Culture – The Vodafone Way

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...which underpin our **strategic growth engines...**

Data
Best mobile experience

Page 13

Convergence
Combining fixed and mobile

Page 14

Enterprise
Total communication solutions

Page 15

...and are enacted by our **responsible approach** to the communities in which we operate.

Sustainable business

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Risk management

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So that we create **value for society and for shareholders**

Chairman's statement

Creating value for society, delivering results for shareholders

Vodafone's purpose is to connect everybody to live a better today and build a better tomorrow. We believe that by pursuing this goal in a sustainable and responsible way we will create long-term value for society and, as a result, for our shareholders.

Good progress in converged communications in Europe

Europe remains our single biggest market and investment area and is at the heart of our 'Gigabit Vodafone' converged communications strategy. Building on the success of Project Spring, we continue to invest in network quality and customer experience, driving subscriber growth across mobile, broadband and TV. We are making good progress in our major markets Germany, Italy and Spain, while in the UK our priority for the moment has to be on getting the basics right again. The completion of our merger in the Netherlands with Ziggo is another big step forward for our convergence strategy.

In order to enable an adequate return on the massive investments that will be required to provide Europe with the infrastructure required for a competitive economy in the age of digitalisation, a predictable regulatory framework is required that supports both investment and competition. In this regard we are encouraged by the European Commission's ('EC') revised European Framework Review for Telecoms. In particular the focus on passive infrastructure remedies and co-building arrangements, which have proven so successful in Spain and Portugal, is encouraging, as is the proposal to extend spectrum licence terms to at least 25 years. As the negotiations on the revised Framework enter a critical phase, we need to ensure that these well-balanced proposals are not diluted – both to avoid future incumbent re-monopolisation risks and to pave the way for competitive investment in Europe's future.

Driving consolidation in India; strengthening leadership in Africa

It has been a turbulent year in India. The launch of free services by a new entrant has disrupted an already hypercompetitive market and clouded the near and medium-term outlook for the industry. As a consequence Vodafone decided to stop the IPO process and instead look for in-market consolidation options. This has resulted in the announced merger proposal between Vodafone India and Idea Cellular which will create a new, more competitive market player with the scale to invest in India's digital future, while also capturing substantial synergies.

We are very pleased with our progress in Africa where we have further strengthened our leadership positions, both at Vodacom in South Africa and Safaricom in Kenya.

Please see Vittorio Colao's comments on pages 12 to 15 for further insight into our strategy.

Our contribution to society is substantial

We are convinced that over the long-term the success of our business is closely tied to the success of the communities in which we operate. Consequently, a core part of our strategy and business model is to ensure that Vodafone's digital networks and services act as a catalyst not only for economic growth but also for equality and empowerment.

Our "Sustainable business strategy" section outlines our approach, including our ambition to connect an additional 50 million women living in emerging markets by 2026 (see pages 26 and 27) as well as our commitment to operating responsibly. For example, our report on "Taxation and our total economic contribution to public finances" highlights our total contribution to governments of €15.6 billion in the 2016 financial year. Our charitable activities are also expanding in scope, as the Vodafone Foundation leverages our technology and expertise with funding from external NGOs and other partners to expand its impact. I recommend you take a look at our website for more information on the activities of our Foundation.

Improving returns on capital remains a key priority

We are confident in our strategic direction: our adjusted EBITDA growth continues to improve and our adjusted EBIT is also now recovering. But we cannot yet be satisfied by the returns that we are achieving on the substantial organic and inorganic investments that the Group has made in recent years.

As our CFO Nick Read explains in his introduction to our business model on page 16, the solution to this challenge is threefold: continued profitable revenue growth with tight cost control; portfolio management to gain sufficient (in-market) scale to earn attractive long-term returns; and a compensation approach which focuses more on adjusted EBIT, i.e. the profits after capital investment costs and less on adjusted EBITDA, a change which we hope the industry will follow.

During the year the Vodafone share price on a total return basis has been broadly stable, underperforming the FTSE 100. This partly reflected a strong recovery by commodity producers and cyclically exposed companies, which accelerated after the US election results, as well as concerns over rising competition in the telecoms sector following new entrants in India and next year in Italy.

Overall, the Board remains confident that the Group's cash generation, and consequently its return on capital, will continue to recover. This confidence is reflected in our unchanged intention to grow the dividend, as exhibited by the 2.0% increase in the dividend to 14.77 eurocents for the year.

In concluding, on behalf of the Board I would like to express our appreciation to Nick Land and Phil Yea, who will not seek re-election at our Annual General Meeting in July 2017 after more than ten years of valuable service. I would also like to thank our employees and business partners for their efforts and contribution to Vodafone's progress, as well as our shareholders for their support and confidence.

Gerard Kleisterlee
Chairman

At Vodafone our purpose is to connect everybody to live a better today and build a better tomorrow

We do this by investing in the digital infrastructure of the future, delivering a quality service that allows individuals and businesses to connect confidently anywhere and at any time. Our services enhance the quality of peoples' lives, providing benefits to society as well as financial rewards for our shareholders

Ten years of M-Pesa

This year we celebrated ten years of M-Pesa, our pioneering mobile money service, which enables people to securely send, receive and store money electronically. M-Pesa empowers tens of millions of people previously excluded from financial services to live a safer, more productive life. Today, 31 million customers in ten countries rely on our service, making us the world's leading mobile money provider, alleviating financial uncertainty and contributing to achieving the UN Sustainable Development Goals.

Network Leadership

Our goal is to create a "Gigabit Society" where everyone benefits from ubiquitous and reliable high-speed connectivity

Our partnerships and investment in superior cable, fibre and mobile networks allow us to deliver better performance everywhere

ENEL – Breaking the gigabit barrier

In 2016, we teamed up with ENEL in Italy, a major electricity company, to establish a leading fibre provider, taking Italy one step closer to becoming a "Gigabit Society".

In 2016, only 3% of Italian fixed broadband subscribers were on fibre and in 2015 60% of the population received less than 30 Mbps. Through our partnership with ENEL, called Open Fiber, we will be able to deliver gigabit fibre (1,000 Mbps) to 270 cities reaching at least 9.5 million households by 2022

Customer eXperience eXcellence

We deliver a differentiated customer experience through **CARE**

Connectivity that is reliable and secure
Always excellent value
Rewarding loyalty
Easy access to customer support

Raising the bar in customer service with 2,100 new roles across the UK

We will create 2,100 new customer service roles in the UK to deliver an outstanding level of service and support

This is one of the many steps we are taking following billing migration issues, which caused disruption to our UK customers and commercial operations during the year, but are now resolved

Fit for Growth

Using our resources efficiently makes sound environmental and economic sense

That is why we are exploring new ways of improving our energy efficiency to reduce our emissions while saving costs

Improving the energy efficiency of our networks

We ensure that each new generation of equipment is more energy and cost efficient than the equipment it replaces By incorporating more energy efficient technology, such as free air cooling and solar power solutions whenever we upgrade our networks, we have reduced our own greenhouse gas emissions by 64% per petabyte of data carried by our mobile network since 2015.

People and Culture – The Vodafone Way

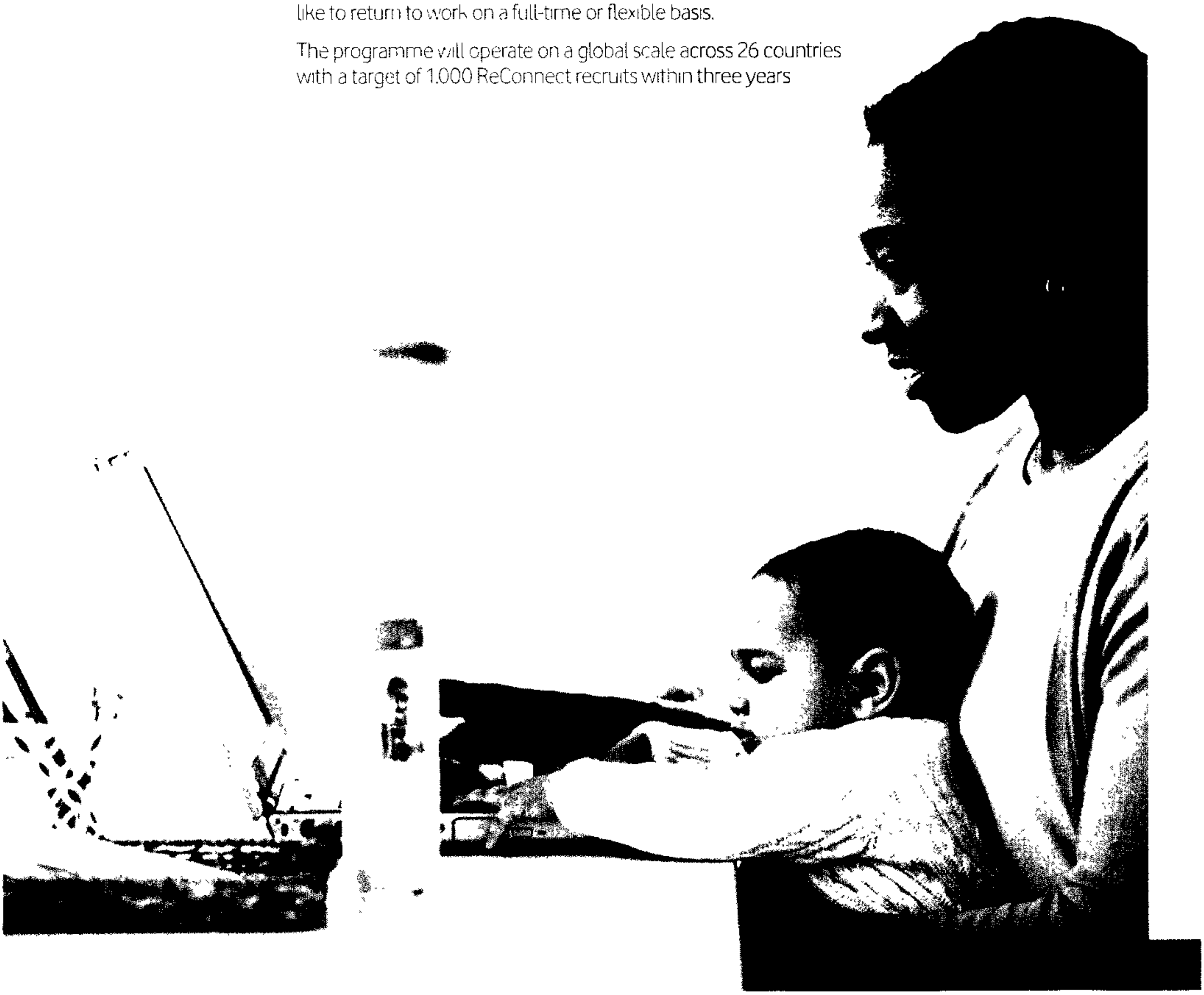
Our people are key to our performance

We aim to create a diverse and inclusive working environment that reflects our customers and our global footprint

ReConnect with your career

We want Vodafone to be the best employer for women by 2025 ReConnect is a leading programme designed to attract talented women who have left the workplace for several years and would like to return to work on a full-time or flexible basis.

The programme will operate on a global scale across 26 countries with a target of 1,000 ReConnect recruits within three years



At a glance

What we offer

We offer a broad range of communication services We believe the future lies in providing a unified experience to our customers combining mobile, fixed and other services, which we are well positioned to deliver

Our wide range of products and services

Consumer

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

Fixed voice, broadband and TV
We have continued to diversify and expand our fixed services including voice, broadband and TV offerings

Financial services and other value added services
We provide mobile money services through our M-Pesa offerings and value added services including security and insurance products

Enterprise

Total communications
We offer mobile, fixed and a suite of converged communication services to support the needs of our enterprise customers who range from small businesses to large multinational companies

Internet of Things ('IoT')
IoT connections allow machines and other things to communicate with one another through our network. Our service offerings are diverse spanning smart metering, automotive applications and health solutions

Cloud & Hosting
Our Cloud & Hosting portfolio includes a range of IT solutions for Enterprise customers spanning [illegible] managed hosting and [illegible] cloud services

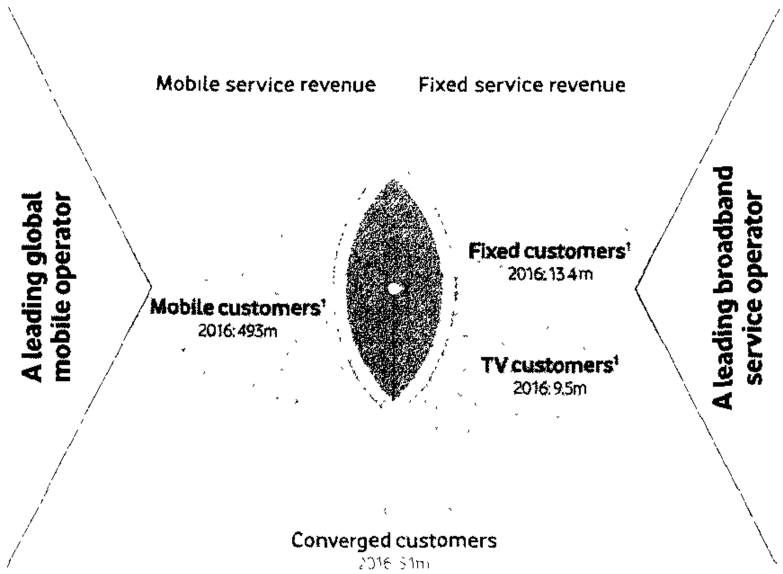
Carrier Services
We sell capacity on [illegible] and our terrestrial [illegible] systems. We also offer international voice, IP transit and secure internet [illegible]

Other

We rent capacity to mobile virtual network operators ('MVNOs'). We also offer a variety of our services to operators outside our footprint through our partner market agreements

Convergence: Seamlessly integrated connectivity and content

Customers demand for bundles of mobile and fixed services is increasing These converged offers, which combine mobile fixed and content services provide simplicity and better value for customers They also increase customer loyalty and deliver operational efficiencies We offer a range of converged offers such as "GigaKombi" in Germany and "Vodafone One" in Spain integrating fixed, mobile and TV services We also offer a comprehensive set of converged communications solutions to our enterprise customers



Note
1 Includes India joint venture ('JVs') and associates

Where we operate

We are one of the world's largest communication providers managing our business across two geographic regions – Europe, and Africa, Middle East and Asia-Pacific ('AMAP')

Operations in 26 countries

Europe

[illegible]

AMAP

[illegible]

We are the number one or two mobile operator in most of our country operations and are a rapidly growing fixed provider

■ Our subsidiaries

[illegible]

■ Joint ventures and associates

[illegible]

Worldwide service reach

partner markets

To extend our reach beyond the companies we own we have 48 partnership agreements with local operators

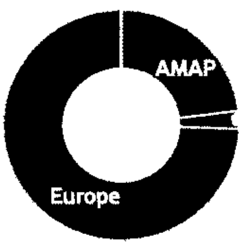
countries with IP-VPN

We are among the top five internet providers and one of the world's largest operators of submarine cables

countries with 4G roaming coverage

Our leading global 4G roaming footprint serves twice as many destinations as the best local competitor in most of our markets

Group service revenues



Notes:

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Our main markets and joint ventures

	Mobile customers (m)	Fixed customers (m)	Mobile revenue market share (%)	Fixed revenue market share (%)	4G coverage (%)	NGN coverage (%)
Germany	30.7	6.3	33.9	20.6	90	65
UK	17.9	0.2	22.6	4.8	96	88
Italy	23.0	2.2	32.3	6.7	97	43
Spain	14.4	3.2	— 20.3 —		93	65
Vodacom Group	46.7	<0.01	30.9	2.7	[illegible]	[illegible]
India	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
VodafoneZiggo	[illegible]	3.2	30.5	[illegible]	[illegible]	[illegible]

Notes:

[illegible]

Market overview

Understanding our challenges and opportunities

The fixed and mobile telecommunications market is constantly evolving with increasing demand for faster data speeds, ongoing external regulatory and competitive pressures and changing societal expectations.

We operate in a fast-moving market where innovation and scale are key

Importance and speed of change in the telecommunications industry

Telecommunications is an essential service used by over seven billion mobile customers and 0.9 billion broadband users across the globe. The global mobile industry generates around €1.65 trillion of revenue. 52% of revenue arises from traditional voice calls and messaging services.

On average, a customer consumes 203 outgoing minutes per month, which has been largely stable over the last couple of years. The demand for mobile data services to watch videos, browse the internet and use various "apps" has accelerated rapidly and today 48% of global revenue comes from data, compared to only 22% five years ago.

The number of smartphone users continues to grow rapidly. Today 45% of mobile handsets are smartphones, compared to 11% five years ago. This is being driven by rising living standards and population growth, combined with lower airtime and device costs.

The fixed telecommunications market includes calls, broadband and TV packages generating €0.7 trillion of revenue annually. The number of voice-only users continues to decline as customers disconnect their landlines in favour of mobile phones, however the take-up of broadband and pay TV services offsets this. According to Ovum, fixed broadband will be the fastest-growing market with revenues increasing at a compound annual rate of 3.1% from 2016 to 2021, ahead of pay TV at 2.5% and mobile at 1.9%.

In broadband markets, an increasing proportion of customers are upgrading from copper-based ADSL with speeds up to 24 Mbps to high-speed fibre and cable with speeds up to 1,000 Mbps. We believe that Gigabit networks direct to homes and businesses form the bedrock of modern digital communications infrastructure.

Value of the mobile and fixed market in 2016

Why we are well positioned

We are one of the largest telecommunications providers in the world with typically a number 1 or 2 position by market share in mobile in each country we operate in and the largest NGN footprint in Europe.

Growing demand for data and high-speed networks

The telecommunications industry has transformed significantly in the last 30 years.

In the 1990s, mobile phones were mostly used for calls on 2G networks, and basic picture messages could be sent at very low speeds of 50–200 Kbps. Today users can enjoy 4G speeds of up to 800 Mbps for rapid video downloads, with 1 Gbps speeds already demonstrated. This network technology innovation has been accompanied by the growing demand for smartphones which are now used by 63% of Vodafone's European customers.

Fixed network development has been equally rapid. In the 1990s most fixed connections were for landline calls, today the greatest use is broadband internet usage. Average download speeds have progressed rapidly from around 8–16 Mbps using copper-based technology in 2007 to 1 Gbps using cable or fibre today. These developments bring significant opportunities to drive further revenue from increased data usage, but also require investment to keep up with technology.

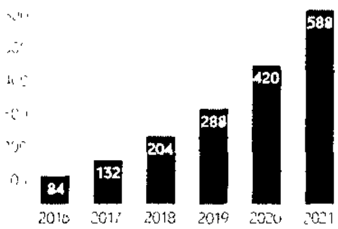
These developments are collectively leading to substantial growth in data traffic. Between 2011 and 2016 mobile data traffic increased by an average of 75% p.a. and today 95% of total traffic on mobile networks across the globe is data. 5G, the next major step in mobile technology, is expected to launch commercially by 2020, most likely only in dense urban areas in Europe and will enable speeds of up to 1 Gbps combined with extremely quick reaction times. This will support the development of new applications, including in the areas of augmented and virtual reality.

Smartphone average monthly data usage

4G data traffic of total traffic in 2016

Global mobile data traffic[1]

'000 petabytes (1 petabyte = 1m gigabytes)



Why we are well positioned

We have the best data network in 14 out of the 21 countries we operate in and we can market fixed services to the most homes in Europe with next generation fibre or cable with speeds of up to 1 Gbps.

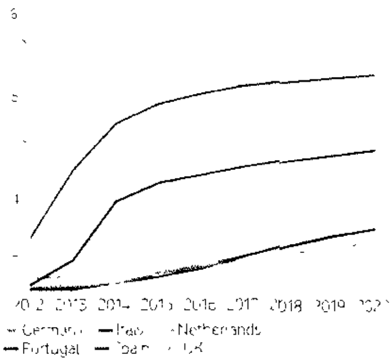
We must also manage external pressures and expectations

Increasing demand for converged solutions

Today, consumers are increasingly taking bundles of mobile, landline, broadband and TV services. For the consumer this provides the benefit of simplicity – one provider for multiple services – and better value. For operators this provides higher customer loyalty as well as operational efficiencies.

The same motivations apply for businesses which are increasingly taking advantage of converged services that bring together communications tools that work across all fixed and mobile end points.

Fixed households with both fixed and mobile services[1]



Why we are well positioned

As Europe's largest broadband company, we are ready for the growing demand for converged services. Our high-speed data networks in Europe can reach 315 million people with 4G mobile and 96 million households with fixed broadband.

Increasing competition

The telecommunications industry is highly competitive, with many alternative providers giving customers a wide choice of supplier. In each of our countries of operation, there are typically three or four main mobile network operators, such as Vodafone, and several resellers that 'wholesale' network services from operators to sell on to their customers. In our fixed markets there is usually one national fixed incumbent (typically the former state owned operator), one or two cable and satellite companies and re-sellers that rent network services from the incumbent. In addition there are an increasing number of over-the-top ('OTT') operators that provide internet-based apps for content, messaging and voice services. Our enterprise business also faces competition from OTT and cloud service providers which offer IT infrastructure as a standardised service on a 'pay as you go' model.

The high level of competitive intensity has resulted in continued downward pressure on the price of services, with the average cost per unit of mobile data falling nearly 40% p.a. over the last three years.

Average reduction in the price per GB of data over the last three years

Why we are well positioned

Our substantial investments continue to provide superior network and customer service levels, supported by a very wide range of mobile and fixed products and an unrivalled global reach, to deliver a leading customer experience across the majority of our markets.

Regulatory burden

The telecom industry is heavily regulated. Vodafone's European businesses are overseen by more than 200 national and regional regulatory authorities covering areas such as spectrum allocation, roaming charges, consumer rights, copyright, data protection, cyber security and the wholesale fees that operators charge each other. While these policies are designed to protect consumers, for example by championing ever-lower retail prices, they have historically failed to adequately address the need to encourage operator investment in the latest technologies.

of our European revenue subject to regulated roaming and mobile termination rates

In June 2017 European regulators will abolish mobile retail roaming charges enabling customers to use their phones abroad at the same price as they do at home.

Why we are well positioned

We have launched roaming inclusive plans across all our EU markets well in advance of regulation and already have a significant portion of our customers that do not pay extra for EU roaming. Vodafone typically offers twice the number of 4G roaming destinations to its customers than any other operator.

Changing customer and societal expectations

Today communication networks underpin every aspect of society, enabling citizens to increase their knowledge while providing access to services that can improve health and wellbeing, enhance skills and increase prosperity. In this context, companies need to ensure they operate responsibly as they strive to deliver their objectives. There are areas within the telecommunications industry that are a source of public concern – such as privacy, tax and digital human rights – areas that our ongoing corporate transparency programmes address directly.

Why we are well positioned

As one of the world's largest communications companies, we are proud of the role that we play in bringing social benefit to more than half a billion mobile customers across 26 countries. Page 26 of this report shows how we are successfully aligning our business objectives with a clear social purpose to create value and meet customer expectations.

available in ten markets

Notes:
1 The industry …
2 Source: …

Chief Executive's strategic review

Building a converged communications leader

Our focus on delivering an excellent customer experience has delivered further improvements in our overall commercial and financial performance during the year

Review of the year

Vodafone's transformation into a leading converged operator in our developed markets made further progress this year, while long-lasting tailwinds from rising smartphone penetration and data services adoption drove growth in our emerging markets. This was supported by our strategic differentiators – Network Leadership, Customer experience excellence and outstanding people – together with improved cost efficiency. Overall, I am pleased to report that the Group's commercial and financial performance has further improved, although on a reported basis this was masked by currency headwinds.

Network Leadership: building a "Gigabit Vodafone"

After the large investments made during Project Spring, this year our capital spending, measured as a percentage of our revenue, returned to a sustainable mid-teens level. Even so, we continued to record improved mobile network performance relative to smaller competitors in almost all of our markets. This performance gap is critical as by providing a differentiated experience to our customers we can justify a price premium relative to discounters. We now have the leading or co-leading data network in 14 out of the 21 markets in which independent tests are available, and all 21 for voice.

We aim to improve our customers' experience even further with the introduction of "Gigabit LTE" – also sometimes described as "4G+" – in the coming years. In addition, we will upgrade our cable and fibre next-generation networks (which now pass 36 million homes, including the VodafoneZiggo JV in the Netherlands) to provide gigabit speeds, differentiating our services from those provided by copper-based incumbents.

Customer eXperience eXcellence: our formula for differentiation

Providing an outstanding customer experience is critical if we are to capitalise fully on our network advantage.

We aim to ensure that all of our customers experience reliable Connectivity, Always enjoy excellent value, are Rewarded for their loyalty, and receive Easy access to support when they need it. This CARE formula, systematically introduced since 2015 across all of our operations, is designed to provide our customers with an excellent experience that is unique to Vodafone. We measure our progress regularly using the Net Promoter Score ("NPS") methodology. I am very pleased that we have further extended our advantage during the past year. We are now the leader or co-leader in 19 out of 21 markets, with an average NPS gap to the third placed player of 11 points. A year ago we were a leader or co-leader in just 15 markets with a gap of 4 points. In the UK this is not yet the case; we have recovered a leadership position in terms of network performance and have significantly reduced customer complaints, but we still lag the competition in our overall customer perception. We are confident that our recovery CARE plan will improve the situation in the UK as well.

Vodafone-Idea: a new champion of Digital India

The entrance of a new operator in India offering 4G services for free has created industry turbulence, leading us to take an impairment charge of €5.7 billion net of tax. We have moved strategically to face the new context by proposing to merge Vodafone India with Idea Cellular, the number 3 operator in India, which will create a new market leader with the scale to invest in India's digital future while also capturing an estimated US$10 billion NPV in synergies.

We will jointly control the new combined company in partnership with Idea's founding shareholder, the Aditya Birla Group, a leading Indian-based international conglomerate. We will own 45.1%, the Aditya Birla Group 26.0% and Idea's current minority shareholders will own the remaining 28.9%. We have agreed a mechanism with the Aditya Birla Group to equalise our shareholdings over time. The transaction is subject to regulatory approvals and is expected to complete during calendar year 2018.

The new company will maintain Idea's listing on the BSE/NSE exchanges in India, providing a public market valuation for this important asset.

Improved commercial and financial results

Overall, the investments made both during and after Project Spring are paying off and I am pleased to report another year of improved commercial performance and increased organic revenue and adjusted EBITDA growth for the Group's operations in Europe, Africa and the Middle East.

We remain Europe's fastest growing broadband operator with 1.2 million broadband net additions during the year, a healthy 1.1 million increase in contract mobile customers and a 0.7 million increase in our converged fixed plus mobile customer base. An improved overall customer experience allowed us to introduce more-for-more propositions in which customers received greater value for a higher monthly payment. As a result, consumer contract ARPU stabilised after many years of decline.

This good performance was reflected in European service revenue growth of 0.6%* vs -0.6%* last year. All major markets grew during the year except the UK. In AMAP we enjoyed another year of strong growth in customers, usage and local currency revenues (up 7.7%* in organic terms vs 8.0%* last year).

A stronger overall organic service revenue performance translated into even faster organic adjusted EBITDA growth (up 5.8%* vs 2.3%* last year) thanks to good progress on cost efficiency, which Nick Read describes on page 16.

None of these achievements would have been possible without the talent and dedication of our people, supported by the values of speed, simplicity and trust which we call "The Vodafone Way".

Vittorio Colao

Data

Providing the best mobile data experience

Context

- Smartphone penetration is growing rapidly, leading to increasing demand for mobile data. 63% of our customers have a smartphone in Europe compared to 59% last year
- Data usage is increasingly driven by the demand for high-definition video which requires fast download speeds for a great user experience. Data traffic increased 65% during the year
- Users want to use data without worrying about unexpected costs whether using their mobiles at home or abroad

What we're aiming for

- We're encouraging more data usage with our more-for-more initiatives that provide extra data-related benefits for a small increment to the monthly fee
- We want our customers to have the best data experience so we now provide data download speeds of at least 3 Mbps – the requirement for high-definition video – for 92% of data sessions in Europe
- We are encouraging our customers to move to 4G which provides data speeds up to 10x faster than 3G and lower latency (quick reaction time) for a better user experience. We now have 75 million 4G customers up from 47 million a year ago
- We want our customers to use data wherever they want so our 4G roaming network now reaches 118 countries
- We are preparing for 5G in the longer term by building more fibre connections to carry more data

"More-for-more" initiatives to drive usage and revenue

We aim to provide a leading mobile data experience in all of our markets in order to capitalise on the huge demand for mobile internet connectivity from both consumer and enterprise customers, and to differentiate our service from lower quality discount providers.

During the financial year demand for data continued to grow very strongly with over 2,700 petabytes of data carried across our mobile networks (including India, VodafoneZiggo and associates). This was an absolute increase in traffic this year of 945 petabytes which was greater than the total traffic carried on the network last year. Growth was driven by continued adoption of 4G with 28 million customers added during the year bringing the total base to 75 million at the end of March. This represented 33% of our active data users. With bigger touchscreens and faster speeds the customer experience improves significantly (particularly for video). As a result 4G smartphones typically drive a two to three times increase in data usage compared to 3G.

Bigger bundle sizes also contributed to usage growth as we successfully introduced "more-for-more" propositions (typically offering our customers larger data allowances for a higher monthly payment) across most of our markets during the year. The success of these initiatives was a key driver of our improved revenue growth momentum compared to the prior year.

In developing markets, where there is typically less extensive fixed infrastructure, demand for internet access via mobile is a long-lasting driver of data consumption and revenue growth. Data users continued to grow during the year by nine million to 153 million (including India), although the launch of free services by Reliance Jio in India dragged on our data customer growth during the second half. Consequently, the largest driver of data growth was increased usage levels by data customers. As in developed markets, new technologies drive higher usage: on average a 2G customer uses 0.2 GB per month, a 3G customer 0.9 GB and a 4G customer 1.7 GB.

During the coming financial year we will begin trials of "Gigabit LTE/4G+ services" which will deliver further significant gains in data speeds along with lower latency (quick reaction time). As the new technology will be based on the broad and deep 4G network built during Project Spring, the incremental cost to achieve these gains is expected to be relatively modest. We are preparing for 5G by building fibre connections to over 95% of urban sites in Europe. Additional 5G radio investments will only be made once the technology is mature and the business case is robust.

Group data traffic growth in 2017

%

Figures exclude India and the Netherlands

[illegible]

Strategy

Convergence
Combining fixed and mobile

Context

- Customers increasingly want to use converged services – i.e. bundle fixed and mobile services together under a single contract – to easily share content between their mobile phone, tablet, laptop or TV
- Access to TV programmes bundled with fixed broadband is an increasingly important driver of demand for converged services
- 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 grow as a percentage of our revenues, driven by convergence, which should also lead to higher customer loyalty and lower churn
- We aim to increase our revenue market share profitably in fixed communications
- We seek to roll out more high-speed broadband services by deploying more fibre and working with strategic partners. We already reach 96 million households in Europe, up from 72 million last year
- We're aiming to expand our TV services, to complement the take up of broadband. We already have TV services in eight markets (including VodafoneZiggo)

Vodafone Spain – leading our transition to converged services

In developed markets, the trend towards convergence – the bundling of fixed and mobile services within a single contract – continues to accelerate, aided by commercial offers which typically provide either extra value, a financial discount or sometimes both of these incentives to customers who buy multiple products. Overall, we view this trend as a substantial growth opportunity for Vodafone. We are an established leader in mobile and our recent investments have positioned us as the leading challenger in fixed with scope to gain significant profitable revenue market share by cross-selling fixed products to our mobile base. Additionally, churn rates for customers buying multiple products are substantially lower – so our success in winning fixed relationships is also expected to make our mobile base both more secure and more profitable over time.

Our fixed network footprint continues to expand, and we are now able to reach over 96 million NGN homes in Europe, giving us the largest marketable reach of any operator. 36 million of these homes are connected by our own cable or fibre networks (including VodafoneZiggo in the Netherlands). The remaining homes are mostly reached through wholesale relationships with the local incumbent operator. We plan to upgrade our own networks to deliver gigabit speeds over the coming years, which will further extend the competitive advantage we enjoy compared to slower copper-based incumbents.

Our progress this past year has been strong. We remained Europe's fastest growing broadband company, winning 1.2 million new customers. Our total broadband customer base, including VodafoneZiggo, is now 17.9 million, of which 16.6 million are in Europe. Four million of these customers are fully converged, with a further two million taking both a fixed and mobile service from Vodafone but not yet benefiting from a single bill and/or a cross-product discount. We are highly focused on converting these customers onto fully converged bundles. Additionally, in the Netherlands just 25% of Ziggo's fixed customers take a Vodafone mobile product – a significant cross-selling opportunity for the new joint venture.

Succeeding in convergence also means providing a best-in-class TV experience. This past year we launched "Vodafone TV" and "Giga TV", which are best-in-class TV platforms. We also started our journey towards consolidating our TV platforms, capturing scale efficiencies. Including VodafoneZiggo, we now have 14 million TV customers, of which eight million pay for advanced digital services. We aim to distribute premium content to these customers, but where possible we prefer to avoid exclusive content deals as these tend to drive up costs for the industry with no lasting competitive benefit.

Spain – lowering churn through convergence

% of customers that leave us based on the number of products (mobile, landline, broadband and TV) they buy

Mobile only	27
Three products	13
Four products	6

of our service revenue comes from fixed services

Strategy

Context

- Seamlessly integrated connectivity has become a central part of running a business today
- Businesses are seeking secure and reliable mobile and fixed solutions to support efficient and effective operations
- The lines between mobile, fixed and IT are blurring, driving new business opportunities, but also a more competitive market environment

What we're aiming for

- We are building a comprehensive total communications portfolio rooted in our core strength in mobility
- 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, capitalising on our Project Spring investments
- Our strategy is focused around three market segments – small and medium sized enterprises, large and multinational corporates, and carrier services
- We intend to continue to invest in the growth areas of converged communications, Cloud & Hosting, Internet of Things, security and fixed connectivity

Providing network connected, global cloud services

[illegible]

Enterprise remains a key driver of our business representing approximately 30% of revenue. During the year our enterprise revenues continued to grow in contrast to leading European peers who experienced a decline in their business. This outperformance reflects four important differences in our business composition and strategy, compared to a typical incumbent operator position.

First, we operate in more international markets than all of our traditional telecom rivals and as a result we have a cost advantage compared to nationally based competitors who are forced to wholesale at a higher cost in order to provide services outside their home market to multinational clients. This advantage in terms of our global reach is reflected in the strong performance of Vodafone Global Enterprise, which grew 5.0%* in the year.

Second, the trend towards convergence represents an important opportunity for profitable revenue market share gains in fixed services for enterprise, where our market share is only around 7%. We have now built a global IP-VPN footprint which is on par with the largest global competitors, reaching 272 Points of Presence in 7[illegible] countries. In addition we are developing a range of adjacent services such as Cloud & Hosting and security solutions, to further increase our share of customers' spending. Our early success is reflected in growth of 4.4% in non-mobile revenues during the year, which in total now account for 19% of our total enterprise sales.

Third, we remain the market leader in the fast-growing Internet of Things ('IoT') segment which holds huge future potential, with 54 million devices connected on our IoT platform. In particular our performance in the automotive segment remains strong with BMW, Porsche and many others relying on our IoT solutions. We launched narrowband IoT in Spain and have trials running in several countries. With seven times the coverage reach of existing GSM-based services and very low power consumption (devices could last up to ten years with a single AAA battery), this technology is likely to catalyse a new wave of innovation and industry growth.

Finally, the composition of our revenues is different from many of our rivals. We have very limited exposure to declining fixed voice calling or segments such as the UK public-sector, which have been under pressure from government spending cuts; conversely we enjoy strong growth in our emerging markets operations, for example with Vodacom achieving 12% enterprise growth during the year.

It is also important to recognise that there are challenges ahead. Our core European mobile revenues remain under pressure as a result of intense competition, so it is important that we diversify into fixed and related services. In addition we have a number of legacy fixed contracts inherited from the Cable & Wireless acquisition that are not sufficiently profitable, reflecting a large number of costly legacy networks and associated products. These networks are being phased out and customers migrated to modernised solutions over the coming years.

Enterprise service revenue growth*

2015	[illegible]
2016	[illegible]
2017	**2.3**

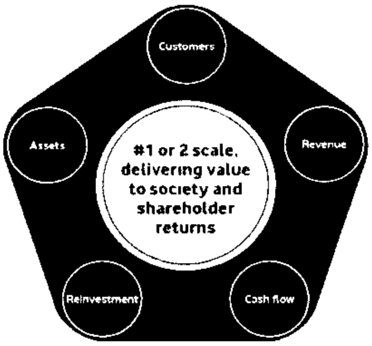
[illegible]

Chief Financial Officer's review

A focus on returns

The Group is performing strongly, supported by leading network quality and growing customer advocacy. We continue to deliver good cost efficiency, supporting the Group's improving free cash flow profile and underpinning our dividend

Our business model: leading scale that enables constant reinvestment in our core assets to drive growth



Our business plan: leading scale and sustained investments to provide high-quality services and attract customers, which in turn provides the funds for reinvestment and attractive shareholder returns

Pages 18 and 19

Our business model

Vodafone has invested €71 billion over the past four years (including India) in order to strengthen the quality of our assets and enhance our customers' experience. This commitment to invest lies at the heart of our strategy as it enables a differentiated customer experience, supporting our leading market share and premium price position. Scale is also critical, as only a leading or co-leading market position – combined with highly efficient operations and talented people – provides us with sufficient cash generation to continue to invest while also earning the necessary return for our shareholders. This virtuous cycle – in which investment drives a differentiated customer experience supporting leading scale, which enables ongoing reinvestment – is the key to our business model (see pages 18 and 19).

I am confident that the investments we have made have repositioned Vodafone for future profitable growth. However, our returns on capital are below our cost of capital in several important markets, as is evident from our modest adjusted EBIT margin of 8.3%. Consequently I remain focused on three key activities in order to drive our returns on capital higher in the years ahead.

Fit for Growth: a second phase of savings identified

Fit for Growth is a comprehensive cost efficiency programme designed to drive operating leverage and margin expansion without impacting the customer experience.

During the year we have continued to make good progress delivering an absolute reduction in our cost base on an organic basis. This is despite the significant underlying cost inflation created by Project Spring and continued strong growth in fixed and mobile customers during the year. Areas of significant cost saving included procurement, shared service centres, improved sales channel efficiency and standardised network design. This cost focus is reflected in our improved margin performance with 15 markets out of [illegible] growing adjusted EBITDA faster than service revenue, driving a 1.2* percentage point improvement in organic Group adjusted EBITDA margin.

Phase two of the Fit for Growth programme has now been developed and new internal three-year margin targets have been set across the Group. These imply another reduction in absolute operating costs on an organic basis during the coming financial year.

Substantial investments over the last four years (including India)

Capital expenditure

new and upgraded base station sites to improve coverage and quality

M&A

acquired leading fixed and IoT companies to become a fully converged operator

Spectrum and licences[1]

markets have 800/700 spectrum for 4G (vs [illegible] in 2013)

Note
1 Renewals and acquisitions

Future opportunities include the modernisation of our legacy IT infrastructure with scalable low-cost cloud-based solutions and greater use of digital technologies to reduce the cost of customer interactions.

Portfolio management: India and the Netherlands in focus

We continue to actively manage our portfolio of operating companies. We must either achieve leading or co-leading scale in a market or find a path over time to divest the asset. This approach is critical to ensure that we are allocating our capital investment towards higher return opportunities.

This year we completed our joint venture with Liberty Global on 31 December. VodafoneZiggo has convergence co-leadership alongside the incumbent and so is in an ideal position to compete, while capturing synergies with a net present value of €3.5 billion. Currently, the mobile market in the Netherlands is highly competitive, weighing on our growth. However, given future cost synergies and the opportunities for cross-selling, we remain confident in the mid-term outlook and expect to receive our share of at least €500 million in cash returns from the JV during calendar year 2017.

In addition, as it to the main outlined at the end of March, we announced our intention to merge our Indian business with Idea Cellular in India, creating a new market leader with synergies worth approximately US$10 billion. Under IFRS rules India is technically treated as a discontinued operation for 2017 and prior financial years.

From an operational perspective, the Group remains highly focused on the management of the business and committed to its continued success, both prior to the completion of the merger and thereafter.

Given India currently generates minimal free cash flow for the Group and has historically required large spectrum investments, the merger also improves our dividend coverage. The merger is subject to regulatory approvals and is expected to complete during calendar 2018.

Compensation: a focus on adjusted EBIT

We are changing our compensation structure to align incentives more closely with adjusted EBIT. Adjusted EBITDA is an important measure of our performance, however it does not capture the cost of our capital investments. This change will help to ensure that the company remains highly focused on capital efficiency moving forwards.

Performance against 2017 financial year guidance

Based on guidance foreign exchange rates, adjusted EBITDA for the 2017 financial year grew organically by 3.1%* to €15.8* billion, consistent with the 3% to 6% organic growth, implying €15.7 to €16.1 billion, guidance range set in November 2016 (excluding India). On the same basis our free cash flow was €4.3 billion, consistent with our free cash flow guidance of at least €4.0 billion. Our results are analysed on pages 35 to 43 in more detail.

Pages 35 to 43

Looking ahead

We expect adjusted EBITDA to grow organically by 4% to 8%; this implies a range of €14.0 to €14.5 billion at guidance exchange rates. This range excludes Vodafone India but includes the benefit of shareholder recharges received by the Group from VodafoneZiggo and from Vodafone India as well as an anticipated benefit from the introduction of handset financing in the UK. Note that shareholder recharges are excluded from our calculation of organic growth.

Excluding Vodafone India, we expect free cash flow of around €5.0 billion before the impact of M&A, spectrum payments and restructuring costs.

The Board intends to grow dividends per share annually. Dividends will be declared in euros and paid in euros, pounds sterling and US dollars. 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 over the five business days during the week prior to the payment of the dividend.

Nick Read

out of 22 countries growing adjusted EBITDA faster than service revenue
(2016: 15 countries)

Adjusted EBITDA margin[1]

%

2015	28.3
2016	28.4
2017	**29.7**

Note:
1 2017 includes nine months of Vodafone Netherlands results.

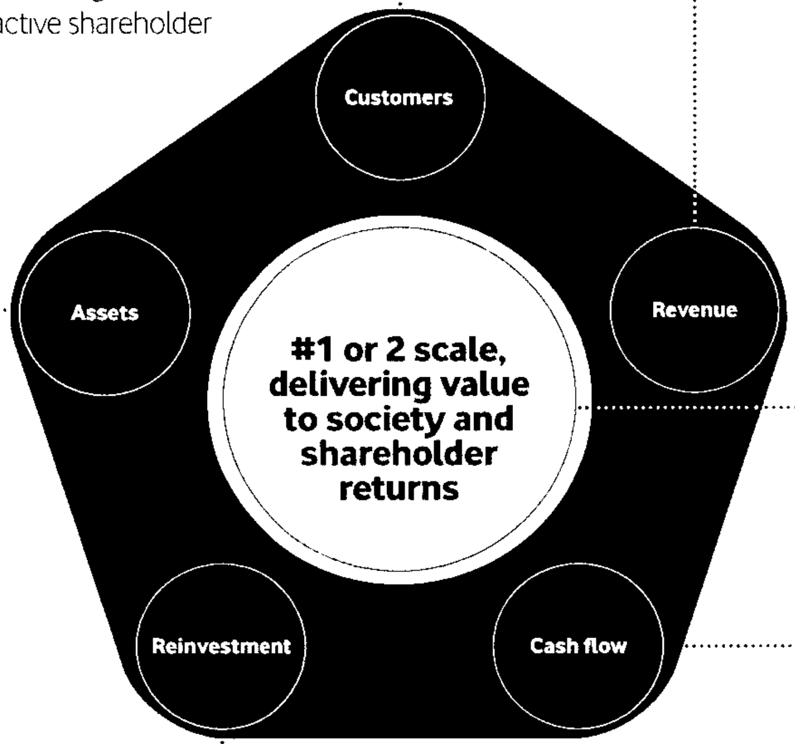
Creating a market leader in India

With effect from 1 April 2016, the Group's **presentation currency was changed from pounds sterling to the euro** to better align with the geographic split of the Group's operations.

Our business model

Delivering value for society and returns to our shareholders

We deliver long-term benefits to society by providing access to digital services. Our scale enables us to invest in superior gigabit infrastructure while delivering an excellent customer experience that drives revenues and cash-flow generation – allowing us to reinvest and provide attractive shareholder returns. A virtuous business cycle



Assets

To maximise our returns and ensure we run a sustainable business we must effectively manage our key resources and relationships This means sustaining investment at a sufficient level to maintain the quality of our assets and ensure we retain our leading scale

Network

To provide mobile services we primarily acquire spectrum licences in each of our markets through government run auctions which we combine with our global network of base station sites to transmit mobile signals. To provide fixed services we use a combination of our cable and fibre assets, and wholesale agreements with other operators

IT infrastructure

Our big data/data analytics capabilities and IT resources include our 65 data centres, which hold information such as customers' details and usage our customer relationship management systems and billing services, big data capability and our online customer service tools

Network Leadership

Products & services

We provide mobile services for calls texts data and roaming fixed products for internet access, data networks, calls and TV IoT to connect machines to the Internet Cloud & Hosting for storing data and applications in the Cloud and carrier services for other businesses to transmit information across the globe

Customer relationships

Our distribution channels include around 7000 own-branded and franchised stores, online sales and telesales presence for individual customers Enterprise customers are also served by our direct sales team of 5,650 people, a network of 5,000 indirect partners and our telesales personnel Our digital service channels also include live webchat capability 'My Vodafone' app and artificial intelligence chatbots

Customer eXperience eXcellence

Brand

Vodafone is one of the most recognised and valuable telecoms brands in the world with an attributed worth of US$22 billion[1] which helps us to retain and attract customers

People

Diversity matters to us We employ 108,271 people representing 136 nationalities The 195 members of our senior leadership team comprise 21 nationalities

People and Culture

Financial resources

Over the last three years we have generated strong free cash flow and our pro-forma ratio of net debt to adjusted EBITDA at 2.2 times is below the industry average

Fit for Growth

Note
1 Source Brand Finance 2017

Customers

We serve a wide range of customers including 516 million mobile customers, 18 million broadband users and 14 million TV customers. In addition our networks provide 54 million IoT connections for services such as smart meters or internet in the car. As a global company we reach many countries: 23% of our mobile customers are from Europe and the remainder are from emerging markets such as India and Africa.

We serve a variety of enterprise customers including 1,900 multinational corporates, 90,000 public sector and national companies, and nine million small and medium sized enterprises.

Among our fixed broadband customers, 11 million (including VodafoneZiggo) take high-speed fibre providing download speeds up to one gigabit per second.

Total mobile customers (incl. India, JVs and associates)

Revenue

90% of our revenue is service revenue from customers and wholesale partners for providing mobile and fixed connectivity. Most of this is from mobile services but fixed services are becoming increasingly important due to our investments in fibre and cable networks and strong growth in broadband customers. Services are charged either on a contract basis, typically for a fixed one to two year term, or on a prepaid ('pay-as-you-go') basis. Contract customers may also receive a mobile handset and the repayment for the handset is included in the monthly fee. The remainder of our revenue comprises non-service revenue for a variety of items such as sales of handsets and accessories.

Share of service revenue from fixed services

Reinvestment

Over the last four years we have invested €71 billion into the business. This comprises €40 billion to modernise our mobile and IT networks and deploy fixed fibre networks in Europe (including Project Spring), €13 billion to secure spectrum for 4G services and €18 billion on acquisitions – including cable companies in Germany and Spain.

Reinvested in the last four years, including India

Free cash flow

We have a strong track record of converting revenues into free cash flows – with some €6.7 billion generated over the last three years – despite the increased investment in Project Spring. This reflects the benefits of our local and global scale, which creates significant efficiencies, supported by our increased efforts to reduce costs.

Free cash flows generated in the last three years, including India

Delivering value to society and shareholder returns

Our products and services play an essential role in the daily lives of more than half a billion people globally.

Our three global transformation goals – described in our sustainable business strategy on page 2[illegible] – aim to deliver meaningful socio-economic benefit for our customers and wider society and will be achieved by means of our core long-term business objectives.

Our commitment to enhancing lives and livelihoods – together with our longstanding commitment to operating responsibly – is key to creating a sustainable business and is therefore integral to our duty to maximise returns to our shareholders.

The ongoing cash generated from operations allows us to sustain generous shareholder returns while also investing in the future prosperity of the business. Our shareholders regard the dividend as an important element of that return and that is why we have increased the dividend per share every year for more than 17 years. In the 2016 calendar year Vodafone was the 5th largest dividend payer in the FTSE 100.

Dividends to shareholders

Tonnes of greenhouse gas emissions saved per tonne generated

Page 16

Our business model (continued)

How we are building competitive advantage through our core programmes

We aim to outpace our competitors by using our unique skills and assets to provide a world-class communications service.

Network Leadership

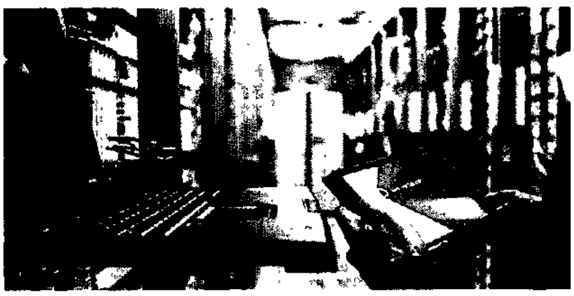
Investing in our infrastructure

Over the years we invested [illegible] billion in network and IT infrastructure which has enabled us to further expand our reliability, data speeds, coverage and customer service. According to independent tests conducted by agencies in 21 markets (including India), we are either first or second in terms of data network quality in 14 markets; 92% of our customers' data usage in Europe is at speeds sufficient to watch high definition video and our dropped call rate of just 0.37% in Europe means we provide a reliable voice connection. Our high speed fixed broadband networks (including VodafoneZiggo) reach 3[illegible] million households with our own cable or fibre and a further 60 million through wholesale deals, enabling us to reach 59% of the European population.

4G coverage in Europe

Homes reached with next generation fibre or cable in Europe (including VodafoneZiggo)

The best network



Customer eXperience eXcellence ('CXX')

Improving customer experience

We are building on our Network Leadership to deliver an outstanding and differentiated user experience through our Customer eXperience eXcellence programme – our core marketing strategy for brand and service differentiation. This comprises four key areas which we summarise by the acronym **CARE**:

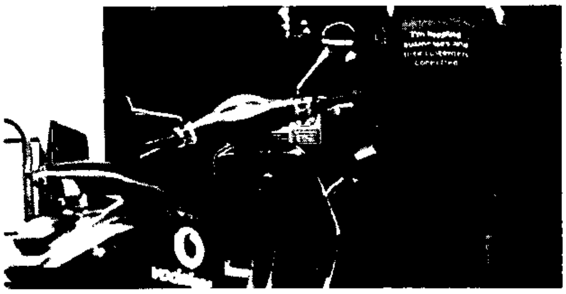
- **C**onnectivity that is reliable and secure;
- **A**lways excellent value to ensure we remain competitive;
- **R**eward loyalty to incentivise long-term customer relationships; and
- **E**asy access to customer service contacts.

A key CXX performance measure is the Net Promoter Score (NPS). The average NPS gap to the third placed operator reached 17 percentage points, representing a three point improvement year-on-year.

Markets have tailored reward programmes

Consumer contract churn

The best customer experience



Fit for Growth

Managing our financial resources

Fit for Growth is a comprehensive cost efficiency programme to generate the funds to sustain future growth. This is based on external benchmarking analysis to determine the cost saving opportunity within each local market as well as Group programmes where our global scale can provide a competitive advantage.

During the year we continued to make significant cost savings in several areas. These included centralising procurement, utilising shared services, investment in direct sales channels so new customers reach us via branded rather than more expensive third party channels, standardisation of network and IT platforms and zero based budgeting initiatives.

These savings have supported the 1.2 percentage point improvement in organic Group adjusted EBITDA margin during the year.

My Vodafone App penetration

Investment in online and digital channels

of procurement centralised, which provides efficiencies due to our scale

People and Culture

Being a great place to work

Our people are behind every aspect of our strategy, so it is important that we attract, develop and retain exceptional people. We also want our employees to act in The Vodafone Way – by operating with speed, simplicity and trust. Therefore we have initiated three people programmes. First, initiatives focused on female employees to support our goal of building a diverse and inclusive organisation. These include our global maternity policy introducing a global minimum maternity standard and our ReConnect initiative to bring women back into the workforce after a career break. Second, our enhanced CARE training initiative to ensure front line employees act with empathy for our customers and take ownership to solve their problems. To date 45,000 employees and third parties have completed the training. Third, incorporating digital technology to improve our hiring process, career development tools and the workplace experience.

Employee engagement index (including India)

of the senior leadership team are women (including India)

Developing our people

Key performance indicators

Monitoring progress and performance

We measure our success by tracking key performance indicators that reflect our strategic programmes and growth drivers This allows the business and major stakeholders to analyse and judge our performance

Changes to KPIs this year

We have updated our KPIs to measure more accurately the impact of our core programmes on our strategic, operational and financial performance

To reflect our efficiency ambitions as part of the Fit for Growth programme we have added our goal to achieve higher organic adjusted EBITDA growth compared to service revenue growth. We have removed European average smartphone data usage as a separate KPI as its impact is captured by the growth in 4G customers which we view as an important driver fuelling overall data usage. We have also removed our employee engagement KPI as our performance is now comparable to our peers

New KPIs

– Adjusted EBITDA growth vs service revenue growth

KPIs removed

– Employee engagement

– European average smartphone data usage

Core programmes

Network Leadership

4G Europe coverage[1]

Achieved

2017 92

Customer eXperience eXcellence

Consumer mobile net promoter score[1,2]

More work to do

2017 19

Fit for Growth

Grow adjusted EBITDA faster than service revenue, improving margins

More work to do

2017 15

People and Culture

Diversity: Women in senior management (including the senior leadership team)[1,2]

Achieved

2017 25

Financial performance

This has been a solid year of execution for the Group delivering commercial momentum with sustained underlying growth. With the recovery of European revenues and the continued strong growth in our African and Middle East operations, we met our financial guidance and increased our dividend per share by 2% to 14.77 eurocents

Pages 35 and 41

Organic service revenue growth

Achieved

2017 1.9

Organic adjusted EBITDA growth

Achieved

2017 5.8

Strategy

Strategic growth engines

Data

4G customers

Achieved

20.7
46.8
2017 74.7

Fixed as a percentage of enterprise service revenue

Achieved

26
28
2017

Convergence

Europe owned NGN coverage

Achieved

25
29
2017

Fixed broadband customers

Achieved

12.0
13.4
2017 17.9

Free cash flow

Achieved

1.7
1.3
2017 4.1 4.3

Dividend per share

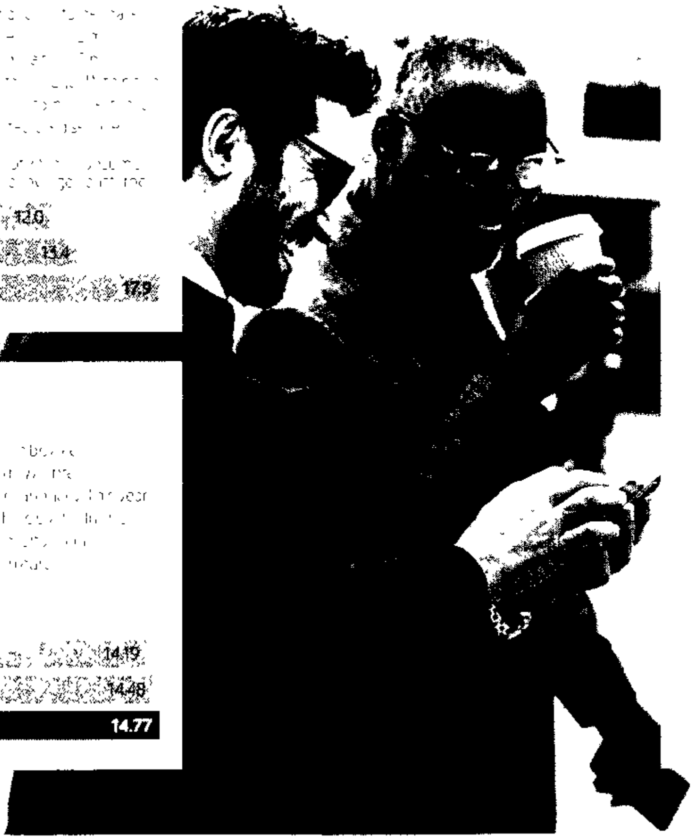
Achieved

14.19
14.48
2017 14.77

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. While these KPIs continued to show improvement this year, Group annual bonus was lower than last year as overall performance was slightly below our internal targets.

Pages 67 to 83



The people behind our business

Our people are behind every aspect of our strategy and are committed to delivering superior network performance and providing a great customer experience

A diverse and inclusive organisation

This year we employed an average of 108,271 people with 156 nationalities as well as over 24,485 contractors. Our senior leadership team includes 21 nationalities, bringing together a diverse set of experiences and opinions to help us achieve our goals and better understand the needs of our customers. Our commitment to diversity and inclusion begins at the top with clear leadership from the Vodafone Group Plc Board and is embedded at every level of every business through The Vodafone Way, the Code of Conduct and our Business Principles.

Living The Vodafone Way

The Vodafone Way underpins our culture and sets out the type of organisation we want to be. At the centre of The Vodafone Way is a focus on three core principles: speed, simplicity and trust. We want our people to respond swiftly and effectively to challenges and opportunities – especially those that affect our customers. We want them to do so while avoiding unnecessary bureaucracy and costly and cumbersome internal processes.

And we want all of our business activities and decisions to be informed by an understanding that earning and retaining the trust of our customers, our employees and all other stakeholders must be integral to everything we do.

Doing what's right

We recognise that ethical conduct is just as important as high performance and that failure to operate ethically will impact our business. Our Code of Conduct outlines the behaviours we expect from every single person working for and with Vodafone. Our 'Business Principles' are the foundation of how we do business and set out the values we want everyone who works for or with Vodafone to respect. Together these elements ensure we protect Vodafone's reputation, our people and our assets. Further details can be found on The Vodafone Way, Code of Conduct and our Business Principles at vodafone.com/governance.

Focusing on our customers

Over the last year we have focused on improving customer experience through a new Vodafone Way of CARE training initiative.

The core of the programme ensures front line staff act with empathy for customers, take ownership to solve their problem and for team leaders to coach performance.

So far more than 39,000 contact centre agents and team leads have completed the training as well as over 4,000 retail store managers and advisers.

Training our senior leaders has also been key and all leadership teams participated in a Customer Experience Leadership programme, a two-day workshop focused on listening to customers and understanding external best practices. This is all part of our approach to ensure the needs of our customers are understood and everyone leads by putting the customer first.

Attracting and developing great people

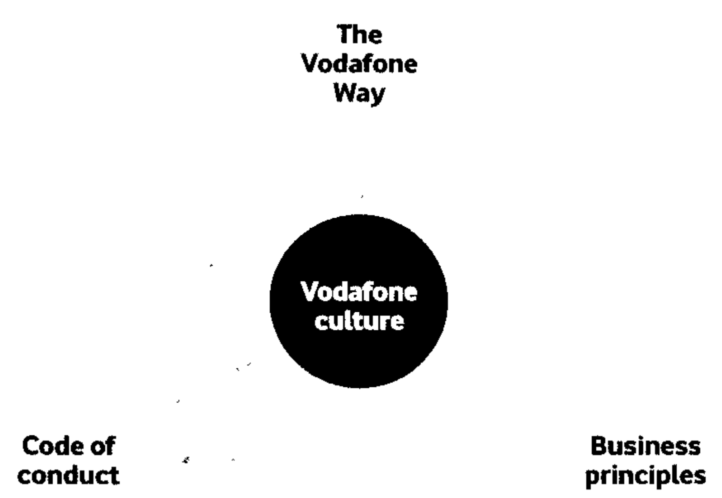
This year we invested more than €80 million in employee training and development. These programmes take many forms, from structured learning and formal training through to coaching and mentoring.

Our 'Discover' programme for graduates accelerates the careers of high performing graduates with over 890 people recruited onto this programme during the year. After the programme a number of 'Discoverers' join our international programme – 'Columbus', with the purpose of building leadership skills through a challenging two-year assignment outside their home country.

These programmes are acknowledged and welcomed by our employees. In the 2016–17 Global People Survey 81% of employees surveyed said that they benefited from opportunities to learn the skills they needed to do their jobs well, a one percentage point increase in responses to the same question in the survey in the previous year.

We also look for ways to innovate and digitalise our recruitment and selection process to attract the best people. This year we worked with HireVue to design a new end-to-end graduate experience embedding psychometric assessments into a video interview platform for a unified 'world-class' candidate experience.

People and Culture

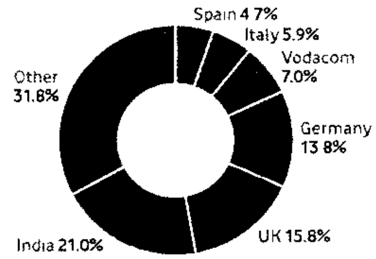


Strategy

Digital workplace training and development – the Vodafone University

[illegible]

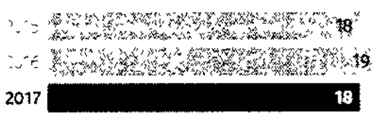
Employees by location[1]



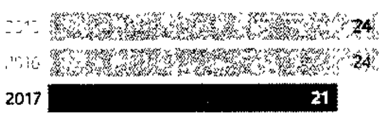
Average number of employees[1,2]

Employee engagement[1]

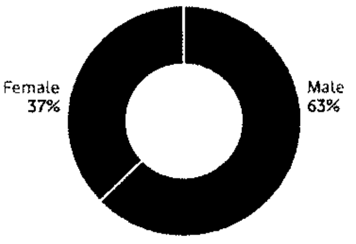
Employee turnover rate[1]



Nationalities in top senior leadership roles[1]



Gender of employees[1]



Notes:
[illegible]

...hire) we have enabled us to reduce average time to hire from 25 to 11 days and to reach our more effectively to younger recruits.

Recognising performance

We reward people based on their performance, potential and contribution to our success. This year, to drive simplification, empower our line managers and encourage more future-focused and developmental conversations between employees and line managers, we trialled a move away from our previous performance dialogue rating system. The simplified system was piloted with our senior management team and, if deemed successful, will be rolled out globally in the near future.

We continue to benchmark roles regularly to ensure competitive and fair remuneration in every country in which we operate. We also offer competitive retirement and other benefit provisions. 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 arrangements are subject to company and individual performance measures.

Creating a safe place to work

We want everyone working with Vodafone to return home safely every day. Despite all of our efforts, we deeply regret to report 11 recordable fatalities during the year.

Traffic accidents in emerging markets continue to be our main area of exposure. We have robust policies and procedures in place to manage risks and, if incidents occur, we work hard to identify and address their root causes.

Our focus in the year has been on our top five safety risks (more information on health and safety on our company website), and we work with our people and our suppliers to ensure expectations and risks are understood and preventive actions are in place.

Improving employee wellbeing has also been a key area of focus. This year we launched our fourth annual Global Wellbeing Challenge on World Heart Day in October 2016. 4,027 employees took part in a wide range of exercise activities. Together they covered a total of 302,096 miles – equivalent to going 12 times around the world, to the moon and a quarter of the way back – over 56,000 miles more than last year.

Increasing employee engagement

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 50 other large companies.

The 2016–17 survey demonstrated that 87% of employees who responded are proud to work for Vodafone, one point higher than in 2015–16. Our overall Engagement Index score – demonstrating our employees' willingness to recommend Vodafone as an employer and their desire to continue working with us – rose by two points to 8?%.

Sustainable business

Mobile and digital technologies play a powerful role in today's societies and in building "a better tomorrow", improving lives and livelihoods and creating new business opportunities and industries.

A new strategic approach

Our businesses play an integral role in the daily lives of our 516 million mobile customers and are a vital part of the national infrastructure upon which the economies of our 26 countries of operation depend. Our sustainable business strategy is founded on Vodafone's long-standing commitment to responsible behaviour in everything we do. At the centre of that strategy, launched in 2016, is our intention to work towards three significant global transformation goals. Each goal has the potential to deliver meaningful socio-economic benefits for our customers and for wider society. Importantly, each goal has been derived from, and will be achieved by means of, our core long-term business objectives. Our three transformation goals are:

- **women's empowerment:** we are strongly committed to diversity and inclusion and have set ourselves the ambition of becoming the world's best employer for women by 2025. We also intend to bring the benefits of mobile – enabling access to education, healthcare and mobile money services – to an additional 50 million female customers in emerging markets, including women in some of the world's poorest communities;
- **energy innovation:** our focus is to optimise energy efficiency in and reduce greenhouse gas emissions from our own activities. At the same time we are working to help our customers to reduce their greenhouse gas emissions by two tonnes for every tonne we generate from our own operations; and
- **youth skills and jobs:** we intend to apply our expertise in digital technologies to help young adults enhance their skills and secure employment as industries and companies embrace digital ways of working. We also intend to increase opportunities for young people to gain work experience within our businesses.

Our sustainable business strategy includes a significant focus on corporate transparency, with particular emphasis on four areas that are the source of greatest public debate and concern:

- **Taxation and total economic contribution.** Our voluntary tax transparency report – the first of its kind in our industry – includes detailed disclosures on a country-by-country, actual cash paid basis.
- **Digital rights and freedoms.** Our transparency disclosures on matters related to digital human rights include our approach and principles on law enforcement agency access to private communications, freedom of expression, censorship and the digital rights of the child.
- **Supply chain integrity and safety.** Our disclosures related to our sourcing and supply chain reflect the Group's drive to ensure responsible and ethical behaviour among our suppliers and sub-suppliers and ensure safety in our operations.
- **Mobile, masts and health.** We provide objective and accessible information to address public concerns regarding electromagnetic fields from mobile phones and base stations and explain our approach to compliance with international standards across all of our operating companies on our corporate website (vodafone.com/mmh).

What we do matters but so does how we work. Our strategy covers the principles and practice that ensure we operate with integrity at all times and remain committed to the highest standards of ethical behaviour.

Energy innovation and greenhouse gas emissions

All businesses, big and small, have a critical role to play in helping to reduce greenhouse gas ('GHG') emissions in order to limit global temperature rises to well below 2°C. The communications industry as a whole requires a significant amount of energy – in the form of electricity (and diesel for back-up generators) – to transmit vast amounts of data from billions of people, devices and machines.

During the year we began to develop a new global energy strategy, intended to bring about a significant increase in the efficiency of our own operations coupled with a focus on increasing the adoption of lower-carbon and renewable energy sources. Our networks account for most of the energy consumed in our businesses and are the main source of our GHG emissions. Customer demand for data increases every year. This in turn increases the amount of energy we need. However, our focus on energy efficiency – working with our equipment suppliers – means that the rate of growth in our power requirements is much lower than the rate of growth in demand for data.

Our sustainable business strategy

Purpose

We connect everybody to live a better today and build a better tomorrow

Transformation

Women's empowerment	Energy innovation	Youth skills and jobs

Transparency

Taxation and total economic contribution	Supply chain integrity and safety	Mobile, masts and health	Digital rights and freedoms

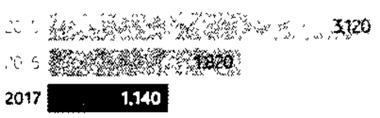
Principles and practice

During 2017 our total greenhouse gas emissions were the same as the previous year at 2.59 million tonnes of CO2e (carbon dioxide equivalent) of which India accounts for 0.51 million tonnes CO2e despite an increase in the size of our network in response to customer data demand. We continued to improve our overall energy efficiency profile during the year and achieved a 37% reduction in the volume of GHG emissions produced per petabyte (PB) of data carried to reach an average of 1,140 tonnes CO2e per PB – the best performance recorded to date.

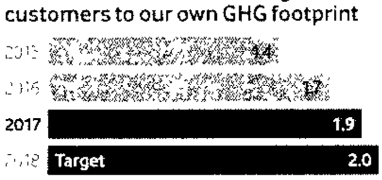
Our efforts to reduce our GHG emissions are only one aspect of our Energy Innovation goal. In parallel, we continue to innovate to help our customers minimise their energy needs, particularly through the development of IoT services, devices and processes that use network intelligence to optimise performance and minimise energy use – a field in which we are a world leader.

Greenhouse gas ('GHG') emissions

GHG emissions per petabyte of data carried by our mobile networks



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



Note:
Figures include all data carried by our mobile networks.

All data includes our operation in India (see our Sustainable Business Report vodafone.com/sustainability/report2017).

Our goal is to help our customers reduce their CO2e emissions by two tonnes for every one tonne of emissions from our own operations by March 2018. We are well on track to meet that goal: as of the end of March 2017, we were helping our customers to save 1.9 tonnes of CO2e for every tonne of CO2e we generated through our own activities.

Human Rights

Communications technologies play an important role in underpinning human rights, enabling citizens to share information, communicate and learn. Some of our most salient human rights risks relate to the citizen's right to privacy and freedom of expression. Our Digital Rights and Freedoms Reporting Centre (available on vodafone.com) sets out our policies and principles regarding a range of these issues.

In March 2017 Vodafone became a Board member of the Global Network Initiative (GNI), a multi-stakeholder body bringing together communications and technology companies, civil society, academics and investors who share a commitment to privacy and freedom of expression.

We are also fully mindful that other forms of human rights and other risks can arise within our own businesses and supply chain including labour risks, unsafe workplace conditions, environmental degradation and bribery and corruption.

Our 2017 Sustainable Business Report (vodafone.com/sustainability/report2017) sets out our progress against our global transformation goals and details our approach to mitigating the risks referred to above. We have also published a Slavery and Human Trafficking Statement and a Conflict Minerals Report in line with our statutory reporting requirements.

Business Women Connect in Tanzania

Strategy

Risk management

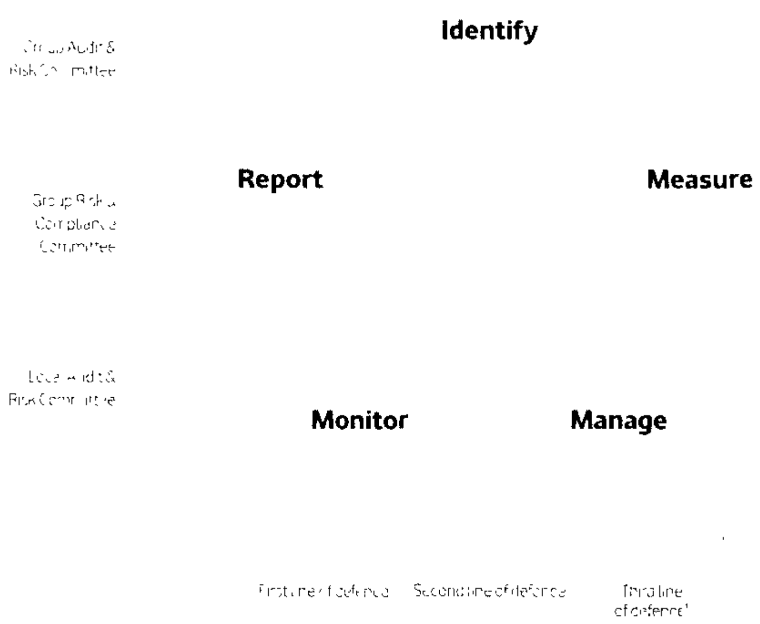
Identifying and managing our risks

We have a global framework for identifying and managing risk within our defined tolerance levels, in relation to both our operations and strategy. The framework has been designed to provide the Executive Committee and Board with a clear line of sight over risk and to enable informed decision making.

Our risk management framework

Our external operating environment is subject to constant and sometimes rapid change. We must be able to respond to this change, take appropriate levels of risk to protect our market position and take advantage of opportunities. Equally, failure to manage risk could have an adverse impact on the achievement of our strategic goals.

To understand our risk profile and align it with our objectives and decision making processes, we operate a global framework that ensures we identify risk, set tolerance levels and consistently manage risk across our business. This also allows us to consolidate our view on risk looking across all local markets, functions and specialist areas. This line of sight gives management the information they need to make the right decisions for our business.



Identify
- Risks identified in each Vodafone local market and entity
- Strategic risk reviews with senior leadership
- Group principal risks reviewed and agreed by Executive Committee and the Board

Measure
- Risk tolerance set by Executive Committee and the Board for all principal risks
- Consolidation and escalation across the Group using standardised scoring and categorisation

Manage
- Controls set to manage the risk within tolerance and ownership defined
- Risk action plans created to manage risks within tolerance

Monitor
- Co-ordinated assurance across the "three lines of defence"[1] assesses the effectiveness of the controls

Report
- Inform Executive Committee and the Board on how effectively risks are being managed
- Risk management information used to inform strategy, capex and resourcing decisions

Note
1 A term used to describe a 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 with the business operations, the second line of defence has oversight over the first line of defence (e.g. risk management) and the third line of defence are the independent assurance providers (e.g. Internal Audit).

Assurance and oversight of risks

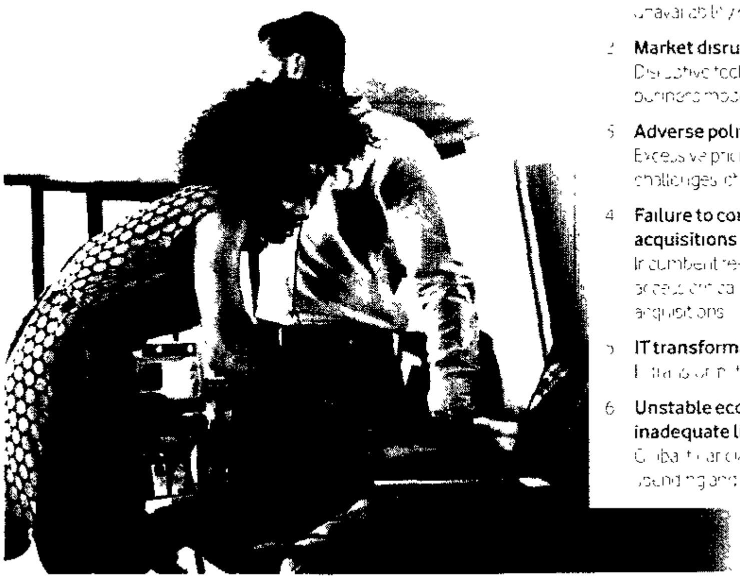
In order to provide the Executive Committee, Audit & Risk Committee and Board with a clear view on how we mitigate our principal risks and whether the mitigations are effective, we apply a model of co-ordinated assurance. Our Risk, Compliance and Internal Audit communities work together on planning, executing and reporting assurance activities to ensure that there is adequate coverage across the control environment with a robust level of independent testing.

Information gathered through our co-ordinated assurance process is provided to the relevant committees to help drive informed decision making. It also helps senior management to understand our overall risk profile, current levels of control and the culture of our business.

Strengthening our framework

We constantly strive to improve risk management and have made the following enhancements over the last 12 months:

- A consistent reporting and oversight methodology has been extended across all local markets and entities
- We have increased our engagement with risk owners to improve monitoring of key risk actions and indicators
- We have invested in a global risk tool which allows us to standardise the data stored on all risks and to share information across the Group
- We have worked to develop our risk community through best practice sharing, training and our annual Global Risk Forum



Our principal risks

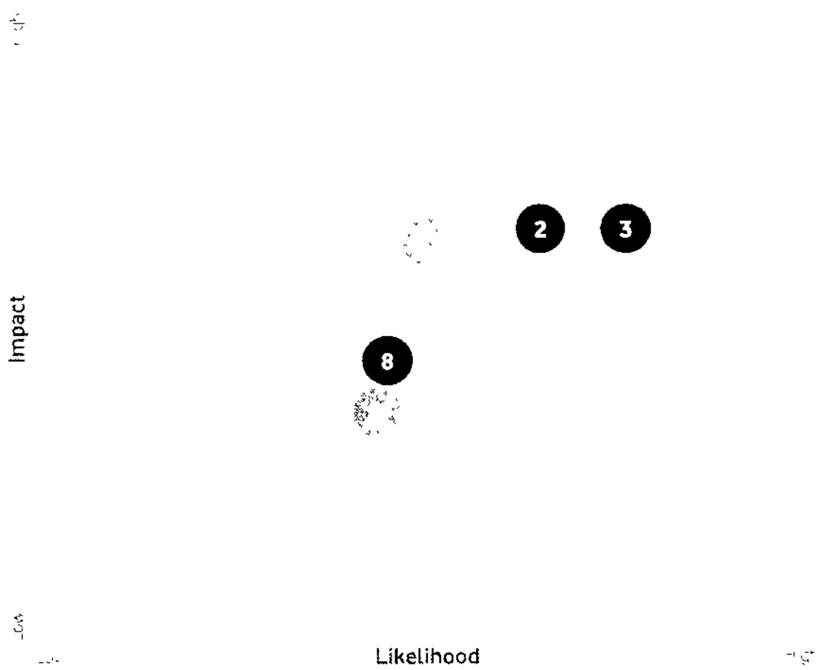
We undertake a two stage process to identify our principal risks. All local markets and entities identify their priority risks which are consolidated into a Group-wide view. We then conduct interviews with over 40 senior leaders to gain their insights. The results of both exercises are consolidated to produce our principal risks as reported here.

Key changes in the year

Our risk profile remains stable relative to last year, with the following key changes:

- The two technology risks are now considered separately as the causes for these are different (now risks 5 & 7)
- The Customer eXperience eXcellence ('CXX') risk now focuses on digital capability (risk 8)
- The adverse political measures risk now includes upcoming 5G auctions (risk 3)

Principal risks



Risk movement

● Risk increased — Risk stable ✱ Risk decreased

1 **Cyber threat and information security**
External or internal attack resulting in service unavailability or data breach

2 **Market disruption**
Disruptive technology changes in competitor business models; lack of agility

3 **Adverse political and regulatory measures**
Excessive pricing of 5G licences, tax uncertainty, challenges of changing national politics

4 **Failure to converge and integrate acquisitions**
Incumbent re-monopolisation; failure to access critical content; inability to integrate acquisitions

5 **IT transformation failure**
Failure of IT platform deliveries impacting NPS

6 **Unstable economic conditions/ inadequate liquidity**
Global financial crisis reducing our access to funding and ability to refinance

7 **Technology failure**
Failure of critical IT, fixed or mobile assets causing service disruption

8 **Failure to deliver on digital transformation and CXX**
Failure to create a differentiated digital customer experience

9 **Non-compliance with legal and regulatory requirements**
Non-compliance with laws, regulations or network licence requirements

10 **Failure to deliver major Enterprise contracts profitably**
Failure to meet commitments and/or deliver at appropriate profitability levels

11 **EMF health related risks**
EMF found to pose health risks causing reduction in mobile usage or litigation

Risk management (continued)

Cyber threat and information security

What is the risk?
A successful cyber attack or internal event could result in us not being able to [illegible] to our customers and/or failing to protect their data.

What is the impact?
Failing to [illegible] availability could [illegible] financial [illegible] reputational and regulatory impact in the markets in which we operate.

What is our target tolerance position?
We aim for [illegible] future for our customers. Security underpins our commitment to protecting our customers [illegible] and keeping their data safe.

[illegible]

Market disruption

What is the risk?
We face increased competition from a variety of new technology providers, new market entrants, evolving customer needs and competitor consolidation. We must be able to keep pace with new technology and to compete in changing markets.

What is the impact?
Our market position and revenues could be damaged by failing to provide the services that our customers want at a fair price.

What is our target tolerance position?
We aim for a fair and competitive environment in all of our markets and adopt strategies to deliver this through the [illegible] of innovative products, services and pricing models. We also work with regulators and governments to ensure a fair and competitive environment.

Adverse political and regulatory measures

What is the risk?
We are regulated in most markets and [illegible] changes in regulation toward operating environments. Significant adverse changes, for example to taxes, spectrum pricing or an unfavourable [illegible] could impact our ability to do business in our preferred manner.

What is the impact?
If the cost of operations were to significantly increase directly or indirectly, this would impact our profitability and returns to shareholders.

What is our target tolerance position?
We seek actively to engage with governments and tax [illegible] good working relationships and to help shape the [illegible] change on the Group.

[illegible]

Failure to converge and integrate acquisitions

What is the risk?
We face competition in key markets from [illegible] have the ability to sell converged services or the resulting infrastructure [illegible] that often fails to deliver a level playing field across fixed and content markets.

What is the impact?
If we fail to deliver converged services, either through not being able to access infrastructure or content at a reasonable price or through ineffective integration of acquired fixed assets, this could lead to higher customer churn and/or significant downward pressure on prices.

What is our target tolerance position?
We seek a sustainable competitive position to protect our mobile market share and grow our fixed broadband and TV in our markets with increasing convergence.

IT transformation failure

What is the risk?
As we undertake major IT change programmes in a number of markets, there is a risk that these projects disrupt services or do not provide the benefits that they should in a timely manner.

What is the impact?
A significant implementation and migration failure could result in a major impact on our customers, revenues, costs and reputation.

What is our target tolerance position?
We seek successful IT transformation initiatives as the vehicle for delivering a great customer experience, high-quality reliable systems, improving our time to market and enabling best-in-class digital capabilities.

Unstable economic conditions/inadequate liquidity

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 a global crisis results 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 and cash flow.

What is the impact?
The potential for another global financial crisis may lead to further economic instability and subsequent reductions in corporate and consumer spending or an impact on capital markets that could restrict our refinancing requirements.

What is our target tolerance position?
We take a conservative approach to financial risks which reflects our diverse business.

We carefully manage our liquidity and access to capital markets to limit our exposure to unstable economic conditions.

Executive Committee risk owners
Johan Wibergh and Matthew Kirk

Risk movement
Stable

Risk category
Operational

Link to strategic programmes

How do we manage it?

[illegible]

Key risk indicators

[illegible]

Changes since last report

[illegible]

Executive Committee risk owner
Serpil Timuray

Risk movement
Increased

Risk category
Strategic

Link to strategic programmes

How do we manage it?

[illegible]

Key risk indicators

[illegible]

Changes since last report

[illegible]

Executive Committee risk owners
Nick Read and Matthew Kirk

Risk movement
Increased

Risk category
Financial

Link to strategic programmes

How do we manage it?

[illegible]

Key risk indicators

[illegible]

Changes since last report

[illegible]

Executive Committee risk owner
Serpil Timuray

Risk movement
Decreased

Risk category
Strategic

Link to strategic programmes

How do we manage it?

[illegible]

Key risk indicators

[illegible]

- Achievement of synergies
- Next Generation Network (NGN) reach
- [illegible]
- [illegible]

Changes since last report

[illegible]

Executive Committee risk owner
Johan Wibergh

Risk movement
Stable

Risk category
Operational

Link to strategic programmes

How do we manage it?

[illegible]

Key risk indicators

[illegible]

- Customer disruption
- Unplanned spend
- Return on capital employed

Changes since last report

[illegible]

Executive Committee risk owner
Nick Read

Risk movement
Stable

Risk category
Financial

Link to strategic programmes

How do we manage it?

[illegible]

Key risk indicators

- Current credit rating
- Average life and cost of debt
- [illegible]
- [illegible]

Changes since last report

[illegible]

Strategy

Risk management (continued)

Technology failure

What is the risk?
Technology failures could cause voice, video or data transmission to be [illegible] interrupted. We need to ensure that our critical assets are protected and our systems are resilient so that the impact on our customers is avoided or minimised.

What is the impact?
Major incidents [illegible] an extreme technology failure [illegible] could [illegible] impact [illegible] revenues and reputation.

What is our target tolerance position?
Our customers [illegible] reliable availability of our network [illegible] mobile [illegible] IT [illegible] fast and robust.

Failure to deliver on digital transformation and CXX

What is the risk?
Failure to deliver a digital, differentiated and superior experience to our customers in store, online and by phone could diminish our brand and reputation. To do this, we need to be agile with [illegible] digital capabilities.

What is the impact?
This risk is relevant to all our markets in both our consumer and enterprise business.

Failure to deliver on our digital [illegible] customer experience [illegible] differentiation leading to increased customer churn and eventual loss [illegible].

What is our target tolerance position?
The Customer eXperience eXcellence (CXX) programme is designed to ensure the customer is always at the heart of everything we do.

We have a customer experience framework and [illegible] best practice [illegible] to [illegible] markets.

Non-compliance with legal and regulatory requirements

What is the risk?
[illegible]

What is the impact?
[illegible]

What is our target tolerance position?
We seek to comply with all applicable laws and regulations [illegible].

[illegible]

Failure to deliver major Enterprise contracts profitably

What is the risk?
If we do not understand the needs of our Enterprise customers and contract on the correct basis to account for the complexity of requirements, we will not be able to profitably deliver services.

What is the impact?
Failure to deliver the Enterprise services profitably may lead to a reduction in our expected revenue and could impact our credibility to deliver on large complex deals.

What is our target tolerance position?
We pursue, win and deliver new Enterprise business profitably.

We deliver against the commitments made to the customer and will manage change throughout.

We deliver the best customer experience at every interaction with Vodafone.

Electro-magnetic fields related health risks

What is the risk?
Electro-magnetic signals emitted by mobile devices and base stations may be found to pose health risks, with potential impacts including changes to national legislation, a reduction in mobile phone usage or litigation.

What is the impact?
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.

What is our target tolerance position?
Vodafone does not want to expose anyone to EMF levels above those mandated by regulators.

We comply with national standards where existing and with our own EMF policy based on international science guidelines. Our vision is to lead within the industry in responding to public concern about mobiles, masts and health.

Executive Committee risk owner
Johan Wibergh

Risk movement
Stable

Risk category
Operational

Link to strategic programmes

How do we manage it?

Key risk indicators

Changes since last report

Executive Committee risk owner
Serpil Timuray

Risk movement
Increased

Risk category
Operational

Link to strategic programmes

How do we manage it?

Key risk indicators

Changes since last report

Executive Committee risk owners
Rosemary Martin and Matthew Kirk

Risk movement
Stable

Risk category
Legal and Regulatory

Link to strategic programmes

How do we manage it?

Key risk indicators

Changes since last report

Executive Committee risk owner
Brian Humphries

Risk movement
Decreased

Risk category
Operational

Link to strategic programmes

How do we manage it?

Key risk indicators

Changes since last report

Executive Committee risk owner
Matthew Kirk

Risk movement
Stable

Risk category
Operational

Link to strategic programmes

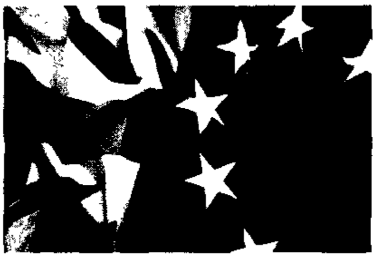
How do we manage it?

Key risk indicators

Changes since last report

Strategy

Risk management (continued)



Risk management in action

Brexit implications

The Board continues to keep the possible implications of Brexit for Vodafone's operations under review. A cross-functional team led by two Executive Committee members has identified ways in which Brexit might affect the Group's operations. Despite the Article 50 Notice having been served, there remains insufficient information about the likely terms of the post-Brexit arrangements between the UK and the EU as well as about any possible transitional arrangements to draw any conclusions about the probable impact. Although we are a UK headquartered company, a large majority of our customers are in other countries, accounting for most of our revenue and cash flow. Each of our national operating companies is a standalone business incorporated and licensed in the jurisdiction in which it operates, and able to adapt to a wide range of local developments. As such, our ability to provide services to our customers in the countries in which we operate inside or outside the UK is very unlikely to be affected by Brexit. We are not a significant international trading company, and do not rely on cross-border trading for any of our main customers or businesses.

Depending on the arrangements agreed between the UK and the EU, two issues that could directly affect our operations, in both cases potentially causing us to incur additional cost, are:

- the creation of a data border between the UK and the EU: the inability to move data freely between the UK and EU countries might cause us to have to move some technical facilities and affect future network design
- inability to access the talent we need to run a multinational Group operation from the UK: increased controls over or restrictions to our ability to employ leading talent from non-UK markets could cause us to have to adjust our operating model to ensure that we attract and retain the best people for the roles we have.

A further indirect issue that could affect our future performance would arise if the Brexit process caused significant revisions to macro-economic performance in our major European markets including the UK, thus affecting the economic climate in which we operate, and in turn impacting the performance of the operating companies in those markets.

Long-Term Viability Statement

In accordance with the 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 the long-range plan to 31 March 2020, as well as taking into consideration the pace of ongoing change in the telecoms industry. The assessment for this three year period includes consideration of the forecast cash flows and obligations of Vodafone India.

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 2017, the Group had sources of liquidity (primarily comprised of certain cash and cash equivalent balances) and available facilities of €18.8 billion, which includes undrawn Revolving Credit Facilities expiring in FY2020/21.

The Risk Management Framework on page 28 outlines the approach the Board has taken to identifying and managing risk. In making this statement, the Board carried out a robust assessment of the principal risks facing the Group, detailed on pages 30 to 33, 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 failing to execute key elements of our strategy and respond to market disruption resulting in a significant loss of market share to converged and OTT players. This was considered together with a major cyber-attack and a subsequent General Data Protection Regulation fine, as well as the macro political uncertainty resulting in restricted access to capital markets and devaluation of emerging market currencies.

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 2020.

Operating results

Our financial performance

This section presents our operating performance, providing commentary on how the revenue and the adjusted EBITDA performance of the Group and its operating segments have developed over the last year. Amounts presented for the 2016 financial year have been restated into euros following the change in the Group's presentation currency and include the results of Vodafone India as discontinued operations following the agreement to combine it with Idea Cellular

Group[1,2]

Revenue	34,550	11,773	1,390	(82)	47,631	49,810	(4.4)	1.2
Service revenue	31,975	9,956	1,138	(82)	42,987	44,618	(3.7)	1.8
Other revenue	2,575	1,817	252	–	4,644	5,192		
Adjusted EBITDA	10,283	3,854	12	–	14,149	14,155	–	5.8
Depreciation and amortisation	(8,344)	(1,829)	(6)	–	(10,179)	(10,386)		
Adjusted EBIT	**1,939**	**2,025**	**6**	**–**	**3,970**	**3,769**	**5.3**	**7.0**
Share of results in associates and joint ventures	(49)	213	–	–	164	60		
Adjusted operating profit	**1,890**	**2,238**	**6**	**–**	**4,134**	**3,829**	**8.0**	**11.8**
Adjustments for:								
Impairment loss					–	(569)		
Restructuring costs					(415)	(316)		
Amortisation of acquired customer bases and brand intangible assets					(1,046)	(1,338)		
Other income/(expense)					1,052	(286)		
Operating profit					**3,725**	**1,320**		
Non-operating income and expense					(1)	(3)		
Net financing costs					(932)	(1,507)		
Income tax expense					(4,764)	(4,937)		
Loss for the financial year from continuing operations					**(1,972)**	**(5,127)**		
(Loss)/profit for the financial year from discontinued operations					**(4,107)**	**5**		
Loss for the financial year					**(6,079)**	**(5,122)**		

Revenue

Group revenue decreased 4.4% to €47.6 billion and service revenue decreased by 3.7% to €43.0 billion.

In Europe organic service revenue increased 0.6%* and in AMAP organic service revenue increased by 7.7%*. Further details on the performance of these regions is set out below.

Adjusted EBITDA

Group adjusted EBITDA remained stable at €14.1 billion with organic growth in Europe and AMAP more than offset by foreign exchange movements and M&A and other activity. The Group's adjusted EBITDA margin improved by 1.3 percentage points to 29.7%. On an organic basis adjusted EBITDA rose 5.8%* and the Group's adjusted EBITDA margin increased by 1.2* percentage points driven by organic margin improvements in both Europe and AMAP.

Adjusted EBIT

Adjusted EBIT increased by 5.3% to €4.0 billion as adjusted EBITDA growth outpaced the increase in depreciation and amortisation. On an organic basis adjusted EBIT increased by 7.0%* for the year.

Performance

Operating results (continued)

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 205). The items that are included in operating profit but are excluded from adjusted operating profit are discussed below.

No impairment losses were recognised in the current year in respect of the Group's continuing operations (2016: €569 million in Romania). Further detail is provided in note 4 to the Group's consolidated financial statements.

Restructuring costs of €415 million (2016: €316 million) primarily reflect discrete cost efficiency actions taken during the year in Germany and the UK.

Amortisation of intangible assets in relation to customer bases and brands are recognised under accounting rules after we acquire businesses and decreased to €1,046 million (2016: €1,338 million) due to the acquisitions of KDG, Vodafone Italy and Ono.

Including the above items, operating profit increased by €2.4 billion to €3.7 billion due to a €1.5 billion gain on the formation of the VodafoneZiggo joint venture in the Netherlands which for accounting purposes was characterised as a part disposal of the Group's interest in Vodafone Netherlands, €0.5 billion lower depreciation and amortisation charges, partially as a result of the treatment of our Netherlands operation as an asset held for sale during the year and the €0.6 billion impairment charge recognised in the year ended 31 March 2016.

Net financing costs

Investment income	474	539
Financing costs	(1,406)	(2,046)
Net financing costs	**(932)**	**(1,507)**
Analysed as:		
Net financing costs before settlement of outstanding tax issues	(979)	(630)
Interest expense relating to settlement of outstanding tax issues	(47)	(19)
	(1,026)	**(649)**
Mark-to-market gains/(losses)	66	(285)
Foreign exchange	28	(573)
Net financing costs	**(932)**	**(1,507)**

Net financing costs decreased by 38% primarily driven by a reduction in mark-to-market losses and lower foreign exchange rate differences due to the Group's reduced exposure to foreign exchange movements on certain euro intercompany balances subsequent to its functional currency change in the year ended 31 March 2017.

Net financing costs before settlement of outstanding tax issues increased as the Group's average gross debt was higher during the year resulting in higher financing costs.

Taxation

Income tax expense	**(4,764)**	**(4,937)**
Tax on adjustments to derive adjusted profit before tax	(320)	(586)
Deferred tax following revaluation of investments in Luxembourg	1,275	4,228
Deferred tax on use of Luxembourg losses in the year	369	541
Reduction in deferred tax following rate change in Luxembourg	2,651	–
Adjusted income tax expense for calculating adjusted tax rate	**(789)**	**(754)**
Profit/(loss) before tax	**2,792**	**(190)**
Adjustments to derive adjusted profit before tax (see earnings per share)	480	3,086
Adjusted profit before tax	**3,272**	**2,896**
Share of associates and joint ventures tax and non-controlling interest	(164)	(60)
Adjusted profit before tax for calculating adjusted effective tax rate	**3,108**	**2,836**
Adjusted effective tax rate[1]	**25.4%**	**26.6%**

The Group's adjusted effective tax rate for its controlled businesses for the year ended 31 March 2017 was 25.4% compared to 26.6% for the last financial year. The lower rate in the current year is primarily due to a change in the mix of the Group's profits. We expect the adjusted effective tax rate to remain in the mid-twenties over the medium term.

The Group's adjusted effective tax rate for both years does not include the following items: a reduction in our Luxembourg deferred tax asset of €2,651 million following a reduction in the Luxembourg corporate tax rate to 26.01%; deferred tax on the use of Luxembourg losses of €369 million (2016: €541 million) and a decrease in the deferred tax asset of €1,275 million (2016: €4,228 million) arising from a revaluation of investments based upon the local GAAP financial statements and tax returns, partially offset by a reduction in the deferred tax asset as a result of lower interest rates. These items change the total 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.

Earnings per share

Adjusted earnings per share, which excludes the results of Vodafone India which are now included in discontinued operations, was 8.04 eurocents, an increase of 17.0% year-on-year as higher adjusted operating profit and lower net financing costs more than offset the increase in the number of shares following the issuance of mandatory convertible bonds in February 2016, which are classified as equity after taking into account the cost of future coupon payments.

Basic loss per share was 22.51 eurocents (2016: loss per share of 20.25 eurocents) as the €1.3 billion gain on the formation of the VodafoneZiggo joint venture in the Netherlands was offset by impairment charges of €3.7 billion net of tax recognised during the year in discontinued operations and the changes in deferred tax on losses as described above, both of which have been excluded from adjusted earnings per share.

Loss attributable to owners of the parent	**(6,297)**	**(5,405)**
Adjustments:		
Impairment loss	–	569
Amortisation of acquired customer base and brand intangible assets	1,046	1,358
Restructuring costs	415	516
Other income and expense	(1,052)	[illegible]
Non-operating income and expense	1	5
Investment income and financing costs	70	574
	480	**3,086**
Taxation	3,975	4,183
India	4,107	(5)
Non-controlling interests	(16)	(25)
Adjusted profit attributable to owners of the parent	**2,249**	**1,834**
Weighted average number of shares outstanding – basic	27,971	26,692
Earnings per share:		
Basic loss per share	(22.51)c	(20.25)c
Adjusted earnings per share from continuing operations	8.04c	6.87c

Operating results (continued)

Europe

Year ended 31 March 2017

Revenue	10,600	6,101	6,925	4,973	6,128	(177)	34,550	36,462	(5.2)	(0.4)
Service revenue	10,006	5,247	6,632	4,507	5,756	(173)	31,975	33,381	(4.2)	0.6
Other revenue	594	854	293	466	372	(4)	2,575	3,081		
Adjusted EBITDA	3,617	2,229	1,212	1,360	1,865	–	10,283	10,485	(1.9)	3.1
Adjusted operating profit	568	948	(542)	180	736	–	1,890	[illegible]	(1.9)	(5.0)
Adjusted EBITDA margin	34.1%	36.5%	17.5%	27.3%	30.4%		29.8%	28.8%		

Revenue decreased by 5.2%. Foreign exchange movements contributed a 2.8 percentage point negative impact and M&A and other activity contributed a 2.0 percentage point negative impact. On an organic basis service revenue increased by 0.6%* reflecting customer growth in mobile and fixed line (fixed) and stabilising contract ARPU across all our major markets, more than offsetting the regulatory headwinds. Ex-regulation service revenue growth was 1.6%*.

Adjusted EBITDA decreased 1.9%, including a 2.9 percentage point negative impact from M&A and other activity, and a 2.1 percentage point negative impact from foreign exchange movements. On an organic basis adjusted EBITDA increased 3.1%* driven by tight cost control through our "Fit for Growth" programme.

Revenue – Europe	**(5.2)**	**2.0**	**2.8**	**(0.4)**
Service revenue				
Germany	1.9	–	–	1.9
Italy	2.5	–	–	2.5
UK	(4.0)	1.4	[illegible]	[illegible]
Spain	0.4	–	–	0.4
Other Europe	6.1	8.4	(0.1)	2.2
Europe	**(4.2)**	**1.8**	**3.0**	**0.6**
Adjusted EBITDA				
Germany	4.5	–	–	4.5
Italy	10.6	–	–	10.6
UK	[illegible]	5.1	10.1	(15.9)
Spain	8.8	–	–	8.8
Other Europe	(6.8)	10.1	(0.1)	3.2
Europe	**(1.9)**	**2.9**	**2.1**	**3.1**
Europe adjusted operating profit	**(1.9)**	**(2.4)**	**(0.7)**	**(5.0)**

Germany

Service revenue grew 1.9%* for the year (Q3 1.8%*, Q4 1.2%*) driven by customer growth in both mobile and fixed and stabilising mobile contract ARPU, which more than offset regulatory drags. The slowdown in the final quarter reflected the full impact of the mobile and fixed termination cuts (a 1.5 percentage point year-on-year headwind) as well as the lapping of an accounting reclassification in fixed in the prior financial year.

Mobile service revenue grew 0.1%* (Q3 flat*, Q4 -0.4%*) as a higher customer base was offset by regulatory headwinds. Excluding regulation (including the MTR cut from 1 December and the decline in roaming revenues) mobile service revenue grew 1.6%* (Q3 1.1%*, Q4 1.8%*). Aided by "more-for-more" propositions and successful "GigaMoves" campaigns, consumer mobile contract ARPU returned to growth in Q4, while contract net additions accelerated in the second half (Q4 123,000, Q3 61,000) supported by a reduction in churn and higher activity in direct channels. The Enterprise mobile market remained competitive, however ARPU declines moderated throughout the year. Our 4G customer base surpassed 10 million by the period end and we reached 90% 4G population coverage.

Fixed service revenues increased 4.6%* (Q3 4.8%*, Q4 5.[illegible]%*) driven by strong broadband customer growth, with 453,000 net customer additions (Q4 123,000), of which 320,000 were on cable and the remainder on DSL. Our "GigaKombi" convergence offer launched in the summer last year continues to gain traction, reaching [illegible] accounts by year end. We also launched our "GigaTV" advanced digital TV service in February 2017 and our TV customer base reached [illegible] million at the end of the period. Following upgrades to our superior coax-fibre cable network during the year, we now offer 400 Mbps speeds to almost [illegible] million households out of our total NGN footprint of 12.6 million.

Adjusted EBITDA grew 4.5%*, with the adjusted EBITDA margin improving by 1.5 percentage points to 34.1%. Margin expansion was driven by revenue growth, our focus on more profitable direct channels and a reduction of underlying operating costs. This was supported by exceeding our full year cost and capex target synergies of €300 million from the integration of Kabel Deutschland. Adjusted EBITDA growth accelerated to 6.0%* in H2 as commercial costs stabilised following an increase in H1.

Italy

Service revenue grew 2.5%* for the year (Q3 3.0%*, Q4 2.8%*) supported by mobile and fixed ARPU growth and an acceleration in consumer fixed performance.

Mobile service revenue grew 1.5%* (Q3 1.4%*, Q4 1.4%*) driven by ARPU growth in prepaid following changes to our tariff plans and improved data monetisation through targeted "more-for-more" offers. In Q4 the prepaid pricing environment became increasingly competitive, particularly in the below-the-line channels, however customer losses moderated somewhat compared to Q3. As at 31 March 2017 we had reached over 97% population coverage on our 4G network and had 9.0 million 4G customers, adding 2.5 million customers within the year.

Fixed service revenue grew [illegible] 6.8%* (Q3 [illegible]%*, Q4 10.2%*) driven by strong customer growth and ARPU improvement across all segments during the second half of the financial year. We added 2[illegible] broadband customers (Q3 7[illegible],000, Q4 75,000) during the year, and in total we now have 2.2 million broadband customers, of which 0.[illegible] million are on fibre. We also launched our enhanced digital Vodafone TV proposition in March 2017 which is gaining good early traction.

Adjusted EBITDA grew significantly faster than revenue, at 1[illegible]%*, with a 3.0 percentage point improvement in adjusted EBITDA margin to 3[illegible].5%. This was driven by a strong revenue performance and tight cost control, with absolute declines in both customer and operating costs during the year.

UK

Our UK operational performance was disrupted during the year by mistakes made during the implementation of a new billing system in the final calendar quarter of 2015. We have now resolved these challenges, with billing accuracy improving to [illegible]% and customer service levels now above those achieved prior to the implementation of the new system. In the fourth quarter we delivered our best ever network performance, which is reflected in our ranking as the best voice provider and the co-leader for data in the latest independent P3 test.

Our financial performance lagged our underlying operational recovery. Service revenue declined 5.3%* (Q3 -6.2%*, Q4 -4.[illegible]%*) reflecting the impact of our operational challenges, increased competition in Enterprise and lower roaming revenues. The slowdown in the final quarter mainly reflected a strong prior year comparator in carrier services and Enterprise.

Mobile service revenue declined 5.[illegible]%* (Q3 -5.[illegible]%*, Q4 -[illegible]%*) as a result of higher churn, an increase in the SIM only mix driving lower ARPU, increased competition in Enterprise and lower roaming and MVNO revenues. Improved operational performance contributed to lower contract churn rates and growth in branded contract customers during the final quarter. We now have [illegible].5 million 4G customers at the end of the period, with 4G coverage at 9[illegible]% (Ofcom definition: 9[illegible]%).

Fixed service revenue declined 5.4%* (Q3 -0.[illegible]%*, Q4 -7.5%*). Excluding carrier service revenue, fixed service revenue declined 2.5%* in Q4 reflecting a strong comparator together with the ongoing effect of two large contract losses during the year as we balanced our growth objectives with a focus on customer profitability. We continued to gain good momentum in consumer broadband with 216,000 customers by the end of the period (Q4 35,000 net additions), of which 163,000 are consumer customers.

Adjusted EBITDA declined 15.9%* excluding the benefit of one-off settlements with other network operators in the prior year, with a 3.3 percentage point decline in adjusted EBITDA margin. The decline was driven by lower revenues, increased costs as a result of sterling weakness post Brexit, regulatory headwinds and reallocation of costs across Vodafone Group. These headwinds were partially offset by a reduction in underlying operating costs. Excluding the reallocation of central costs, sterling weakness and one-off settlements, adjusted EBITDA declined at a high-single digit rate both for the year and in H2.

Spain

Service revenue grew [illegible]%* (Q3 0.8%*, Q4 [illegible].3%*). Excluding the impact of handset financing, service revenue grew by 4.0%* in the year (Q3 4.1%*, Q4 3.8%*). This performance improvement was driven by our strong commercial momentum in mobile and fixed, supported by our 'more-for-more' propositions at the start of the year.

We maintained our leadership in both consumer and enterprise NPS, widening the gap versus our competitors during the year. Vodafone One, our fully integrated fixed, mobile and TV service, reached 2.4 million customers at the end of the period, up from 1.5 million a year ago. Our commercial momentum has remained strong throughout the year with 35[illegible],000 mobile contract net additions (Q3 [illegible]7,000, Q4 96,000) and 20[illegible],000 fixed broadband net additions (Q3 [illegible]5,000, Q4 [illegible]5,000). Our fixed performance accelerated in the second half of the year and we focused on cross-selling services to our mobile base. Our TV base reached 1.3 million (246,000 net additions during the year), reflecting the improvement in our content packages.

Our market-leading 4G coverage reached 9[illegible]% at the end of the period and we now have 7.6 million 4G customers. In March 2017 we reached a commercial wholesale agreement with Telefónica to access its fibre network in both regulated and deregulated areas which expands our NGN footprint to 1[illegible].[illegible] million homes passed (almost 65% population coverage), of which 10.2 million are on our own network.

Adjusted EBITDA grew [illegible].8%* and adjusted EBITDA margin improved by [illegible].1 percentage points to 2[illegible].[illegible]%. This improvement was driven by service revenue growth, lower mobile handset subsidies and a lower operating cost base; these more than offset sharply higher content costs.

Other Europe

Service revenue grew [illegible] 2.[illegible]%* (Q3 [illegible].8%*, Q4 [illegible]%*), with all of the larger markets growing in Q4 (excluding the MTR impact in Ireland). Adjusted EBITDA grew [illegible]%* and adjusted EBITDA margin improved by 0.[illegible] percentage points, reflecting good cost control.

In Ireland, service revenue was flat* for the year but grew [illegible]% excluding MTRs (Q4 -1.[illegible]%*; [illegible] ex MTRs), supported by ongoing fixed customer growth. Portugal service revenue grew [illegible].7%* (Q4 2.[illegible]%*), with strong fixed customer growth as our FTTH roll-out reached 2.[illegible] million homes, which was partially offset by mobile service revenue declines (which moderated throughout the year). In Greece, service revenue grew 0.5%* (Q4 0.[illegible]%*), driven by growth in consumer fixed service revenue.

VodafoneZiggo

The joint venture between Vodafone Netherlands and Ziggo (VodafoneZiggo, in which Vodafone owns a 50% stake) was formed on 31 December 2016. Note that VodafoneZiggo's quarterly reports for credit investors are published on a US GAAP basis, whereas Vodafone Group reports the results of the joint venture on an IFRS basis.

VodafoneZiggo experienced a decline in local currency revenue of [illegible]% in Q4. The decline in local currency mobile service revenue (Q4 -7%) reflected increasing competition, particularly in the SoHo segment. Cable subscription revenues stabilised in Q4 as increased ARPU offset a decline in the customer base, and in the B2B segment (mid and large-sized enterprises), revenues grew 1%, supported by mobile growth.

Excluding the impact of the divestment of Vodafone Thuis, we added 16,000 postpaid mobile customers in the quarter, supported by our successful promotional campaign. We also added 1[illegible],000 broadband RGU additions in the quarter, with significantly fewer video subscriber losses (an outflow of 18,500 RGUs) compared to the prior year.

Adjusted EBITDA in local currency declined by 6% in Q4, as lower revenues and higher mobile acquisition and content costs were only partially offset by underlying cost reductions. During the quarter, Vodafone received €[illegible]5 million in dividends from the joint venture and €[illegible]4 million in interest payments on the shareholder loan.

Operating results (continued)

Africa, Middle East and Asia-Pacific

Year ended 31 March 2017							
Revenue	5,294	6,479	–	11,773	[illegible]	[illegible]	[illegible]
Service revenue	4,447	5,509	–	9,956	10,045	[illegible]	[illegible]
Other revenue	847	970	–	1,817	1,948		
Adjusted EBITDA	2,063	1,791	–	3,854	3,706	4.0	13.2
Adjusted operating profit	1,381	857	–	2,238	1,941	15.3	25.2
Adjusted EBITDA margin	39.0%	27.6%		32.7%	31.2%		

Revenue decreased 1.0% with strong organic growth offset by an 8.6 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 7.7%* driven by strong commercial momentum in South Africa, Turkey and Egypt.

Adjusted EBITDA increased 4.0%, including a 9.2 percentage point adverse impact from foreign exchange movements. On an organic basis adjusted EBITDA grew 13.2%* driven by service revenue growth and a continued focus on cost control and efficiencies to offset inflationary pressures.

Revenue – AMAP	**(1.0)**	**(0.2)**	**8.6**	**7.4**
Service revenue				
Vodacom	0.6	–	5.5	4.1
Other AMAP	[illegible]	–	10.8	[illegible]
AMAP	**(0.9)**	**–**	**8.6**	**7.7**
Adjusted EBITDA				
Vodacom	[illegible]	–	[illegible]	[illegible]
Other AMAP	6.7	–	18.0	24.7
AMAP	**4.0**	**–**	**9.2**	**13.2**
AMAP adjusted operating profit	**15.3**	**–**	**9.9**	**25.2**

Vodacom

Vodacom Group service revenue increased 4.1%* (Q3: 4.0%*, Q4: 3.8%*), supported by strong customer additions, data usage and enterprise growth in South Africa. Vodacom's International operations were impacted by a change in customer registration requirements in the prior year which slowed customer growth during the period.

In South Africa service revenue grew 5.6%* (Q3: 5.6%*, Q4: 5.6%*), with continued strong customer growth in both the prepaid and contract base supported by our effective segmentation strategy. We added 3.2 million prepaid mobile customers (Q4: 1.2 million) in the year and contract churn remained at historically low levels. Data revenue growth remained strong at 10% for the year supported by growth in active data customers (19.5 million), data bundle sales (almost 500 million sold during the year, up 45%) and higher usage. Voice revenue fell by 3.1%* with the pace of decline slowing in the final quarter due to the success of our personalised voice bundle strategy on our 'Just 4 You' platform. Our market-leading network has now reached 76% 4G coverage (up from 58% in the prior year) and we have 6.0 million 4G customers.

Vodacom's international operations outside South Africa, which now represent 22.5% of Vodacom Group service revenue, grew 2.5%* (Q3: 1.9%*, Q4: 0.5%*), supported by commercial actions such as the introduction of 'Just 4 You' personalised offers across all markets. Commercial momentum stabilised towards the end of the year as we began to lap the changes in customer registration requirements in Tanzania, the DRC and Mozambique, while political and economic disruptions adversely impacted the DRC's performance. M-Pesa customers totalled 10 million in Q4 (up from 6.8 million the prior year).

Vodacom Group adjusted EBITDA grew 4.9%* with a 0.9 percentage point adjusted EBITDA margin improvement to 39.0%. In South Africa margin improvement was supported by a subsidy shift towards data enabled devices, improved channel efficiencies, rationalisation of offices and network cost savings. International margins declined modestly as revenue growth was lower than underlying cost inflation.

Other AMAP

Service revenue grew by 10.8%* (Q3: 10.5%*, Q4: 9.8%*), with strong local currency growth in Turkey, Egypt and Ghana.

Service revenue in Turkey was up 16.0%* (Q3: 15.0%*, Q4: 13.9%*) supported by good growth in consumer contract, strong fixed customer momentum and a robust performance in Enterprise. Adjusted EBITDA grew 29.9%* with an adjusted EBITDA margin improvement of 2.5 percentage points to 21.2% driven by lower commercial spend and improved operating cost control.

Egypt service revenue grew by 15.6%* (Q3: 19.6%*, Q4: 22.8%*) as rising data penetration drove higher ARPU. Adjusted EBITDA grew 22.7%*, with a 2.6 percentage point adjusted EBITDA margin improvement to 44.4% as revenue growth and cost discipline more than offset high inflationary pressures.

In New Zealand service revenue was up 3.8%* (Q3: flat, Q4: 0.5%*) with strong fixed performance and mobile customer growth across both consumer and enterprise. In February 2017 the New Zealand Commerce Commission ("NZCC") did not approve the proposed merger with Sky Network Television. We are reviewing the reasoning of the NZCC and have reserved the right to appeal the decision.

Associates and joint ventures

Safaricom, Vodafone's 40% associate which is the number one mobile operator in Kenya, achieved local currency service revenue growth of 14.8% for the year and local currency adjusted EBITDA growth of 21.6% (20.6% excluding a current year benefit) driven by data and M-Pesa. 40 out of 47 targeted regions (counties) now have 4G coverage. During the year the Group received €214 million in dividends from Safaricom.

Vodafone Hutchison Australia ("VHA"), in which Vodafone owns a 50% stake, continued to perform solidly in a competitive environment. VHA continued to grow service revenue (excluding MTRs) driven by growth in our contract customer base and ARPU. Local currency adjusted EBITDA grew 14.0% driven by an increase in underlying revenue and strong commercial cost discipline.

Indus Towers, the Indian towers company in which Vodafone has a 42% interest, will be excluded from the perimeter of the Idea merger. Indus achieved local currency revenue growth of 6.7% and adjusted EBITDA growth of 9.5% for the year. Indus owned 122,150 towers at 31 March 2017, with a tenancy ratio of 2.35x. Our share of Indus adjusted EBITDA for the year was €416 million and the contribution to Vodafone Group adjusted operating profit was €148 million. During the year the Group received €126 million in dividends from Indus Towers.

India[1]

On 20 March 2017 Vodafone announced an agreement to combine its subsidiary Vodafone India (excluding its 42% stake in Indus Towers) with Idea Cellular. The transaction is subject to regulatory approvals and is expected to close during calendar 2018. The combined company will be jointly controlled by Vodafone and the Aditya Birla Group. Vodafone India has been classified as discontinued operations for Group reporting purposes. From an operational perspective the Group remains highly focused on the management of the business and committed to its success both prior to the completion of the merger and thereafter. The results of Vodafone India are detailed below.

Revenue	5,853	6,161	(5.0)	
Service revenue	5,834	6,135	(4.9)	(0.7)
Other revenue	19	26		
Direct costs	(1,583)	(1,835)		
Customer costs	(313)	(28[illegible])		
Operating expenses	(2,361)	(2,224)		
Adjusted EBITDA	1,596	1,815	(12.1)	(10.5)
Depreciation and amortisation	(1,116)	(1,276)		
Adjusted operating profit	**480**	**539**	**(10.9)**	
Adjustments for:				
Impairment loss	(4,515)	–		
Other	(136)	(116)		
Operating (loss)/profit	**(4,171)**	**423**		
Adjusted EBITDA margin	27.3%	29.5%		

With effect from 1 April 2016 the Group changed the reporting of certain dealer commissions in India. Annual and quarterly organic growth rates for the year ended 31 March 2017 of Vodafone India have been amended to exclude the impact of this change, which had no effect on earnings or cash flows.

Service revenue declined 0.7%* (Q3: -1.9%*, Q4: -11.5%*) as a result of heightened competitive pressure following free services offered by the new entrant during the second half of the year. The slowdown in Q4 as expected was due to the ongoing impact of free services which dragged on data and voice pricing, compounded by the leap year benefit in the prior period. However, we grew our overall customer base during the year and retained our high value customers.

Data browsing revenue declined by 16%* in Q4 compared to +0.6%* in Q3. Our active data customer base returned to growth in the quarter, increasing to 66.9 million (Q3: 65.0 million), mainly reflecting a 2.7 million increase in our 3G/4G customer base to 3[illegible] million (adding 10 million customers in the year). Unit prices declined 38% year-on-year (Q3: -11%), although this helped to stimulate 40% growth in monthly data usage per 3G/4G customer to 636 MB (Q3: 505 MB).

Voice revenue declined [illegible]%* in Q4 (Q3: -3.0%*) as the benefit of higher incoming volumes and a larger customer base was offset by a 22% year-on-year decline in voice prices as the market moved to unlimited voice propositions. Total mobile customers increased 4.4 million in the quarter, giving an ending customer base of [illegible] million.

Following the Indian spectrum auction in October, we now offer 4G services in 18 circles, up from [illegible] prior to the auction. These circles cover around [illegible]% of our service revenue and [illegible]% of our data revenues.

Adjusted EBITDA declined 10.5%* with a 2.2 percentage point deterioration in adjusted EBITDA margin to 27.3%. This reflected lower revenues in the second half of the year and higher costs as a result of 4G network expansion, partially offset by lower intra-circle roaming fees and an underlying reduction in operating costs.

In the first half of the 2017 financial year the Group recorded a non-cash impairment of €6.4 billion (€5.0 billion net of tax) relating to our Indian business. This was driven by lower projected cash flows within our business plan as a result of increased competition in the market. Impairment testing at 31 March 2017 following the announcement of the merger of Vodafone India with Idea Cellular gave rise to a partial reversal of that impairment. As a result, the impairment charge for the year reduced to €4.5 billion (€3.7 billion net of tax).

[illegible]

Financial position and resources

Consolidated statement of financial position

The consolidated statement of financial position is set out on page 100. Details on the major movements of both our assets and liabilities in the year are set out below:

Assets

Goodwill and other intangible assets decreased by €12.4 billion to €46.2 billion. The decrease primarily arose as a result of €9.8 billion of assets relating to India which were transferred to assets held for sale (see below). Other movements comprise €2.6 billion of additions including €0.4 billion for spectrum additions primarily in Egypt plus €2.2 billion of software additions which were partly offset by €4.8 billion of amortisation and €0.4 billion of unfavourable foreign exchange movements.

Property, plant and equipment decreased by €6.3 billion to €30.2 billion principally due to €5.4 billion of additions driven by continued investment in the Group's networks, offset by unfavourable foreign exchange movements of €0.7 billion, €6.3 billion of depreciation charges and €3.7 billion transferred to assets held for sale (see below).

Other non-current assets decreased by €5.9 billion to €35.5 billion, mainly due to €4.0 billion decrease in deferred tax assets largely due to the reduction of tax losses in Luxembourg (see note 6 for further details) and a €1.2 billion reduction in other investments following the repayment of US$2.5 billion of loan notes issued by Verizon Communications Inc., partly offset by a €2.1 billion increase in investment in associates and joint ventures following the creation of the VodafoneZiggo joint venture in the Netherlands during the year.

Current assets decreased by €6.4 billion to €25.5 billion which includes a €4.1 billion decrease in cash and cash equivalents, €1.5 billion reduction in taxation recoverable and a €1.7 billion decrease in trade and other receivables.

Assets and liabilities held for sale at 31 March 2017 of €13.? billion and €11.6 billion respectively relate to our operations in India following the agreement to combine with Idea Cellular. Amounts at 31 March 2016 related to our operations in the Netherlands which were combined with those of Liberty Global Plc to form VodafoneZiggo, a 50:50 joint venture, on 31 December 2016.

Total equity and liabilities

Total equity decreased by €11.4 billion to €73.7 billion largely due to €4.1 billion of dividends paid to equity shareholders and non-controlling interests and the total comprehensive loss for the year of €7.4 billion.

Non-current liabilities decreased by €3.1 billion to €38.6 billion, primarily due to a €2.5 billion decrease in long-term borrowings.

Current liabilities decreased by €11.2 billion to €30.6 billion mainly due to a €8.2 billion decrease in short-term borrowings and a €3.1 billion decrease in trade and other payables.

Trade payables at 31 March 2017 were equivalent to 45 days (2016 restated: 42 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.

Borrowings	56,615	14,127	8,589	8,769	24,131
Operating lease commitments	9,429	2,522	2,623	1,591	2,695
Capital commitments	2,140	1,715	330	71	24
Purchase commitments	7,280	4,727	1,601	490	462
Total	**75,464**	**23,091**	**13,143**	**10,921**	**27,309**

Dividends

Dividends will continue to 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 over the five business days during the week prior to the payment of the dividend.

In May 2016 the Board determined that future dividend growth would be calculated from the level of 14.48 eurocents per share for the year ended 31 March 2016 (six months ended 30 September 2015: 4.65 eurocents per share) which is equivalent to the total dividend payout of 11.45 pence for the year ended 31 March 2016 (six months ended 30 September 2015: 3.68 pence) at the 31 March 2016 foreign exchange conversion rate of £1:€1.2647.

The Board is recommending a final dividend per share of 10.03 eurocents, representing a 2% increase over the prior financial year's final dividend per share based on the 31 March 2016 foreign exchange conversion rate of £1:€1.2647. The ex-dividend date for the final dividend is 8 June 2017 for ordinary shareholders, the record date is 9 June 2017 and the dividend is payable on 4 August 2017. Dividend payments on ordinary shares will be paid directly into a nominated bank or building society account.

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 "Identifying and managing our risks" on pages 38 to 41.

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 page 206. A reconciliation of adjusted EBITDA to the respective closest equivalent GAAP measure, operating profit, is provided in note 2 "Segmental analysis" to the consolidated financial statements.

The reconciliation to net debt is shown below.

	2017 €m	[illegible]
Adjusted EBITDA	14,149	14,155
Capital additions	(7,675)	(10,50[illegible])
Working capital	(984)	7[illegible]4
Disposal of property, plant and equipment	45	1[illegible]
Other	94	1[illegible]
Operating free cash flow[3]	**5,627**	**3,208**
Taxation	(761)	(736)
Dividends received from associates and investments	435	[illegible]
Dividends paid to non-controlling shareholders in subsidiaries	(413)	(309)
Interest received and paid	(830)	(962)
Free cash flow[3]	**4,056**	**1,271**
Licence and spectrum payments	(474)	(3,182)
Acquisitions and disposals	460	(130)
Equity dividends paid	(3,714)	(4,088)
Convertible bond	–	3,545
Foreign exchange	(1,372)	262
Other	(1,324)	(1,428)
Net debt increase	**(2,368)**	**(3,747)**
Opening net debt	(28,801)	(25,054)
Closing net debt[3]	**(31,169)**	**(28,801)**
Vodafone India net debt		(8,114)
Closing net debt (statutory basis)		**(36,915)**

[illegible]

Operating free cash flow increased €2.4 billion due to higher adjusted EBITDA and working capital outflows predominantly relating to the final payments for Project Spring, more offset by lower capital additions which decreased by €2.8 billion to €7.7 billion following the completion of the Project Spring investment programme last financial year.

Capital additions were 16.[illegible]% of Group revenues at the top end of the Group's mid-teens guidance range to capital intensity as a percentage of revenues, reflecting increased success-based capex as a result of strong customer growth.

Free cash flow was €4.1 billion, an increase of €2.8 billion from the prior year, driven by higher operating free cash flow, lower interest paid and higher dividends from Indus Towers, Safaricom and VodafoneZiggo.

Licence and spectrum payments include amounts relating to the purchase of spectrum in Germany of €0.1 billion and €0.3 billion in Egypt (2016: €1.9 billion in Germany, €0.8 billion in Turkey, €0.2 billion in Italy and €0.1 billion in the UK).

Acquisitions and disposals include €0.5 billion of proceeds following the merger of Vodafone Netherlands and Ziggo during the year.

Last year we received €3.5 billion of proceeds from the issue of €2.9 billion of mandatory convertible bonds in February 2016.

A foreign exchange loss of €1.4 billion was recognised in net debt as a result of the adverse translation impact of closing foreign exchange rates, mainly due to movements in the pound sterling, US dollar and South African rand against the euro.

Closing net debt at 31 March 2017 of €31.2 billion (2016: €28.8 billion) excludes net debt of Vodafone India, which is instead included in assets and liabilities held for sale on the consolidated statement of financial position. In addition, net debt excludes €2.9 billion of mandatory convertible bonds issued in February 2016 which are classified as equity, after taking into account the cost of future coupon payments. The Group now holds US$2.5 billion of Verizon loan notes and €1.0 billion of shareholder loans to VodafoneZiggo, both of which are not included within net debt.

Net debt includes includes liabilities of €1.8 billion (2016: €1.8 billion) relating to minority holdings in KDG and certain bonds which are reported at an amount €2.0 billion higher than their euro-equivalent cash redemption value as a result of hedge accounting under IFRS.

Notes:
[illegible]

This year's report contains the Strategic Report on pages 1 to 43, 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

16 May 2017

Performance

Chairman's governance statement

Committed to the highest standards of governance

Integrity and accountability are at the heart of everything we do and are integral to creating long-term value for our shareholders. We are in full compliance with the 2014 UK Corporate Governance Code.

Board highlights of the year

As a Board we try to spend quality time on those aspects of governance that contribute most to the success of the Company: the development of a strategy with an attractive value creation potential; having the right people and processes for its successful implementation; monitoring progress against plan; and managing risk in an ever more volatile external environment.

The Board held its annual strategy meeting and a Board meeting in Rome, providing an opportunity for the Directors to meet our Italian colleagues, customers and other stakeholders. During the year several aspects of the strategy were explored in further detail through strategy deep dives.

The rapidly evolving competitive situation in India was a recurring item on the Board's agenda, ultimately resulting in the Board's approval of the proposed merger of Vodafone India and Idea Cellular announced in March 2017.

The Board also supported and approved the creation of VodafoneZiggo, a joint venture in the Netherlands established to deliver converged consumer services and a further illustration of the execution of our convergence and enterprise strategy.

The Board paid a special visit to our UK local business with detailed discussions focused on performance and trends in our UK consumer and enterprise base, customer services operations and network operations. Board engagement with operations is also an important aspect of our focus on talent development and succession planning.

More detail of these meetings and other topics on the Board's agenda can be found on pages 52 and 53.

Culture and governance

The Board is committed to ensuring there is a strong and effective system of corporate governance in place to support the successful execution of Vodafone's strategy. During the period under review (and as of the date of publication of this report) we have fully complied with the provisions and applied the main principles of the 2014 UK Corporate Governance Code. We intend to be in full compliance with the 2016 UK Corporate Governance Code which will apply to us in our 2017–18 financial year.

Good governance and a commitment to operating with integrity is central to our culture at all levels and in all parts of our business. The environment in which we operate evolves continuously, shaped by emerging trends in consumer behaviours and expectations, shifts in regulatory and legal requirements and changing attitudes towards the role of large companies in society. Our internal culture evolves accordingly as we seek to ensure that the way in which we work conforms to our many stakeholders' highest expectations. Everyone who works with us is required to comply with our Business Principles (the values we respect) and our Code of Conduct (the behaviours we expect at all times) reinforced through what we call The Vodafone Way which sets out the type of organisation we want to be. An overview of The Vodafone Way, our Business Principles and our Code of Conduct can be found on pages 24 and 25. The Board and Executive Committee are critical in setting the tone of the organisation and play a key role in embedding our culture throughout the Group, in order to ensure that Vodafone's reputation is protected effectively. More information on our culture can be found on page 45.

The success of our business is dependent on the Board taking decisions for the benefit of its members as a whole and in doing so having regard for all its stakeholders, its employees, its suppliers, customers and the wider community and environment. This is consistent with the Group's core and sustainable business objectives.

It is always rewarding to see instances of our governance being recognised externally. I was delighted that Vodafone was the winner of the Best Audit Disclosure award at the ICSA: The Governance Institute Awards 2016. We will always strive to ensure that our governance processes are in line with latest best practice and that our approach to disclosure is clear and transparent.

Board changes and diversity

In January 2017, we announced the appointment of Maria Amparo Moraleda Martinez as a Non-Executive Director with effect from 1 June 2017. Amparo is an international business leader with an engineering background and IT and technology expertise. She will be a valuable addition to the Board and will become a member of the Audit and Risk Committee.

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86	Directors' report

We comply with the corporate governance statement requirements pursuant to the FCA's Disclosure Guidance 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 190 to 195.

In March we announced that Nick Land and Phil Yea will not seek re-election at our Annual General Meeting in July 2017 after more than ten years of service. On behalf of the Board I would like to express our thanks and appreciation to Nick and Phil for their valuable contributions. Details of the resulting changes to the Board and its Committees are detailed in the Nomination and Governance Committee Report on page [illegible].

The Board believes that diversity, both in the boardroom and throughout the organisation, is key to our success. I am pleased to report that [illegible] of our Board are currently female [illegible] women; furthermore after the AGM in July 2017 this percentage will rise to [illegible]. We are also looking at measures to increase diversity on the boards of our subsidiary businesses in local markets. Details of our commitment to increase the number of women throughout our organisation can be found on page [illegible].

Listening to our shareholders

Effective communication with our shareholders is fundamental to our success. We strive to communicate our strategy and activities clearly to all our shareholders. We also welcome active engagement with all of our shareholders to answer their questions and receive their feedback. Further details of our approach to shareholder engagement can be found on pages 64 and 65.

Shareholders will vote this year on the adoption of our remuneration policy. That vote, which is binding, is in line with the requirement that the policy receives shareholder approval at least every three years. The full remuneration policy is set out on pages 7[illegible] to 76.

Objectives for the year ahead

Your Board remains committed to ensuring the highest standards of corporate governance across the Group in all aspects of the delivery of our strategy. I am confident that the Directors and our senior leaders understand fully that how we work is as important as what we achieve and that throughout the organisation as a whole there is a rigorous focus on the importance of compliance and integrity when meeting the challenges and seizing the opportunities over the year ahead.

Gerard Kleisterlee

In this section...

Transactions in India and the Netherlands

Pages 52 and 53

The Board's review of the UK business

Pages 52 and 53

Board meeting in Italy

Page 52

Alignment with the UK Corporate Governance Code

We have structured this year's report in the following way based upon the principles set out in the UK Corporate Governance Code.

Leadership

The Board has clear divisions of responsibility and is collectively responsible for the long-term success of Vodafone.

Pages 46 to 51

Effectiveness

We evaluate the balance of experience, skills, knowledge and independence of the Board to ensure we are effective.

Pages 52 to 56

Accountability

We present a fair, balanced and understandable assessment of Vodafone's position and prospects. Our decisions are discussed within the context of the risks involved.

Pages 57 to 63

Relations with shareholders

Strong relationships with our shareholders are crucial for the successful execution of our strategy.

Pages 64 and 65

Remuneration

Director remuneration is set to promote the long-term success of Vodafone.

Pages 67 to 85

Governance

Leadership

Leadership structure

Creating the right culture through our governance framework

The Board is responsible for maintaining a strong and effective governance system throughout the Group.

How the Board operates

The Board is collectively responsible for the oversight and success of our business. There is a clear division of responsibilities between the Chairman, who was independent on appointment, and the Chief Executive.

The Board held seven scheduled meetings during the year and additional meetings were held as required. The meetings are structured to allow open discussion. At each Board meeting the Chairman also met with the Non-Executive Directors without the Executives present. Information on the matters considered at the Board meetings are set out on pages 52 and 53.

All of our Directors attended all Board meetings and their respective Committee meetings during the financial year. No apologies for absence were received.

Culture: setting the tone from the top

The Board recognises that a healthy corporate culture is fundamental to our business purpose and strategy. Vodafone's culture is defined through The Vodafone Way, our Business Principles and the Code of Conduct. Together these set out what we expect from our employees and how we expect business to be carried out. By embedding The Vodafone Way into our processes we strive for a culture of speed, simplicity and trust. Our culture is not static and has evolved over time, reflecting the changing environment we operate in. Our Code of Conduct, which includes details of our Business Principles and The Vodafone Way, can be found on our website vodafone.com/governance

Our leaders have a critical role in setting the tone of our organisation and championing the behaviours we expect to see. The Executive Committee led campaigns and engagement throughout the year to highlight our values, beliefs and business approach to health and safety, business integrity, The Vodafone Way, Customer eXperience eXcellence, diversity and inclusion.

Various indicators are used to monitor and provide insight into our culture including employee engagement, health, safety and wellbeing measures and diversity indicators. The state of our culture is assessed through compliance reviews, internal audit and formal and informal channels for employees to speak up and we ensure action is taken to address behaviour that falls short of our expectations.

"It's about doing things our way with strong beliefs and values built into the way we manage the business. These beliefs drive business decision making and that means driving customer excellence."

Vittorio Colao
Chief Executive

The Board

Responsible for the overall conduct of the Group's business including our long-term success; setting our values, standards and strategic objectives; reviewing our performance; and ensuring a successful dialogue with our shareholders.

vodafone.com/governance

Board Committees

Delegated to by the Board and responsible for maintaining effective governance in the following areas: audit and risk, remuneration, Board composition, succession planning and corporate governance.

Full details of the Committees' responsibilities are detailed on the following page and in the Committee reports.

vodafone.com/governance

Executive Committee and other committees

Responsible for implementing strategic objectives and realising competitive business performance in line with established risk management frameworks, compliance policies, internal control systems and reporting requirements.

Chairman

Leads the Board, sets the agenda and promotes a culture of open debate between Executive and Non-Executive Directors

Regularly meets with the Chief Executive and other senior management to stay informed

Ensures effective communication with our shareholders

Senior Independent Director

Provides a sounding board to the Chairman and appraises his performance

Acts as intermediary for other Directors if needed

Available to respond to shareholder concerns when contact through the normal channels is inappropriate

Non-Executive Directors

Contribute to developing our strategy

Scrutinise and constructively challenge the performance of management in the execution of our strategy

Chief Executive

Leads the business, implements strategy and chairs the Executive Committee

Chief Financial Officer

Responsible for the preparation and integrity of our financial reporting

Audit and Risk Committee

Reviews the integrity, adequacy and effectiveness of the Group's system of internal control, including the risk management framework and related compliance activities

Pages 57 to 63

Nominations and Governance Committee

Evaluates Board composition and ensures Board diversity and a balance of skills

Reviews Executive succession plans to maintain continuity of skilled resource

Oversees matters relating to corporate governance

Page 56

Remuneration Committee

Sets, reviews and recommends the policy on remuneration of the Chairman, Executives and senior management team

Monitors the implementation of the remuneration policy

Page 67

Risk and Compliance Committee

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

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

Leadership

Board of Directors

Experienced, effective and diverse leadership

Our business is led by our Board of Directors. Biographical details of the Directors and senior management as at 16 May 2017 are as follows (with further information available at vodafone.com/board)

Gerard Kleisterlee N

Chairman – Independent on appointment

Tenure [illegible] **Nationality** [illegible]

Skills and experience

[illegible]

Other current appointments

[illegible]

Vittorio Colao

Chief Executive – Executive Director

Tenure [illegible] **Nationality** [illegible]

Skills and experience

[illegible]

Other current appointments

[illegible]

Nick Read

Chief Financial Officer – Executive Director

Tenure [illegible] **Nationality** [illegible]

Skills and experience

[illegible]

Other current appointments

[illegible]

Sir Crispin Davis A

Non-Executive Director

Tenure [illegible] **Nationality** [illegible]

Skills and experience

[illegible]

Other current appointments

[illegible]

Dr Mathias Döpfner R

Non-Executive Director

Tenure [illegible] **Nationality** [illegible]

Skills and experience

[illegible]

Other current appointments

[illegible]

Dame Clara Furse A

Non-Executive Director

Tenure [illegible] **Nationality** [illegible]

Skills and experience

[illegible]

Other current appointments

[illegible]

Valerie Gooding CBE R N

Non-Executive Director

Tenure [illegible] **Nationality** [illegible]

Skills and experience

[illegible]

Other current appointments

[illegible]

Renee James R

Non-Executive Director

Tenure [illegible] **Nationality** [illegible]

Skills and experience

[illegible]

Other current appointments

[illegible]

Samuel Jonah KBE R
Non-Executive Director

Tenure · Nationality

Skills and experience

Other current appointments

Nick Land A
Non-Executive Director

Tenure · Nationality

Skills and experience

Other current appointments

David Nish A
Non-Executive Director

Tenure · Nationality

Skills and experience

Other current appointments

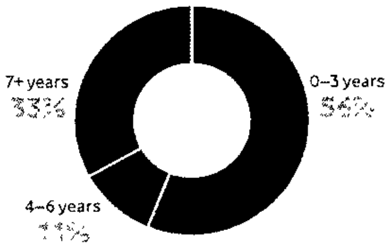
Phil Yea N A
Senior Independent Director

Tenure · Nationality

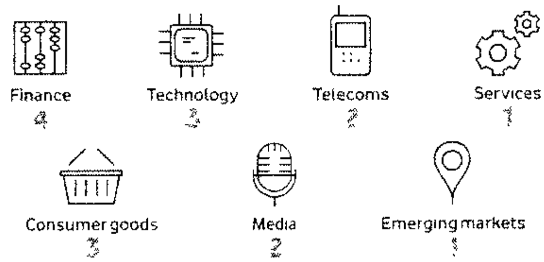
Skills and experience

Other current appointments

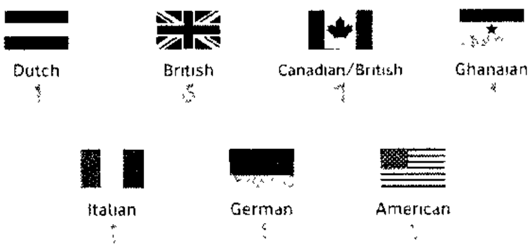
Tenure



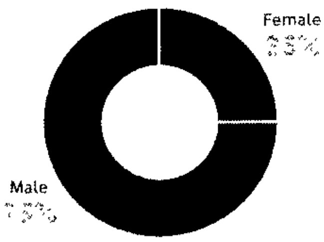
Areas of experience



Nationality



Gender



Leadership

Executive Committee

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 and talent pipeline.

Membership

The Committee includes the Executive Directors and the senior managers as detailed below. Tenure refers to length of service in role.

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 Controlling and Operations Director, 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

Responsibilities

Previous roles include

Nick Read
Chief Financial Officer

Responsibilities

Previous roles include

Serpil Timuray
Chief Commercial Operations and Strategy Officer

Tenure **Nationality**

Responsibilities

Previous roles include

Matthew Kirk
Group External Affairs Director

Tenure **Nationality**

Responsibilities

Previous roles include

Rosemary Martin
Group General Counsel and Company Secretary

Tenure **Nationality**

Responsibilities

Previous roles include

Ronald Schellekens
Group Human Resources Director

Tenure **Nationality**

Responsibilities

Previous roles include

Nick Jeffery
Chief Executive Officer – Vodafone UK

Tenure **Nationality**

Responsibilities

Previous roles include

Dr Hannes Ametsreiter
Chief Executive Officer – Vodafone Germany

Tenure **Nationality**

Responsibilities

Previous roles include

Aldo Bisio
Chief Executive Officer – Vodafone Italy

Tenure **Nationality**

Responsibilities

Previous roles include

António Coimbra
Chief Executive Officer – Vodafone Spain

Tenure **Nationality**

Responsibilities

Previous roles include

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

Tenure **Nationality**

Responsibilities

Previous roles include

Ahmed Essam
Chief Executive Officer – Europe Cluster

Tenure **Nationality**

Responsibilities

Previous roles include

Johan Wibergh
Group Technology Officer

Tenure **Nationality**

Responsibilities

Previous roles include

Brian Humphries
Group Enterprise Director

Tenure **Nationality**

Responsibilities

Previous roles include

Governance

Effectiveness

Board activities

What the Board did this year

Board activities are structured to develop the Group's strategy and to enable the Board to support executive management on the delivery of the Group's strategy within a transparent governance framework

The Board's discussions throughout the year focused on our strategic core programmes: Network Leadership, Customer eXperience eXcellence, Fit for Growth and People and Culture. The Board also regularly discussed governance, risk and reputation management and financial performance. The table below sets out a non-exhaustive list of the key areas of focus for the Board's activities and topics discussed during the year.

Network Leadership

Presentations from senior management including the Group Technology Director on the following topics:
- convergence risks and opportunities
- developments in data analytics
- our mobile network performance; and
- the implementation of our technology plan

Visit to the Group Technology hub and network operating centre in the UK including an overview of the current technology development

A deep dive session on network and technology at Vodafone's UK campus

Customer eXperience eXcellence

Regular updates from senior management on the progress of our Customer eXperience eXcellence programme including details of the initiatives implemented in local markets to improve the customer experience and the relevant NPS

Visits to Vodafone stores to gain an insight into the service customers receive

A deep dive session on customer service at Vodafone's UK campus

Fit for Growth

2017/18 budget and long-range plan

5+7 full year outlook

Business development opportunities

People and Culture

HR updates concerning talent capability, succession planning, pensions, culture and diversity

Annual diversity policy

Semi-annual health and safety report

Presentation on effective organisation

Governance in action

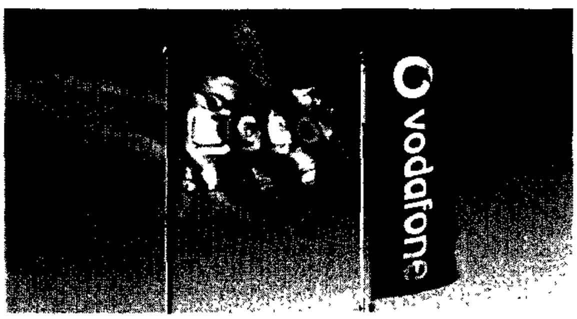
Board meeting in Italy

The Directors went to Rome in October 2016 for a Board and annual strategy meeting which gave the Directors the opportunity to discuss the Group's strategic direction, to consider regular Board topics, to receive in-depth presentations on Vodafone Italy's business and to meet with the Vodafone Italy executive team. The Board also met customers, suppliers, politicians and other stakeholders of our Italian business, providing our Directors with better insight into our Italian company and the environment in which it operates.

Governance in action

Board approved the creation of the joint venture in the Netherlands

In December 2016, the Board approved the 50:50 joint venture between Vodafone Netherlands and Liberty Global. The joint venture operates under both the Vodafone and Ziggo brands (VodafoneZiggo) and created a nationwide integrated communications provider combining the fibre-rich broadband network of Ziggo with Vodafone's nationwide 4G mobile coverage. In addition, the new combined management team will rapidly bring to market converged propositions for Dutch consumers, enterprises and the public sector.



Performance

At every Board meeting discussed the Chief Executive's report on performance of operations

Regular review of the Chief Financial Officer's report on financial performance

Quarterly market metrics

Governance

Full year preliminary results Annual Report notice of AGM and final dividend recommendation

Half-year results and interim dividend recommendation

Presentation on the Market Abuse Regulation

Modern Slavery Act disclosure requirements

Annual Director share dealing training

Matters Reserved for the Board

Committee terms of reference

Delegations of authority

Board effectiveness review

Risk and regulatory

Annual compliance and risk reports and year end assessment of internal control systems

Presentation on security and cyber security risk

Risk tolerance and risk management plans

Implications of Brexit

Semi-annual material litigation report

Semi-annual electromagnetic field (EMF) report

Presentations from the Group External Affairs Director

Local market deep dives

Presentations on various Vodafone markets including
- Germany
- Spain
- Turkey
- Vodacom
- the UK
- European Cluster
- AMAP and
- Enterprise

Transformation initiatives in the AMAP region

Spectrum auctions in Italy and India

Governance in action

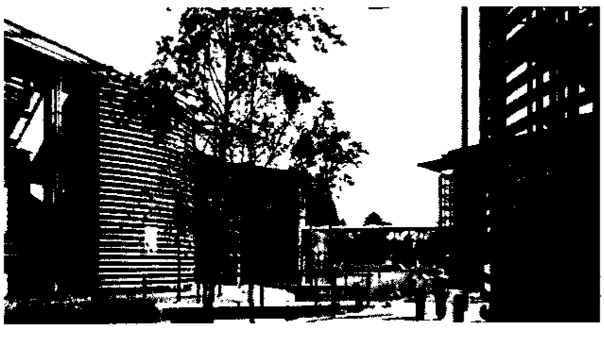
Board approved merger in India

The Board oversaw and approved the proposed merger of Vodafone India and Idea Cellular in March this year. The merger will create a new market leader to participate in India's digital future. In approving the merger, the Board took into consideration the current market environment in India which has changed significantly in the past year and the projected synergies from the intended merger.

Governance in action

UK review: focus on customer excellence and technology

The Board visited the Vodafone UK and Group Technology hub for Technology, Enterprise Services and IT. As part of the review, the Board received a demonstration of the monitoring of business-critical fixed networks which Vodafone manages for its customers. Deep dive sessions focused on the UK enterprise business, network and technology, customer service and the consumer business. The customer service session reviewed the actions being taken to restore customer service satisfaction.



Effectiveness

Board evaluation, induction and training

Board evaluation 2017

Board effectiveness review

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.

This year's process

In accordance with our three-year cycle, Board effectiveness is reviewed by an external performance evaluation every three years and will be externally conducted again in 2019. An internal performance evaluation was carried out this year with the assistance of Lintstock Limited ("Lintstock"), a London-based corporate advisory firm which has no other connection with Vodafone.

Stage 1:

Comprehensive questionnaire

Each Director completed a confidential online questionnaire designed by Lintstock and the Group General Counsel and Company Secretary. Each Board Committee undertook a specific self-assessment questionnaire. The Audit and Risk Committee assessment also included input from the external auditor and relevant senior management.

Stage 2:

One-on-one interviews

The Chairman then held one-to-one interviews with each of the Directors to discuss the reports.

Stage 3:

Evaluation

The Chairman reviewed the Directors' contributions and the Senior Independent Director led the review of the performance of the Chairman.

Stage 4:

Reporting and discussion with the Chairman and the Board

Lintstock prepared a report based on the completed questionnaires for the Chairman and the chairman of each of the Board Committees. The chairman of each Board Committee gave feedback on the evaluation of their Committee to their Committees and to the Board at its meeting in March 2017. The Chairman discussed Lintstock's report with the Nominations and Governance Committee and with the Board at its meeting in March 2017.

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.

Topics covered at sessions attended by our Directors during the year were consumer, customer service, network and share dealing rules. Specific and tailored updates delivered by the Group Financial Controlling and Operations Director, 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.

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 2017 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.

Board review insights 2015–16

- **Recommendation:** review the Board induction and development programme to focus on strategically significant areas

  Action taken in 2016–17: the induction programme for new Directors was refreshed and sessions were arranged for Directors to learn more about the Company's strategic priorities and significant risks including cyber threats, convergence, network quality, content, customer experience initiatives and Enterprise business developments including the growth of Internet of Things business

- **Recommendation:** increase transparency around Board and executive succession plans

  Action taken in 2016–17: the Chairman discussed Board succession plans and the profile to be sought in new Board appointments with the Directors and kept the Board informed of progress during the process to appoint a new Non-Executive Director. Executive succession plans were discussed by the Nominations and Governance Committee and the outcomes of the discussion were shared with the Board

- **Recommendation:** clarify expectations on an overall strategic framework

  Action taken in 2016–17: in addition to the Board's regular reviews on performance of individual operating companies, the Board discussed Group-wide strategic themes during the course of the year in Board meetings and in the annual strategy meeting

- **Recommendation:** create more opportunities for Board members to spend informal time together

  Action taken in 2016–17: the Directors dined together on the eve of each Board meeting, sometimes with senior executives as guests. The meetings at Vodafone Italy and Vodafone UK also provided occasions for the Directors to spend informal time together

Conclusions from the 2016–17 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 from this year's review included:

- Although the Board's composition was rated highly, it was agreed that adding further financial expertise would be beneficial, particularly in view of the impending retirement of Nick Land and Philip Yea from the Board
- The Directors should continue to build their knowledge and understanding of the Company's Enterprise business and its content assets. In addition, more time should be spent on digital matters
- The balance between focus on organic growth and on portfolio management needs to be carefully managed
- More opportunities should be provided for the Directors to take part in site visits and meet and interact with members of the executive team

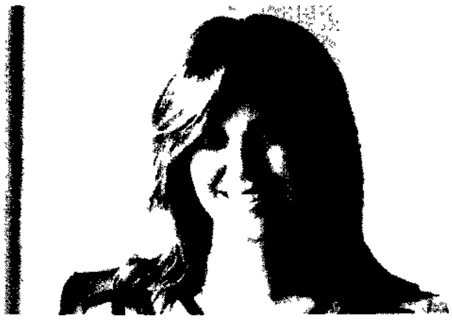
The Board will address these recommendations during the 2017/18 financial year and will report on its progress in the 2018 Annual Report.

Governance

Governance in action

Maria Amparo Moraleda Martinez's appointment

During the year the Committee recognised that it would be valuable for a Non-Executive Director to be appointed who had IT and technology expertise as well as experience as an international business leader. The Committee worked with Russell Reynolds Associates, an executive search consultancy, to identify suitable candidates.



Amparo will join the Board as a Non-Executive Director with effect from 1 June 2017.

Amparo is a highly successful international business leader who brings to the Board extensive experience including IT and technology expertise developed from her previous roles as chief operating officer of the international division of Iberdrola and president of IBM Southern Europe.

Amparo's other current appointments:

- Airbus Group SE, non-executive director
- CaixaBank, non-executive director
- Solvay SA, non-executive director

Effectiveness

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

Members
Valerie Gooding
Phil Yea

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 Committee met four times during the year and each meeting had full attendance. The terms of reference of the Committee are available on vodafone.com/governance.

Committee meetings

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.

Changes to the Board and Committees

As announced on 31 January 2017, Maria Amparo Moraleda Martinez will join the Board as a Non-Executive Director on 1 June 2017. Further details are on page 55. As announced on 23 March 2017 Nick Land and Phil Yea will not seek re-election at the 2017 AGM after more than ten years of service. The following changes to the composition of the Board and Committees will be made with effect from 28 July 2017:

- Valerie Gooding will be appointed as Senior Independent Director;
- David Nish will be appointed Chairman of the Audit and Risk Committee;
- Renee James and Sir Crispin Davis will become members of the Nominations and Governance Committee; and
- Amparo Moraleda will become a member of the Audit and Risk Committee.

Assessment of the independence of the Non-Executive Directors

The Committee and the Board are satisfied that the external commitments of its Chairman and other Non-Executive Directors (set out on pages 48 and 49) do not conflict with their duties and commitments as Directors of the Company. Our Directors must:

- report any changes to their commitments to the Board;
- notify the Company of actual or potential conflicts or a change in circumstances relating to an existing authorisation; and
- complete an annual conflicts questionnaire.

Any conflicts identified are considered and, as appropriate, authorised by the Board. A register of authorised conflicts is maintained, which is reviewed periodically.

The Committee reviewed the independence of all the Non-Executive Directors. All Non-Executive Directors are considered independent and their contributions continue to be effective. They have all submitted themselves for re-election at the 2017 AGM with the exception of Phil Yea and Nick Land. Amparo Moraleda will be elected for the first time in accordance with our Articles of Association.

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

Board evaluation

The Committee oversaw the internal evaluation of the Board and Committees. A description of the evaluation is set out on page 54.

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 and belief. Currently 25% of our Board roles are held by women and our ambition over the coming year is to increase that proportion further, which is supported by our Board diversity policy. Following Amparo Moraleda's appointment on 1 June 2017 33% of our Board roles will be held by women; this will increase further after the AGM with 36% of our Board being women. Our Board diversity statistics can be found on page 49.

Diversity extends beyond the boardroom. The Board supports management in its efforts to build a diverse organisation. Vodafone has recently launched the ReConnect programme which aims to bring talented women back into the workplace after a career break and to increase the number of women in management roles. Further details are set out on pages 7 and 21 and on the Vodafone website.

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 those developments on Vodafone.

Gerard Kleisterlee
On behalf of the Nominations and Governance Committee
16 May 2017

Accountability

Audit and Risk Committee

The Committee continued to oversee the Group's financial reporting, financial control and risk management and compliance processes, with areas of particular focus this year including the preparations for the future implementation of IFRS 15 and IFRS 16, both of which will have a significant impact on the Group, a number of accounting, reporting and valuation judgements in relation to the agreements to form new joint ventures in the Netherlands and India as well as deep dives into a range of technology, commercial and market risks.

Chairman and financial expert

Nick Land
Independent Non-Executive Director

Members
[illegible]
[illegible]
[illegible]
[illegible]

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 Committee met six times during the year and each meeting had full attendance. The terms of reference of the Committee are available on vodafone.com/governance.

Membership, relevant skills and experience

On 25 March 2017 the Group announced that both myself and Philip Yea would not seek re-election at the Company's annual general meeting in July 2017 after more than ten years of service. As a result, with effect from 28 July 2017 David Nish will be appointed Chairman of the Audit and Risk Committee and Maria Amparo Moraleda Martinez will become a member of the Audit and Risk Committee.

The Committee was conscious of the need for a strong knowledge transfer process and efficient succession planning and as a result David Nish was appointed as an additional Committee member on 1 January 2016, allowing him to take an active role in the Committee's activities in the year. David was appointed after a rigorous process to ensure the Committee will continue to have the necessary financial experience, commercial expertise and capital markets skills required to meet its responsibilities and provide an effective level of challenge to management. Similarly, Amparo brings her international business experience, engineering background and IT and technology expertise to the role and will be a valuable addition to the Committee. Full biographies of the Committee members are set out on pages 48 and 49.

All the members of the Committee are Non-Executive Directors of the Company and 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 for 2017. David Nish will assume this role upon my retirement.

In order to ensure that the Committee continues to have experience and knowledge relevant to the sectors in which the Company operates, all of the Non-Executive Directors of the Company receive ongoing training and development as detailed in the section on Board evaluation, induction and training on pages 54 and 55. In addition, every three years the Board appoints an external organisation to perform an independent review of the Committee to evaluate its performance. The last independent review was performed in March 2016 which concluded that the Board members considered the Committee to be thorough and fully effective in meeting its objectives.

How the Committee operates

The Committee met six times during the year, five times under its standard schedule of meetings plus an additional meeting in October 2016 to cover a specific external auditor independence matter as detailed later in this report. Two of the standard meetings are timed for September and March in each year so that the Committee can assess in advance the issues likely to effect the Group's half-year and year end reporting. The meetings in October and May conclude this work and play a key role in the approval of the Group's external financial results. The meeting in January has a focus on risk and compliance related matters. 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, with the Board receiving copies of the Committee minutes.

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 Controlling and Operations 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.

Accountability

Audit and Risk Committee (continued)

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;
- providing advice to the Board on the form and basis underlying the long-term viability statement;
- 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 and the European Securities and Marketing Association Guidelines on Alternative Performance Measures;
- 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 2017 Annual Report. 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.

The Committee received regular reports from management on the programmes for the adoption of 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 for the years ending 31 March 2019 and 2020 respectively. Our disclosures on pages 107 and 108 include further qualitative detail on the impact of these two accounting standards. The Committee's work in relation to the oversight of these programmes is set out below.

Regulators and our financial reporting

There has been no correspondence from regulators, including the FRC's Corporate Reporting Review team, in relation to our financial reporting during the 2017 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 "business model reporting" and "digital future – data".

In addition, the Committee continued to support the Group's broader commitment to corporate transparency which this year saw the publication of the Group's award-winning report into its "Taxation and total economic contribution to public finances" report. Now in its fifth year, the report remains the most comprehensive publication of its kind in the telecommunications and technology sectors covering tax strategy and detailed analysis of taxes paid around the world.

Significant judgements and issues

The significant areas of focus considered and actions taken by the Committee in relation to the 2017 Annual Report, which have been extended to reflect the Group's change in presentation currency from sterling to the euro from 1 April 2016, 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 91 to 96.

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 newly introduced systems and changing pricing models.	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 confirmed with management that the basis of revenue accounting remained unchanged from prior years with PricewaterhouseCoopers LLP. As a result, the Committee was satisfied with the appropriateness of the revenue recognised in the financial statements.

Significant judgements and issues

Matter considered	Action
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 2017, the Group had recognised a €23.5 billion 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 2016 and May 2017 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 year end. Consequently, the Committee was satisfied with the approach adopted in the financial statements by management for each matter.
Impairment testing This is an area of focus for the Committee given the materiality of the Group's goodwill balances (€26.8 billion at 31 March 2017) and the inherent subjectivity in impairment testing. The judgements in relation to impairment testing continue to relate primarily to the assumptions underlying the calculation of the value in use of the Group's businesses, being the achievability of the long-term business plans and the macroeconomic and related modelling assumptions underlying the valuation process. As at 31 March 2017 these judgements were extended to include the assessment of the fair value of Vodafone India. During the year, a new entrant in India launched free trial services for an extended period and commercial price plans at a significant discount to prevailing market pricing, resulting in competitive responses from other operators. This created a high degree of uncertainty over a range of commercial planning assumptions including future pricing, profitability and market structure, resulting in a wide range of potential outcomes which the Committee had to consider in assessing management's view of future business performance and cash flows for impairment valuation purposes at both 30 September 2016 and 31 March 2017. A net of tax impairment charge of €3.7 billion was recorded in respect of the Group's investment in Vodafone India for the year ended 31 March 2017. See note 4 "Impairment losses" for 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. As a result, the Committee was satisfied with both the appropriateness of the analysis performed by management 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 legal and management 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 2016 and May 2017 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.

Governance

Accountability

Audit and Risk Committee (continued)

Significant judgements and issues

The Committee reviewed the accounting and reporting implications of the merger of Vodafone's and Liberty Global's operating businesses in the Netherlands and the agreement to combine Vodafone India with Idea Cellular into a new joint venture. The latter resulted in Vodafone India being accounted for as a discontinued operation at 31 March 2017. See note 7 "Discontinued operations and assets held for resale" and note 28 "Acquisitions and disposals" for further detail.

Management outlined the key accounting and disclosure impacts in relation to these transactions.

The Committee also received detailed reporting from PricewaterhouseCoopers LLP on their assessment of the accounting and disclosures made by management in the financial statements.

After having reviewed these reports and the financial statements, the Committee concluded that it was satisfied with the accounting and disclosures made in the Annual Report.

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.

Following the prior year implementation of a suite of standard controls over the Group's core financial processes, there have been no significant changes to the Group's key business controls.

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 91 to 98.

As a result, 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.

Change in presentation currency

Following the change in the Company's functional currency and the Group's presentation currency from sterling to the euro with effect from 1 April 2016, the Group has performed a full historic retranslation of the Group's results. See note 1 "Basis of preparation" for further detail.

Management outlined the key accounting and disclosure impacts in relation to the changes in both the Company's functional currency and the Group's presentation currency.

The Committee also received detailed reporting from PricewaterhouseCoopers LLP, at both the half-year and the year end, on their assessment of the accounting and disclosures made by management in respect of the change in functional and presentational currency.

After having reviewed these reports and the disclosures in the financial statements, the Committee concluded that it was satisfied with the accounting and disclosure for each of these matters.

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 new accounting pronouncements

The Committee received regular reporting from management on the Group's ongoing 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, systems integration, the methodology in which the standard would be adopted and programme resourcing. The implementation programme continued to progress satisfactorily during the year, with the accounting systems build being finalised and tested and new business and IT controls being designed and rolled out. Markets are expected to go-live across the Group in a phased approach starting from March 2017. Similar reporting was given to the Committee in relation to the Group's implementation of IFRS 16 "Leases", which will be adopted in the financial year ending 31 March 2020.

The Committee discussed a number of issues arising from the UK's vote to leave the European Union in June 2016, including consideration of the impact on our principal risks as set out on pages 28 to 34, and the consideration of potential tax impacts in conjunction with the Group's tax risk mitigation strategy, further details of which are included in Note 6 "Taxation".

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 procedures 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.

This year following guidance issued by the European Securities and Markets Authority the Committee's assessment was extended to cover the use and disclosure of alternative performance measures (or non-GAAP measures) to ensure that they were clearly explained, defined and labelled, disclosed separately from reported GAAP metrics, not given undue prominence compared to reported IFRS measures and were reconciled to the nearest GAAP financial metric. In addition the Committee also considered the financial impact of the duties of the Directors under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole as well as meeting the needs of wider society.

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.

As part of the Committee's responsibility to provide advice to the Board on the form and basis underlying the long-term viability statement as set out on page 34, 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;
- the modelling of the financial impact of certain of the Group's principal risks materialising using severe but plausible scenarios; and
- ensuring clear and enhanced disclosures in the Annual Report as to why the assessment period selected was appropriate to the Group, what qualifications and assumptions were made and how the underlying analysis was performed, consistent with recent FRC pronouncements.
- 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, negotiating and approving the statutory audit fee, the scope of the statutory audit and approval of the appointment of the lead audit engagement partner.

Auditor appointment

PricewaterhouseCoopers LLP were appointed as the Group's external auditor in July 2014 following an audit tender and, whilst the Group has no current retendering plans, in accordance with the UK implementation of the EU Audit Regulation and Directive or the Competition & Markets Authority Order on the Statutory Audit Market, 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 Andrew Kemp, who was appointed in July 2014, will be required to step down following the completion of the 2019 audit.

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 2018 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 2017.

Audit risk

At the start of the audit cycle for the 2017 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. For the 2017 financial year the key risks identified were as follows:

- Taxation matters, including recognition and recoverability of deferred tax assets in Luxembourg and Germany, and a provisioning claim for withholding tax in India
- Carrying value of goodwill
- Provisions and contingent liabilities
- Revenue recognition including accuracy of revenue recorded given the complexity of systems and fraud
- Management override of internal controls
- Accounting for significant one-off transactions
- Capitalisation and asset lives
- Change in the Group's presentation currency

The key audit risks for the 2017 financial year are unchanged from the 2016 financial year except for the addition of a new risk arising from the change in the Group's presentation currency from sterling to the euro. 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.

Governance

Accountability

Audit and Risk Committee (continued)

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 and feedback, 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 2016. In addition, the FRC's Audit Quality Review team reviewed PricewaterhouseCoopers LLP's audit of the Group's financial statements for the year ended 31 March 2016 as part of their 2016 annual inspection of audit firms. This concluded that their work was of a high standard at both a Group and component level, identifying only minor issues arising, all of which were addressed in the audit firm's proposed action plan.

Based on these reviews, the Committee concluded that there had been appropriate focus and challenge by PricewaterhouseCoopers LLP on the primary areas of the audit and that they had applied robust challenge and scepticism throughout the audit. Consequently, as noted above, the Committee has recommended to the Board that they be reappointed at the annual general meeting in July 2017.

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').

During the year we were notified by our lead audit partner that a company for which a number of PricewaterhouseCoopers LLP partners were acting as administrators was considering litigation against the Group. The Committee, in consultation with the Group's legal advisors, reviewed the implications on PricewaterhouseCoopers LLP's audit independence from the roles played by PricewaterhouseCoopers LLP's partners as administrators and PricewaterhouseCoopers LLP as the Group's statutory auditor in the context of relevant regulations and ethical standards. Further, the Committee consulted with the UK Financial Reporting Council and a number of institutional investors.

To address any potential threat to their audit independence, PricewaterhouseCoopers LLP put in place a number of safeguards including ensuring both the administration and audit teams were physically separate and had no interactions, that working papers and other highly confidential material were separately stored with highly restricted access and that the lead group engagement partner would be solely responsible for the audit implications of the potential litigation. In response, we requested that both PricewaterhouseCoopers LLP's Compliance Department and its independent non-executives provide oversight of the effectiveness of the safeguards put in place and they reported to the Committee on these safeguards on a regular basis. PricewaterhouseCoopers confirmed to the Committee that these safeguards had been put in place, were being monitored internally and operated effectively throughout the relevant period.

The Committee concluded that this position was not prohibited and PricewaterhouseCoopers LLP remained independent for the purposes of the audit throughout this period.

Audit fees

For the 2017 financial year the Committee considered the ongoing fee proposal included as part of the audit tender in 2014, negotiated audit scope changes 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 €16 million for statutory audit services. This included €1 million in respect of advance audit procedures in respect of the forthcoming implementation of IFRS 15 'Revenue from Contracts with Customers'.

Non-audit fees

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 €60,000 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.

In addition, the Committee assessed the impact of revised UK regulation including the prohibition of the auditor playing any part in management or decision-making and expected regulations 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 was amended to reflect these additional restrictions during the 2017 financial year for implementation in the 2018 financial year.

Non-audit fees were €4.0 million of which €3.5 million was for services where there was no legal alternative and €0.5 million for services where there was no practical alternative supplier. Non-audit fees represented 22% of audit fees for the 2017 financial year (2016: 11%; 2015: 33%), with the increase in the current year mainly due to €1.1 million of fees relating to a potential initial public offering ('IPO') of Vodafone India that was being considered prior to the agreement to combine the business with Idea Cellular. Further details of the fees paid for audit and non-audit services to PricewaterhouseCoopers LLP 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 28 to 34 and our review included reports from the Group Risk and Compliance Director with whom I met regularly during the year 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 those areas and provide independent challenge to their activities. During the 2017 financial year the areas reviewed included:

- technology failure including a review of the Group's technology resilience risk management plan, policy compliance across both the Group's mobile and fixed networks, cyber-threat resiliency and user access management;
- tax risk mitigation strategy including proactive engagement with key stakeholders, external publication of the updated "Tax Risk Management Policy" to meet new UK legislative requirements and internal policies to manage tax fraud risks;
- unstable economic conditions and the impact on the Group's treasury operations including the setting of debt maturities, fixed/floating interest rate mix and counterparty credit risk;
- the impact on the framework for risk and compliance in Vodafone India following changes in competition driven by the new market entrant and the demonetisation introduced by the Indian Government in November 2016;
- the integration of Vodafone Netherlands and Ziggo into the merged 50:50 joint venture and the transition to common governance standards;
- a review of the monitoring work being done to assess the impact of the referendum vote that Britain should leave the EU; and
- a review of PricewaterhouseCoopers' data security and confidentiality arrangements.

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. Last year these controls were enhanced through the application of a coordinated assurance approach which provides a framework that allows a comprehensive assessment of the assurance and compliance activities for the Group's significant risks.

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 2017 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 also met regularly with the Group Audit Director which has been of particular importance following the appointment of a new Group Audit Director this year to set annual objectives, monitor performance against these objectives, discuss the team's activities and any significant issues arising from their work. Following an independent assessment of the function's effectiveness in 2015, and the increasing pace of change of the business, initiatives are continuing to be implemented to evolve and strengthen Internal Audit's effectiveness.

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 and the results of work performed; and
- the evolution of the wider control environment in response to ongoing business developments.

The scope of the Group's section 404 compliance activities in 2017 was broadly stable compared to the 2016 financial year. The external auditor reported the status of their work 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 executive sessions on compliance-related matters in the year. These focused on:

- the organisational model for managing fraud, including the use of shared service centres to enhance preventative controls and increase the use of big data and advanced analytics to detect trends earlier, the types of fraud most commonly detected and the level of fraud within the Enterprise business;
- 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;
- a review of the new EU General Data Protection Regulation, likely to take effect from May 2018, including the areas of potential impact for the Group; and
- 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.

Nick Land

Nick Land

Relations with shareholders

Communicating with our shareholders

Listening to our shareholders

We are committed to communicating our strategy and activities to all our shareholders and listening to their questions and feedback.

Our investor calendar	May	June	July	August
Set out here is a calendar of our investor events throughout the year	Roadshows in – London, – Edinburgh – Boston – Toronto – New York and – Paris	Roadshows in – Amsterdam – Milan – Frankfurt – Madrid – San Francisco and – Los Angeles Investor conferences in London at – Merrill Lynch and – JP Morgan Cazenove in Switzerland at – Berenberg Chairman roadshow to top investors	Investor meetings in – Germany – Spain – Italy and – Turkey Annual general meeting	Roadshows in – Hong Kong and – Singapore

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 Deutsche Bank (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

Institutional investor meetings

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:

- 5G investment and business cost
- cash flow, capital expenditure, debt and dividend cover
- fixed broadband and TV strategy
- performance outlook
- network differentiation,
- shareholder returns
- regulation in Europe and emerging markets
- spectrum renewal costs
- VodafoneZiggo JV
- Vodafone India and Idea Cellular merger and
- administration of shareholding

September

Investor conferences in London at
- Credit Suisse
- Deutsche Bank and
- Bernstein

in New York at
- Goldman Sachs

Roadshows in
- [illegible]
- Copenhagen and
- Stockholm

[illegible]

November

Roadshows in
- London
- Switzerland
- Boston
- Frankfurt
- New York
- Amsterdam and
- Paris

Chairman meeting with retail shareholders

Investor conference in Spain at Morgan Stanley

December

Roadshows in
- Edinburgh
- Sydney and
- Cape Town

Investor conference in London at Berenberg

January

Roadshows in
- Los Angeles and
- San Francisco

Investor meetings in
- Spain and
- Italy

March

Roadshows in
- Helsinki
- Copenhagen and
- Stockholm

Investor conference in London at
- Citi

in Madrid at
- Deutsche Bank

Annual general meeting

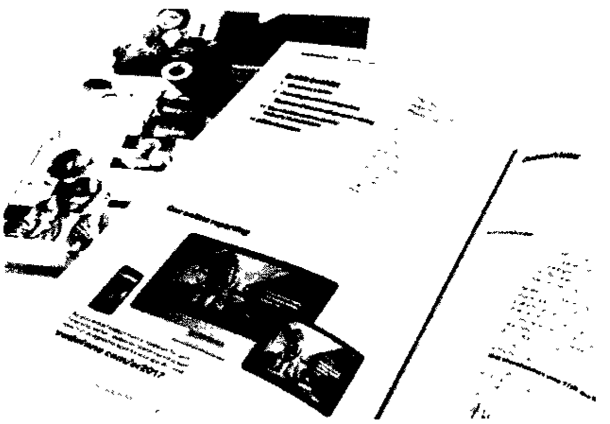
Our annual general meeting is attended by our Board and Executive Committee members and is open to all our shareholders to attend. A summary presentation of financial results is given before the Chairman deals with the formal business of the meeting. All shareholders present can question the Board during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

Representatives from investor relations and customer services are available after the meeting to answer any additional questions shareholders may have.

Dividend payments

For the financial year and beyond, dividends are declared in euros and paid in euros and pounds sterling and for ADR holders US dollars, aligning our shareholder returns with the primary currency in which we generate free cash flow.

The foreign exchange rate at which dividends declared in euros are converted into pounds sterling and US dollars is calculated based on the average exchange rate over the five business days during the week prior to the payment of the dividend.



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 2014 UK Corporate Governance Code (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 advisors. – 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

Directors' remuneration

Remuneration Committee

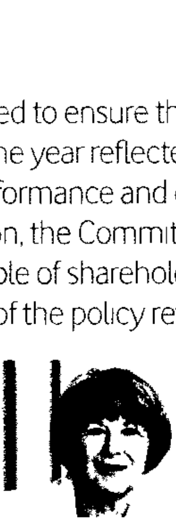
The Committee continued to ensure that decisions made during the year reflected our principles, company performance and external considerations. In addition, the Committee adopted an early timetable of shareholder engagement in respect of the policy review

Chairman

Valerie Gooding
Independent Non-Executive Director

Members

Dr Mathias Döpfner
Renee James
Samuel Jonah



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.

The Committee met five times during the year and each meeting had full attendance. The terms of reference of the Committee are available on vodafone.com/governance

Letter from the Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board I present our 2017 Directors' Remuneration Report. This report sets out our proposed policy, which, if approved at our 2017 AGM, will take effect immediately from the date of that meeting. The report also sets out how our current policy was implemented during the year.

Current policy – a successful implementation

Our current policy has received continued support since its approval at the 2014 AGM, with the Annual Report on Remuneration receiving a vote in favour of [illegible]% in each of the last two years.

The Committee believes that the effectiveness of the current policy reflects a commitment to our principles of:

- 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;
- aligning the interests of our senior management team with those of shareholders by maintaining a requirement to share ownership that results in a significant commitment to our long-term success; and
- offering competitive and fair levels of pay and benefits.

It is due to this continued support and its ongoing appropriateness that the Committee has maintained the current policy for a further three years.

Aligning remuneration arrangements with strategic priorities

The importance of aligning our remuneration arrangements with our strategic priorities continued to play a crucial role in the Committee's decision making during the year.

In terms of financial measures, free cash flow continues to remain the key financial metric in the industry in which we operate – this is currently effected through the presence of the measure in both our short-term and long-term incentive plans. As we work towards our vision – a converged communications leader – a Gigabit Vodafone for the Gigabit Society – ensuring that our business has the required resources to invest in these new opportunities remains critical to future success. Through the proposed change to the structure of our long-term incentive as outlined further below, we therefore seek to ensure the weighting of this metric is further enhanced.

From a strategic perspective, we aim to deliver superior returns to our shareholders by differentiating our business through the provision of superior customer service. This strategic vision continues to influence our business both internally and externally as we seek to build on the early successes generated through our Customer eXperience excellence programme. As such, the 40% weighting on customer appreciation KPIs that was used in 2017 will continue to apply during 2018. This will ensure that a significant part of our executives' short-term reward is linked to how our customers judge our performance.

It is the Committee's view that our reward arrangements best support our business effectiveness by only delivering above target payouts when this is justified through company performance. This is reflected through the stretching and robust variable incentive target setting process undertaken by the Committee on an annual basis which has delivered variable levels of payout.

Contents of the Remuneration Report

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The remuneration policy table Page 72
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Governance

Remuneration

Directors' remuneration (continued)

During this year's shareholder consultation a number of investors acknowledged that the Committee has a track record of setting stretching targets and ensuring that payments are in line with performance – the average payout over the last three years including the year under review for the GSTIP and GLTI has been 54% and 22% of maximum respectively. This is a principle that will continue to apply in 2018 and beyond.

Finally, our effectiveness as a business is built on long-term sustainable performance. In an industry with an ever-changing technological landscape it is vital that our reward arrangements encourage long-term strategic thinking and growth rather than short term profit-taking. It is for this reason that the majority of our proposed reward policy continues to be weighted towards the Global Long Term Incentive Plan whilst TSR remains a key performance measure in ensuring our final payouts accurately reflect the shareholder experience over this period.

The year ahead

In addition to the policy changes outlined below, the 2018 annual bonus will see adjusted EBITDA replaced with adjusted EBIT as one of the three financial performance conditions to reflect an increased focus on both capital discipline and expenditure.

Such a change is within the terms of the current policy and as such no wording changes to the GSTIP section of the Policy Report are proposed. Annual bonus weightings will also remain unchanged for 2018.

In respect of long-term incentives the revised GLTI structure (subject to approval at our 2018 AGM) will be used for the 2018 GLTI awards to the executive Directors (which will be awarded in the 2018 calendar year).

Full details of the remuneration arrangements for our executive directors for the year ahead are outlined on pages 81 and 85 of the Annual Report on Remuneration.

Remuneration outcomes – performance in 2017

Business performance during the year reflected the implementation of a number of key strategic programmes across our markets including the capital investment made under Project Spring which has provided the platform necessary to work towards our vision of being a converged communications leader. Other core programmes in operation during the year included our Fit for Growth strategy which aims to reduce costs and make the organisation more effective – yielding both environmental and financial benefits for the business. The business also remained focused on our Customer eXperience excellence programme during the year which aims to continually improve our customer service to ensure full advantage can be taken of the improvements we are making to our network.

Remuneration outcomes for performance in 2017 reflect the progress made across all of these fronts whilst also reflecting the fact that in order to achieve our vision there remains work to be done.

Annual bonus performance conditions for the year under review remained unchanged from 2016, with 60% of opportunity based on financial measures and 40% on strategic measures. Financial measures comprised service revenue, adjusted EBITDA and adjusted free cash flow (all equally weighted) whilst the strategic element was based on customer appreciation KPIs.

During the year service revenue and adjusted EBITDA performance were below target whilst performance under the adjusted free cash flow and customer appreciation KPIs measures were in line with target. The combined performance under all of these measures during the year resulted in an overall payout of 47.5% of maximum.

As in previous years the annual bonus targets for the year under review are disclosed in our Annual Report on Remuneration. Following on from our decision to improve disclosure last year by detailing the full target ranges used under the financial measures, the Committee has again sought to further improve transparency by disclosing additional detail on performance against the customer appreciation KPIs metrics.

The final outcome under this strategic element is based on a weighted average of performance across all of our markets utilising a range of metrics. Despite the difficulty in condensing such a variety of outputs it is recognised that greater insight into outcomes under this measure is desired by shareholders. The Committee has therefore sought to provide details in a manner which is both succinct and useful to our stakeholders. Further details are provided on pages 78 and 79.

The 2015 Global Long-Term Incentive award was subject to free cash flow and TSR performance as measured over a three year period ending 31 March 2017. The free cash flow measure finished just above target performance during this period whilst TSR performance was below the median of TSR comparator group resulting in no uplift being applied to the free cash flow outcome. Overall payout for the award was therefore 45.5% of maximum.

Shareholder consultation – constructive, timely engagement

Notwithstanding the support received for the current arrangements the Committee recognises that the regulatory requirement to resubmit the Policy Report presents a natural point at which to incorporate any shareholder feedback and appropriate best practice features that have emerged during the last three years.

This is why the Committee committed to an early timetable of shareholder engagement in respect of the policy review. In doing so the Committee sought to ensure that shareholder views and comments were fully considered as part of the review, with enough time scheduled to allow for a two way dialogue.

I can report that the consultation facilitated a high level of response from investors which allowed the Committee to clearly explain the proposals and ensure that all feedback was properly considered across a number of scheduled Committee meetings.

Proposed policy – evolution, not revolution

The proposed changes reflected in our Policy Report, and outlined in detail on the summary page at the end of this letter, do not seek a complete overhaul of our current arrangements. Instead, the changes reflect our stakeholders' wishes for the simplification of the current arrangements in a manner which retains the core qualities and principles that have underpinned our reward strategy in recent years.

This is exemplified through the proposed simplification of the GLTI plan via the removal of the co-investment element and the simplification of the interplay of performance conditions under the payout matrix. Both of these proposed changes tackle features of the current arrangements which a number of shareholders have flagged as being overly complex and are coupled with other best practice changes including an increase in shareholding guidelines and the introduction of clawback.

Improving how we encourage share ownership

Importantly, in proposing to remove the co-investment element as a way of simplifying the GLTI, the Committee has also sought to ensure that the revised arrangements continue to replicate the unique ownership effect of co-investment by re-establishing market-leading shareholding guidelines (500% of salary for the Chief Executive and 400% of salary for other Executive Directors). This ensures that the revised arrangements provide a streamlined GLTI, whilst also supporting clear and stretching ownership requirements.

In order to reflect the importance of shareholding guidelines both during employment but also in the period post-employment, the increased guidelines will apply until all long-term incentives have vested. This will ensure that our Executives continue to share in the shareholder experience of any decisions made before departure but which may have implications after departure. If this requirement is not met, then the Committee will have the ability to lapse any unvested GLTI awards.

Furthermore, underpinning the change in how we encourage share ownership is an expectation that executives who have not met their new higher shareholding guideline will increase their holding by 100% of salary each year until this is reached. If this expectation is not met, the Committee will have the discretion to reduce an individual's next target GLTI grant by up to 100% of salary. As Chairman of the Committee I would like to reassure shareholders that were these circumstances to apply, this discretion would be used in a robust and fair way.

Simplifying the payout matrix

It was made clear during both this and previous consultations that our shareholders would prefer to see the current payout matrix replaced with a simpler additive structure where each performance metric is assessed independently of each other. The Committee has listened to shareholders on this point and recognised that the more traditional schedule allows for a clearer and simpler communication of both expected and actual performance. Such a change is therefore reflected in the revised Policy Report.

The revised payout matrix has also been designed to ensure that the GLTI plan is more weighted towards adjusted FCF performance – a key strategic measure for our business. This is reflected through a proposed 2/3 weighting to this measure, with the other 1/3 weighted towards the same relative TSR measure used under the current arrangements.

Also in line with shareholder preferences, a further proposed revision is the reduction in the size of awards payable at threshold for all Executive Directors.

Other matters considered

In order to align with market practice a key change proposed by the Committee is the introduction of clawback to all incentive plans. These arrangements will complement the malus arrangements already in place and deliver on the Committee's promise to introduce clawback at the next point at which the Policy Report was up for approval.

A potential change that was considered during the consultation was the introduction of annual bonus deferral. Following consultation with shareholders, the Committee determined that the objectives of bonus deferral were already being met through other features of the proposed arrangements – namely the heavy weighting of packages towards our long-term incentive which already has deferral built in, and the proposed increase in shareholding guidelines. The Committee will however continue to monitor this area of practice and ensure that shareholders remain satisfied with the levels of deferral and share ownership built into the arrangements we set here.

Pay in the wider context

The Committee is fully aware of the attention that executive pay has received in the wider market in recent years. The importance of ensuring that pay remains appropriate in light of individual and business performance continues to remain central to the Committee's decision-making.

As in previous years, the Committee will continue to ensure that incentive payouts are not excessive and any salary increases remain appropriate. During the year the Committee agreed a salary increase of 1.5% for the Chief Financial Officer effective 1 July 2018; however, the Chief Executive's salary will, at his request, remain unchanged. This will be the third year in a row, and the fifth time in the last six years, in which the Chief Executive's salary will not have increased. The salary review was taken in the context of a budgeted increase of 1.5% in the UK for this year, with the wider Executive Committee being maintained in line with local market budgets as explained later in this report.

The Committee recognises the importance of engagement with both internal and external stakeholders and will continue to ensure that such engagement plays a central role in future remuneration developments. At an employee level, our people survey remains a key tool in this respect, with the high participation and engagement rate facilitating direct communication between the business and our colleagues.

Conclusion

I would like to sign-off this letter by thanking our shareholders for the continued engagement and support that has been demonstrated during the year. The outcome of the vote on our remuneration and the process of confirming these arrangements is encouraging, most with scepticism the Committee would like the key shareholders engaged actively and constructively during this year's consultation. The Committee values the strong relationships that have been built with shareholders through years of active and timely engagement and will continue to work hard to ensure this remains the case in future years.

The Policy Report presented on the following pages is the result of an early, informative and engaging consultation and, as Chairman of the Committee, I intend to ensure this appreciation of the importance of stakeholder engagement continues to be a pillar of future Committee activity.

V. Gooding

Valerie Gooding

Remuneration

Directors' remuneration (continued)

Summary of proposed changes to the Policy Report

In line with the rationale outlined in the Letter from the Remuneration Committee Chairman it is proposed to:

Shareholding guidelines

- Increase shareholding guidelines to 500% of salary for the Chief Executive and 400% of salary for other Executive Directors.
- Introduce discretion to reduce long-term incentive grant levels for Directors who have not met their guideline nor increased their shareholding by 100% of salary during the year.
- Introduce a post-employment condition whereby Directors must continue to meet their guideline until all long-term incentives have vested. If this requirement is not met then any unvested GLTI awards will normally be forfeited.

Global Long-Term Incentive Plan

- Remove the co-investment element of the GLTI to simplify the plan structure.
- Replace the current vesting matrix with a simplified model whereby both measures operate independently.
- Rebalance the weightings of the performance measures to 2/3 in favour of adjusted FCF and 1/3 in favour of relative TSR.
- Reduce threshold opportunity from 118.75% to 103.5% of salary for the Chief Executive and from 105% to 94.5% of salary for other Executive Directors. This equates to reducing threshold vesting from 20% to 18% of maximum opportunity.
- As a result of rebalancing the vesting schedule, maximum opportunity for the Chief Executive will also be reduced from 593.75% to 575% of salary and target opportunity will be reduced from 237.5% to 230% of salary. This is to ensure payout curves remain the same across all participants.

Introduction of clawback

- Trigger events will constitute material misstatement of performance, material miscalculation of performance condition outcomes and gross misconduct.
- The provisions will apply to all future GLTI awards and bonus payments and the application period for the provisions will be up to three years after the payment of any bonus award and up to two years after the vesting of any GLTI.

Total target remuneration at a glance – 2017 compared to 2018

The below table illustrates the arrangements in place during the year under review (2017) compared to those which, subject to the approval of our proposed remuneration policy, will be in place for 2018.

	2017 (y/e 31 March 2017)	2018 (y/e 31 March 2018)
Base salary	**Effective 1 July 2016:** Chief Executive: £1,150,000 (0.0% increase) Chief Financial Officer: £700,000 (0.0% increase)	**Effective 1 July 2017:** Chief Executive: £1,150,000 (no increase) Chief Financial Officer: £725,000 (3.5% increase)
Benefits	Travel related benefits and private medical cover	Travel related benefits and private medical cover
Pension	Pension contribution of 24% of salary for all Executive Directors	Pension contribution of 24% of salary for all Executive Directors
GSTIP	**Opportunity (% of salary):** Target: 100% Maximum: 200% **Measures:** Service revenue (20%), adjusted EBITDA (20%), adjusted FCF (20%) and customer appreciation KPIs (40%)	**Opportunity (% of salary):** Target: 100% Maximum: 200% **Measures:** Service revenue (20%), adjusted EBIT (20%), adjusted FCF (20%) and customer appreciation KPIs (40%)
GLTI	**Opportunity (% of salary):** Target Chief Executive – 237.5% Other Executive Directors – 210% Maximum Chief Executive – 594% Other Executive Directors – 525% **Measures:** Adjusted free cash flow and TSR vesting matrix	**Opportunity (% of salary):** Target Chief Executive – 230% Other Executive Directors – 210% Maximum Chief Executive – 575% Other Executive Directors – 525% **Measures:** Adjusted free cash flow (2/3 of total award) and TSR (1/3 of total award)
Total target remuneration	Chief Executive – £5.4m Chief Financial Officer – £3.2m	Chief Executive – £5.3m Chief Financial Officer – £3.3m
Shareholding guidelines	Chief Executive – 400% of salary Chief Financial Officer – 300% of salary	Chief Executive – 500% of salary Chief Financial Officer – 400% of salary Include post-employment holding requirements

Remuneration Policy

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 including an indication of the potential future value of this package for each of the Executive Directors and the policy applied to the Chairman and Non-Executive Directors.

We will be seeking shareholder approval for our Remuneration Policy at the 2017 AGM and we intend to implement at that point. A summary and explanation of the proposed changes to the current remuneration policy is provided on pages 67 to 70. Subject to approval, we will review our policy each year to ensure that it continues to support our company strategy and 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 67 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 and a number of key governance stakeholders to comment on remuneration at Vodafone and to provide feedback on the proposed changes to the current policy which was approved at the 2014 AGM. A number of meetings between shareholders and the Remuneration Committee Chairman took place during this consultation period. Further details of this consultation are provided on pages 67 to 69 whilst a summary of the proposed changes to our current policy, which are incorporated in this revised Remuneration Policy section, is provided on page 70.

Listening to and consulting with our employees is very important. This can take different forms in different markets but always includes our annual people survey, which attracts very high levels of participation and engagement. We do not consult directly 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 74.

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 customer appreciation KPIs 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 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 has the discretion to use either malus or clawback as it sees appropriate. In the case of malus, 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. In the case of clawback, the Committee may recover bonus amounts that have been paid up to three years after the relevant payment date, or recover share awards that have vested up to two years after the relevant vesting date. The key trigger events for the use of the clawback arrangements include material misstatement of performance, material miscalculation of performance condition outcomes, and gross misconduct. Subject to approval of this Remuneration Policy, the clawback arrangements will be applicable to all future bonus amounts paid, or share awards granted, following the 2017 AGM.

Remuneration

Directors' remuneration (continued)

Remuneration Policy (continued)

The remuneration policy table

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

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, our all-employee share plan, 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. The strategic measures aim to ensure 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')	– 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 share ownership – 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 awards consist of performance shares which are granted each year – 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

- 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 24% of annual gross salary

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

Governance

- 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) customer appreciation KPIs such as net promoter score and brand consideration

- The target award level is 230% of base salary for the Chief Executive and 210% for other Executive Directors
- Minimum vesting is 0% of the target award level, threshold vesting is 45% of the target award level and maximum vesting is 250% of the target award level
- Maximum long-term incentive face value at award of 575% of base salary for the Chief Executive and 525% for others Executive Directors
- The Committee has the discretion to reduce long-term incentive grant levels for directors who have neither met their shareholding guideline nor increased their shareholding by 100% of salary during the year
- 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 the following measures:
  - adjusted free cash flow as our operational performance measure; and
  - relative TSR against a peer group of companies as our external performance measure
- Measures will normally be weighted 2/3 to adjusted free cash flow and 1/3 to relative TSR

Remuneration

Directors' remuneration (continued)

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 and/or prior to the approval and implementation of this policy. For the avoidance of doubt this includes payments in respect of any award granted under the previous remuneration policy. This will last until the existing incentives vest (or lapse) or the benefits or contractual arrangements no longer apply.

Long-term incentive (LTI)

When referring to our long-term incentive awards we use the financial year end in which the award was made. For example, the "2017 award" was made in the financial year ending 31 March 2017. The awards are usually made in the first half of the financial year (the 2017 award was made in June 2016).

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 the award subject to this performance element are shown in the table below (with linear interpolation between points).

Below threshold	0%
Threshold	18%
Target	40%
Maximum	100%

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 TSR vesting levels as a percentage of the award subject to this performance element are shown in the table below (with linear interpolation between points).

Below median	0%
Median	18%
Percentage outperformance of the peer group median equivalent to 65th percentile	40%
Percentage outperformance of the peer group median equivalent to 80th percentile	100%

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

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 Committee are essentially the same as for the Executive Directors with some minor differences, for example smaller levels of share awards and local or regional performance conditions where appropriate. The remuneration for the next level of management, our senior leadership team, again follows the same principles with 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 conditional share awards without performance conditions.

Estimates of total future potential remuneration from 2018 pay packages

The tables below provide estimates of the potential future remuneration for each of the Executive Directors based on the remuneration opportunity to be granted in the 2018 financial year. 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 2017.
Benefits are valued using the figures in the total remuneration for the 2017 financial year table on page 78 (of the 2017 report).
Pensions are valued by applying cash allowance rate of 24% of base salary at 1 July 2017.

Chief Executive	1,150	27	276	1,453
Chief Financial Officer	725	29	174	928

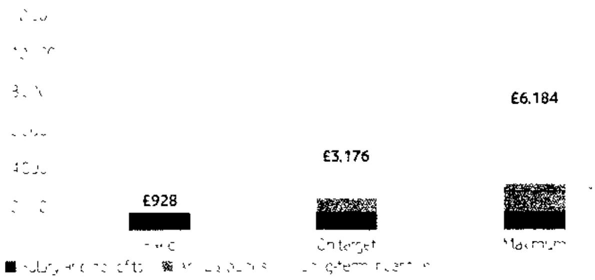
On target — Based on what a Director would receive if performance was in line with plan.
The target award opportunity for the annual bonus (GSTIP) is 100% of base salary.
The target award opportunity for the long-term incentive (GLTI) is 250% of base salary for the Chief Executive and 210% for the Chief Financial Officer. 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 — 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

Nick Read, Chief Financial Officer



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 72 and 73) 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 575% 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.

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.

Remuneration

Directors' remuneration (continued)

Remuneration Policy (continued)

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.

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') 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 for reasons 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.

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.

Annual Report on Remuneration

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken during the 201[illegible] financial year. The Committee is comprised to exercise independent judgement and consists only of the following independent Non-Executive Directors:

Chairman: Valerie Gooding
Committee members: Dr Mathias Döpfner, 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 Jack from the Group Reward and Policy Director provides a perspective on information provided to the Committee and requests information and analyses 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 adhered 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 [illegible]

Willis Towers Watson	Remuneration Committee in 200[illegible]	Advice on market practice; governance; provision of market data on executive and [illegible] reward; consultancy and performance analysis	[illegible]	Reward and benefits consultancy; provision of [illegible] pension administration and insurance consultancy services

[illegible]

2016 annual general meeting – Remuneration Report voting results

At the 2016 annual general meeting there was an advisory vote on our Remuneration Report. Details of the voting outcomes are provided in the table below.

Remuneration Report	1764 01[illegible] 555	96.92	56 164 376	3.08	16 700 560 43[illegible]	190 139 395

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.

Remuneration Policy	16 670 036 145	95.9[illegible]	698 459 069	4.03	17 518 495 214	220 417 315

Meetings

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

May 2016	– 2016 annual bonus achievement and 2017 targets and ranges – 2013 long-term incentive award vesting and 2017 targets and ranges	– 2016 Directors' Remuneration Report
July 2016	– 2017 long-term incentive awards	– Large local market CEO remuneration
November 2016	– Review of Remuneration Policy – Shareholder communication materials	– Corporate governance matters
January 2017	– 2017 annual bonus framework	– Shareholder consultation update
March 2017	– 2017 reward packages for the Executive Committee, Chairman and Non-Executive Director fee levels – Shareholder consultation update	– 2017 Directors' Remuneration Report Committee's Terms of Reference – Risk assessment

Governance

Remuneration

Directors' remuneration (continued)

Annual Report on Remuneration (continued)

2017 remuneration

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2017 financial year versus 2016. 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 2017 as a result of the performance through the three year period ended at the completion of our financial year on 31 March 2017.

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 of long-term incentive awards under the 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 2017 financial year (audited)

	Vittorio Colao 2017 £000	Vittorio Colao 2016 £000	Nick Read 2017 £000	Nick Read 2016 £000
Salary/fees	1,150	1,150	710	694
Taxable benefits	27	52	29	26
Annual bonus GSTIP (see below for further detail)	1,087	1,540	675	817
Total long-term incentive	3,477	2,583	1,860	1,313
GLTI vesting during the year	2,964	2,056	1,586	842
Cash in lieu of GLTI dividends	513	527	274	54
GLTR vesting during the year	–	–	–	380
GLTR dividend equivalent shares	–	–	–	37
Cash in lieu of pension	[illegible]	316	171	171
Other	1	1	1	1
Total	**6,018**	**5,224**	**3,446**	**3,122**

Notes:
1. Taxable benefits include amounts in respect of: – Private healthcare [illegible] – Cash car allowance £19,200 per annum – Travel [illegible]
2. [illegible]
3. [illegible]
4. [illegible]

2017 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 2017 of 94.5% of target. 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.

Service revenue	20%	40%	17.1%	47.8	50.3	52.8	50.0
Adjusted EBITDA	20%	40%	17.1%	14.9	15.0	17.1	15.8
Adjusted free cash flow	20%	40%	20.1%	5.2	4.0	4.9	4.0
Customer appreciation KPIs	40%	80%	39.6%	See below for further details			
Total annual bonus payout level	**100%**	**200%**	**94.5%**				

Notes:
1. [illegible]
2. [illegible]

During the year under review, service revenue performance was slightly below budget which was mainly due to below target performance in our UK, India and Carrier Services businesses. Adjusted EBITDA result was also slightly below target performance with the UK business off-setting above target performance in Europe and India off-setting positive performance in the AMAP region. With regards to adjusted free cash flow, overall performance was on target with below target results in the Europe and AMAP regions being offset by positive cash management at a Group level.

Customer appreciation KPIs

An assessment of performance under the customer appreciation KPIs measure was conducted on a market by market basis. Each market was assessed against a number of different metrics which included:

- Net promoter score for both Consumer and Enterprise business units
- Brand consideration for Enterprise and both Consumer user and Consumer non-user
- Churn, revenue market share and ARPU

In respect of the [illegible] customer [illegible] promoter score [illegible] used as a measure of the extent to which our customers [illegible] recommend us [illegible] brand consideration [illegible] a measure of the percentage of people who would consider using a certain brand [illegible] telecom provider.

Both measures [illegible] use data from [illegible] markets which is collected and 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 KPI, other relevant customer factors such as churn, customer growth and service levels are considered.

The aggregated performance for the regions and the Group are calculated on a revenue weighted average to give an overall achievement. Performance this year under this measure is as follows:

Europe	89.5%
AMAP	110.5%
Group	[illegible]

The achievement percentage for Europe reflects strong performance in Italy where we remain the Consumer NPS leader as well as in Spain where not only did we remain the Consumer NPS leader but [illegible] the brand consideration for non-user consumers. This strong performance [illegible] offset by poor performance in the UK where further improvement is required in the customer experience.

The achievement percentage for AMAP reflects strong performance in [illegible] India, Egypt, South Africa and Ghana. Egypt also [illegible] in both Consumer and Enterprise NPS and continue to maintain their number 1 position in brand consideration for both Consumer and Enterprise while South Africa continue to lead in both Consumer NPS and brand consideration.

Vittorio Colao	1,150	[illegible]	915	1,06[illegible]
Nick Read	[illegible]	[illegible]	94.5[illegible]	[illegible]

Long-term incentive ('GLTI') award vesting in June 2017 (audited)

The [illegible] long-term incentive [illegible] vest in [illegible] June 2017 [illegible] 48.5% [illegible] maximum [illegible] of target [illegible] 2017. The performance conditions for the three year period ending [illegible] 2017 [illegible] as follows:

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Threshold	[illegible]	50%	[illegible]	[illegible]
Target	[illegible]	[illegible]	[illegible]	[illegible]
Maximum	[illegible]	125[illegible]	[illegible]	250[illegible]

[illegible]	Orange
BT Group	Telecom Italia
Deutsche Telekom	Telefonica
MTN	

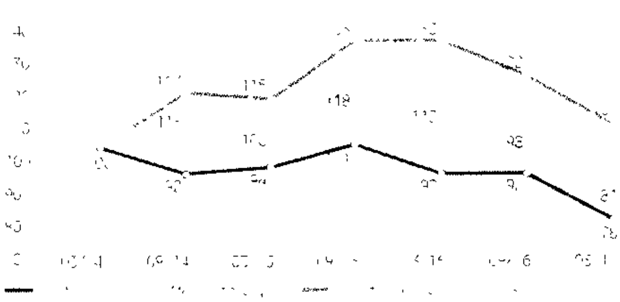
The adjusted free cash flow for the three year period ended on 31 March 2017 was £[illegible] billion. This compares with a target of £[illegible] billion and a maximum of £[illegible] billion.

The chart to the right shows that our TSR performance against our peer group for the same period resulted in below median performance.

Using the combined payout matrix above this performance resulted in a payout of 108.9% of target.

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

2015 GLTI award: TSR performance [illegible]



Vittorio Colao	[illegible]	[illegible]	[illegible]	1.00 times	[illegible]	1,458,5[illegible]	[illegible]
Nick Read	702,668	[illegible]	108.9%	1.00 times	[illegible]	[illegible]	[illegible]

These share awards will vest on 26 June 2017. 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 measure is undertaken by Willis Towers Watson. Details of how the plan works can be found in the Policy Report that was approved at the 2014 AGM.

Remuneration

Directors' remuneration (continued)

Annual Report on Remuneration (continued)

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

The performance conditions for the 2017 long-term incentive award made in June 2017 are a combination of adjusted free cash flow and TSR performance as follows:

Below threshold	<985	0%	0%	0%	Bharti	Orange
Threshold	985	50%	75%	100%	BT Group	Telecom Italia
Target	1180	100%	150%	200%	Deutsche Telekom	Telefónica
Maximum	1365	125%	187.5%	250%	MTN	

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

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:

	Target vesting level (40% of max)		Target vesting level			
Vittorio Colao	**1,231,575**	3,078,938	**£2,670,055**	£6,675,138	[illegible]	31 Mar 2019
Nick Read	**572,849**	1,432,123	**£1,241,937**	£3,104,843	[illegible]	31 Mar 2019

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

Outstanding awards

The award structure for awards made in the 2016 and 2017 financial years vesting in June/September 2018 and June 2019 respectively is [illegible]. The awards are subject to a combined vesting matrix as follows, illustrated as a percentage of target, with linear interpolation between points:

Below threshold	0%	0%	0%
Threshold	50%	75%	100%
Target	100%	150%	200%
Maximum	125%	187.5%	250%

Further details on the matrix structure used for the 2016 and 2017 awards can be found in the Annual Report on Remuneration of the relevant year.

All-employee share plans

During the year the Executive Directors were eligible to participate in the UK all-employee 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 82.

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.

Following a review of the UK all-employee plans it was decided that with effect from 1 April 2017 such offerings should be solely provided through an enhanced Sharesave programme. The new arrangements bring our UK all-employee plans more closely in line with market practice, help to reduce our costs and provide a simpler share plan offering for our UK employees.

Pensions (audited)

The Executive Directors received a cash allowance in lieu of pension of 24% of base salary during the [illegible] financial year. No Executive Director accrued benefits under any defined contribution pension plans during the year or have participated in a defined benefit 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 6[illegible]). In respect of the Executive Committee members, the Group has made aggregate contributions of [illegible] (2016: [illegible]) into defined contribution pension schemes.

Alignment to shareholder interests (audited)

Both of our Executive Directors have shareholdings in excess of their goal. 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 [illegible] months to 31 March 201[illegible] of 2[illegible] pence.

Vittorio Colao	40[illegible]%	[illegible]04[illegible]%	51[illegible]%	[illegible]420,6[illegible]8	£2[illegible].6m	July 201[illegible]
Nick Read	300%	548%	1[illegible]3%	[illegible]896,8[illegible]	£5.[illegible]m	April 201[illegible]

As outlined in the letter from the Remuneration Committee Chairman and subject to shareholder approval of the revised Remuneration Policy, the shareholding guidelines will be increased to 50[illegible]% of salary for the Chief Executive and 400% of salary for other Executive Directors with effect from the 2017 AGM. The revised guidelines will also include a post-employment condition whereby the Executive Directors will be required to continue to meet the guideline until all long-term incentive awards have vested. If this condition is not met then any unvested [illegible] will normally be forfeited.

Collectively, the Executive Committee including the Executive Directors own more than [illegible] million Vodafone shares with a value of over £[illegible] million. None of the Executive Committee members or any individual owns more than [illegible]% of the issued share capital of 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 [illegible] is shown below. More details of the performance shares are shown below.

Executive Directors

Vittorio Colao	20,898,320	9,465,10[illegible]	[illegible]
Nick Read	6,726,821	4,817,75[illegible]	15,[illegible]4[illegible]
Total	**27,625,141**	**14,282,863**	**24,850**

The total number of interests in shares includes interests of connected persons, unvested share awards and share options.

Non-Executive Directors

Sir Crispin Davis	31,500
Dr Mathias Döpfner	1[illegible],500
Dame Clara Furse	25,000
Valerie Gooding	28,970
Renee James	27,27[illegible]
Samuel Jonah	30,190
Gerard Kleisterlee	107,078
Nick Land	10,0[illegible]
David Nish	74,137
Philip Yea	57,405

At 16 May 2017 and during the period from 1 April 2017 to 16 May 2017, 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 2017, members of the Group's Executive Committee at 31 March 2017 had an aggregate beneficial interest in 8,678,718 ordinary shares of the Company. At 16 May 2017 the Directors had an aggregate beneficial interest in 13,731,57[illegible] ordinary shares of the Company and the Executive Committee members had an aggregate beneficial interest in 8,67[illegible],[illegible]8 ordinary shares of the Company, which includes awards made under the Vodafone Share Incentive Plan after 31 March 201[illegible]. 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.

The Directors' total number of interests in shares did not change during the period from 1 April 2017 to 16 May 2017.

Governance

Remuneration

Directors' remuneration (continued)

Annual Report on Remuneration (continued)

The maximum number of outstanding shares that have been awarded to Directors under the long-term incentive (LTI) plan are currently as follows:

Vittorio Colao	5,550,011	3,039,156	5,018,468
Nick Read	1,792,668	1,589,957	1,452,125

For details of the performance conditions for the 2016 and 2017 awards please see page 80. Details of the 2015 award are available on page 79.

The following information summarises the Executive Directors' options under the Vodafone Group 2008 Sharesave Plan ('SAYE') and the Vodafone Group Incentive Plan ('GIP'). 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.

Vittorio Colao											
SAYE	Jul 2014	9,607	–	–	–	9,607	156.13	Sep 2019	Feb 2020	–	–
Total		**9,607**				**9,607**					
Nick Read											
GIP	Jul 2007	927,443	–	927,443	–	–	167.80	Jul 2010	Jul 2017	235.30	636,030
SAYE	Jul 2012	10,389	–	–	–	10,389	144.37	Sep 2017	Feb 2018	–	–
SAYE	Mar 2017		4,854			4,854	154.51	Apr 2022	Sep 2022	–	–
Total		**937,832**				**15,243**					

At 16 May 2017 there had been no change to the Directors' interests in share options from 31 March 2017.

Other than those individuals included in the table above, at 16 May 2017 members of the Group Executive Committee held options for 54,654 ordinary shares at prices ranging from 154.5 pence to 189.2 pence per ordinary share, with a weighted average exercise price of 164.1 pence per ordinary share exercisable at dates ranging from 1 September 2017 to 1 April 2022.

Hannes Ametsreiter, Aldo Bisio, Antonio Coimbra, Ahmed Essam, Ronald Schellekens and Serpil Timuray held no options at 16 May 2017.

Loss of office payments (audited)

Other than amounts already disclosed in prior year reports, no loss of office payments were made during the year.

Payments to past Directors (audited)

During the 2017 financial year Lord MacLaurin received benefit payments in respect of security costs as per his contractual arrangement. These costs exceeded our de minimis threshold of £5,000 p.a. and, including the tax paid, were £9,813 (2016: £9,411).

Fees retained for external non-executive directorships

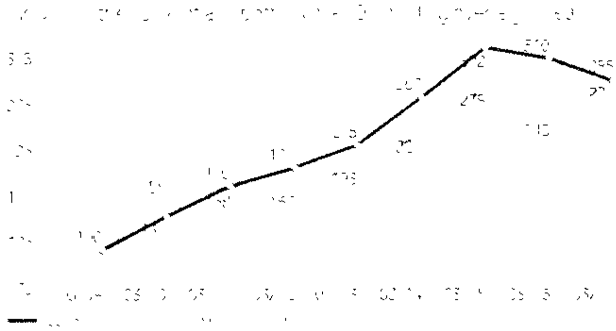
Executive Directors may hold positions in other companies as non-executive directors and retain the fees.

During the year ended 31 March 2017 Vittorio Colao served as a non-executive director on the boards of Unilever N.V. and Unilever PLC. Vittorio retained fees of £43,870 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 eight years, and how variable pay outcomes have tracked against 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 an eight year period. The STOXX Europe 600 Index was selected as this is a broad-based index that includes many of our largest 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 79 and not this chart.

Eight-year historical TSR performance



Single figure of total remuneration £'000	3,557	7,022	15,767	10,99[illegible]	[illegible]	3,810	5,[illegible]24	6,01[illegible]
Annual variable element (actual award versus maximum opportunity)	[illegible]	60%	47%	53%	44%	56%	58%	[illegible]
Long-term incentive (vesting versus maximum opportunity)	25%	[illegible]	100%	57%	57%	0%	27%	44%

Change in the Chief Executive's remuneration

[illegible]

Base salary	[illegible]	5.0%
Taxable benefits	[illegible]	[illegible]
Annual bonus	[illegible]	[illegible]

Relative spend on pay

The chart below shows both the dividends distributed in the year and the total cost of remuneration in the Group.

Relative importance of spend on pay

For more details on dividends and expenditure on remuneration for all employees, please see pages 125 and 154 respectively.

Governance

Remuneration

Directors' remuneration (continued)

Annual Report on Remuneration (continued)

2017 remuneration for the Chairman and Non-Executive Directors (audited)

Chairman						
Gerard Kleisterlee	625	625	87	77	712	702
Senior Independent Director						
Phil Yea	140	128	2	1	142	129
Non-Executive Directors						
Sir Crispin Davis	115	115	10	–	125	115
Dr Mathias Döpfner	115	115	10	1	125	116
Dame Clara Furse	115	115	13	–	128	115
Valerie Gooding	140	132	12	6	152	138
Renee James	139	133	11	10	150	143
Samuel Jonah	145	151	9	17	154	168
Nick Land	140	140	3	1	143	141
David Nish (appointed 1 January 2016)	115	29	13	7	128	36
Former Non-Executive Directors						
Luc Vandevelde (retired 28 July 2015)	–	53	–	19	–	72
Total	**1,789**	**1,736**	**170**	**139**	**1,959**	**1,875**

2018 remuneration

Details of how the remuneration policy will be implemented for the 2018 financial year are set out below.

2018 base salaries

As part of the 2017 review the Remuneration Committee considered the base salary increases for other UK employees and [illegible] market information. In respect of external market information the Committee looked at the following peer groups:

1. Euro Top peer group: Top 25 European general industry companies by market capitalisation (excluding financial services companies) as well as a select group of telecommunications companies in the Top 100 that are also members of our TSR peer group.

2. FTSE 30: Top 30 FTSE listed companies by market capitalisation (excluding financial services companies).

The Committee decided to increase the salary of the Chief Financial Officer by 1.5% 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 1.6% – this compares to a budget of 1.5% which is based on an average of the relevant local market budget for each Executive Committee member.

The annual salaries for 2018 (effective 1 July 2017) are as follows:

- Chief Executive, Vittorio Colao £1,150,000; and
- Chief Financial Officer, Nick Read £725,000.

2018 annual bonus ('GSTIP')

Following the Committee's annual review of the GSTIP framework and as outlined on pages 68 and 70, the Committee decided that the adjusted EBITDA measure used in previous years should be replaced with an adjusted EBIT measure to reflect an increased focus on both capital discipline and expenditure. The performance measures and weightings for 2018 are outlined below:

- service revenue (20%);
- adjusted EBIT (20%);
- adjusted free cash flow (20%); and
- customer appreciation KPIs (40%). This includes an assessment of net promoter score ('NPS') and brand consideration measures.

The assessment of NPS and brand consideration metrics utilises data collected in our local markets which is validated for quality and consistency by independent third party agencies. Further details on how this data is collated and how the individual metrics used to measure customer appreciation KPIs are defined is provided on pages 78 and 79.

Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and therefore will be disclosed in the 2018 Remuneration Report following the completion of the financial year.

Long-term incentive ('GLTI') awards for 2018

Subject to the approval of the Remuneration Policy at the 2017 AGM, awards for 2018 will be made in line with the arrangements described in our policy on pages 72 to 74. Vesting of the 2018 award will be subject to the performance of adjusted free cash flow (2/3 of total award) and TSR (1/3 of total award). The details for the 2018 award targets are provided in the tables below, with linear interpolation between points.

Following the annual review of the performance measures, which included a review of analysis provided by the Committee's external adviser, the Committee decided that for the 2018 award the TSR outperformance range should be increased from 4.5% at target and 9.0% at maximum to 5.0% and 10.0% respectively. The Committee also determined it appropriate to keep the same peer group constituents as used for the 2017 award but to also include Royal KPN and Liberty Global in the 2018 peer group.

Below threshold	<14.75	0%
Threshold	14.75	20%
Target	16.60	40%
Maximum	18.45	100%

Below threshold	Below median	0%
Threshold	Median	20%
Target	5.0% (65th percentile equivalent)	40%
Maximum	10.0% (80th percentile equivalent)	100%

Bharti	BT Group	Deutsche Telekom	Liberty Global	MTN
Orange	Royal KPN	Telecom Italia	Telefónica	

2018 remuneration for the Chairman and Non-Executive Directors

For the 2017 review, the fees for our Chairman and non-executives have been benchmarked against the FTSE 30 excluding financial services companies. Following the review it was agreed that no changes would be made to the current fee levels, which are outlined in the table below.

Chairman	625
Non-Executive Director	115
Additional fee for Senior Independent Director	25
Additional fee for Chairmanship of Audit and Risk and Remuneration Committees	25

For 2018 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 2.9% of the Company's share capital at 31 March 2017 (2.8% at 31 March 2016), whilst from all-employee share awards it is approximately 0.5% (0.5% at 31 March 2016). This gives a total dilution of 3.4% (3.3% at 31 March 2016).

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

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Directors' report

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Group policy compliance

Code of Conduct

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Employee disclosures

Rosemary Martin

Reporting our financial performance...

Focus on clear, effective and concise reporting

We continue to review the format of our consolidated financial statements with the aim of making them clearer and easier to follow. This year we have added the following highlights to help you navigate to the information that is important to you.

Reporting in euro currency

[illegible]

Pages 103 to 106

IFRS

Future adoption of IFRS 9, IFRS 15 and IFRS 16

[illegible]

Pages 107 and 108

Vodafone India

[illegible]

Pages 123 and 124

India impairment

[illegible]

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[illegible]

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Alternative performance measures

[illegible]

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[illegible] Consolidated income statement
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[illegible] Consolidated statement of changes in equity
[illegible] Consolidated statement of cash flows

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[illegible] 11 Property, plant and equipment
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[illegible] 13 Other investments
134 14 Inventory
[illegible] 15 Trade and other receivables
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[illegible] Company statement of changes in equity
184 Notes to the Company financial statements:
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[illegible] 3 Debtors
[illegible] 4 Other investments
[illegible] 5 Creditors
[illegible] 6 Called up share capital
[illegible] 7 Share-based payments
[illegible] 8 Reserves
[illegible] 9 Equity dividends
[illegible] 10 Contingent liabilities and legal proceedings
[illegible] 11 Other matters

Financials

Directors' statement of responsibility

[illegible]

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's 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 48 and 49 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 and carried out a robust assessment of the principal risks and uncertainties that it faces.

The Directors confirm that they have carried out a robust assessment of the principal risks of the Group.

The Directors are also responsible under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole and in doing so have regard for the needs of wider society and stakeholders, including customers, consistent with the Group's core and sustainable business objectives.

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 45.

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 the 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 to identify variances and understand the drivers of the changes and their future impact so that management can 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 three-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 financial revolving credit facility ("RCF").

The key inputs into this forecast are:

- free cash flow forecasts, with the first three months' 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 2017 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 2017.

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 2017 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 90.

By Order of the Board

Rosemary Martin
[illegible]

Financials

Report of independent registered public accounting firm

To 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 of Vodafone Group Plc and its subsidiaries (the Company) at 31 March 2017 and 31 March 2016 and the results of their operations and their cash flows for each of the three years ended 31 March 2017 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 2017, 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 audits.

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 opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed its presentation currency with effect from 1 April 2016.

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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

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 20[illegible] 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 Annual Report, comprise:

- the consolidated statement of financial position as at 31 March 20[illegible];
- the Company statement of financial position as at 31 March 20[illegible];
- 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 Group financial statements and Company 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 IFRSs as adopted by the European Union, and applicable law. 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 (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overall Group materiality: €[illegible] million which represents 5% of a three year average of Adjusted operating profit ("AOP") excluding Vodafone India. We used a three year average given volatility in the measure year on year as a result of Project Spring.

We identified six local operations which, in our view, required an audit of their complete financial information either due to their size or their risk characteristics, comprising UK, Spain, Italy, India, Germany and Vodacom South Africa. The scope of work in Germany did not include an audit of the complete financial information of 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 provision in respect of a 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
- Change in Group's presentation currency

Financials

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

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.

We 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 amounting to €19.6 billion and €2.8 billion respectively. During the current year €4.3 billion of deferred tax assets have been de-recognised due to lower interest rates and a change in the local Luxembourg corporate tax rate.

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".

How our audit addressed the area of focus

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 tax specialists 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 sub-groups they are attributed;
- considering whether the losses can be reversed;
- evaluating the results of local statutory impairment assessments including reversals;
- considering the impact of recent regulatory developments, as applicable;
- assessing any restrictions on future use; 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 of deferred tax assets;
- considering effects of tax planning strategies;
- testing the mathematical accuracy of the cash flow models and challenging and agreeing the key assumptions in the Board approved five year management plan; and
- assessing management's view of the Group's likelihood of generating future taxable profits to support the recoverability of the deferred tax assets.

We determined that the carrying value of deferred tax assets at 31 March 2017 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 disclosures made in respect of the utilisation period of deferred tax assets.

Area of focus	How our audit addressed the area of focus
The Group has goodwill of €26.3 billion contained within 22 cash generating units ('CGUs').	We evaluated the appropriateness of management's identification of the Group's CGUs and tested the operating effectiveness of controls over the impairment assessment process, including indicators of impairment.
Impairment charges to goodwill have been recognised in prior periods. With the continued difficult macroeconomic environment in Europe and the changing regulatory environment globally, the risk that goodwill is impaired increases.	With the support of our valuation experts, we benchmarked and challenged key assumptions in management's valuation models used to determine recoverable amount against external data, including assumptions of projected adjusted EBITDA, projected capital expenditure, projected licence and spectrum payments, long-term growth rate and discount rates.
For the CGUs which 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.	We performed testing of the mathematical accuracy of the cash flow models and challenging and agreeing the key assumptions in the Board approved five year management plan.
In the year ended 31 March 2017 a pre-tax impairment charge of €4.5 billion was recognised related to goodwill in India. Refer to area of focus on significant one-off transactions.	Based on our procedures, we noted no exceptions and consider management's key assumptions to be within a reasonable range.
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 validated the appropriateness of the related disclosures in note 4 and note 10 of the financial statements.
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.	We used our tax specialists to gain an understanding of the current status of the tax cases 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.
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.	For legal, regulatory and tax matters our procedures included the following: – testing key controls surrounding litigation, regulatory and tax procedures; – performing substantive procedures on the underlying calculations supporting the provisions recorded; – 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 litigation, regulatory, general counsel and tax teams; – assessing management's conclusions through understanding precedents set in similar cases; and – circularisation, where appropriate, of 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 2017 to be appropriate. 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
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 local market audit teams in Group audit scope to undertake consistent audit procedures over revenue. 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 in the accuracy of revenue recorded in the year.
We focused on two significant one-off transactions which occurred during the year: the completion of the Netherlands joint venture with Liberty Global and the proposed merger of the Group's Indian business with Idea Cellular. Accounting for these transactions and related disclosures requires the exercise of significant judgement. Netherlands joint venture – on 31 December 2016, Liberty Global and Vodafone completed a 50:50 joint venture in respect of their businesses in the Netherlands ('VodafoneZiggo'). Management has assessed that VodafoneZiggo is a jointly controlled entity as decisions about the relevant activities require the consent of both parties. A gain of €1.3 billion has been recognised in connection with the transaction. Transaction with Idea – on 20 March 2017 the merger of Vodafone India and Idea Cellular was announced. The merger, once completed, will result in a 45.1% stake for Vodafone Group, 26% stake for Aditya Birla Group with the remaining 28.9% being shares in public float. The Vodafone India business (excluding its 42% stake in Indus Towers) has been presented as 'held for sale' and 'discontinued operations' as at 31 March 2017. At the balance sheet date, as required by IFRS 5, the business is held at fair value less cost to sell. A pre-tax impairment charge of €4.5 billion has been recognised for the year, together with the recognition of an associated €0.8 billion deferred tax asset. Refer to the Audit and Risk Committee Report, note 1 – 'Critical accounting judgements and key sources of estimation uncertainty' and related notes in the financial statements.	Our procedures on the Netherlands joint venture included the following: – making use of our valuations specialists to support the assessment of the valuation of the business, including challenging and agreeing the key assumptions in the approved business plan and the allocation of synergies to calculate the gain; – challenging management's assessment on the treatment as a joint venture, including examining the relevant agreements; and – checking the disclosures in the Annual Report. Our procedures on the proposed transaction with Aditya Birla Group included the following: – challenging management on whether the requirements under IFRS 5 for the India business to be classified as held for sale and discontinued operations were met, including reading and discussion of relevant third party legal advice; – making use of our valuation specialists to examine the valuation methodology in determining the fair value less cost to sell; – verifying the accuracy of management's calculation of the impairment charge and allocation to respective asset classes and the recognition and recoverability of the associated deferred tax asset; and – checking the disclosures in the Annual Report. Based on our procedures, we noted no issues and were satisfied with the associated accounting for these matters.

Area of focus	How our audit addressed the area of focus
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 property, plant and equipment 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 and the application of the asset life. In performing these substantive procedures we assessed the judgements made by management including: – the nature of underlying costs capitalised as part of the cost of the network roll out; – 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. No issues were noted from our testing.
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. The Group has continued to [illegible] considerable [illegible] the development of key business and related IT controls to ensure a robust system of internal controls as described in the Audit and Risk Committee Report on page 60.	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 improvements made during the year we performed the following: – evaluating the design of the controls to ensure they mitigated the relevant financial reporting risks and testing the operating effectiveness of the new controls [illegible] change; – where systems changed during the year, testing IT general controls and data migration procedures; 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 2017 as significant in the context of the Group financial statements.
With effect from 1 April 2017 the Group's presentation currency was changed from sterling to euro to better align with the geographic split of the Group's operations. This change was accounted for retrospectively resulting in historical retranslation of the Group's results.	Our procedures included the following: – testing the Hyperion Financial Management ('HFM') application, including controls in place to conclude on the appropriateness of the euro presentation currency application setup; – testing the retranslation of sterling comparative balances disclosed in the financial statements; – testing the disclosures included in the Annual Report; – examining management's accounting paper assessing the impact of the presentation currency change upon their hedge relationships and for material hedge accounting relationships we examined the respective hedging instrument to assess the effectiveness; and – testing key controls in place over designation and monitoring of quasi-equity loan arrangements and performing tests of detail on the accounting treatment of material balances. No issues were noted from our testing.

Financials

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, and the industry in which the Group operates.

The Group operates in 26 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 six operations in Group scope: UK, Spain, Italy, India, Vodafone Germany, Vodacom South Africa representing 67% and 66% of the Group's revenue and AOP including Vodafone India. We identified these six 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 €65 million to €160 million. These local operations are also subject to audits for local statutory purposes where their local statutory materiality ranges from €1 million to €175 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 six operations in scope for Group reporting during the audit cycle and the lead audit partner or a senior member of the Group engagement team 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.

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	€215 million (2016: €248 million)
How we determined it	5% of a three-year average of AOP including Vodafone India
Rationale for benchmark applied	We used a three-year average given volatility in the recent years' results as a result of Project Spring

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above €15 million (2016: €14 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Under the Listing Rules we are required to review the Directors' statement of responsibility, set out on pages 88 and 89, 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 of responsibility 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 of responsibility, 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 and compliance with applicable requirements

In our opinion, based on the work undertaken in the course of the audit:

- 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;
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements;
- the information given in the Corporate Governance Statement set out on pages 44 to 85 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- the information given in the Corporate Governance Statement set out on pages 44 to 85 with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies complies with rules 7.2.2, 7.2.3 and 7.2.7 of the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Strategic Report and the Directors' report and in the information referred to above in the Corporate Governance Statement. We have nothing to report in this respect.

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.
– the statement given by the Directors on page 88, in accordance with provision C.1.1 of the 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; and	We have no exceptions to report.
– the section of the Annual Report on pages 57 to 63, 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.

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 48 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; and	We have nothing material to add or to draw attention to.
– the Directors' explanation on page 54 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 of responsibility that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement of responsibility 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.

Financials

Directors' remuneration

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

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 ten 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 88 and 89, 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 & 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. With respect to the Strategic Report, Directors' report and Corporate governance statement, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Kemp

Andrew Kemp (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
[illegible]

[illegible]

Consolidated income statement

for the years ended 31 March

	2017 €m		
Revenue	**47,631**	**49,810**	**48,385**
Cost of sales	(34,576)	(36,713)	(35,073)
Gross profit	**13,055**	**13,097**	**13,312**
Selling and distribution expenses	(4,349)	(4,603)	(4,181)
Administrative expenses	(6,080)	(6,379)	(6,834)
Share of results of equity accounted associates and joint ventures	47	60	(78)
Impairment losses	–	(569)	–
Other income/(expense)	1,052	(286)	(146)
Operating profit	**3,725**	**1,320**	**2,073**
Non-operating expense	(1)	(3)	(23)
Investment income	474	539	1,083
Financing costs	(1,406)	(2,046)	(1,399)
Profit/(loss) before taxation	**2,792**	**(190)**	**1,734**
Income tax (expense)/credit	(4,764)	(4,937)	6,071
(Loss)/profit for the financial year from continuing operations	**(1,972)**	**(5,127)**	**7,805**
(Loss)/profit for the financial year from discontinued operations	**(4,107)**	**5**	**(328)**
(Loss)/profit for the financial year	**(6,079)**	**(5,122)**	**7,477**
Attributable to:			
– Owners of the parent	(6,297)	(5,405)	7,268
– Non-controlling interests	218	283	209
(Loss)/profit for the financial year	**(6,079)**	**(5,122)**	**7,477**
(Loss)/earnings per share			
From continuing operations:			
– Basic	(7.83)c	(20.27)c	28.72c
– Diluted	(7.83)c	(20.27)c	28.57c
Total Group			
– Basic	(22.51)c	(20.25)c	27.48c
– Diluted	(22.51)c	(20.25)c	27.35c

Consolidated statement of comprehensive income

for the years ended 31 March

	2017 €m		
(Loss)/profit for the financial year	**(6,079)**	**(5,122)**	**7,477**
Other comprehensive income:			
Items that may be reclassified to the income statement in subsequent years:			
Gains/(losses) on revaluation of available-for-sale investments, net of tax	2	(4)	5
Foreign exchange translation differences, net of tax	(1,201)	(3,030)	3,681
Foreign exchange losses/(gains) transferred to the income statement	–	283	(1)
Fair value losses/(gains) transferred to the income statement	4	–	(11)
Other, net of tax	110	56	6
Total items that may be reclassified to the income statement in subsequent years	**(1,085)**	**(2,695)**	**3,680**
Items that will not be reclassified to the income statement in subsequent years:			
Net actuarial (losses)/gains on defined benefit pension schemes, net of tax	(272)	174	(291)
Total items that will not be reclassified to the income statement in subsequent years	**(272)**	**174**	**(291)**
Other comprehensive (expense)/income	**(1,357)**	**(2,521)**	**3,389**
Total comprehensive (expense)/income for the year	**(7,436)**	**(7,643)**	**10,866**
Attributable to:			
– Owners of the parent	(7,535)	(7,579)	10,272
– Non-controlling interests	99	(64)	594
	(7,436)	**(7,643)**	**10,866**

Further details on items in the consolidated statement of comprehensive income can be found in the consolidated statement of changes in equity on page [illegible]

Consolidated statement of financial position

at 31 March

	31 March 2017 €m		
Non-current assets			
Goodwill	26,808	[illegible]	[illegible]
Other intangible assets	19,412	[illegible]	[illegible]
Property, plant and equipment	30,204	35,515	36,806
Investments in associates and joint ventures	3,138	479	652
Other investments	3,459	4,631	[illegible]
Deferred tax assets	24,300	[illegible]	[illegible]
Post employment benefits	57	[illegible]	[illegible]
Trade and other receivables	4,569	[illegible]	[illegible]
	111,947	**133,512**	**142,122**
Current assets			
Inventory	576	[illegible]	[illegible]
Taxation recoverable	150	1,402	[illegible]
Trade and other receivables	9,861	[illegible]	[illegible]
Other investments	6,120	[illegible]	[illegible]
Cash and cash equivalents	8,835	[illegible]	[illegible]
	25,542	**31,938**	**27,457**
Assets held for sale	17,195	[illegible]	–
Total assets	**154,684**	**169,107**	**169,579**
Equity			
Called up share capital	4,796	[illegible]	[illegible]
Additional paid-in capital	151,808	[illegible]	[illegible]
Treasury shares	(8,610)	[illegible]	[illegible]
Accumulated losses	(105,851)	[illegible]	[illegible]
Accumulated other comprehensive income	30,057	[illegible]	[illegible]
Total attributable to owners of the parent	**72,200**	**83,325**	**91,510**
Non-controlling interests	1,525	[illegible]	[illegible]
Put options over non-controlling interests	(6)	[illegible]	[illegible]
Total non-controlling interests	**1,519**	**1,811**	**2,198**
Total equity	**73,719**	**85,136**	**93,708**
Non-current liabilities			
Long-term borrowings	34,523	[illegible]	[illegible]
Deferred tax liabilities	535	564	[illegible]
Post employment benefits	651	565	[illegible]
Provisions	1,130	[illegible]	[illegible]
Trade and other payables	1,737	[illegible]	1,748
	38,576	**41,736**	**35,892**
Current liabilities			
Short-term borrowings	12,051	[illegible]	[illegible]
Taxation liabilities	661	685	828
Provisions	1,049	958	1,061
Trade and other payables	16,834	19,896	[illegible]
	30,595	**41,797**	**39,979**
Liabilities held for sale	11,794	438	–
Total equity and liabilities	**154,684**	**169,107**	**169,579**

[illegible]

The consolidated financial statements on pages 99 to 176 were approved by the Board of Directors and authorised for issue on 16 May 2017 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

1 April 2014 restated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	59	[illegible]	45	[illegible]	[illegible]	[illegible]
Issue or reissue of shares	–	2	[illegible]	[illegible]	–	–	–	–	–	23	–	23
Share-based payments	–	[illegible]	–	–	–	–	–	–	–	[illegible]	–	[illegible]
Transactions with non-controlling interests in subsidiaries	–	–	–	[illegible]	–	–	–	–	–	[illegible]	[illegible]	[illegible]
Dividends	–	–	–	[illegible]	–	–	–	–	–	[illegible]	(376)	[illegible]
Comprehensive income	–	–	–	[illegible]	[illegible]	[illegible]	[illegible]	–	6	[illegible]	[illegible]	[illegible]
Profit	–	–	–	[illegible]	–	–	–	–	–	[illegible]	198	[illegible]
OCI – before tax	–	–	–	–	[illegible]	[illegible]	5	–	[illegible]	[illegible]	[illegible]	[illegible]
OCI – taxes	–	–	–	–	[illegible]	[illegible]	–	–	[illegible]	[illegible]	[illegible]	360
Transfer to the income statement	–	–	–	–	[illegible]	–	[illegible]	–	–	(12)	–	(12)
Other	654	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–	–	[illegible]	1	[illegible]
31 March 2015 restated[1]	**5,246**	**161,801**	**(9,747)**	**(85,882)**	**19,765**	**(1,004)**	**53**	**1,227**	**51**	**91,510**	**2,198**	**93,708**
Issue or reissue of shares	–	[illegible]	147	[illegible]	–	–	–	–	–	18	–	18
Share-based payments	–	161	–	–	–	–	–	–	–	[illegible]	–	161
Issue of mandatory convertible bonds	–	[illegible]	–	–	–	–	–	–	–	[illegible]	–	[illegible]
Transactions with non-controlling interests in subsidiaries	–	–	–	[illegible]	–	–	–	–	–	[illegible]	[illegible]	[illegible]
Dividends	–	–	–	[illegible]	–	–	–	–	–	[illegible]	[illegible]	[illegible]
Comprehensive income/(expense)	–	–	–	[illegible]	[illegible]	[illegible]	[illegible]	–	56	[illegible]	64	[illegible]
Loss/profit	–	–	–	[illegible]	–	–	–	–	–	[illegible]	[illegible]	[illegible]
OCI – before tax	–	–	–	–	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]	[illegible]	[illegible]
OCI – taxes	–	–	–	–	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]	[illegible]	[illegible]
Transfer to the income statement	–	–	–	–	[illegible]	–	–	–	–	[illegible]	–	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–	–	[illegible]	[illegible]	[illegible]
31 March 2016 restated[1]	**4,796**	**151,694**	**(8,777)**	**(95,683)**	**30,741**	**(830)**	**50**	**1,227**	**107**	**83,325**	**1,811**	**85,136**
Issue or reissue of shares	–	2	167	(150)	–	–	–	–	–	[illegible]	–	19
Share-based payments	–	[illegible]	–	–	–	–	–	–	–	[illegible]	–	[illegible]
Transactions with non-controlling interests in subsidiaries	–	–	–	[illegible]	–	–	–	–	–	[illegible]	[illegible]	5
Dividends	–	–	–	(3,709)	–	–	–	–	–	(3,709)	(410)	(4,119)
Comprehensive expense	–	–	–	(6,297)	(1,082)	(272)	6	–	110	(7,535)	99	(7,436)
Loss/profit	–	–	–	(6,297)	–	–	–	–	–	(6,297)	218	(6,079)
OCI – before tax	–	–	–	–	(1,096)	(274)	2	–	156	(1,212)	(121)	(1,333)
OCI – taxes	–	–	–	–	14	2	–	–	(46)	(30)	2	(28)
Transfer to the income statement	–	–	–	–	–	–	4	–	–	4	–	4
Other	–	–	–	–	–	–	–	–	–	–	2	2
31 March 2017	**4,796**	**151,808**	**(8,610)**	**(105,851)**	**29,659**	**(1,102)**	**56**	**1,227**	**217**	**72,200**	**1,519**	**73,719**

Financials

Consolidated statement of cash flows

for the years ended 31 March

	2017 €m		
Inflow from operating activities	**14,223**	**14,336**	**12,668**
Cash flows from investing activities			
Purchase of interests in subsidiaries, net of cash acquired	(28)	[illegible]	[illegible]
Purchase of interests in associates and joint ventures	499	(5)	[illegible]
Purchase of intangible assets	(2,576)	(5,518)	(2,813)
Purchase of property, plant and equipment	(6,285)	[illegible]	(7,324)
Purchase of investments	(2,219)	(106)	(258)
Disposal of interests in subsidiaries, net of cash disposed	2	–	–
Disposal of interests in associates and joint ventures	4	–	[illegible]
Disposal of property, plant and equipment	43	[illegible]	191
Disposal of investments	3,597	1,888	[illegible]
Dividends received from associates and joint ventures	433	[illegible]	[illegible]
Interest received	454	[illegible]	[illegible]
Cash flows from discontinued operations	(2,327)	(2,309)	[illegible]
Outflow from investing activities	**(8,423)**	**(13,871)**	**(13,234)**
Cash flows from financing activities			
Issue of ordinary share capital and reissue of treasury shares	25	25	[illegible]
Net movement in short-term borrowings	1,293	[illegible]	[illegible]
Proceeds from issue of long-term borrowings	7,526	[illegible]	[illegible]
Repayment of borrowings	(9,267)	[illegible]	[illegible]
Issue of subordinated mandatory convertible bonds	–	[illegible]	–
Equity dividends paid	(3,714)	[illegible]	[illegible]
Dividends paid to non-controlling shareholders in subsidiaries	(415)	[illegible]	[illegible]
Other transactions with non-controlling shareholders in subsidiaries	5	[illegible]	[illegible]
Other movements in loans with associates and joint ventures	70	[illegible]	[illegible]
Interest paid	(1,264)	[illegible]	[illegible]
Cash flows from discontinued operations	(3,157)	[illegible]	[illegible]
(Outflow)/inflow from financing activities	**(9,096)**	**4,082**	**(3,162)**
Net cash (outflow)/inflow	**(3,296)**	**4,547**	**(3,728)**
Cash and cash equivalents at beginning of the financial year	12,911	[illegible]	[illegible]
Exchange (loss)/gain on cash and cash equivalents	(313)	[illegible]	975
Cash and cash equivalents at end of the financial year	**9,302**	**12,911**	**9,492**

Notes to the consolidated financial statements

1. Basis of preparation

[illegible]

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, or in the period of the revision and future periods if the revision affects both current and future periods.

With effect from 1 April 2015 the Group's presentation currency changed from sterling to the euro to better align with the geographic split of the Group's operations and the Group reclassified €580 million [illegible] investments in associates and joint ventures [illegible] Indus Towers [illegible] statement of financial position [illegible] cash-generating unit classifications. For periods including the [illegible] years ended 31 March 2016 and 31 March 2015 [illegible] alternative performance measures have been [illegible] balance sheet date for assets and liabilities [illegible] other capital reserves [illegible] The results of Vodafone [illegible] reported in assets and [illegible] held for sale [illegible] at 31 March 201[illegible]

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 judgements and estimates in relation 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, estimates 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

[illegible]

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.

[illegible]

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 Group uses in-house tax experts when assessing uncertain tax positions and seeks the advice of external professional advisors where appropriate.

Provisions are recognised for uncertain tax positions when the Group has a present obligation as a result of a past event and management judge that it is probable that there will be a future outflow of economic benefits from the Group. Provisions are measured using management's estimate of the most likely outcome. The final resolution of uncertain tax positions 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.

1. Basis of preparation (continued)

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 management judge that 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.

The estimated 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 estimates 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 (such as licences and customer bases) 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 prior to the date of transition to IFRS amounted to £[illegible] million. If the Group had elected to apply IFRS 3 retrospectively, this may have led to an increase or decrease in goodwill and increase in 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 which may require the use of judgement.

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.

The determination of gains or losses arising from the contribution or sale of a subsidiary as part of the formation of a joint arrangement requires management to make significant estimates to determine the present value of future cash flows to be generated by the joint arrangement in order to determine the fair value of non-cash consideration received.

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.

For computer software the estimated 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 [illegible] 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 [illegible] "Property, plant and equipment" to the consolidated financial statements for further details.

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 its 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 uses estimates when determining the Group's liabilities and expenses arising for defined benefit pension schemes. Management is required to estimate the 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 [illegible] "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 [illegible] "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 the 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 estimates to be made in respect of highly uncertain matters including management's expectations of:

- growth in adjusted 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 the 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 adjusted 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:

- the nominal GDP growth rates for the country of operation; and
- the compound annual growth rate in adjusted 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 [illegible] "Impairment losses" to the consolidated financial statements.

For discontinued operations, impairment testing requires management to determine whether the carrying value of the discontinued operation can be supported by the fair value less costs to sell. Where not observable in a quoted market, management have determined fair value less costs to sell by reference to the outcomes from the application of a number of potential valuation techniques, determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Financials

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 euro, which became the Company's functional currency on 1 April 2016 as the primary currency in which the Company's financing activities and investment returns are denominated. 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.

Similarly, with effect from 1 April 2016, the Group's presentation currency was changed from sterling to euro to better align with the geographic split of the Group's operations. Amounts presented for the years ended 31 March 2016 and 31 March 2015 have been translated to euros using closing rates at the relevant balance sheet date for amounts recorded in the consolidated statement of financial position and consolidated statement of changes in equity and average rates for the relevant year for amounts reported in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows.

The change of presentation and functional currency has not changed either the Group's or the 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 the consolidated statement of comprehensive income.

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 the consolidated statement of comprehensive income.

Share capital, share premium and other capital reserves are initially recorded at the functional currency rate prevailing at the date of the transaction and are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of entities with a functional currency other than euro are expressed in euro 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 other comprehensive income. On disposal of a foreign entity, the cumulative amount previously recognised in the consolidated statement of comprehensive income 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 2017 is €657 million (31 March 2016: €1,141 million loss; 2015: €26 million gain). The net gains and net losses are recorded within operating profit (2017: €135 million charge; 2016: €24 million credit; 2015: €8 million charge), other income and expense and non-operating income and expense (2017: €nil; 2016: €282 million charge; 2015: €1 million credit), investment and financing income (2017: €505 million charge; 2016: €872 million charge; 2015: €265 million credit) and income tax expense (2017: €1 million credit; 2016: €11 million charge; 2015: €5 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 2016

On 1 April 2016 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 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.

New accounting pronouncements to be adopted on 1 April 2017

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 2017 and which have not yet been endorsed by the EU: [illegible]

- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" [illegible]
- Amendments to IAS 7 "Disclosure Initiative" [illegible]
- Amendments to IFRS 12 "Disclosure of Interests in Other Entities" (part of "Improvements to IFRS 2014-2016 Cycle") [illegible]

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 2017. [illegible]

New accounting pronouncements to be adopted on or after 1 April 2018

The following pronouncements, which are potentially relevant to the Group, have been issued by the IASB, are effective for annual periods beginning on 1 January 2018 and which have not yet been endorsed by the EU: [illegible]

- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" (part of "Improvements to IFRS 2014-2016 Cycle") [illegible]
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

[illegible]

[illegible]

- [illegible] IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" [illegible] 1 January 2018 [illegible]
- [illegible] IFRS 16 [illegible] beginning on or after 1 January 2019. [illegible]

[illegible]

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" was issued in July 2014 to replace IAS 39 "Financial Instruments: Recognition and Measurement" and has been endorsed by the EU. The standard is effective for accounting periods beginning on or after 1 January 2018 and will be adopted by the Group on 1 April 2018. [illegible]

IFRS 9 will impact the classification and measurement of the Group's financial instruments and will require certain additional disclosures. [illegible]

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers", which has been endorsed by the EU, was issued in May 2014 and subsequent amendments "Clarifications to IFRS 15", which have not yet been endorsed by the EU, were issued in April 2016. IFRS 15 as amended is effective for accounting periods beginning on or after 1 January 2018. IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and includes extensive disclosure requirements. It will have a material impact on the Group's reporting of revenue and costs as follows: [illegible]

- IFRS 15 will require the Group to identify deliverables in contracts with customers that qualify as separate "performance obligations". [illegible] [illegible]
- Currently revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services. [illegible]

1. Basis of preparation (continued)

- Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the consolidated statement of financial position 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 consolidated statement of financial position 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 impact of the changes above on the Group's reportable segments will depend largely on the extent to which customers receive discounted goods or services, such as mobile handsets, when they enter into airtime service agreements with the Group in the relevant markets. The combined impact of the changes is expected to increase the gross profit or reduce the gross loss recorded at inception of many customer contracts; in such cases this will typically reduce the gross profit reported during the remainder of the contract, however these timing differences will not impact the total gross profit reported for a customer contract over the contract term.

The transactions impacted by IFRS 15 are high in volume, value and complexity, therefore the Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 15 and cannot reasonably estimate the impact; 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. The Group expects to be in a position to estimate the impact of IFRS 15 early in the final quarter of the year commencing 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 will reflect the cumulative impact of IFRS 15 in equity on the date of adoption.

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 and will be adopted by the Group on 1 April 2019. IFRS 16 has not yet been endorsed 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 in many respects to existing IAS 17 accounting for finance leases, but will be substantively different to existing accounting for operating leases, where rental charges are currently recognised on a straight-line basis and no lease asset or related lease creditor is recognised.

Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting and is not expected to have a material impact for the Group.

The Group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the following changes to lessee accounting will have a material impact as follows:

- Right-of-use assets will be recorded for assets that are leased by the Group; currently no lease assets are included on the Group's consolidated statement of financial position for operating leases.
- Liabilities will be recorded for future lease payments in the Group's consolidated statement of financial position for the "reasonably certain" period of the lease, which may include future lease periods for which the Group has extension options. Currently liabilities are generally not recorded for future operating lease payments, which are disclosed as commitments. The amount of lease liabilities will not equal the lease commitments reported on 31 March 2019, but may not be dissimilar.
- Lease expenses will be for depreciation of right-of-use assets and interest on lease liabilities; interest will typically be higher in the early stages of a lease and reduce over the term. Currently operating lease rentals are expensed on a straight-line basis over the lease term within operating expenses.
- Operating lease cash flows are currently included within operating cash flows in the consolidated statement of cash flows; under IFRS 16 these will be recorded as cash flows from financing activities reflecting the repayment of lease liabilities (borrowings) and related interest.

A high volume of transactions will be impacted by IFRS 16 and material judgements are required in identifying and accounting for leases. Therefore the Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 16 and cannot reasonably estimate the impact; however, the changes highlighted above will have a material impact on the consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows after the Group's adoption on 1 April 2019.

When IFRS 16 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 16 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 16 on each line item in the financial statements in the reporting period. Depending on the adoption method that is utilised, certain practical expedients may be applied on adoption. The Group has not yet determined which adoption method will be adopted or which expedients will be applied on adoption.

2. Segmental analysis

[illegible]

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, whilst 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 to the Group. The segmental revenue and profit of India are included in discontinued operations for all years reported and segmental assets and cash flows are included in assets and liabilities held for sale at 31 March 2017. See note 7 "Discontinued operations and assets held for sale" for details.

Accounting policies

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 the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, fixed and mobile broadband and data services, information provision, connection fees and equipment sales. Products and services may be sold separately or in bundled packages.

Revenue for access charges, airtime usage and messaging by 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 from information services is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

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: (1) the deliverable has value to the customer on a stand-alone basis; and (2) 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.

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.

2. Segmental analysis (continued)

Segmental revenue and profit

31 March 2017						
Germany	10,600	(32)	10,568	(21)	10,547	3,617
Italy	6,101	(30)	6,071	(1)	6,070	2,229
UK	6,925	(23)	6,902	(6)	6,896	1,212
Spain	4,973	(37)	4,936	(1)	4,935	1,360
Other Europe	6,128	(55)	6,073	(5)	6,068	1,865
Europe	**34,727**	**(177)**	**34,550**	**(34)**	**34,516**	**10,283**
Vodacom	5,294	–	5,294	–	5,294	2,063
Other AMAP	6,479	–	6,479	(14)	6,465	1,791
AMAP	**11,773**	**–**	**11,773**	**(14)**	**11,759**	**3,854**
Common Functions	1,390	–	1,390	(34)	1,356	12
Group	**47,890**	**(177)**	**47,713**	**(82)**	**47,631**	**14,149**
31 March 2016 restated						
Germany	10,626	(56)	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	5,986	[illegible]	[illegible]	2,015
UK	8,429	(19)	8,410	[illegible]	[illegible]	1,756
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,250
Other Europe	[illegible]	[illegible]	[illegible]	[illegible]	6,540	[illegible]
Europe	**36,620**	**(158)**	**36,462**	**(25)**	**36,437**	**10,485**
Vodacom	[illegible]	–	[illegible]	–	[illegible]	[illegible]
Other AMAP	[illegible]	–	[illegible]	(20)	[illegible]	[illegible]
AMAP	**11,891**	**–**	**11,891**	**(20)**	**11,871**	**3,706**
Common Functions	[illegible]	–	[illegible]	[illegible]	[illegible]	[illegible]
Group	**50,078**	**(158)**	**49,920**	**(110)**	**49,810**	**14,155**
31 March 2015 restated						
Germany	[illegible]	[illegible]	10,655	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other Europe	6,360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe	**35,412**	**(116)**	**35,296**	**(35)**	**35,261**	**10,077**
Vodacom	[illegible]	–	5,539	–	5,539	[illegible]
Other AMAP	6,061	–	6,061	(14)	6,047	1,655
AMAP	**11,600**	**–**	**11,600**	**(14)**	**11,586**	**3,584**
Common Functions	1,595	–	1,595	(57)	1,538	41
Group	**48,607**	**(116)**	**48,491**	**(106)**	**48,385**	**13,702**

[illegible]

Total revenue recorded in respect of the sale of goods for the year ended 31 March 2017 was €4,029 million (2016: €4,47[illegible] million; 2015: €4,101 million).

The Group's measure of segment profit, adjusted 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 adjusted EBITDA to operating profit is shown overleaf. For a reconciliation of operating profit to profit for the financial year, see the consolidated income statement on page 99.

	2017 €m		
Adjusted EBITDA	**14,149**	**14,155**	**13,702**
Depreciation, amortisation and loss on disposal of fixed assets	(10,179)	(10,386)	(9,584)
Share of results in equity accounted associates and joint ventures	164	60	(78)
Adjusted operating profit	**4,134**	**3,829**	**4,040**
Impairment losses	–	(569)	–
Restructuring costs	(415)	(316)	[illegible]
Amortisation of acquired customer base and brand intangible assets	(1,046)	(1,338)	[illegible]
Other income (expense)	1,052	(286)	[illegible]
Operating profit	**3,725**	**1,320**	**2,073**

Segmental assets and cash flow

31 March 2017						
Germany	26,694	1,671	–	3,320	–	1,749
Italy	9,157	793	2	1,603	–	1,161
UK	8,210	950	–	1,768	–	57
Spain	11,035	746	–	1,378	–	344
Other Europe	7,574	878	38	1,088	–	619
Europe	**62,670**	**5,038**	**40**	**9,157**	**–**	**3,930**
India	–	–	–	–	–	–
Vodacom	6,039	736	2	738	–	1,347
Other AMAP	5,778	795	317	1,153	–	947
AMAP	**11,817**	**1,531**	**319**	**1,891**	**–**	**2,294**
Common Functions	1,937	915	–	38	–	(597)
Group	**76,424**	**7,484**	**359**	**11,086**	**–**	**5,627**
31 March 2016 restated						
Germany	[illegible]	[illegible]	[illegible]	3,550	–	346
Italy	[illegible]	[illegible]	[illegible]	[illegible]	–	496
UK	[illegible]	[illegible]	–	[illegible]	–	[illegible]
Spain	[illegible]	[illegible]	[illegible]	443	–	149
Other Europe	7,558	[illegible]	8	1,371	(569)	345
Europe	**66,642**	**7,638**	**2,953**	**9,717**	**(569)**	**2,093**
India	[illegible]	[illegible]	[illegible]	–	–	–
Vodacom	5,190	847	25	725	–	[illegible]
Other AMAP	6,806	1,175	814	1,170	–	505
AMAP	**25,570**	**3,122**	**4,588**	**1,895**	**–**	**1,574**
Common Functions	1,867	901	–	85	–	(459)
Group	**94,079**	**11,661**	**7,541**	**11,697**	**(569)**	**3,208**
31 March 2015 restated						
Germany	21,008	[illegible]	4	[illegible]	–	1,280
Italy	[illegible]	1,478	120	1,599	–	708
UK	10,755	[illegible]	17	1,743	–	251
Spain	[illegible]	[illegible]	1	[illegible]	–	[illegible]
Other Europe	[illegible]	[illegible]	215	[illegible]	–	646
Europe	**69,951**	**7,759**	**389**	**9,234**	**–**	**2,892**
India	[illegible]	1,144	[illegible]	–	–	–
Vodacom	6,520	960	5	[illegible]	–	[illegible]
Other AMAP	[illegible]	[illegible]	40	1,147	–	[illegible]
AMAP	**24,560**	**3,286**	**223**	**1,870**	**–**	**1,533**
Common Functions	1,808	809	2	4	–	[illegible]
Group	**96,319**	**11,854**	**614**	**11,108**	**–**	**3,432**

Financials

3. Operating profit

Detailed below are the key amounts recognised in arriving at our operating profit

	2017 €m		
Net foreign exchange losses/(gains)	133	(21)	9
Depreciation of property, plant and equipment (note 11):			
Owned assets	6,253	6,333	[illegible]
Leased assets	12	45	25
Amortisation of intangible assets (note 10)	4,821	5,319	5,329
Impairment of goodwill in subsidiaries, associates and joint arrangements (note 4)	–	569	–
Staff costs (note 25)	5,519	5,304	[illegible]
Operating lease rentals payable	3,976	[illegible]	[illegible]
Loss on disposal of property, plant and equipment and intangible assets	22	[illegible]	63
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(800)	[illegible]	[illegible]
Net gain on formation of VodafoneZiggo (note 28)	(1,275)	–	–

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 2017 is analysed below.

	2017 €m		
Parent company	2	[illegible]	[illegible]
Subsidiaries	14	[illegible]	[illegible]
Audit fees:	**16**	**15**	**15**
Audit-related fees	4	[illegible]	[illegible]
Other assurance services	–	–	[illegible]
Tax fees	–	[illegible]	[illegible]
Non-audit fees:	**4**	**2**	**5**
Total fees	**20**	**17**	**20**

A description of the work performed by the Audit and Risk Committee in order to safeguard auditor independence when non-audit services are provided is set out in the Audit and Risk Committee report on pages 57 to 63.

4. Impairment losses

[illegible]

Accounting policies

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Impairment losses

[illegible]

		2017 €m		
Romania	Other Europe	–	569	–
		–	**569**	**–**

In addition to the impairment losses above, in the first half of the 2017 financial year the Group recorded a non-cash impairment of €6.4 billion relating to our Indian business. This was driven by lower projected cash flows within our business plans as a result of increased competition in the market. Impairment testing at 31 March 2017 following the announcement of the merger of Vodafone India with Idea Cellular gave rise to a partial reversal of that impairment. As a result the Group recorded an overall impairment loss of [illegible] in respect of the Group's investment in India which, together with the recognition of an associated [illegible] deferred tax assets, led to an overall [illegible] reduction in the carrying value of Vodafone India, the results of which are included discontinued operations. See note 7 "Discontinued operations and assets held for sale" for further details.

Goodwill

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

	2017 €m	
Germany	12,479	[illegible]
Italy	3,654	3,654
Spain	3,814	3,814
	19,947	**19,947**
Other	6,861	[illegible]
	26,808	**28,238**

Financials

4. Impairment losses (continued)

Key assumptions used in the value in use calculations

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

Projected adjusted EBITDA	Projected adjusted 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.
Projected 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.
Projected 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 adjusted 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 2017

As a discontinued operation, Vodafone India has been valued at fair value less costs to sell. Vodafone India's fair value less costs to sell is not observable in a quoted market and accordingly it has been determined with reference to the outcomes from the application of a number of potential valuation techniques, which are considered to result in a level 3 valuation. As such significant judgement is required and involves the use of estimates. The two bases of valuation which were given the strongest weighting in the overall assessment of fair value are set out below. Fair value has been assessed to be €14.0 billion. See note 7 "Discontinued operations and assets held for resale" for further details.

– The contracted cash price for the sale of a portion of the entity to the Aditya Birla Group as part of the planned disposal of Vodafone India, adjusted for the agreed level of debt, which is an observable price relating to Vodafone India; and

– The share price of Idea Cellular prior to the announcement of the plan to dispose of Vodafone India and participate with Idea Cellular in the planned jointly controlled entity, adjusted for transaction specific factors. Idea Cellular equity shares are the primary component of the consideration for Vodafone India to be received by the Group and the value of the Idea Cellular shares has been adjusted to reflect 50% of the estimated cost synergies that management expects to be realised by the jointly controlled entity. A 10% increase or reduction in the expected cost synergies included in this determination of fair value would result in a €220 million increase or reduction, respectively, in the fair value less costs to sell of Vodafone India calculated using this approach.

Note:
[illegible]

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

Pre-tax adjusted discount rate	8.4	[illegible]	10.5	[illegible]
Long-term growth rate	[illegible]	1.5	[illegible]	[illegible]
Projected adjusted EBITDA	[illegible]	[illegible]	[illegible]	[illegible]
Projected capital expenditure	14.4–16.3	14.6–15.8	[illegible]	12.6–15.9

[illegible]

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 Germany, Spain and Romania exceed their carrying values by €[illegible] billion, €[illegible] billion and €[illegible] billion respectively. The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2017.

Pre-tax risk adjusted discount rate	[illegible]	[illegible]	[illegible]
Long-term growth rate	[illegible]	[illegible]	[illegible]
Projected adjusted EBITDA	[illegible]	[illegible]	[illegible]
Projected capital expenditure	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

Pre-tax risk adjusted discount rate	[illegible]	[illegible]	[illegible]	[illegible]
Long-term growth rate	[illegible]	[illegible]	[illegible]	[illegible]
Projected adjusted EBITDA	[illegible]	[illegible]	[illegible]	[illegible]
Projected capital expenditure	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Year ended 31 March 2016

During the year ended 31 March 2016 impairment charges of €[illegible] million were recorded in respect of the Group's investment in Romania. The impairment charge relates solely to goodwill. The recoverable amount of Romania is €[illegible] 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.

Pre-tax risk adjusted discount rate	[illegible]	[illegible]	[illegible]
Long-term growth rate	[illegible]	[illegible]	[illegible]
Projected adjusted EBITDA	[illegible]	[illegible]	[illegible]
Projected capital expenditure	[illegible]	[illegible]	[illegible]

[illegible]

Financials

4. Impairment losses (continued)

Sensitivity analysis

Other than [illegible] 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 Romania, Germany and Spain were equal to [illegible] 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 €[illegible] billion and €1.0 billion respectively.

Pre-tax risk adjusted discount rate	0.5	0.6
Long-term growth rate	(0.5)	(0.8)
Projected adjusted EBITDA	(0.9)	1.2
Projected capital expenditure	4.4	4.3

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:

Pre-tax adjusted discount rate	(0.[illegible])	0.5
Long-term growth rate	0.5	[illegible]
Projected adjusted EBITDA	0.2	0.2
Projected capital expenditure	[illegible]	0.1

[illegible]

Year ended 31 March 2015

During the year ended 31 March 2015 no impairment [illegible] in respect of the Group's [illegible]

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

Pre-tax risk adjusted discount rate	8.[illegible]	10.5	[illegible]
Long-term growth rate	[illegible]	1	[illegible]
Projected adjusted EBITDA	[illegible]	0.8	[illegible]
Projected capital expenditure	[illegible]	[illegible]	[illegible]

[illegible]

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 €3.[illegible] billion, €[illegible] billion and €0.5 billion respectively. The changes in the following table to assumptions used in the impairment review would have, in isolation, led to an impairment loss being recognised for the year ended 31 March 2015.

Pre-tax risk adjusted discount rate	0.8	1.6	0.3
Long-term growth rate	(0.9)	(1.8)	(0.3)
Projected adjusted EBITDA	(7.5)	(7.5)	(2.6)
Projected capital expenditure	2.1	2.9	0.7

[illegible]

5. Investment income and financing costs

[illegible]

	2017 £m	[illegible]	[illegible]
Investment income:			
Available-for-sale investments:			
Dividends received	–	1	–
Loans and receivables at amortised cost	426	[illegible]	[illegible]
Fair value through the income statement (held for trading)	20		[illegible]
Other	28	–	614
	474	**539**	**1,083**
Financing costs:			
Items in hedge relationships:			
Other loans	170	[illegible]	[illegible]
Interest rate and cross-currency interest rate swaps	(255)	[illegible]	[illegible]
Fair value hedging instrument	22	[illegible]	[illegible]
Fair value of hedged item	(36)	[illegible]	48
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts	419	[illegible]	519
Bonds and other loans	1,243	[illegible]	[illegible]
Interest charge/(credit) on settlement of tax issues	47	[illegible]	[illegible]
Equity put rights and similar arrangements	–	–	–
Fair value through the income statement (held for trading):			
Derivatives – forward starting swaps and futures	(244)	[illegible]	[illegible]
Other	–	[illegible]	–
	1,406	**2,046**	**1,399**
Net financing costs	**932**	**1,507**	**316**

[illegible]

6. Taxation

[illegible]

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 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, 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

	2017 £m		
United Kingdom corporation tax expense/(income):			
Current year	27	[illegible]	–
Adjustments in respect of prior years	(3)	[illegible]	15
	24	**(76)**	**15**
Overseas current tax expense/(income):			
Current year	961	[illegible]	[illegible]
Adjustments in respect of prior year	(35)	[illegible]	[illegible]
	926	**833**	**717**
Total current tax expense	**950**	**757**	**732**
Deferred tax on origination and reversal of temporary differences:			
United Kingdom deferred tax	(16)	[illegible]	[illegible]
Overseas deferred tax	3,830	[illegible]	[illegible]
Total deferred tax expense/(income)	**3,814**	**4,180**	**(6,803)**
Total income tax expense/(income)	**4,764**	**4,937**	**(6,071)**

Notes:
[illegible]

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 £10.3 billion of spectrum payments to the UK Government in 2000 and 2013.

Tax on discontinued operations

	2017 £m		
Tax (credit)/charge on profit from ordinary activities of discontinued operations	(973)	(514)	[illegible]
Tax charge relating to the gain on discontinuance	95	–	–
Total tax (credit)/charge on discontinued operations	**(878)**	**(514)**	**26**

[illegible]

Tax charged/(credited) directly to other comprehensive income

	2017 £m		
Current tax	(16)	(81)	2
Deferred tax	44	293	(362)
Total tax charged/(credited) directly to other comprehensive income	**28**	**212**	**(360)**

Tax credited directly to equity

	2017 £m		
Current tax	–	[illegible]	[illegible]
Deferred tax	[illegible]	[illegible]	[illegible]
Total tax credited directly to equity	**(9)**	**(5)**	**(9)**

Factors affecting the tax expense for the year

[illegible]

	2017 £m		
Continuing profit/(loss) before tax as shown in the consolidated income statement	**2,792**	**(190)**	**1,734**
Aggregated expected income tax expense	795	85	[illegible]
Impairment losses with no tax effect	–	[illegible]	–
Disposal of Group investments	(271)	[illegible]	–
Effect of taxation of associates and joint ventures reported within profit before tax	23	[illegible]	[illegible]
Derecognition/recognition of deferred tax assets for losses including Luxembourg	1,603	[illegible]	[illegible]
Deferred tax following revaluation of investments in Luxembourg	(529)	[illegible]	[illegible]
Previously unrecognised temporary differences we expect to use in the future	(15)	[illegible]	–
Previously unrecognised temporary differences utilised in the year	(11)	[illegible]	–
Current year temporary differences (including losses) that we currently do not expect to use	139	50	[illegible]
Adjustments in respect of prior year tax liabilities	(107)	(48)	[illegible]
Revaluation of assets for tax purposes	(39)	–	–
Impact of tax credits and irrecoverable taxes	98	[illegible]	[illegible]
Deferred tax on overseas earnings	26	[illegible]	[illegible]
Effect of current year changes in statutory tax rates on deferred tax balances	2,755	[illegible]	[illegible]
Expenses not deductible for tax purposes	97	[illegible]	[illegible]
Income tax expense/(income)	**4,764**	**4,937**	**(6,071)**

[illegible]

6. Taxation (continued)

Deferred tax

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

1 April 2016 restated	27,742
Foreign exchange movements	19
Charged to the income statement (continuing operations)	(3,814)
Credited to the income statement (discontinued operations)	975
Charged directly to OCI	(44)
Credited directly to equity	9
Reclassifications	(1,202)
Arising on acquisition and disposals	82
31 March 2017	**23,765**

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

Accelerated tax depreciation	160	1,368	(1,535)	(55)	(222)
Intangible assets	353	127	(715)	15	(572)
Tax losses	(4,064)	30,590	–	(7,138)	23,452
Deferred tax on overseas earnings	(95)	–	(95)	–	(95)
Other temporary differences	(168)	1,347	(126)	(19)	1,202
31 March 2017	**(3,814)**	**33,432**	**(2,471)**	**(7,196)**	**23,765**

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

Deferred tax asset	24,300
Deferred tax liability	(535)
31 March 2017	**23,765**

At 31 March 2016, deferred tax assets and liabilities, before offset of balances within countries, were as follows:

Accelerated tax depreciation	211	[illegible]	[illegible]	(47)	[illegible]
Intangible assets	405	84	[illegible]	15	[illegible]
Tax losses	[illegible]	34,061	–	[illegible]	[illegible]
Deferred tax on overseas earnings	(18)	–	[illegible]	–	[illegible]
Other temporary differences	[illegible]	2,294	(124)	[illegible]	[illegible]
31 March 2016 restated	**(4,180)**	**38,037**	**(3,879)**	**(6,416)**	**27,742**

Note:
[illegible]

At 31 March 2016 deferred tax assets and liabilities were analysed in the statement of financial position, after offset of balances within countries, as follows:

Deferred tax asset	28,306
Deferred tax liability	(564)
31 March 2016 restated	**27,742**

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 directives, state aid investigations, future corporate acquisitions and disposals, any restructuring of our businesses and the resolution of open tax disputes.

We do not anticipate any significant impact on our future tax charge should the UK leave the European Union, but cannot rule out the possibility that, for example, a failure to reach satisfactory arrangements for the UK's future relationship with the European Union could have an impact on such matters.

The Group is routinely subject to audit by tax authorities in the territories in which it operates and, specifically, in India where these are usually resolved through the Indian legal system. The Group considers each issue on its merits and, where appropriate, holds 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.

At 31 March 2017 the gross amount and expiry dates of losses available for carry forward are as follows:

Losses for which a deferred tax asset is recognised	292	65	97,335	97,692
Losses for which no deferred tax is recognised	352	1,503	28,556	30,411
	644	**1,568**	**125,891**	**128,103**

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

Losses for which a deferred tax asset is recognised	[illegible]	[illegible]	[illegible]	[illegible]
Losses for which no deferred tax is recognised	[illegible]	[illegible]	[illegible]	[illegible]
	423	**120**	**128,388**	**128,931**

Deferred tax assets on losses in Luxembourg

Included in the table above are losses of £[illegible] million (2016: £[illegible] million) that have arisen in Luxembourg companies, principally as a result of revaluation of those companies' investments for local GAAP purposes.

A deferred tax asset of £[illegible] million (2016: £[illegible] 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. In December 2016 the Luxembourg government enacted the previously announced reduction in the corporate tax rate (including municipal business tax) to [illegible]% for the year ended 31 March 2017 and [illegible]% for the year ending 31 March 2018. The impact of this reduced future corporate tax rate has reduced the value of our deferred tax assets by £[illegible] million.

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 considers 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. 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 can be utilised.

Based on the current forecasts the losses will be fully utilised over the next 55 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 four to seven years.

During the current year the Group recognised an additional £[illegible] million (2016: used £[illegible] million) of our deferred tax assets as a result of the revaluation of investments based upon the local GAAP financial statements and tax returns at 31 March 2017. The Group also derecognised a deferred tax asset of £[illegible] million related to losses in Luxembourg expected to be used beyond 60 years due to lower interest rates increasing the length of time over which these losses would be utilised. 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 can be utilised.

£[illegible] million (2016: nil) of the Group's Luxembourg losses expire and no deferred tax asset is recognised as they will expire before we can use them. The remaining losses do not expire.

We also have £[illegible] million (2016: £[illegible] 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.

Financials

6. Taxation (continued)

Deferred tax assets on losses in Germany

The Group has tax losses of €18,15[illegible] million (2016: €18,[illegible] million) in Germany arising on the write down of investments in Germany in 2001. 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,[illegible] million (2016: €2,858 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 28 to 34). In the period beyond the five year forecast we have reviewed the profits inherent in the value in use calculations, 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 12 years. A 5%–10% change in the forecast profits of the German business would not significantly alter the utilisation period.

Deferred tax assets on losses in Spain

The Group has tax losses of €3,646 million in Spain predominantly arising from the Group's acquisition of Grupo Corporativo Ono S.A. in 2015 and which are available to offset against the related future profits of the Spanish business. The losses do not expire.

A deferred tax asset of €914 million (2016: €851 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 28 to 34). In the period beyond the five 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 20 to 25 years. The utilisation period has increased from the prior year reported period (eight to ten years) as a result of a change of law which limits the use of brought forward losses against current year profits. A 5%–10% change in the forecast profits of the Spanish business would change the period over which the losses are utilised by [illegible] years.

Other tax losses

The Group has losses amounting to €7,880 million (2016: €8,504 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, which is unchanged from the prior year.

The remaining losses relate to a number of other jurisdictions across the Group. There are also €[illegible] million (2016: €46 million) of unrecognised other temporary differences.

The Group holds a deferred tax liability of €95 million (2016: €67 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 €[illegible] million (2016: €[illegible] 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

[illegible]

Discontinued operations

On 20 March 2017 Vodafone announced the agreement to combine its subsidiary, Vodafone India, excluding its 42% stake in Indus Towers, with Idea Cellular, which is listed on the Indian Stock Exchanges, with the combined company to be jointly controlled by Vodafone and the Aditya Birla Group. The results of these discontinued operations are detailed below.

Income statement and segment analysis of discontinued operations

	2017 €m		
Revenue	**5,827**	**6,120**	**5,479**
Cost of sales	(4,504)	[illegible]	(4,327)
Gross profit	**1,323**	**1,321**	**1,152**
Selling and distribution expenses	(276)	(264)	(230)
Administrative expenses	(705)	[illegible]	(466)
Impairment losses	(4,515)	–	–
Operating (loss)/profit	**(4,171)**	**423**	**456**
[illegible]	(909)	[illegible]	[illegible]
Loss before taxation	**(5.080)**	**(509)**	**(302)**
Income tax credit/(expense)	973	[illegible]	[illegible]
(Loss)/profit for the financial year from discontinued operations	**(4,107)**	**5**	**(328)**

(Loss)/earnings per share from discontinued operations

	2017 eurocents		
– Basic	(14.68)c	[illegible]	[illegible]
– Diluted	(14.68)c	[illegible]	(1.24)c

Total comprehensive (expense)/income for the financial year from discontinued operations

	2017 €m		
Attributable to owners of the parent	**(4,107)**	**5**	**(328)**

[illegible]

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

Assets held for sale

Assets and liabilities relating to our operations in India have been classified as held for sale on the statement of financial position at 31 March 2017. In addition, assets and liabilities held for sale at 31 March 2016 comprise the assets and liabilities of our former operations in the Netherlands which were combined with those of Liberty Global plc to form a 50:50 joint venture VodafoneZiggo on 31 December 2016. The relevant assets and liabilities are detailed in the table below.

Assets and liabilities held for sale[1]

	2017 £m	
Non-current assets		
Goodwill	–	360
Other intangible assets	9,214	1,590
Plant, property and equipment	3,462	1,071
Trade and other receivables	694	35
Deferred tax assets	1,202	–
	14,572	**3,356**
Current assets		
Inventory	1	[illegible]
Taxation recoverable	1,311	8
Trade and other receivables	831	[illegible]
Cash and cash equivalents	467	[illegible]
Other investments	13	–
	2,623	**301**
Total assets held for sale	**17,195**	**3,657**
Non-current liabilities		
Long-term borrowings	(8,024)	–
Deferred tax liabilities	–	[illegible]
Post employment benefits	(15)	–
Provisions for liabilities and charges	(784)	[illegible]
Trade and other payables	(39)	–
	(8,862)	**(26)**
Current liabilities		
Short-term borrowings	(1,159)	–
Provisions for liabilities and charges	(25)	(5)
Trade and other payables	(1,768)	(407)
	(2,932)	**(412)**
Total liabilities held for sale	**(11,794)**	**(438)**

Deferred tax assets on losses in India

The Group recognises a deferred tax asset of €1,202 million relating to its Indian business. This includes a deferred tax asset of €816 million relating to losses. The deferred tax asset has been recognised as we conclude it is probable that we will generate taxable profits in the future against which we can utilise these losses.

The Group has reviewed the latest forecasts for the Indian business which incorporate the unsystematic risks of operating in the telecommunications business (see page 114). In the period beyond the five year forecast we have reviewed the profits inherent in the valuation of Indian business and based on these and our expectations for the Indian 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 ten years.

We do not recognise a deferred tax asset of €352 million in relation to losses where we currently believe that is not probable these losses will be utilised in the future.

8. Earnings per share

[illegible]

	2017 Millions		
Weighted average number of shares for basic earnings per share	27,971	[illegible]	26,489
Effect of dilutive potential shares: restricted shares and share options	–	–	[illegible]
Weighted average number of shares for diluted earnings per share	**27,971**	**26,692**	**26,629**

	2017 €m		
(Loss)/earnings for earnings per share from continuing operations	(2,190)	[illegible]	[illegible]
(Loss)/earnings for earnings per share from discontinued operations	(4,107)	5	(528)
(Loss)/earnings for basic and diluted earnings per share	**(6,297)**	**(5,405)**	**7,279**
	eurocents		
Basic (loss)/earnings per share	(22.51)c	[illegible]	27.48c
Diluted (loss)/earnings per share	(22.51)c	[illegible]	27.33c

9. Equity dividends

[illegible]

	2017 €m		
Declared during the financial year:			
[illegible]	2,447	[illegible]	[illegible]
[illegible]	1,262	[illegible]	[illegible]
	3,709	**4,233**	**3,712**
Proposed after the end of the reporting period and not recognised as a liability:			
[illegible]	2,670	[illegible]	[illegible]

Financials

10. Intangible assets

[illegible]

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 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 annually 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.

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.

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 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 2–15 years

Cost:					
1 April 2015 restated	[illegible]	[illegible]	14,680	[illegible]	157,994
Exchange movements	1,558	[illegible]	[illegible]	[illegible]	[illegible]
Arising on acquisition	[illegible]	–	7	55	52
Additions	–	7,556	[illegible]	14	10,057
Disposals	–	[illegible]	[illegible]	[illegible]	[illegible]
Transfer of assets held for sale	960	[illegible]	[illegible]	[illegible]	[illegible]
Other	–	–	[illegible]	–	[illegible]
31 March 2016 restated	**93,990**	**40,973**	**15,729**	**7,446**	**158,138**
Transfer of assets held for sale	[illegible]	[illegible]	[illegible]	(152)	[illegible]
	90,310	**31,501**	**15,528**	**7,294**	**144,633**
Exchange movements	(90)	(1,023)	(174)	158	(1,129)
Arising on acquisition	1	10	11	5	27
Additions	–	359	2,193	3	2,555
Disposals	–	(72)	(499)	(30)	(601)
Other	–	–	(97)	–	(97)
31 March 2017	**90,221**	**30,775**	**16,962**	**7,430**	**145,388**
Accumulated impairment losses and amortisation:					
1 April 2015 restated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exchange movements	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amortisation charge for the year	–	[illegible]	[illegible]	1,548	[illegible]
Disposals	–	[illegible]	[illegible]	5	[illegible]
Transfer of assets held for sale	–	[illegible]	[illegible]	[illegible]	[illegible]
Impairment losses	569	–	–	–	569
Other	–	–	[illegible]	–	[illegible]
31 March 2016 restated	**65,752**	**17,128**	**10,927**	**5,767**	**99,574**
Transfer of assets held for sale	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	63,666	**15,794**	**10,767**	**5,615**	**95,842**
Exchange movements	(253)	(548)	(152)	133	(820)
Amortisation charge for the year	–	1,780	2,106	935	4,821
Disposals	–	(72)	(486)	(30)	(588)
Other	–	–	(87)	–	(87)
31 March 2017	**63,413**	**16,954**	**12,148**	**6,653**	**99,168**
Net book value:					
31 March 2016 restated	**28,238**	**23,845**	**4,802**	**1,679**	**58,564**
31 March 2017	**26,808**	**13,821**	**4,814**	**777**	**46,220**

[illegible]

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 [illegible] million have been pledged as security against borrowings.

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

		2017 €m	
Germany	[illegible]	4,726	[illegible]
Italy	[illegible]	1,442	1,596
UK	[illegible]	2,818	[illegible]
Qatar	[illegible]	1,164	[illegible]
Netherlands	[illegible]	–	[illegible]

The remaining amortisation period of 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 [illegible] and [illegible].

Financials

11. Property, plant and equipment

[illegible]

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 loss. 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:

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

- Network infrastructure and other — [illegible] 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.

Cost:			
1 April 2015 restated	[illegible]	[illegible]	[illegible]
Exchange movements	[illegible]	[illegible]	[illegible]
Additions	[illegible]	[illegible]	[illegible]
Disposals	[illegible]	[illegible]	[illegible]
Transfer of assets held for sale	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]
31 March 2016 restated	**2,393**	**74,486**	**76,879**
Reclassification as held for sale	[illegible]	[illegible]	[illegible]
	2,290	**67,041**	**69,331**
Exchange movements	[illegible]	(1,779)	[illegible]
Arising on acquisition	–	7	7
Additions	104	5,184	5,288
Disposals	(94)	(2,522)	[illegible]
Other	8	273	281
31 March 2017	**2,266**	**68,204**	**70,470**
Accumulated depreciation and impairment:			
1 April 2015 restated	[illegible]	[illegible]	[illegible]
Exchange movements	[illegible]	[illegible]	[illegible]
Charge for the year	[illegible]	[illegible]	[illegible]
Disposals	[illegible]	[illegible]	[illegible]
Transfer of assets held for sale	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]
31 March 2016 restated	**1,141**	**40,223**	**41,364**
Reclassification as held for sale	[illegible]	[illegible]	[illegible]
	1,105	**36,411**	**37,516**
Exchange movements	(15)	(1,087)	(1,102)
Charge for the year	39	6,126	6,265
Disposals	(89)	(2,454)	(2,543)
Other	1	129	150
31 March 2017	**1,141**	**39,125**	**40,266**
Net book value:			
31 March 2016 restated	**1,252**	**34,263**	**35,515**
31 March 2017	**1,125**	**29,079**	**30,204**

The net book value of land and buildings and equipment, fixtures and fittings includes €[illegible] million and €[illegible] million respectively (2016: €34 million and €[illegible] 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 €[illegible] million and €[illegible] million respectively (2016: €[illegible] million and €[illegible] million).

Financials

12. Investments in associates and joint arrangements

[illegible]

Accounting policies

[illegible]

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.

Gains or losses resulting from the contribution or sale of a subsidiary as part of the formation of a joint arrangement are recognised in respect of the Group's entire equity holding in the subsidiary.

[illegible]

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.

[illegible]

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have 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 ventures, 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.

[illegible]

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 is not 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.

Cornerstone Telecommunications Infrastructure Limited	Network infrastructure	UK	50.0

[illegible]

Joint ventures and associates

	2017 €m	
Investment in joint ventures	2,689	[illegible]
Investment in associates	449	[illegible]
31 March	**3,138**	**479**

[illegible]

Joint ventures

[illegible]

VodafoneZiggo Group Holding B.V.	Network operator	Netherlands	[illegible]
Indus Towers Limited	Network infrastructure	India	[illegible]
Vodafone Hutchison Australia Pty Limited	Network operator	Australia	[illegible]

[illegible]

[illegible]

	Investment in joint ventures 2017 €m			(Loss)/profit from continuing operations 2017 €m			Other comprehensive income 2017 €m			Total comprehensive (expense)/income 2017 €m		
VodafoneZiggo Group Holding B.V.	2,736	–	–	(160)	[illegible]	–	2	–	[illegible]	(158)	–	–
Indus Towers Limited	1,032	[illegible]	[illegible]	98	[illegible]	[illegible]	–	–	–	98	[illegible]	[illegible]
Vodafone Hutchison Australia Pty Limited	(1,156)	[illegible]	[illegible]	(59)	[illegible]	[illegible]	–	[illegible]	[illegible]	(59)	[illegible]	[illegible]
Other	77	[illegible]	[illegible]	(14)	[illegible]	[illegible]	–	–	–	(14)	[illegible]	[illegible]
Total	**2,689**	**29**	**198**	**(135)**	**(91)**	**(193)**	**2**	**(1)**	**2**	**(133)**	**(92)**	**(191)**

[illegible]

	VodafoneZiggo Group Holding B.V. 2017 €m			Indus Towers Limited 2017 €m			Vodafone Hutchison Australia Pty Limited 2017 €m		
Income statement and statement of comprehensive income									
Revenue	1,014	–	–	2,379	[illegible]	[illegible]	2,287	2,354	[illegible]
Depreciation and amortisation	(764)	–	–	(407)	[illegible]	[illegible]	(473)	[illegible]	[illegible]
Interest income	23	–	[illegible]	22	[illegible]	[illegible]	5	2	[illegible]
Interest expense	(117)	–	–	(91)	[illegible]	[illegible]	(240)	[illegible]	[illegible]
Income tax income/(expense)	105	–	–	(267)	186	[illegible]	–	–	–
(Loss)/profit from continuing operations	(320)	–	–	234	240	[illegible]	(117)	(306)	(408)
Other comprehensive income/(expense)	3	–	–	–	–	–	–	[illegible]	4
Total comprehensive (expense)/income	(317)	–	–	234	240	[illegible]	(117)	(308)	(404)
Statement of financial position									
Non-current assets	20,303	–		1,995	[illegible]		2,517	2,680	
Current assets	721	–		326	[illegible]		892	[illegible]	
Non-current liabilities	(14,015)	–		(545)	[illegible]		(1,460)	[illegible]	
Current liabilities	(1,538)	–		(825)	[illegible]		(4,501)	[illegible]	
Equity shareholders' funds	(5,471)	[illegible]		(951)	[illegible]		2,552	[illegible]	
Cash and cash equivalents within current assets	273	–		29	[illegible]		68	[illegible]	
Non-current liabilities excluding trade and other payables and provisions	(13,668)	–		(188)	[illegible]		(1,435)	[illegible]	
Current liabilities excluding trade and other payables and provisions	–	–		(375)	[illegible]		(3,563)	[illegible]	

[illegible]

Financials

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.

Safaricom Limited	Network operator	Kenya	40.0

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 income		
	2017 €m			2017 €m			2017 €m			2017 €m		
Total	**449**	450	454	**182**	151	113	**–**	–	–	**182**	151	113

13. Other investments

[illegible]

Accounting policies

[illegible]

[illegible]

[illegible]

	2017 €m	
Included within non-current assets.		
[illegible]		
[illegible]	3	3
[illegible]	[illegible]	[illegible]
[illegible]		
[illegible]	–	–
[illegible]	[illegible]	[illegible]
	3,459	**4,631**

[illegible]

[illegible]

[illegible]

[illegible]

	2017 €m	
Included within current assets.		
[illegible]		
[illegible]	2,284	[illegible]
[illegible]	2,727	[illegible]
[illegible]	1,109	[illegible]
	6,120	**5,337**

[illegible]

[illegible]

[illegible]

[illegible]

Financials

14. Inventory

[illegible]

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.

	2017 £m	
Goods held for resale	576	716

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

	2017 £m	
1 April	(125)	[illegible]
Exchange movements	3	[illegible]
Amounts credited/(debited) to the income statement	7	[illegible]
31 March	**(115)**	**(125)**

Cost of sales includes amounts related to inventory of £[illegible] million (2016: £[illegible] million; 2015: £[illegible] million).

15. Trade and other receivables

[illegible]

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.

	2017 €m	[illegible]
Included within non-current assets:		
Trade receivables	362	[illegible]
Amounts owed by associates and joint ventures	27	122
Other receivables	130	[illegible]
Prepayments	378	163
Derivative financial instruments	3,672	[illegible]
	4,569	**5,793**
Included within current assets		
Trade receivables	4,975	5,566
Amounts owed by associates and joint ventures	325	[illegible]
Other receivables	918	[illegible]
Prepayments	1,197	[illegible]
Accrued income	1,839	[illegible]
Derivative financial instruments	610	[illegible]
	9,861	**11,561**

[illegible]

	2017 €m	[illegible]
1 April	1,385	[illegible]
[illegible]	(66)	–
Exchange movements	(94)	[illegible]
Amounts charged to administrative expenses	589	679
Other	(396)	[illegible]
31 March	**1,418**	**1,385**

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.

	2017 €m	[illegible]
Included within derivative financial instruments:		
Fair value through the income statement (held for trading):		
Interest rate swaps	2,248	[illegible]
Cross-currency interest rate swaps	106	298
Options	12	[illegible]
Foreign exchange contracts	103	[illegible]
	2,489	**3,200**
Designated hedge relationships:		
Interest rate swaps	[illegible]	[illegible]
Cross-currency interest rate swaps	1,581	[illegible]
	4,282	**5,443**

Financials

16. Trade and other payables

[illegible]

Accounting policies

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

	2017 £m	
Included within non-current liabilities:		
Other payables	30	125
Accruals	154	83
Deferred income	204	165
Derivative financial instruments	1,349	[illegible]
	1,737	**1,899**
Included within current liabilities:		
Trade payables	6,212	[illegible]
Amounts owed to associates and joint ventures	14	[illegible]
Other taxes and social security payable	1,261	[illegible]
Other payables	1,220	[illegible]
Accruals	5,683	[illegible]
Deferred income	1,716	[illegible]
Derivative financial instruments	728	[illegible]
	16,834	**19,896**

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.

	2017 £m	
Included within derivative financial instruments		
Fair value through the income statement (held for trading):		
Interest rate swaps	553	[illegible]
Cross-currency interest rate swaps	944	[illegible]
Options	63	31
Foreign exchange contracts	76	[illegible]
	1,636	**1,714**
Designated hedge relationships:		
Interest rate swaps	61	28
Cross-currency interest rate swaps	380	236
	2,077	**1,978**

17. Provisions

[illegible]

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.

[illegible]

[illegible]

[illegible]

1 April 2015 restated	[illegible]	[illegible]	[illegible]	[illegible]
Exchange movements	[illegible]	[illegible]	[illegible]	[illegible]
Amounts capitalised in the year	40	–	–	[illegible]
Amounts charged to the income statement	–	[illegible]	[illegible]	[illegible]
Utilised in the year – payments	[illegible]	[illegible]	[illegible]	[illegible]
Amounts released to the income statement	[illegible]	[illegible]	[illegible]	[illegible]
Transfer of liabilities held for sale	[illegible]	1	[illegible]	[illegible]
Other	–	75	[illegible]	[illegible]
31 March 2016 restated	**571**	**1,215**	**791**	**2,577**
Transfer of liabilities held for sale	(10)	(642)	–	(652)
Exchange movements	(17)	(32)	(1)	(50)
Amounts capitalised in the year	157	–	–	157
Amounts charged to the income statement	–	148	645	791
Utilised in the year – payments	(51)	(40)	(376)	(467)
Amounts released to the income statement	(44)	(56)	(117)	(217)
Other	–	41	(1)	40
31 March 2017	**606**	**634**	**939**	**2,179**

Financials

17. Provisions (continued)

31 March 2017

Current liabilities	10	300	739	1,049
Non-current liabilities	596	334	200	1,130
	606	**634**	**939**	**2,179**

31 March 2016 restated

Current liabilities	16	506	656	958
Non-current liabilities	555	[illegible]	135	[illegible]
	571	**1,215**	**791**	**2,577**

18. Called up share capital

Accounting policies

	Number	2017 €m		
Ordinary shares allotted, issued and fully paid:[1]				
1 April	28,813,396,008	4,796	[illegible]	[illegible]
Allotted during the year	746,840	–	[illegible]	–
Other movements	–	–	–	(450)
31 March	**28,814,142,848**	**4,796**	**28,813,396,008**	**4,796**

Allotted during the year

UK share awards and option scheme awards	–	–	–
US share awards and option scheme awards	746,840	–	2
Total share awards and option scheme awards	**746,840**	**–**	**2**

19. Reconciliation of net cash flow from operating activities

[illegible]

	2017 £m		
(Loss)/profit for the financial year	**(6,079)**	**(5,122)**	**7,477**
Loss/(profit) from discontinued operations	4,107	5	328
(Loss)/profit for the financial year from continuing operations	**(1,972)**	**(5,127)**	**7,805**
Non-operating expense	[illegible]	5	23
Investment income	(474)	[illegible]	[illegible]
Financing costs	1,406	[illegible]	[illegible]
Income tax expense/(credit)	4,764	[illegible]	[illegible]
Operating profit	**3,725**	**1,320**	**2,073**
Adjustments for:			
Share-based payments	93	[illegible]	[illegible]
Depreciation and amortisation	[illegible]	[illegible]	[illegible]
Loss on disposal of property, plant and equipment and intangible assets	[illegible]	[illegible]	[illegible]
Share of result of equity accounted associates and joint ventures	[illegible]	[illegible]	[illegible]
Impairment losses	–	[illegible]	–
Other income and expense	[illegible]	[illegible]	[illegible]
Increase in inventory	[illegible]	[illegible]	[illegible]
Decrease/(increase) in trade and other receivables	[illegible]	[illegible]	[illegible]
(Decrease)/increase in trade and other payables	[illegible]	[illegible]	[illegible]
Cash generated by operations	**13,781**	**13,497**	**12,041**
Net tax paid	[illegible]	[illegible]	[illegible]
Cash flows from discontinued operations	[illegible]	[illegible]	[illegible]
Net cash flow from operating activities	**14,223**	**14,336**	**12,668**

20. Cash and cash equivalents

[illegible]

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.

	2017 £m	
Cash at bank and in hand	1,856	2,196
Money market funds and bank deposits	6,979	7,311
Repurchase agreements	–	3,415
Cash and cash equivalents as presented in the statement of financial position	**8,835**	**12,922**
Bank overdrafts	–	(11)
Cash and cash equivalents of discontinued operations	467	–
Cash and cash equivalents as presented in the statement of cash flows	**9,302**	**12,911**

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 €1,152 million (2016: [illegible]) are held in countries with restrictions on remittances but where the balances could be used to repay subsidiaries' third party liabilities.

21. Borrowings

[illegible]

Accounting policies

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

	2017 Short-term borrowings €m	2017 Long-term borrowings €m	2017 Total €m			
Financial liabilities measured at amortised cost:						
Bank loans	867	2,741	3,608	[illegible]	[illegible]	[illegible]
Bank overdrafts	–	–	–	1	–	[illegible]
Commercial paper	3,648	–	3,648	[illegible]	–	[illegible]
Bonds	660	19,345	20,005	[illegible]	[illegible]	[illegible]
Other liabilities	4,632	305	4,937	[illegible]	[illegible]	[illegible]
Bonds in designated hedge relationships	2,244	12,132	14,376	[illegible]	[illegible]	[illegible]
	12,051	**34,523**	**46,574**	**20,260**	**37,089**	**57,349**

[illegible]

Bank loans at 31 March 2017 include INR[illegible] billion (€[illegible] billion) of loans held by Vodafone India Limited ("VIL") and its subsidiaries (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. See note 7 "Discontinued operations and assets held for sale" for further details.

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

	2017 €m		2017 €m		2017 €m	
Financial liabilities measured at amortised cost[1]	**9,163**	**17,374**	**9,180**	**17,700**	**9,147**	**17,689**
Bonds:	**647**	**500**	**667**	**505**	**660**	**521**
4.75% euro 500 million bond due June 2016	–	500	–	505	–	521
5.375% sterling 600 million bond due December 2017	647	–	667	–	660	–
Bonds in designated hedge relationships:	**2,244**	**2,021**	**2,241**	**2,070**	**2,244**	**2,050**
5.625% US dollar 1,300 million bond due February 2017	–	1,142	–	1,188	–	1,172
1.625% US dollar 1,000 million bond due March 2017	–	879	–	882	–	878
1.25% US dollar 1,000 million bond due September 2017	935	–	934	–	934	–
1.5% US dollar 1,400 million bond due February 2018	1,309	–	1,307	–	1,310	–
Short-term borrowings	**12,054**	**19,895**	**12,088**	**20,275**	**12,051**	**20,260**

Note:
1 [illegible]

[illegible]

	2017 £m	[illegible]	2017 £m	[illegible]	2017 £m	[illegible]
Financial liabilities measured at amortised cost:	**3,108**	**6,997**	**3,074**	**9,182**	**3,046**	**9,096**
Bank loans	2,803	[illegible]	2,769	[illegible]	2,741	[illegible]
Other liabilities	305	[illegible]	305	[illegible]	305	[illegible]
Bonds:	**18,597**	**13,541**	**19,286**	**14,512**	**19,345**	**14,275**
[illegible] sterling [illegible] million bond due December 201[illegible]	–	694	–	73[illegible]	–	71[illegible]
5% euro 750 million bond due June 2018	750	750	795	82[illegible]	781	780
8.125% sterling 450 million bond due November 2018	528	569	590	56[illegible]	550	595
[illegible] euro 1,750 million bond due [illegible] 2019	1,750	1,750	1,774	1,767	1,751	[illegible]
1% euro 1,750 million bond due September 2020	1,750	[illegible]	1,789	1,773	1,751	1,744
Convertible sterling 600 million bond due November 2020	–	759	–	75[illegible]	–	695
[illegible] euro 750 million bond due November 2020	750	750	764	755	749	738
Floating rate note US dollar 60 million bond due March 2021	55	5[illegible]	57	5[illegible]	56	5[illegible]
[illegible] euro 1,250 million bond due August 2021	1,250	1,250	1,291	1,280	1,254	1,216
[illegible] euro 1,000 million bond due November 2021	1,000	–	992	–	998	–
4.65% euro 1,250 million bond due January 2022	1,250	[illegible]	1,495	1,50[illegible]	1,430	1,463
[illegible] euro 500 million bond due June [illegible]	500	5[illegible]	620	6[illegible]	624	54[illegible]
[illegible] euro 1,250 million bond due August [illegible]	1,250	1,250	1,309	1,295	1,258	1,241
[illegible] euro 750 million bond due January [illegible]	750	–	723		743	–
[illegible] euro 1,000 million bond due September 2025	1,000	[illegible]	1,051	[illegible]	1,000	[illegible]
[illegible] sterling 250 million bond due December [illegible]	295	[illegible]	366	[illegible]	384	[illegible]
[illegible] euro 1,750 million bond due August [illegible]	1,750	–	1,846	–	1,729	–
[illegible] euro 1,000 million bond due [illegible]	1,000	–	956	–	1,005	–
5.9% sterling 450 million bond due November 2032	528	[illegible]	643	[illegible]	748	81[illegible]
[illegible] euro [illegible] million bond due [illegible]	332	[illegible]	348	[illegible]	334	33[illegible]
[illegible] sterling 800 million bond due August 204[illegible]	938	–	839	–	944	–
[illegible] sterling [illegible] million bond due August 205[illegible]	1,172	–	986	–	1,181	–
Bonds in designated hedge relationships:	**10,863**	**12,378**	**11,349**	**12,923**	**12,132**	**13,718**
[illegible] US dollar 1,000 million bond due September [illegible]	–	[illegible]	–	87[illegible]	–	878
[illegible] US dollar 1,400 million bond due February 2018	–	12[illegible]	–	1,2[illegible]	–	1,229
4.625% US dollar 500 million bond due July 2018	467	439	483	457	491	475
5.45% US dollar 1,250 million bond due June 2019	1,168	1,0[illegible]	1,252	[illegible]	1,256	1,210
Convertible sterling 600 million bond due November 2020	703	–	686	–	660	–
4.375% US dollar 500 million bond due March 2021	467	439	497	47[illegible]	483	459
2.5% US dollar 1,000 million bond due September 2022	935	879	914	878	920	902
2.95% US dollar 1,600 million bond due February 2023	1,496	1,406	1,472	1,55[illegible]	1,546	1,516
[illegible] Swiss franc 550 million bond due December 2024	527	–	328	–	333	–
[illegible] Norwegian krona 850 million bond due November 2025	93	[illegible]	100	[illegible]	94	91
2.2% euro 1,750 million bond due August 2026	–	1,750	–	1,655	–	1,744
3.115% Norwegian krona 850 million bond due March 2027	93	–	100	–	93	–
0.625% Swiss franc 175 million bond due March 2027	164	–	164	–	164	–
0% euro 50 million bond due December 2028	186	186	147	14[illegible]	150	12[illegible]
7.875% US dollar 750 million bond due February 2030	701	659	929	841	1,051	987
[illegible] Swiss franc 150 million bond due September 2031	140	–	133	–	142	–
6.25% US dollar 495 million bond due November 2032	463	43[illegible]	542	505	605	[illegible]
6.15% US dollar 1,200 million bond due February 2037	1,122	1,055	1,292	1,[illegible]	1,529	1,4[illegible]
[illegible] US dollar 500 million bond due February 2037	467	439	538	[illegible]	624	59[illegible]
4.375% US dollar 1,400 million bond due February 2043	1,309	1,230	1,203	[illegible]	1,446	[illegible]
5.35% US dollar 186 million bond due December 2045	174	63	179	16	176	156
4.2% US dollar 45 million bond due August 2046	42		39	–	42	–
[illegible] US dollar 370 million bond due March 2047	346	–	55	–	347	–
Long-term borrowings	**32,568**	**32,916**	**33,709**	**36,617**	**34,523**	**37,089**

Financials

21. Borrowings (continued)

Fair values of bonds and financial liabilities measured at amortised cost are based on level 1 and level 2 of the fair value hierarchy respectively using quoted market prices and 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".

The Group's gross and net debt includes certain bonds which have been designated in hedge relationships, which are carried at €2.0 billion (2016: €2.1 billion) higher than their euro equivalent redemption value. In addition, where bonds are issued in currencies other than euros, the Group has entered into foreign currency swaps to fix the euro cash outflows on redemption. The impact of these swaps are not reflected in gross debt and would further reduce the euro equivalent redemption value of the bonds by €0.4 billion (2016: €1.2 billion).

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:

Within one year	909	3,660	1,810	4,606	3,142	14,127
In one to two years	1,168	–	2,650	21	1,527	5,366
In two to three years	721	–	2,080	56	366	3,223
In three to four years	569	–	2,369	22	1,522	4,482
In four to five years	–	–	3,010	24	1,253	4,287
In more than five years	350	–	12,029	203	11,548	24,130
	3,717	**3,660**	**23,948**	**4,932**	**19,358**	**55,615**
Effect of discount/financing rates	(109)	(12)	(3,943)	5	(4,982)	(9,041)
31 March 2017	**3,608**	**3,648**	**20,005**	**4,937**	**14,376**	**46,574**
Within one year	[illegible]	9,365	883	[illegible]	[illegible]	22,450
In one to two years	1,590	–	124	12	[illegible]	[illegible]
In two to three years	2,022	–	[illegible]	54	[illegible]	6,535
In three to four years	[illegible]	–	229	3	[illegible]	[illegible]
In four to five years	[illegible]	–	[illegible]	[illegible]	[illegible]	[illegible]
In more than five years	[illegible]	–	[illegible]	[illegible]	[illegible]	[illegible]
	15,706	**9,365**	**16,527**	**5,827**	**20,644**	**68,069**
Effect of discount/financing rates	(4,057)	(11)	(1,731)	(46)	(4,875)	(10,720)
31 March 2016 restated	**11,649**	**9,354**	**14,796**	**5,781**	**15,769**	**57,349**

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:

	2017 Payable €m	2017 Receivable €m		
Within one year	16,541	16,462	32,870	34,075
In one to two years	4,788	5,201	10,660	10,928
In two to three years	3,000	3,141	4,815	5,244
In three to four years	1,913	2,038	2,641	2,988
In four to five years	1,567	1,706	2,419	2,542
In more than five years	18,743	22,491	23,841	26,429
	46,552	**51,039**	**77,246**	**82,206**

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 €2,282 million (2016: €1,495 million), leaving a €2,205 million (2016: €3,465 million) net receivable in relation to financial instruments. This is split €2,077 million (2016: €1,978 million) within trade and other payables and €4,282 million (2016: €5,443 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 2017 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.

[illegible]

	2017 Payable €m	2017 Receivable €m	[illegible]	[illegible]
Sterling	[illegible]176	6,576	[illegible]	[illegible]
Euro	25,167	5,556	[illegible]	24,476
US dollar	4,246	19,482	[illegible]	[illegible]
Japanese yen	–	–	85	–
Other	5,420	4,813	6,814	[illegible]
	34,009	**36,427**	**54,851**	**56,399**

Payables and receivables are stated separately in the table above as settlement is on a gross basis. [illegible]

	2017 €m	[illegible]
Within one year	68	15
In one to five years	78	67
In more than five years	[illegible]	[illegible]
	306	**216**

[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	4,552	5	4,547	–
Euro	37,420	7,517	28,009	1,894
US dollar	4,449	4,172	277	–
Other	153	13	140	–
31 March 2017	**46,574**	**11,707**	**32,973**	**1,894**
Sterling	[illegible]	[illegible]	[illegible]	[illegible]
Euro	[illegible]	[illegible]	[illegible]	[illegible]
US dollar	[illegible]	[illegible]	[illegible]	–
Other	[illegible]	[illegible]	[illegible]	–
31 March 2016 restated	**57,349**	**24,705**	**30,679**	**1,965**

[illegible]

The figures shown in the tables above take into account interest rate swaps used to manage the currency and 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 currency. Additional protection from interest rate movements is provided by fixing interest rates or reducing floating interest rates using interest rate swaps or interest rate futures.

	2017 Interest rate futures €m	2017 Interest rate swaps €m	[illegible]	[illegible]
Within one year	29[illegible]	3,125	[illegible]	[illegible]
In one to two years	–	3,000	5,114	[illegible]
In two to three years	–	8,875	[illegible]	[illegible]
In three to four years	–	(1,000)	–	[illegible]
In four to five years	–	(3,125)	–	[illegible]
In more than five years	–	3,300	–	[illegible]

[illegible]

Financials

21. Borrowings (continued)

Borrowing facilities

Committed facilities expiry

	2017 Drawn €m	2017 Undrawn €m		
Within one year	460	–	[illegible]	[illegible]
In one to two years	855	–	[illegible]	[illegible]
In two to three years	551	502	[illegible]	[illegible]
In three to four years	502	3,861	[illegible]	[illegible]
In four to five years	568	3,678	[illegible]	[illegible]
In more than five years	380	–	[illegible]	[illegible]
31 March	**3,316**	**8,041**	**6,253**	**10,367**

At 31 March 2017 the Group's most significant committed facilities comprised two revolving credit facilities which remained undrawn throughout the year of US$4.0 billion (€3.8 billion) maturing in three to four years and US$4.1 billion (€3.8 billion) maturing in three to 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 [illegible]. 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 [illegible] German, Turkish, United Kingdom and Romanian operations of €2.0 billion in aggregate are similar to [illegible] revolving credit facilities. Further information on these facilities can be found in note 22 "Liquidity and capital resources".

22. Liquidity and capital resources

[illegible]

Net debt

Net debt was €31.2 billion at 31 March 2017 [illegible] termination agreement [illegible] Deutsche Bank AG €1.8 billion. This decreased by €5.7 billion during the year [illegible] as a result of the classification of Vodafone India as discontinued operations. Further information can be found in note 7 "Discontinued operations and assets held for sale".

Net debt represented 44% of our market capitalisation at 31 March 2017 compared to 46% at 31 March 2016. Average net debt at month-end accounting dates over the 12-month period ended 31 March 2017 was €33.0 billion and ranged between net debt of €29.4 billion and €37.9 billion. Our consolidated net debt position at 31 March was as follows:

	2017 €m	
Cash and cash equivalents	**8,835**	**12,922**
Short-term borrowings		
Bonds	(2,904)	[illegible]
Commercial paper	(5,648)	[illegible]
Put options over non-controlling interests	(1,837)	[illegible]
Bank loans	(867)	[illegible]
Other short-term borrowings	(2,795)	[illegible]
	(12,051)	**(20,260)**
Long-term borrowings		
Put options over non-controlling interests	–	(6)
Bonds, loans and other long-term borrowings	(34,523)	[illegible]
	(34,523)	**(37,089)**
Other financial instruments[5]	**6,570**	**7,512**
Net debt	**(31,169)**	**(36,915)**

Notes:
[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Date of bond issue	Maturity of bond	Programme	Currency	Nominal amount Millions	Euro equivalent €m
[illegible]	[illegible]	[illegible]	[illegible]	1,000	1,000
[illegible]	[illegible]	[illegible]	[illegible]	750	750
[illegible]	[illegible]	[illegible]	[illegible]	550	507
[illegible]	[illegible]	[illegible]	[illegible]	850	93
[illegible]	[illegible]	[illegible]	[illegible]	175	164
[illegible]	[illegible]	[illegible]	[illegible]	1,000	1,000
[illegible]	[illegible]	[illegible]	[illegible]	150	140
[illegible]	[illegible]	[illegible]	[illegible]	45	42
[illegible]	[illegible]	[illegible]	[illegible]	370	346
[illegible]	[illegible]	[illegible]	[illegible]	800	938
[illegible]	[illegible]	[illegible]	[illegible]	1,000	1,172

[illegible]

[illegible]

[illegible]

Financials

22. Liquidity and capital resources (continued)

Committed facilities

In aggregate we have committed facilities of approximately €11,55[illegible] million, of which €8,041 million was undrawn and €3,5[illegible] million was drawn at 31 March 2017. The following table summarises the committed bank facilities available to us at 31 March 2017.

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 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 2022	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 2022. From March 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	[illegible] the facility on 12 [illegible] 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 £[illegible] 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 LTE related capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the LTE capital expenditure.

29 September 2009

US$0.[illegible] 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 €1.5 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 1 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 €[illegible] million 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 2 September 2020	This facility was drawn down in full on 4 December 2013	

2 December 2014

[illegible]

17 December 2014

[illegible]

[illegible]

Dividends from associates and to non-controlling shareholders

[illegible]

[illegible]

Potential cash outflows from option agreements and similar arrangements

[illegible]

[illegible]

Sale of trade receivables

[illegible]

23. Capital and financial risk management

[illegible]

Accounting policies

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 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.

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 contracts 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.

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.

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 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.

[illegible]

[illegible]

Capital management

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

	2017 €m	
Financial assets:		
Cash and cash equivalents	(8,835)	[illegible]
Fair value through the income statement (held for trading)	(6,169)	[illegible]
Loans and receivables	(685)	[illegible]
Derivative instruments in designated hedge relationships	(1,793)	[illegible]
Financial liabilities:		
Fair value through the income statement (held for trading)	1,636	[illegible]
Derivative instruments in designated hedge relationships	441	[illegible]
Financial liabilities held at amortised cost	46,574	[illegible]
Net debt	**31,169**	**36,915**
Equity	73,719	[illegible]
Capital	**104,888**	**122,051**

[illegible]

Financial risk management

[illegible]

[illegible]

[illegible]

Credit risk

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

	2017 €m	
Cash at bank and in hand	1,856	[illegible]
Repurchase agreements	–	3,415
Cash held in restricted deposits	1,109	[illegible]
UK government bonds	466	[illegible]
Money market fund investments and bank deposits	6,979	[illegible]
Derivative financial instruments	4,282	5,445
Other investments – debt and bonds	7,919	[illegible]
Trade receivables	5,335	[illegible]
Other receivables and accrued income	2,886	[illegible]
	30,832	**38,317**

Financials

23. Capital and financial risk management (continued)

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

The Group has two managed investment funds. These funds hold fixed income euro 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 also invests in a fund where the underlying assets are supply chain receivables, the credit worthiness of which are either covered by an insurance wrapper as provided by established insurance companies with a long term credit rating of at least A+.

The Group invests 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:

	2017 €m	
Sovereign	–	3,415
Supranational	–	–
	–	**3,415**

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:

	2017 €m	
Cash collateral	2,654	[illegible]

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 2017, €3,322 million (2016: €4,082 million) of trade receivables were not yet due for payment. Overdue trade receivables consisted of €1,199 million (2016: €1,576 million) relating to the Europe region and €425 million (2016: €578 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.

	2017 Gross receivables €m	2017 Less provisions €m	2017 Net receivables €m			
30 days or less	730	(27)	703	919	(544)	375
Between 31 and 60 days	125	(23)	102	330	(87)	243
Between 61 and 180 days	648	(258)	390	498	(115)	383
Greater than 180 days	1,423	(1,077)	346	1,401	(650)	751
	2,926	**(1,385)**	**1,541**	**3,148**	**(1,194)**	**1,954**

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 2017 were €589 million (2016: €679 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 2017 the Group had €4.0 billion and US$4.1 billion syndicated committed undrawn bank facilities which support the US$15 billion and €8.0 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. The US$ syndicated committed facility has a maturity date of 27 February 2022. Both facilities have remained undrawn throughout the financial year and since year end and provide liquidity support

[illegible]

[illegible]

Market risk

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

	2017 €m	2016 €m
ZAR 18% change (2016: 20%) – Operating profit	249	[illegible]
Euro no change (2016: 8%) – Operating profit	–	158

[illegible]

[illegible]

[illegible]

23. Capital and financial risk management (continued)

Fair value of financial instruments

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

	2017 €m		2017 €m		2017 €m	
Financial assets:						
Fair value through the income statement	–	–	4,523	2,466	4,523	2,466
Derivative financial instruments:						
Interest rate swaps	–	–	2,460	3,049	2,460	3,050
Cross-currency interest rate swaps	–	–	1,707	2,056	1,707	2,055
Options	–	–	12	46	12	46
Foreign exchange contracts	–	–	103	292	103	292
Interest rate futures	–	–	3	5	3	5
	–	**–**	**8,608**	**7,914**	**8,608**	**7,914**
Financial investments available-for-sale:						
Listed equity securities	3	3	–	–	3	3
Unlisted equity securities	–	–	82	104	82	104
	3	**3**	**82**	**104**	**85**	**107**
	3	**3**	**8,690**	**8,018**	**8,693**	**8,021**
Financial liabilities:						
Derivative financial instruments:						
Interest rate swaps	–	–	614	[illegible]	614	[illegible]
Cross-currency interest rate swaps	–	–	1,324	675	1,324	[illegible]
Options	–	–	63	8	63	[illegible]
Foreign exchange contracts	–	–	76	[illegible]	76	[illegible]
	–	**–**	**2,077**	**1,978**	**2,077**	**1,978**

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. 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.

	2017 €m		2017 €m	
Cash and cash equivalents	8,835	12,922	8,835	12,922
Cash and other investments held in restricted deposits	1,109	1,000	1,109	1,000
Other debt and bonds[1]	4,062	6,389	4,062	6,389
	14,006	**20,311**	**14,006**	**20,311**
Short-term borrowings:				
Bonds	(2,908)	(2,575)	(2,904)	(2,571)
Commercial paper	(3,648)	(9,353)	(3,648)	(9,353)
Bank loans and other short-term borrowings	(5,532)	(8,346)	(5,499)	(8,336)
	(12,088)	**(20,274)**	**(12,051)**	**(20,260)**
Long-term borrowings:				
Bonds	(30,635)	(27,435)	(31,477)	(27,993)
Bank loans and other long-term borrowings	(3,074)	(9,182)	(3,046)	(9,096)
	(33,709)	**(36,617)**	**(34,523)**	**(37,089)**
	(31,791)	**(36,580)**	**(32,568)**	**(37,038)**

Note:
[illegible]

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. [illegible]

At 31 March 2017

	Gross amount €m		Amounts presented in balance sheet €m		Cash collateral €m	
Derivative financial assets	4,282	–	4,282	(1,505)	(2,654)	123
Derivative financial liabilities	(2,077)	–	(2,077)	1,505	384	(188)
Total	**2,205**	**–**	**2,205**	**–**	**(2,270)**	**(65)**

At 31 March 2016 restated

	Gross amount €m		Amounts presented in balance sheet €m		Cash collateral €m	
Derivative financial assets	5,445	–	5,445	[illegible]	[illegible]	[illegible]
Derivative financial liabilities	[illegible]	–	[illegible]	1,538	[illegible]	[illegible]
Total	**3,465**	**–**	**3,465**	**–**	**(3,449)**	**16**

Financial assets and liabilities are offset and the net 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. [illegible]

24. Directors and key management compensation

[illegible]

Directors

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

	2017 €m		
Salaries and fees	4	[illegible]	5
Incentive schemes	2	1	4
Other benefits	1	1	1
	7	**10**	**10**

[illegible]

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 31 March 2017 by the Directors who served during the year was [illegible] million (2016: one Director, [illegible] million; 2015: one Director, [illegible] million).

Key management compensation

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

	2017 €m		
Short-term employee benefits	24	30	23
Share-based payments	25	26	23
	49	**56**	**46**

Financials

25. Employees

[illegible]

	2017 Employees		
By activity:			
Operations	18,207	[illegible]	[illegible]
Selling and distribution	38,252	[illegible]	[illegible]
Customer care and administration	55,097	[illegible]	[illegible]
	111,556	**111,684**	**105,300**
By segment:			
Germany	14,478	[illegible]	[illegible]
Italy	6,601	6,675	[illegible]
Spain	5,118	[illegible]	[illegible]
UK	13,258	[illegible]	[illegible]
Other Europe	15,801	16,058	15,190
Europe	**55,236**	**56,854**	**54,228**
India (Discontinued operations)	13,187	[illegible]	[illegible]
Vodacom	7,590	[illegible]	[illegible]
Other Africa, Middle East and Asia-Pacific	14,183	[illegible]	[illegible]
Africa, Middle East and Asia-Pacific	**34,960**	**35,123**	**33,875**
Common Functions	21,360	[illegible]	[illegible]
Total	**111,556**	**111,684**	**105,300**

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

	2017 €m		
Wages and salaries	4,630	[illegible]	[illegible]
Social security costs	582	[illegible]	[illegible]
Other pension costs (note [illegible])	212	[illegible]	[illegible]
Share-based payments (note 27)	95	[illegible]	[illegible]
	5,519	**5,804**	**5,171**
India (Discontinued operations)	217	[illegible]	[illegible]
Total	**5,736**	**6,016**	**5,353**

26. Post employment benefits

[illegible]

Accounting policies

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Background

[illegible]

[illegible]

Income statement expense

	2017 £m		
Defined contribution schemes	192	214	190
Defined benefit schemes	20	56	49
Total amount charged to income statement (note 25)	**212**	**270**	**239**

Financials

26. Post employment benefits (continued)

Defined benefit schemes

Vodafone Group [illegible] retirement policy is to provide competitive pension provision in each operating country [illegible] the [illegible] market [illegible] that location. Vodafone Group's preferred retirement provision is focused on Defined Contribution (DC) arrangements and/or State provision for future service.

The Group's main defined benefit funding liability is the Vodafone UK Group Pension Scheme (Vodafone UK plan). Since June 2014 the plan has consisted of two segregated sections: the Vodafone Section and the Cable & Wireless Section. Both sections are closed to new entrants and to future accrual. The Group also operates unfunded plans in Germany and funded plans in Ireland. Defined benefit pension provision exposes the Group to actuarial risks such as longer than expected longevity of participants, lower than expected return on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the schemes.

The defined benefit schemes are administered by Trustee Boards who are legally separate from the Group and consist of representatives who are employees, former employees or are independent from the Company. The Boards of the pension schemes are required by legislation to act in the best interest of the participants, set the investment strategy and contribution rates and are subject to statutory funding objectives.

The Vodafone UK plan is registered as an occupational pension plan with HMRC and is subject to UK legislation and operates within the framework outlined by 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 C&W 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.

[illegible]

[illegible]

[illegible]

[illegible]

Actuarial assumptions

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

	2017 %		
Weighted average actuarial assumptions used at 31 March[1]:			
Rate of inflation	3.0	[illegible]	3.0
Rate of increase in salaries	2.6	2.6	[illegible]
Discount rate	2.6	[illegible]	[illegible]

[illegible]

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 24.1/25.4 years (2016: 24.0/25.3 years; 2015: 24.5/25.8 years) for a male/female pensioner currently aged 65 and 26.7/28.3 years (2016: 26.6/28.1 years; 2015: 27.1/28.7 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:

	2017 €m		
Current service cost	43	45	45
Past service costs	(27)	—	—
Net interest charge	4	11	4
Total included within staff costs	**20**	**56**	**49**
Actuarial losses/(gains) recognised in the SOCI	274	(216)	[illegible]

[illegible]

[illegible]

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: [illegible]

1 April 2015 restated	**6,857**	**(7,407)**	**(550)**
Service cost	—	[illegible]	[illegible]
Interest on the net cost	[illegible]	[illegible]	[illegible]
Return on plan assets excluding interest income	[illegible]	—	[illegible]
Actuarial gains arising from changes in demographic assumptions	—	[illegible]	[illegible]
Actuarial gains arising from changes in financial assumptions	—	58[illegible]	581
Actuarial losses arising from experience adjustments	—	55	[illegible]
Employer cash contributions	[illegible]	—	[illegible]
Member cash contributions	[illegible]	[illegible]	—
Benefits paid	[illegible]	[illegible]	—
Exchange rate movements	[illegible]	50	[illegible]
Other movements	[illegible]	[illegible]	9
31 March 2016 restated	**6,229**	**(6,570)**	**(341)**
Reclassification [illegible]	—	[illegible]	12
	6,229	**(6,558)**	**(329)**
Service cost	—	[illegible]	[illegible]
Interest on the net cost	[illegible]	[illegible]	(4)
Return on plan assets excluding interest income	818	—	818
Actuarial losses arising from changes in financial assumptions	—	[illegible]	(1,204)
Actuarial gains arising from experience adjustments	—	112	112
Employer cash contributions	24	—	24
Member cash contributions	8	(8)	—
Benefits paid	(180)	180	—
Exchange rate movements	403	403	—
Other movements	23	(50)	(27)
31 March 2017	**6,709**	**(7,303)**	**(594)**

An analysis of net deficit [illegible]

	2017 £m				
Analysis of net deficit:					
Total fair value of scheme assets	6,709	[illegible]	[illegible]	[illegible]	[illegible]
Present value of funded scheme liabilities	(7,222)	(6,487)	[illegible]	[illegible]	[illegible]
Net deficit for funded schemes	**(513)**	**(258)**	**(459)**	**(585)**	**(611)**
Present value of unfunded scheme liabilities	(81)	[illegible]	[illegible]	[illegible]	[illegible]
Net deficit	**(594)**	**(341)**	**(550)**	**(665)**	**(625)**
Net deficit is analysed as:					
Assets	57	[illegible]	[illegible]	[illegible]	[illegible]
Liabilities	(651)	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

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 in June 2014 the assets and liabilities of the CWW Section are segregated from the Vodafone UK Section and hence are reported separately below.

	2017 £m					2017 £m				
Analysis of net assets/(deficit):										
Total fair value of scheme assets	2,894	2,762	3,114	2,155	2,165	2,654	2,406	2,645	1,626	1,574
Present value of scheme liabilities	(2,842)	(2,543)	(2,884)	(2,097)	(2,221)	(2,962)	(2,546)	(2,951)	(2,030)	(1,952)
Net assets/(deficit)	**52**	**219**	**230**	**58**	**(56)**	**(308)**	**(140)**	**(306)**	**(404)**	**(378)**
Net assets/(deficit) are analysed as:										
Assets[1]	52	219	230	58	–	–	–	–	–	–
Liabilities	–	–	–	–	(56)	(308)	(140)	(306)	(404)	(378)

Duration of the benefit obligations

The weighted average duration of the defined benefit obligation at 31 March 2017 is 22.9 years (2016: 22.3 years; 2015: 22.7 years).

Fair value of pension assets

	2017 £m	
Cash and cash equivalents	104	117
Equity investments:		
With quoted prices in an active market	1,938	1,491
Without quoted prices in an active market	413	[illegible]
Debt instruments:		
With quoted prices in an active market	3,982	3,471
Without quoted prices in an active market	461	–
Property:		
With quoted prices in an active market	30	[illegible]
Without quoted prices in an active market	78	14
Derivatives:		
With quoted prices in an active market	(1,218)	(504)
Without quoted prices in an active market	(1)	–
Investment fund	299	292
Annuity policies – Without quoted prices in an active market	623	615
Total	**6,709**	**6,229**

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 annuity policy. The CWW Section annuity policy fully matches the pension obligations of those pensioners insured, and therefore the fair value has been set equal to the present value of the related obligations.

Investment funds of £299 million at 31 March 2017 include £278 million of investments in diversified alternate beta funds held in the Vodafone Section of the Vodafone UK plan.

Plan assets have been measured at fair value in accordance with IFRS 13 'Fair Value Measurement'. The actual return on plan assets over the year to 31 March 2017 was a gain of £1,008 million (2016: £3 million loss).

Sensitivity analysis

[illegible]

Decrease/increase in present value of defined obligation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

27. Share-based payments

[illegible]

Accounting policies

[illegible]

Share options

Vodafone Group executive plans

[illegible]

Vodafone Group Sharesave Plan

[illegible]

Share plans

Vodafone Group executive plans

[illegible]

Vodafone Share Incentive Plan

[illegible]

Financials

27. Share-based payments (continued)

Movements in outstanding ordinary share options

	2017 Millions		
1 April	24	[illegible]	[illegible]
Granted during the year	31	[illegible]	[illegible]
Forfeited during the year	(1)	(1)	[illegible]
Exercised during the year	(7)	(5)	(6)
Expired during the year	(6)	[illegible]	[illegible]
31 March	**41**	**24**	**25**
Weighted average exercise price:			
1 April	£1.62	[illegible]	[illegible]
Granted during the year	£1.61	[illegible]	[illegible]
Forfeited during the year	£1.66	[illegible]	£1.45
Exercised during the year	£1.50	[illegible]	[illegible]
Expired during the year	£1.75	[illegible]	[illegible]
31 March	**£1.61**	**£1.62**	**£1.49**

Summary of options outstanding and exercisable at 31 March 2017

Vodafone Group savings related and Sharesave Plan						
£[illegible] – £2.00	41	£1.61	27	–	–	–

Share awards

Movements in non-vested shares are as follows:

1 April	198	£1.77	217	£1.56	245	[illegible]
Granted	74	£1.97	63	[illegible]	83	£1.65
Vested	(47)	£1.77	[illegible]	£1.80	(62)	[illegible]
Forfeited	(47)	£1.57	(50)	[illegible]	[illegible]	[illegible]
31 March	**178**	**£1.91**	**198**	**£1.77**	**217**	**£1.56**

Other information

The total fair value of shares vested during the year ended 31 March 2017 was £83 million (2016: £58 million; 2015: £[illegible] million).

The compensation cost included in the consolidated income statement in respect of share options and share plans was £95 million (2016: £154 million; 2015: £104 million) which is comprised principally of equity-settled transactions.

The average share price for the year ended 31 March 2017 was 216.[illegible] pence (2016: [illegible] pence; 2015: 212.7 pence).

28. Acquisitions and disposals

[illegible]

Accounting policies

[illegible]

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. [illegible]

[illegible]

Acquisitions

[illegible]

Cash consideration paid:

Acquisitions completed during the year	32
Net cash acquired	(4)
	28

[illegible]

Disposals

On 31 December [illegible] VodafoneZiggo [illegible] The Group recognised a net gain on the formation of VodafoneZiggo of €1,275 million.

Goodwill	(855)
Other intangible assets	(1,415)
Property, plant and equipment	(1,164)
Inventory	(24)
Trade and other receivables	(302)
Cash and cash equivalents	(56)
Current and deferred taxation	87
Short and long-term borrowings	1,000
Trade and other payables	387
Provisions	28
Net assets contributed into VodafoneZiggo	**(2,314)**
Fair value of investment in VodafoneZiggo	2,970
Net cash proceeds arising from the transaction	619
Net gain on formation of VodafoneZiggo[4]	**1,275**

[illegible]

Financials

29. Commitments

[illegible]

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:

	2017 €m	
Within one year	2,522	[illegible]
In more than one year but less than two years	1,487	[illegible]
In more than two years but less than three years	1,136	[illegible]
In more than three years but less than four years	862	[illegible]
In more than four years but less than five years	709	[illegible]
In more than five years	2,695	[illegible]
	9,429	**9,943**

The total of future minimum sublease payments expected to be received under non-cancellable subleases is [illegible]584 million (2016: €5[illegible] million).

Capital commitments

	Company and subsidiaries		Share of joint operations		Group	
	2017 €m		2017 €m		2017 €m	
Contracts placed for future capital expenditure not provided in the financial statements	2,052	[illegible]	88	[illegible]	2,140	[illegible]

[illegible]

Acquisition commitments

On 20 March 2017 Vodafone announced the agreement to combine its subsidiary Vodafone India (excluding its 42% stake in Indus Towers) with Idea Cellular, which is listed on the Indian Stock Exchanges, with the combined company to be jointly controlled by Vodafone and the Aditya Birla Group. Vodafone will own 45.1% of the combined company after transferring a stake of 4.9% to the Aditya Birla Group for circa INR39 billion (circa US$579 million) in cash concurrently with completion of the merger. The Aditya Birla Group will then own 26.0% and has the right to acquire more shares from Vodafone under an agreed mechanism with a view to equalising the shareholdings over time. If Vodafone and the Aditya Birla Group's shareholdings in the combined company are not equal after four years, Vodafone will sell down shares in the combined company to equalise its shareholding to that of the Aditya Birla Group over the following five-year period. Until equalisation is achieved, the voting rights of the additional shares held by Vodafone will be restricted and votes will be exercised jointly under the terms of the shareholders' agreement.

The transaction is subject to approvals from the relevant regulatory authorities and is also subject to other customary closing conditions, including the absence of any material adverse change. Shareholder approval will be required from Idea shareholders under a scheme of arrangement. The transaction has a break-fee of INR33 billion (US$500 million) that would become payable under certain circumstances. It is anticipated that completion will take place during the 2018 calendar year.

On 9 June 2016 Vodafone announced its intention to merge with Sky Network Television in New Zealand, thereby creating the country's leading integrated telecommunications and media group. Vodafone will become a 51% shareholder in the combined group, will receive NZ$1.25 billion in cash and will look to realise the benefits of an estimated NZ$850 million NPV from synergies. Sky shareholders have voted in favour of the transaction but completion is still subject to local regulatory approvals. In February 2017 the New Zealand Commerce Commission ("NZCC") did not approve the proposed merger with Sky Network Television. We are reviewing the reasoning of the NZCC and have preserved the right to appeal the decision.

30. Contingent liabilities and legal proceedings

[illegible]

	2017 £m	[illegible]
Performance bonds	[illegible]	[illegible]
Other guarantees and contingent liabilities	[illegible]	[illegible]

[illegible]

UK pension schemes

[illegible]

Legal proceedings

[illegible]

Indian tax cases

[illegible]

Financials

30. Contingent liabilities and legal proceedings (continued)

Separately, on 15 June 2015, Vodafone Group Plc and Vodafone Consolidated Holdings Limited delivered a trigger notice under the India-UK bilateral investment treaty (UK BIT) in respect of the retrospective tax claim under the Income Tax Act 1961 (as amended by the Finance Act 2012). Although relating to the same underlying facts as the claim under the Dutch BIT, the claim brought by Vodafone Group Plc and Vodafone Consolidated Holdings Limited is a separate and distinct claim under a different treaty. On 24 January 2017 Vodafone Group Plc and Vodafone Consolidated Holdings Limited served a Notice of Arbitration on the Indian Government formally commencing the arbitration. The Indian Government has failed to appoint a second arbitrator as required under the UK BIT and has objected to Vodafone's request that the President of the International Court of Justice act as appointing authority under the UK BIT appoint the second arbitrator to the tribunal. The Indian Government has indicated that it considers the arbitration under the UK BIT to be an abuse of process but this is strongly denied by Vodafone.

On 12 February 2016 VIHBV received a notice dated 4 February 2016 of an outstanding tax demand of INR221 billion (which included interest accruing since the date of the original demand) along with a statement that enforcement action including against VIHBV's indirectly held assets in India would be taken if the demand was 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 Supreme Court of India. The hearing has since been periodically listed and then adjourned or not reached. Both VIHBV and Vodafone Group Plc will continue to defend vigorously any allegation that VIHBV or VIL is liable to pay tax in connection with the transaction with HTIL and will continue to exercise all rights to seek redress including pursuant to the Dutch BIT and the UK BIT. We have not recorded a provision in respect of the retrospective provisions of the Income Tax Act 1961 as amended by the Finance Act 2012 or any tax demands based upon such provisions.

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 €1.0 billion plus interest and penalties of up to 300% of the principal.

VISPL has been assessed as owing tax of approximately €250 million (plus interest of €420 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's operations 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 in 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 has 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 then issued a demand to VISPL notifying them that it had previously been imposed at c. the [illegible] and [illegible] a stay of the tax demand on a deposit of €20 million and a corporate guarantee by VIHBV for the balance of tax assessed remaining in place. On 8 October 2015 the Bombay High Court ruled in favour of Vodafone in relation to the option and the call centre items. The Tax Office has appealed to the Supreme Court of India. A hearing has been adjourned until some time in July or August 2017 with no specified date.

Indian regulatory cases

Litigation remains pending in the Telecommunications Dispute Settlement Appellate Tribunal (TDSAT), High Courts and the Supreme Court of India 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').

[illegible]

The Petitioner brought a special leave petition in the Supreme Court of India 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 €1.1 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 Supreme Court of India in March 2012 with an order that the Petitioner should pay a fine for abuse of process. The case is pending before the Supreme Court of India and is expected to be called for hearing at some uncertain future date.

[illegible]

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 29 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 Supreme Court of India. The matter is pending before the Indian Supreme Court of India.

[illegible]

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 Supreme Court of India and will be listed in due course.

Other cases in the Group

Germany

Spain

30. Contingent liabilities and legal proceedings (continued)

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 2016 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.

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. A number of small claims have been submitted by individual customers in the small claims courts.

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 or any substantiation for the compensation claimed. The dispute was 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 was postponed without a new date having been fixed. In July 2016 Vodacom filed a request for arbitration with the International Chamber of Commerce's International Court of Arbitration. In their reply GHI reduced their claim down to €757 million. Each party has appointed an arbitrator and the arbitrators have appointed a third arbitrator to act as chairman of the tribunal.

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 8 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 Vodacom was not bound by that contract because the then product director of product development and services did not have authority to enter into any such agreement on Vodacom's behalf. The High Court also ruled that Mr Makate's claim was time barred in terms of the Prescription Act 68 of 1969.

The High Court and Supreme Court of Appeal turned down Mr Makate's applications for leave to appeal on 11 December 2014 and 27 March 2015 respectively. Mr Makate applied for leave to appeal in the Constitutional Court. On 26 April 2016, after it had 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) Vodacom is bound by the agreement concluded between Mr Makate and the then director of product development and services;

(ii) Vodacom 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.

Mr Makate failed to obtain from the Constitutional Court a second order that compensation be based on revenue rather than fees for his contribution. Negotiations between Vodacom and Mr Makate continue in accordance with the first order of the Constitutional Court.

31. Related party transactions

[illegible]

Transactions with joint arrangements and associates

[illegible]

[illegible]

	2017 €m		
Sales of goods and services to associates	37	[illegible]	[illegible]
Purchase of goods and services from associates	90	[illegible]	[illegible]
Sales of goods and services to joint arrangements	19	[illegible]	[illegible]
Purchase of goods and services from joint arrangements	183	[illegible]	[illegible]
Net interest income receivable from joint arrangements	67	[illegible]	[illegible]
Trade balances owed			
by associates	–		[illegible]
to associates	[illegible]		[illegible]
by joint arrangements	158	[illegible]	[illegible]
to joint arrangements	15	[illegible]	[illegible]
Other balances owed by joint arrangements	1,209	[illegible]	[illegible]
Other balances owed to joint arrangements	127	[illegible]	[illegible]

[illegible]

Transactions with Directors other than compensation

[illegible]

[illegible]

32. Subsequent events

[illegible]

[illegible]

[illegible]

33. Related undertakings

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) at 31 March 2017 is detailed below. 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 interest having a deficit balance.

Albania

Autostrada Tirane-Durres Rruga "Pavaresia" Nr 61 Kashar Tirana Albania

Angola

Avenida Che Guevara No 49, Maculusso Luanda Angola

Argentina

Cerrito 348, 5to B C1010AAH, Buenos Aires, Argentina

Australia

HLB Mann Judd (NSW) Pty Ltd, Level 19 207 Kent Street Sydney NSW NSW 2000, Australia

Mills Oakley, Level 12 400 George Street Sydney NSW 2000, Australia

Level 7, 210 George Street Sydney NSW 2000 Australia

Level 7, 40 Mount Street, North Sydney NSW 2060, Australia

Austria

Kohlmarkt 8-10, 1010, Wien, Austria

Bahrain

Office 304, Building 60 Falcon Tower, Road 1701, Diplomatic Area, Manama, 317, Bahrain

Belgium

Malta House rue Archimède 25 1000 Bruxelles Belgium

Zaventemsesteenweg 162 1831 Diegem Belgium

Brazil

Av José Rocha Bonfim 214 Cond Praça Capital – Edifício Toronto sls 228/229 13080-900 Jardim Santa Genebra Campinas, São Paulo Brazil

Avenida Cidade Jardim, 400 7th and 20th Floors Jardim Paulistano, Sao Paulo Brazil, 01454-000, Brazil

City of São Paulo State of São Paulo, at Rua Boa Vista 254 13th Floor Suite 38 Centro 01014-907, Brazil

Bulgaria

37A Fridtjof Nansen Str., 5th floor Sredets Region, Sofia 1142, Bulgaria

Cameroon

Porte 201A 3eme Etage Entree C, immeuble SOCAR Boulevard de la liberte, Akwa, Douala, Cameroon

Canada

2 Bloor Street West, Suite 700, Toronto ON M4W3E2, Canada

Cayman Islands

190 Elgin Avenue George Town, Grand Cayman, KY1-9005, Cayman Islands

Chile

222 Miraflores, P 28, Santiago, Metrop 97-763, Chile

China

Building 21, 11 Kangding St BDA Beijing 100176 - China,

Unit 23-25, China World Tower 1 No 1 Jianguomenwai Avenue Chaoyang District Beijing 100004 China

Unit 558-560 Regus SCB Tower No 210 Century Avenue Pudong District Shanghai 200120, China

Unit 1708 Full Tower No 9 Dong San Huan Zhong Road, Chaoyang District, Beijing 100020 China

Congo, The Democratic Republic of the

292 Avenue de la Justice, Commune de la Gombe Kinshasa, Congo

Côte d'Ivoire

No 62, Rue du Docteur Blanchard, Zone 4C, Abidjan, Cote d'Ivoire

Cyprus

Ali Riza Efendi Caddesi No 33/A Ortakoy Lefkoşa, Cyprus

Czech Republic

Náměstí Junkových 2, Prague 5, Czech Republic, 13000, Czech Republic

Denmark
c/o Lundgrens Law Firm P/S Tuborg Havnevej 19 2900 Hellerup Denmark

Egypt
14 Wadi el Nile ST Dokki Giza, Egypt, Egypt

17 Port Said Street Maadi El Sarayat Cairo Egypt

2 Building 36 Central Road Giza Egypt

Piece No 1215, Plot of Land No 1/14A 6th October City, Egypt

Site No 15/3C Central Axis 6th October City Egypt

37 Kaser El Nil St 4th Floor, Cairo, Egypt

Finland
c/o AAtsto DLA Piper Finland Oy Fabianinkatu 23 Helsinki 00130 Finland

France
1300 Route de Cretes Le WTC Bat I1 06560 Valbonne Soph France

144 Avenue Roger Salengro 92372 – Chaville Cedex, France

Tour Neptune – 20, Place de Seine 92400 Courbevoie France

Germany
Altes Forsthaus 2 67661 Kaiserslautern Germany

Altmarkt 10d, 01067 Dresden, Germany

Betastraße 6-8 85774 Unterfohring, Germany

Buschurweg 4 76870 Kandel, Germany

Ferdinand-Braun-Platz 1 40549, Duesseldorf Germany

Friedrich-Wilhelm-Strasse 2 38100 Braunschweig Germany

Landsberger Strasse 155, 80687 Munich Germany

Medienallee 24 85774, Unterfohring Germany

Nobelstrasse 55, 18059 Rostock Germany

Seilerstrasse 18 38440 Wolfsburg Germany

Sudwestpark 15 90449, Nurnberg Germany

Ghana
3rd Floor The Elizabeth Building, 68 Senchi Link Airport Residential Area Accra Ghana

Telecom House Nswam Road Accra-North Greater Accra Region, PMB 221 Ghana

Greece
1-3 Tzavella str 152 31 Halandri, Athens, Greece

Marathonos Ave 18 km & Pylou Pallini Attica, 15351 Greece

Parnithos 43 & Dilou, Metamorfosi, Athens, Greece

Pireos 74A Avenue Neo Faliro 18547, Greece

Hong Kong
2207-08, 22/F, St George's Building, No 2 Ice House Street Central Hong Kong

Suite 1106-8, 11/F, Tai Yau Building, No 181 Johnston Road Wanchai, Hong Kong,

Level 24, Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

Hungary
40-44 Hungaria Krt Budapest H-1087, Hungary

6 Lechner Odon fasor Budapest 1096 Hungary

India
127, Maker Chamber III, Nariman Point, Mumbai Maharashtra 400021 India

8th Floor RDB Boulevard Plot K-1, Block-EP & GP, Sector-V Saltlake City, Kolkata, West Bengal, 700091, India

10th Floor, Tower A&B Global Technology Park, (Maple Tree Building), Marathahalli Outer Ring Road, Devarabeesanahalli Village Varthur Hobli Bengaluru Karnataka, 560103 India

C-48 Okhla Industrial Estate Phase-II, New Delhi, 110020 India

Business @ Mantri, Tower A 3rd Floor, S No 197, Wing A1 & A2 Near Hotel Four Points, Lohegaon Pune, Maharashtra, 411014 India

Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai Maharashtra 400013 India

Skyline Ikon 1st Floor 86/92, Andheri Kurla Road, Marol Naka Andheri East Mumbai Maharashtra, 400059, India

Unit 1A & 1B Creator ITPL Whitefiled Road Bangalore Karnataka 560066 India

Vodafone House Corporate Road Prahladnagar, Off S G Highway Ahmedabad Gujarat 380051, India

Financials

33. Related undertakings (continued)

Ireland

27 Lower Fitzwilliam Street, Dublin 2 Ireland

2nd Floor The Iveagh Building, The Park Carrickmines Dublin 18 Ireland

Mountainview, Leopardstown, Dublin 18 Ireland

Italy

SS 33 del Sempione KM 35 212 21052 Busto Arsizio (VA), Italy

Via Astico 41 21100 Varese Italy

Via Battistotti Sassi 11, 20133 Milano Italy

Via Lorenteggio 240 20147 Milan, Italy

Viale Bianca Maria 23, 20122 Milan Italy

Via Jervis 13, 10015 Ivrea, Tourin Italy

Japan

5-2-32 Minami-azabu, Minato-ku Tokyo, 106-0047 Japan

KAKIYa building, 9F 2-7-17 Shin-Yokohama, Kohoku-ku, Yokoha- City Kanagawa, 222-0033 Japan

Kenya

The Riverfront, 4th floor, Prof David Wasawo Drive, Off Riverside Drive, Nairobi, Kenya

6th Floor, ABC Towers, ABC Place, Waiyaki Way, Nairobi, 00100, Kenya

Korea, Republic of

3rd Floor 54 Gongse-ro, Giheung-gu Yongin-si, Gyeonggi-do Republic of Korea

Seocho-dong, Gangnam Building, 16th Floor, 396 Seocho-daero, Seocho-gu, Seoul, Republic of Korea

Lesotho

Block B, Level 7 Development House Kingsway Road Maseru, Lesotho

Luxembourg

15 Rue Edward Steichen, Luxembourg 2540 Luxembourg

Malaysia

Suite 13 03, 13th Floor Menara Tan & Tan 207 Jalan Tun Razak 50400 Kuala Lumpur Malaysia

Malta

SkyParks Business Centre Malta International Airport Luqa LQA 4000 Malta

Mauritius

DTOS Ltd 10th Floor, Raffles Tower, 19, Cybercity, Ebene, Mauritius

Fifth Floor, Ebene Esplanade, 24 Cybercity Ebene Mauritius

Mexico

Ejercito Nacional 904 Piso 12 Polanco Los Morales Miguel Hidalgo, C P 11510 MEXICO D F Mexico

Morocco

129 Rue du Prince Moulay, Abdellah, Casablanca Morocco

Mozambique

Rua dos Desportistas, Numero 649 Cidade de Maputo Mozambique

Netherlands

Rivium Quadrant 173 15th Floor 2909 LC Capelle Aan Den Ijssel Netherlands

Simon Carmiggelstraat 6 1011 DJ, Amsterdam, Netherlands

New Zealand

74 Taharoto Road Takapuna Auckland 0622 New Zealand

Level 1 20 Viaduct Harbour Avenue Auckland, 1010, New Zealand

Level 1, Building C, 14-22 Triton Drive, Albany New Zealand

Nigeria

3A Aja Nwachukwu Close, Ikoyi Lagos, Nigeria

ICT Lawyers & Consultants 2nd Floor, Oakland Center, Plot 2940, Aguyi Ironi Street, Maitama, Abuja, Nigeria

Norway

c/o EconPartner AS, Dronning Mauds gate 15, Oslo 0250 Norway

Portugal
Av D Joao II, Lote 1 04 01, 8 Piso, Parques Das Nacoes 1990-093 Lisboa Portugal

Av da Republica 50 - 10º, 1069-211, Lisboa Portugal

Qatar
P O Box 27727, Doha Qatar

Romania
Sectorul 4, Strada Olenitei, Nr 2 Etaj 3 București Romania

Sectorul 2 Strada Barbu Văcărescu Nr 201 Etaj 3 București Romania

Sectorul 2 Strada Barbu Văcărescu Nr 201 Etaj 1 Bucuresti Romania

201 Barbu Vacarescu 8th floor, 1st District Bucharest 020276 Romania

Russian Federation
Chayanova ulitsa 14/10 stroenye 2, 125047 Moscow Russia

Sadovnicheskaya st 82 bld 2, 115035 Moscow Russian Federation

Seychelles
F20 1st Floor Eden Plaza Eden Island Seychelles

Sierra Leone
12 White Street Brookfield, Off Railway Line Freetown Sierra Leone

Singapore
Asia Square Tower 2, 12 Marina View, #17-01, Singapore, 018961, Singapore

Slovakia
Namestie, SNP15 Bratislava, 811 06, Slovakia

South Africa
15 Burnside Island 410 Jan Smuts Avenue Craighall 2024 South Africa

319 Frere Road, Glenwood, 4001, South Africa

76 Maude Street, Sandton, Johannesberg, 2196, South Africa

9 Kinross Street, Germiston South 1401, South Africa

Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand 1685, South Africa

Spain
Antracita, 7 – 28045 Madrid CIF B-91204453, Spain

Avenida de America 115, 28042, Madrid, Spain

Sweden
c/o Hellstrom advokatbyra Box 7305 103 90 Stockholm Sweden

Switzerland
BDO Ltd Fabrikstrasse 50 CH-8031, Zurich, Switzerland

Schoenburgstrasse 41 3013 Bern, Switzerland

Via Franscini 10 6850 Mendrisio, Switzerland

Zweigniederlassung Bern, Schonburgstr 41, P O Box 466 3000 Bern 25, Switzerland

Taiwan
13F, No 156 Sec 3, Minsheng E Rd Songshan District, Taipei City 10596 Taiwan (R O C)

Tanzania, United Republic of
3rd Floor Maktaba (Library) Complex Bibi, Titi Mohamed Road Dar es Salaam United Republic of Tanzania

Mlimani City Office Park, Mlimani City Sam Nujoma Road Dar es Salaam, United Republic of Tanzania

Plot No 77 Kipawa industrial area, P O Box 40985, Dar es Salaam Tanzania

Turkey
Buyukdere Cad No 251 Maslak Şisli Istanbul, 34398, Turkey

ITU Ayazağa Kampusu Koru Yolu, Arı Teknokent Arı 3 Binası, Maslak, Istanbul, 586553, Turkey

Ukraine
Bohdana Khmelnytskogo Str 19-21 Kyiv Ukraine

United Arab Emirates
Premises 2120 Floor 21, Building AL Shatha Tower, Dubai United Arab Emirates

Financials

33. Related undertakings (continued)

United Kingdom

1-2 Berkeley Square, 99 Berkeley Street, Glasgow G3 7HR Scotland

5th Floor Legal Department, Group Corporate Secretariat 1 Kingdom Street, Paddington, London England W2 6BY United Kingdom

Avon House Horizon West Canal View Road, Newbury, Berkshire, RG15 5XF, United Kingdom

Imperial House, 4–10 Donegall Square East, Belfast BT1 5HD, Northern Ireland

Leven House, 10 Lochside Place Edinburgh Park, Edinburgh Scotland, EH12 9RG United Kingdom

Quarry Corner Dundonald Belfast, BT16 1UD, Northern Ireland

Shuttleworth House 21 Bridgewater Close Network 65 Business Park Hapton Burnley, Lancashire, England BB11 5TE, United Kingdom

Staple Court 11 Staple Inn Building London, WC1V 7QH, United Kingdom

Vodafone House, The Connection Newbury, Berkshire, RG14 2FN United Kingdom

Vodafone House The Connection Newbury Berkshire RG14 2FN United Kingdom

c/o BDO MPR Management Limited, PO Box 119 Martello Court Admiral park St Peter Port, Guernsey Channel Islands

Redwood House St Julian s Avenue St Peter Port Guernsey GY1 1WA, Channel Islands

PO Box 119, Commerce House, St Peter Port Guernsey GY1 3HB Channel Islands

Roseneath The Grange St Peter Port, Guernsey, GY1 2QJ, Channel Islands

44 Esplanade, St Helier, Jersey, JE4 9WG Channel Islands

United States

160 Greentree Drive Suite 101 Dover Delaware 19904 United States

2875 Michelle Drive, Ste 100, Irvine CA 92606 United States

4701 Cox Road Suite 301 Glen Allen, VA 23060, United States

c/o United Corporate Services Inc 15 North East Street Kent County Dover DE 19901, United States

Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808 United States of America

Zambia

Orange Park Plot 35185 Alick Nkhata Road Lusaka Zambia

33. Related undertakings (continued)

Associated undertakings and joint arrangements

Australia
Level 1 177 Pacific Highway, North Sydney NSW 2060 Australia

Czech Republic
náměstí Junkovych 2808/2, Stodůlky Prague 5 15500 Czech Republic

Jankovcova 1037/49 170 00 Praha 7-Holešovice Czech Republic

Egypt
23 Kasr El Nil St Cairo, Egypt 11211

Germany
Willy-Brandt-Platz 6, 81829 Munich, Germany

Greece
43–45 Valtetsiou Str., Athens, Greece

India
Bharti Crescent, 1 Nelson Mandela Road, Vasant Kunj, Phase-II New Delhi – 110070 India

A-19, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi, New Delhi, Delhi, 110044, India

Italy
Via per Carpi 26/B - 42015 Correggio (RE), Italy

Kenya
Safaricom, P O Box 46350, 00100, Nairobi, Kenya

Luxembourg
14 rue Edward Steichen, Luxembourg, 2540, Luxembourg

Netherlands
Johan Huizingalaan 763A 3e verdieping 1066 VH Amsterdam Netherlands

Boeingavenue 53, 1119PE Schiphol-Rijk Netherlands

Monitorweg 1 1322 BJ Almere Netherlands

Barbara Strozzilaan 101 1083 HN Amsterdam, Netherlands

Simon Carmiggeltstraat 6 1011DJ Amsterdam, Netherlands

Atoomweg 100, 3542 AB Utrecht Netherlands

Winschoterdiep 60, 9723 AB Groningen, Netherlands

Media Park boulevard 2, 1217 WE Hilversum, Netherlands

Avenue Ceramique 300, 6221 KX, Maastricht, Netherlands

Assendorperdijk 2, 8012 EH Zwolle, Netherlands

New Zealand
Level 1 20 Viaduct Harbour Avenue Auckland 1142 New Zealand

Level 5, 151 Victoria Street West, Auckland 1010, New Zealand

Portugal
Avenida D João II Lote 1 03 23 Parque das Nações 1998-017, Lisboa Portugal

Rua Pedro e Inês, Lote 2 08 01 1990-075 Parque das Nações Lisboa Portugal

Romania
Bulevardul DIMITRIE POMPEI Nr 10A, CLADIREA CONECT III MO, Bucuresti, Sector 2 Romania

Russian Federation
bld 3, 11, Promishlennaya Street Moscow 115516, Russian Federation

South Africa
Building 13 Ground Floor East Thornhill Office Park 94 Bekker Road, Vorna Valley X67, Midrand 1685 South Africa

United Kingdom
83 Baker Street London W1U 6AG, United Kingdom

The Exchange Building 1330, Arlington Business Park, Theale Berkshire, RG7 4SA, United Kingdom

62-65, Chandos Place London, WC2N 4LP, United Kingdom

33 Holborn London, EC1N 2HT, United Kingdom

United States
2711 Centerville Road, Suite 400, Wilmington, DE 19808 Delaware, United States

Notes:

The table below shows selected financial data in respect of subsidiaries that have non-controlling interests that are material to the Group.

	2017 €m		2017 €m		2017 €m	
Summary comprehensive income information						
Revenue	5,294	[illegible]	[illegible]	1,641	510	[illegible]
Profit/(loss) for the financial year	768	754	194	505	(67)	[illegible]
Other comprehensive income/(expense) for the year	(10)	39	–	–	–	–
Total comprehensive income/(expense) for the year	758	[illegible]	194	[illegible]	(67)	[illegible]
Other financial information						
Profit/(loss) for the financial year allocated to non-controlling interests	257	265	88	[illegible]	(52)	(39)
Dividends paid to non-controlling interests	258	[illegible]	152	[illegible]	–	23
Summary financial position information						
Non-current assets	6,213	[illegible]	1,058	1,581	1,550	1,564
Current assets	2,023	1,649	332	[illegible]	137	[illegible]
Total assets	**8,236**	**7,071**	**1,390**	**2,453**	**1,687**	**1,686**
Non-current liabilities	(2,368)	(2,005)	(25)	[illegible]	(266)	[illegible]
Current liabilities	(1,825)	(1,513)	(656)	[illegible]	(226)	[illegible]
Total assets less total liabilities	**4,043**	**3,553**	**709**	**1,480**	**1,195**	**1,188**
Equity shareholders' funds	3,379	2,156	433	896	275	275
Non-controlling interests	664	[illegible]	276	584	920	[illegible]
Total equity	**4,043**	**3,553**	**709**	**1,480**	**1,195**	**1,188**
Statement of cash flows						
Net cash inflow from operating activities	[illegible]	[illegible]	520	[illegible]	154	[illegible]
Net cash flow from investing activities	(790)	[illegible]	(609)	[illegible]	(95)	[illegible]
Net cash flow from financing activities	(778)	[illegible]	(328)	[illegible]	(52)	[illegible]
Net cash flow	**134**	**(87)**	**(417)**	**318**	**9**	**(5)**
Cash and cash equivalents brought forward	464	[illegible]	619	[illegible]	31	[illegible]
Exchange gain/(loss) on cash and cash equivalents	21	[illegible]	(145)	[illegible]	3	(5)
Cash and Cash Equivalents	**619**	**464**	**57**	**619**	**43**	**31**

[illegible]

34. Subsidiaries exempt from audit

[illegible]

Cable & Wireless Access Limited	4005262
Cable & Wireless e-Services Limited	3450865
Cable & Wireless Aspac Holdings Limited	4705342
Cable & Wireless Capital Limited	6702535
Cable & Wireless CIS Services Limited	2964774
Cable & Wireless Communications Starclass Limited	1018705
Cable & Wireless Europe Holdings Limited	4659719
Cable & Wireless Global Business Services Limited	3537591
Cable & Wireless Global Holding Limited	3740694
Cable and Wireless Nominee Limited	5241884
Cable & Wireless Worldwide Limited	7029206
Cable & Wireless Worldwide Voice Messaging Limited	1981417
Cable & Wireless UK Holdings Limited	3640858
City Cable (Holdings) Limited	1042087
Digital Island (UK) Limited	3753837
Energis Communications Limited	2650471
Energis (Ireland) Limited	NI025793
Energis Squared Limited	3037442
Internet Network Services Limited	3047165
Jaguar Communications Limited	1689065
Legend Communications Limited	3915766
Metro Holdings Limited	3511120
MLL Integration Group Limited	5252303
MLL Integration Services Limited	4087340
Stentor Communications Limited	3224979
The Eastern Leasing Company Limited	1672832
Thus Group Limited	SC226738
Thus Group Holdings Limited	SC192666
Vizzavi Finance Limited	804934
Vodafone 2	4083195
Vodafone 4 UK	6357658
Vodafone 5 Limited	6688527
Vodafone 5 UK	2960479
Vodafone Americas 4	6389451
Vodafone Benelux Limited	4200960
Vodafone Cellular Limited	896318
Vodafone Consolidated Holdings Limited	5754561
Vodafone Enterprise Equipment Limited	1648524
Vodafone Enterprise Europe (UK) Limited	313[illegible]
Vodafone Euro Hedging Limited	3954207
Vodafone Euro Hedging Two	4055111
Vodafone European Investments	3961908
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	566913
Vodafone International 2 Limited	100403
Vodafone International Holdings Limited	2797426
Vodafone International Operations Limited	2797438
Vodafone Investments Australia Limited	2011978
Vodafone Investments Limited	1530514
Vodafone Investments 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 Nominees Limited	1172051
Vodafone Oceania Limited	3973427
Vodafone Overseas Holdings Limited	2809758
Vodafone Panafon UK	6526948
Vodafone Property Investments Limited	3903420
Vodafone UK Limited	2227940
Vodafone Worldwide Holdings Limited	3294074
Vodafone Yen Finance Limited	437[illegible]
Voda Limited	1847509
Vodaphone Limited	2373469
Vodata Limited	2502373
Your Communications Group Limited	4171816

Other unaudited financial information

Prior year operating results

[illegible]

Group[1,2]

Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Service revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
Adjusted EBITDA	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]	[illegible]	[illegible]
Adjusted operating profit/(loss)	**1,927**	**1,941**	**(39)**	**–**	**3,829**	**4,040**	**(5.2)**	**(3.8)**
Adjustments for:								
Impairment loss					[illegible]	–		
Restructuring costs					[illegible]	[illegible]		
[illegible]					[illegible]	[illegible]		
Other expense					[illegible]	[illegible]		
Operating profit					**1,320**	**2,073**		

[illegible]

Revenue

[illegible]

Adjusted EBITDA

[illegible]

Operating profit

[illegible]

Financials

[illegible]

Prior year operating results (continued)

Europe

Year ended 31 March 2016 restated

Revenue	10,6[illegible]	6,0[illegible]	6,4[illegible]	1,95[illegible]	6,590	(158)	30,[illegible]	3.3	0.4
Service revenue	9,8[illegible]	5,[illegible]	7,48[illegible]	1,468	6,1[illegible]	(152)	33,35[illegible]	2.4	(0.6)
Other revenue	809	8[illegible]	441	4[illegible]	467	(6)	3,0[illegible]		
Adjusted EBITDA	3,46[illegible]	2,0[illegible]	1,756	1,250	2,00[illegible]	–	10,485	4.0	1.7
Adjusted operating profit	5[illegible]	805	[illegible]	7[illegible]	62[illegible]	–	1,9[illegible]	(13.0)	(12.9)
Adjusted EBITDA margin	32.6%	33.3%	20.8%	25.2%	30.3%		28.8%		

Year ended 31 March 2015 restated

Revenue	10,677	5,844	7,916	1,615	6,560	(116)	32,296	24.5	(4.4)
Service revenue	9,862	5,169	7,527	1,340	5,9[illegible]	(110)	32,612	25.5	(5.0)
Other revenue	815	675	389	575	43[illegible]	(6)	2,684		
Adjusted EBITDA	3,390	1,956	1,724	1,005	2,004	–	10,0[illegible]	25.2	(12.5)
Adjusted operating profit	677	322	5[illegible]	[illegible]	6[illegible]	–	2,21[illegible]	(15.5)	(10.6)
Adjusted EBITDA margin	31.8%	33.5%	21.8%	21.7%	31.[illegible]%		28.5%		

Revenue increased 3.3% for the year. M&A activity, including Hellas and Cobra, contributed a 1.3 percentage point positive impact and foreign exchange movements contributed a 1.6 percentage point positive impact. On an organic basis service revenue decreased by 0.6%* reflecting continued competitive pressures in a number of markets.

Adjusted EBITDA increased 4.0%, including a 1.3 percentage point positive impact from M&A activity and a 1.0 percentage point positive impact from foreign exchange movements. On an organic basis adjusted EBITDA increased 1.7%* driven by good cost control [illegible] our markets, as well as the benefits of acquisition integration.

Revenue – Europe	**3.3**	**(1.3)**	**(1.6)**	**0.4**
Service revenue				
Germany	(0.5)	–	[illegible]	(0.1)
Italy	(0.8)	–	–	(0.8)
UK	6.1	0.4	(6.8)	(0.3)
Spain	5.1	(8.9)	–	(3.5)
Other Europe	3.5	(1.9)	(0.1)	1.5
Europe	**2.4**	**(1.5)**	**(1.5)**	***(0.6)***
Adjusted EBITDA				
Germany	2.[illegible]	–	–	2.1
Italy	3.0	–	0.1	3.1
UK	1.9	4.7	(5.4)	1.2
Spain	24.6	(20.1)	(0.3)	4.2
Other Europe	(0.1)	(1.3)	(0.1)	(1.5)
Europe	**4.0**	**(1.3)**	**(1.0)**	**1.7**
Adjusted operating profit				
Europe	**(13.0)**	**(0.4)**	**0.5**	**(12.9)**

Germany

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

Mobile service revenue declined 1.6%*. Consumer contract revenue stabilised in the year supported by consistent growth in contract net additions (+[illegible]000 for the year). This performance has been driven by an increased focus on direct channels and our Otelo second brand during [illegible] higher commercial [illegible] direct channel [illegible] contract net additions. The Enterprise market became [illegible] competitive during the year leading to a deteriorating revenue trend as falling ARPU more than offset good customer [illegible]. We have made further strong progress on network investment, with [illegible] 4G coverage and dropped call rates declining [illegible]% year-on-year to an all-time low of 0.[illegible]%. 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 additions 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.

Adjusted EBITDA grew 2.1%* with adjusted 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 0.5%* in the year but returned to growth in Q4 (Q3: -0.5%*, Q4: 1.5%*), aided by the leap-year benefit. The mobile business is on a steady recovery path while fixed performance continues to be positive, with increased commercial traction in recent months.

Mobile service revenue declined 1.1%* as an improvement in ARPU supported by price and bundle 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 declined 1.5% 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 had 93% population coverage on our 4G network and 6.5 million 4G customers (September 2015: 4.2 million).

Fixed service revenue was up 3.0%*, 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. Our base of 2.2 million broadband customers, 297,000 are fibre customers. We have now built out our own fibre network to over 160 cities, enabling us to reach 5.6 million households. Our high speed broadband market position will be enhanced by our commercial agreement with Enel, which plans to build a fibre-to-the-home ("FTTH") to 224 cities, and our recently launched convergent offer, 'Vodafone Rete Unica', where we can further leverage our strengths in converged services.

Adjusted EBITDA declined 3.1%* due to a decline in service revenue, the challenges in commercial costs and operating expenses. The adjusted EBITDA margin was stable year-on-year due to productivity savings as service revenue declined.

UK

Service revenue declined 0.5%* for the year (Q3: -0.7%*, Q4: -1.0%*), with improving trends in fixed offset by a decline in mobile, reflecting operational challenges following billing system migration. Q4 growth benefited from strong handset revenue, but underlying trends were stable. The prior period included one-off settlements with other network operators in Q4.

Mobile service revenue declined 0.8%*. Contract customer growth slowed in Q4, impacted partly by higher churn related to the billing system migration. Revenue trends were also impacted by the ongoing usage of 0845 numbers following the introduction of Non-Geographic Call Services regulation and a focus on giving customers more control of their out-of-bundle data usage. Although out-of-bundle revenue and demand for data add-ons continued to grow. Enterprise mobile trends remained relatively stable despite increased competition. National 4G coverage reached 84% based on the OFCOM definition, and 99.5% in London based on our estimations. 4G coverage was 81% 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 7.9 million at the period end (September 2015: 5.5 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 footprint) in October, securing 38,000 customers by 31 March 2016. Our new TV service is in field trials, and we plan to launch later in the current calendar year.

Adjusted EBITDA grew 1.0%* with a 0.2* percentage point increase in the adjusted EBITDA margin, driven by continued operational efficiencies. Reported adjusted 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 service revenue stable, steady despite the negative effect of handset financing and continued pressure on fixed. Excluding handset financing effects, service revenue declined by 0.3%* in the year.

Mobile service revenue fell 6.0%*. 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 now have 4.7 million 4G customers.

Fixed service revenue rose 4.6%*, 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 integration synergies targeted. We now expect to achieve €300 million of annual cost and capex savings, and to achieve this target one year ahead of schedule. This success continues after the Ono integration has been fully integrated into our mobile and fixed service, which has a customer base of 1.5 million. Combined with our own fibre build and the agreement with Orange, we now reach 9.3 million premises with fibre. Our agreement with Telefónica, together with the wholesale access to fibre, means that we have access to a full range of premium TV content, at a reduced cost.

Adjusted EBITDA increased 8.2%* year-on-year, with a 1.8* percentage point increase in the adjusted EBITDA margin as strong cost control, the benefit from a lower handset financing and the cost synergies from the Ono acquisition, the elimination of a one-off costs.

Other Europe

Service revenue rose 1.3%* (Q3: 1.6%*, Q4: 1.1%*), with all markets except Greece delivering growth during the year. In Q4 Romania (1.7%*), Portugal (3.6%*) and the Czech Republic enjoyed an improvement in service revenue growth.

In the Netherlands service revenue increased 0.3%*, with growth turning into decline during H2 (Q3: 0.2%*, Q4: -1.3%*) as continued gains in fixed, part 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 and an improving trend in mobile. The initial 4G roll-out is complete with 93% 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.

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

Financials

Prior year operating results (continued)

Africa, Middle East and Asia-Pacific

Year ended 31 March 2016 restated						
Revenue	5,5[illegible]5	6,566	–	11,8[illegible]	2.5	8.1
Service revenue	4,4[illegible]9	5,604	–	10,043	2.8	8.0
Other revenue	906	942	–	1,848		
Adjusted EBITDA	2,028	1,678	–	3,706	3.4	9.0
Adjusted operating profit	1,556	585	–	2,041	11.2	19.9
Adjusted EBITDA margin	38.[illegible]%	25.6%		31.[illegible]%		
Year ended 31 March 2015 restated						
Revenue	5,539	6,061	–	11,600	3.6	4.6
Service revenue	4,451	5,319	–	9,770	1.5	2.5
Other revenue	1,088	42	–	1,829		
Adjusted EBITDA	1,949	1,635	–	3,584	1.0	1.8
Adjusted operating profit	1,314	432	–	1,746	(9.5)	(9.7)
Adjusted EBITDA margin	35.2%	27.0%		30.9%		

Revenue increased 7.5% with strong organic growth partly offset by a 4.8 percentage point adverse impact from foreign exchange movements. On an organic basis service revenue grew 8.0%* driven by growth in the customer base, increased voice and data usage and continued good commercial execution.

Adjusted EBITDA increased 3.4% including a 5.0 percentage point adverse impact from foreign exchange movements. On an organic basis adjusted EBITDA grew 9.0%* driven by growth in all major markets.

Revenue – AMAP	**2.5**	**0.8**	**4.8**	**8.1**
Service revenue				
Vodacom	(0.1)	–	6	5.4
Other AMAP	5.7	1.8	2.6	10.1
AMAP	**2.8**	**1.0**	**4.2**	**8.0**
Adjusted EBITDA				
Vodacom	4.1	–	6.6	12.1
Other AMAP	2.6	1.3	0.6	4.5
AMAP	**3.4**	**0.6**	**5.0**	**9.0**
Adjusted operating profit				
AMAP	**11.2**	**1.6**	**7.1**	**19.9**

Vodacom

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

In South Africa, organic service revenue grew 4.[illegible]%* (Q3: [illegible]%*, Q4: 3.5%*), with the consumer and enterprise business both performing well. We continued to focus on building brand and network differentiation, with our performance driven by strong demand for data. We further extended our leading network position, more than doubling our LTE 4G sites to [illegible], taking coverage to [illegible]% on LTE 4G and 99.[illegible]% on 3G. Data revenue growth remained strong at 18.6%* in Q4 and data is now 35.3% 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 level at [illegible]% in Q4. Total bundle sales reached [illegible] billion, supported by our Just 4 You 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.[illegible] million, [illegible]% of total customers, and active M-Pesa customers totalled 6.8 million in Q4, all benefiting from sustained network investment.

Vodacom Group adjusted EBITDA increased 12.[illegible]%*, significantly faster than revenue, with a 3.6* percentage point improvement in adjusted 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 adjusted EBITDA. Excluding this effect, adjusted EBITDA margins rose driven by operating leverage, tight cost control and a tailwind from foreign exchange gains.

Other AMAP

Service revenue increased [illegible]%* (Q3: [illegible]%*, Q4: [illegible]%*) with strong growth in Turkey, Egypt and Ghana partially offset by a decline in Qatar.

Service revenue in Turkey was up [illegible]%* reflecting continued strong growth in consumer contract and Enterprise revenue and we launched 4G services in April 2016. Fixed 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 [illegible]%* driven by continued strong growth in data.

New Zealand returned to modest growth with solid mobile contract customer trends and improving fixed ARPU.

Adjusted EBITDA grew [illegible]%* with a [illegible]* percentage point contraction in adjusted EBITDA margin. A strong revenue performance and improved margins in Turkey were partly offset by higher costs for imported goods post foreign exchange rate devaluation 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 [illegible] towers as at 31 March 2016 with a tenancy ratio of [illegible]. Indus Towers' contribution to the Group's adjusted operating profit was [illegible] million.

Safaricom, Vodafone's 40% associate in Kenya, the leading mobile operator in Kenya, delivered local currency service revenue growth of [illegible]% for the year, with local currency adjusted EBITDA up [illegible]%, 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 [illegible] out of [illegible] counties.

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

India[1]

On 20 March 2017 Vodafone announced the agreement to combine its subsidiary Vodafone India (excluding its 42% stake in Indus Towers) with Idea Cellular, with the combined company to be jointly controlled by Vodafone and the Aditya Birla Group. The results of Vodafone India are detailed below.

Revenue	[illegible]	5,50[illegible]	12.0	
Service revenue	6,[illegible]5	5,4[illegible]	12.0	5.[illegible]
Other revenue	[illegible]6	[illegible]		
Direct costs	([illegible])	([illegible])		
Customer costs	([illegible])	([illegible])		
Operating expenses	([illegible])	(1,908)		
Adjusted EBITDA	1,8[illegible]5	1,635	11.0	4.1
Depreciation and amortisation	(1,276)	(1,075)		
Adjusted operating profit	**539**	**560**	**(3.9)**	
Adjustments for:				
Other	[illegible]	(104)		
Operating profit	**423**	**456**		
Adjusted EBITDA margin	[illegible].5%	29.[illegible]%		

Service revenue increased 5.0%* (Q3: [illegible]%*, Q4: [illegible]%*) 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 [illegible]%* ([illegible]). [illegible] price competition moderated during the quarter and regulatory impacts began to reduce in March.

We added [illegible] million customers during the year, taking the total to [illegible] 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 pricing.

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 [illegible] million to [illegible] million. The 3G customer base grew to [illegible] million, up [illegible]% year-on-year and smartphone penetration in our four biggest urban areas is now 52.8%. In Q4, browsing revenue represented 19.2% of total service revenue, up from 14.9% in the equivalent quarter last year.

Since the launch of Project Spring we have added over [illegible] 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 50% of our data revenues in the coming year ahead of the upcoming spectrum auction.

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

Adjusted EBITDA grew [illegible]%* with a [illegible]* percentage point deterioration in adjusted 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.

Company statement of financial position of Vodafone Group Plc

at 31 March

	2017 £m	
Fixed assets		
Shares in Group undertakings	83,991	84,597
Current assets		
Debtors: amounts falling due after more than one year	3,692	4,328
Debtors: amounts falling due within one year	217,590	212,058
Other investments	1,678	1,991
Cash at bank and in hand	322	133
	223,282	**218,510**
Creditors: amounts falling due within one year	(219,924)	(216,648)
Net current assets	**3,358**	**1,862**
Total assets less current liabilities	***87,349***	***86,459***
Creditors: amounts falling due after more than one year	(35,369)	(32,164)
	51,980	**54,295**
Capital and reserves		
Called up share capital	4,796	4,796
Share premium account	20,379	20,377
Capital redemption reserve	111	111
Other reserves	4,385	4,425
Own shares held	(8,759)	(8,906)
Profit and loss account	31,048	33,494
Total equity shareholders' funds	**51,980**	**54,295**

The Company financial statements on pages 182 to 193 were approved by the Board of Directors and authorised for issue on 16 May 2017 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 year ended 31 March

1 April 2015 restated	5,246	[illegible]	[illegible]	996	[illegible]	[illegible]	[illegible]
Issue or reissue of shares	–	2	–	–	[illegible]	–	[illegible]
Issue of mandatory convertible bonds	–	–	–	3,460	–	–	[illegible]
Loss for the financial year	–	–	–	–	–	[illegible]	(813)
Dividends	–	–	–	–	–	[illegible]	(4,233)
Capital contribution given relating to share-based payments	–	–	–	[illegible]	–		161
Contribution received relating to share-based payments	–	–	–	(131)	–	–	(131)
Other movements	(450)	[illegible]	(11)	[illegible]	855	[illegible]	[illegible]
31 March 2016 restated	**4,796**	**20,377**	**111**	**4,423**	**(8,906)**	**33,494**	**54,295**
Issue or reissue of shares	–	2	–	–	167	–	169
Profit for the financial year	–	–	–	–	–	1134	1134
Dividends	–	–	–	–	–	(3,709)	(3,709)
Capital contribution given relating to share-based payments	–	–	–	112	–	–	112
Contribution received relating to share-based payments	–	–	–	(150)	–	–	(150)
Other movements	–	–	–	–	–	129	129
31 March 2017	**4,796**	**20,379**	**111**	**4,385**	**(8,739)**	**31,048**	**51,980**

Notes to the Company financial statements

1. Basis of preparation

The separate financial statements of the Company are drawn up in accordance with the Companies Act 2006 and Financial Reporting Standard 101 "Reduced disclosure framework" ("FRS 101"). 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.

The Company's 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. With effect from 1 April 2016 the functional currency of the Company was changed from pounds sterling to the euro and applied prospectively from the date of change, as this is now the primary currency in which the Company's financing activities and investments returns are denominated. As a result of the change in functional currency, the Company has chosen to change its presentation currency, which is accounted for retrospectively. Prior periods including the amounts presented for the years ended 31 March 2016 have been restated into euros using closing rates at the relevant balance sheet date for assets, liabilities, share capital, share premium and other capital reserves and the income statement has been restated at the average rate for the comparative year or the spot rate for significant transactions.

The following exemptions available under FRS 101 have been applied:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, "Share-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); 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

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.

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 temporary 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 and 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 2017 and 31 March 2016.

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 and capital contributions in respect of share-based payments. Contributions in respect of share-based payments are recognised in line with the policy set out in note 7.

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

	2017 £m	
Cost:		
1 April	91,940	97,681
Additions	–	2,469
Capital contributions arising from share-based payments	112	151
Contributions received in relation to share-based payments	(150)	(131)
Other movements	–	(8,24[illegible])
31 March	**91,902**	**91,940**
Amounts provided for:		
1 April	7,343	8,033
Impairment losses	568	–
Other movements	–	(690)
31 March	**7,911**	**7,343**
Net book value:		
31 March	**83,991**	**84,597**

At 31 March 2017 the Company had the following principal subsidiary:

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

	2017 £m	
Amounts falling due within one year:		
Amounts owed by subsidiaries	216,686	210,711
Taxation recoverable	134	205
Other debtors	173	137
Derivative financial instruments	597	1,005
	217,590	**212,058**
Amounts falling due after more than one year:		
Derivative financial instruments	3,672	4,328
Deferred tax	20	–
	3,692	**4,328**

Notes:

1 [illegible]

2 [illegible]

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.

	2017 €m	
Investments	1,678	1,991

[illegible]

5. Creditors

Accounting policies

[illegible]

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.

	2017 €m	
Amounts falling due within one year:		
Bank loans and other loans	10,355	16,774
Amounts owed to subsidiaries	208,671	[illegible]
Derivative financial instruments	717	489
Other creditors	108	[illegible]
Accruals and deferred income	75	47
	219,924	**216,648**
Amounts falling due after more than one year:		
Other loans	34,020	30,737
Derivative financial instruments	1,349	1,427
	35,369	**32,164**

[illegible]

Included in amounts falling due after more than one year are other loans of €[illegible] million, which are due in more than five years from 1 April 2017 and are payable otherwise than by instalments. Interest payable on these loans ranges from 0.375% to 7.875%.

Amounts included in bank loans and other loans due within one year and in other loans due after more than one year of €46 million and €34 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 185) 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 21 "Liquidity and capital resources" on pages 144 to 147 in the consolidated financial statements.

6. Called up share capital

Accounting policies

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

	2017 Number	2017 €m		
Ordinary shares of 20[20]⁄21 US cents each allotted, issued and fully paid:[1] [2]				
1 April	28,813,396,008	4,796	28,812,787,098	5,246
Allotted during the year	746,840	–	608,910	–
Other movements	–	–	–	(450)
31 March	**28,814,142,848**	**4,796**	**28,813,396,008**	**4,796**

Notes:
1 [illegible]
2 [illegible]

Allotted during the year

The Company allotted the following shares under share award and option schemes:

US share awards and option scheme awards	746,840	–	2

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 2017 the Company had 41 million ordinary share options outstanding (2016: 74 million) and no ADS options outstanding (2016: nil).

The Company has made capital contributions to its subsidiaries in relation to share-based payments. At 31 March 2017 the cumulative capital contribution net of payments received from subsidiaries was €55 million (2016: €91 million). During the year ended 31 March 2017 the total capital contribution arising from share-based payments was €112 million (2016: €61 million), with payments of €150 million (2016: €151 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 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 101 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.

	2017 €m	[illegible]
Declared during the financial year:		
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)	2,447	2,852
Interim dividend for the year ended 31 March 2017: 4.74 eurocents per share (2016: 3.68 pence per share, 2015: 3.60 pence per share)	1,262	1,381
	3,709	**4,233**
Proposed after the balance sheet date and not recognised as a liability:		
Final dividend for the year ended 31 March 2017: 10.03 eurocents per share (2016: 7.77 pence per share, 2015: 7.62 pence per share)	2,670	2,447

10. Contingent liabilities and legal proceedings

	2017 €m	[illegible]
Other guarantees and contingent liabilities	5,420	[illegible],178

Other guarantees and contingent liabilities

Other guarantees principally comprise the Company's guarantee of the Group's 50% share of an AUD [illegible] loan facility and a US$3.5 billion loan facility of its joint venture Vodafone Hutchison Australia Pty Limited.

The Company also guarantees 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 discussed in note 26 "Post employment benefits" to the consolidated financial statements, the Company is the sponsoring employer 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 €[illegible] million (2016: €2.1 million) and for non-audit services was €0.9 million (2016: €0.5 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 67 to 85.

The Company had no (2016: two) employees throughout the year.

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.

Financials

Shareholder information

Investor calendar

Ex-dividend date for final dividend	8 June 2017
Record date for final dividend	9 June 2017
Trading update	21 July 2017
Annual general meeting	28 July 2017
Final dividend payment	4 August 2017
Half-year financial results	14 November 2017
Ex-dividend date for interim dividend	23 November 2017
Record date for interim dividend	24 November 2017
Interim dividend payment	2 February 2018

Dividends

See pages 42 and 125 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.

Euro dividends

Dividends are now declared in euros and paid in euros and pounds sterling according to where the shareholder is resident. Cash dividends to ADS holders are paid by the ADS depositary in US dollars. This aligns the Group's shareholder returns with the primary currency in which we generate free cash flow. The foreign exchange rate at which dividends declared in euros are converted into pounds sterling and US dollars is calculated based on the average exchange rate of the five business days during the week prior to the payment of the dividend.

See vodafone.com/dividends for further information about dividend payments or, alternatively, please contact our registrar or the ADS depositary, as applicable. See page 191 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, Deutsche Bank, through its transfer agent, American Stock Transfer & Trust Company LLC (AST) maintains a DB Global Direct Investor Services Program which is a direct purchase and sale plan for depositary receipts with a dividend reinvestment facility.

Taxation of dividends

See pages 194 to 196 for details on dividend taxation.

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 191 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 elected for electronic communication 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 191. See vodafone.com/investor for further information about this service.

Annual General Meeting

Our thirty-third annual general meeting will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Friday, 28 July 2017 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.landmarkas.co.uk or call +44 (0)844 844 9967 for further information.

Warning to shareholders ("boiler room" scams)

Over recent years, we are aware that many shareholders 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/scamsmart 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

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

ADS transfer agent
AST
Operations Center
6201 15th Avenue
Brooklyn
NY 11219
United States of America

Telephone: +1 800 233 5601 (toll free) or for calls outside the United States +1 201 806 4103
Email: db@astfinancial.com

Share price history

The closing share price at 31 March 2017 was 209.10 pence (31 March 2016: [illegible] pence). The closing share price on [illegible] May 2017 was 21[illegible].05 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.

2013	192	154	[illegible]	24.42
2014	252	180	41.57	[illegible]
2015	240	185	38.26	[illegible]
2016	255	200	39.21	[illegible]
2017	240	1[illegible]	[illegible]	[illegible].30
2015/2016				
First quarter	255	220	[illegible]	[illegible]
Second quarter	246	2[illegible]	38.25	[illegible]
Third quarter	226	[illegible]4	34.42	[illegible]
Fourth quarter	225	[illegible]	[illegible]	[illegible]
2016/2017				
First quarter	[illegible]	[illegible]	34.69	28.31
Second quarter	240	219	31.68	28.[illegible]
Third quarter	226	191	29.[illegible]	[illegible].30
Fourth quarter	215	192	26.[illegible]	24.1[illegible]
2017/2018				
First quarter	21[illegible]	190	[illegible]	25.59

November 2016	[illegible]	191	[illegible]	24.44
December 2016	202	1[illegible]	25.45	24.30
January 2017	[illegible]	1[illegible]	26.65	24.58
February 2017	[illegible]	192	25.77	24.42
March 2017	[illegible]	2[illegible]	26.[illegible]	25.04
April 2017	[illegible]	190	26.48	25.59
May 2017	21[illegible]	190	27.58	26.21

Foreign currency translation

The following table sets out the euro exchange rates of the other principal currencies of the Group, being: "Sterling", "£" or "pence", the currency of the United Kingdom and "US dollars", "US$", "cents" or "¢", the currency of the United States.

Average			
Sterling	0.84	0.73	15.1
US dollar	[illegible]	1.10	[illegible]
At 31 March			
Sterling	0.85	0.[illegible]	[illegible]
US dollar	1.07	[illegible]	([illegible])

Additional information

The following table sets out, for the periods and dates indicated, the period end, average, high and low exchange rates for euros expressed in US dollars per €1.00.

2013	1.28	[illegible]	[illegible]	[illegible]
2014	1.38	1.34	1.39	1.28
2015	1.08	1.27	1.39	1.05
2016	[illegible]	1.10	[illegible]	1.06
2017	[illegible]	1.10	1.15	1.04

The following table sets out, for the periods indicated, the high and low exchange rates for euros expressed in US dollars per €1.00.

November 2016	1.11	1.06
December 2016	1.08	1.04
January 2017	1.08	1.04
February 2017	1.08	1.05
March 2017	1.09	1.05
April 2017	1.09	1.06

On 15 May 2017 (the latest practicable date for inclusion in this report) the exchange rates between euros and US dollars and between euros and sterling were as follows: €1 = US$1.10 and €1 = £0.85.

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 Deutsche Bank as depositary under a deposit agreement dated 27 February 2017 between the Company, the depositary and the holders from time to time of ADRs issued thereunder. Prior to 27 February 2017 the Company's depositary bank was Bank of New York Mellon.

ADS holders are not members of the Company but may instruct Deutsche Bank on the exercise of voting rights relative to the number of ordinary shares represented by their ADSs. See "Articles of Association and applicable English law" and "Rights attaching to the Company's shares – Voting rights" on page 195.

Shareholders as at 31 March 2017

1–1,000	310,731	0.24
1,001–5,000	42,748	0.35
5,001–50,000	12,263	0.55
50,001–100,000	456	0.12
100,001–500,000	603	0.55
More than 500,000	1,109	98.19
	367,910	100.00

Ownership location (as a percentage of shares held)

UK	38.4	45.3
Europe (excluding UK)	14.2	13.2
North America	40.7	34.0
Rest of World	6.7	7.5

Major shareholders

Deutsche Bank, as custodian of our ADR programme, held approximately [illegible]% of our ordinary shares of 20 [illegible] US cents each at 15 May 2017 as nominee. The total number of ADRs outstanding at 15 May 2017 was [illegible]. At this date, [illegible] holders of record of ordinary shares had registered addresses in the United States and in total held approximately [illegible]% of the ordinary shares of the Company.

At 31 March 2017 the following percentage interests in the ordinary share capital of the Company, disclosable under the Disclosure Guidance and Transparency Rules, (DTR 5) have been notified to the Directors:

BlackRock Investment Management Ltd	5.08%
Legal & General Investment Management Ltd	5.44%

No changes in the interests disclosed under DTR 5 have been notified to the Company between 31 March 2017 and 15 May 2017.

Other than as previously disclosed between 1 April 2014 and 15 May 2017, no shareholder held more than 5% of or are of voting rights attributable to the ordinary shares of the Company other than Bank of New York Mellon as custodian of our ADR programme. During this period and as notified, its holding was reduced to below the 3% reporting threshold as of 27 February 2017, the date that Deutsche Bank became custodian of our ADR programme.

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 15 May 2017 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 194 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 as 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 2016 annual general meeting but no purchases were made during the 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 67 to 85.

Rights attaching to the Company's shares

At 31 March 2017 the issued share capital of the Company was comprised of 50,000 7% cumulative fixed rate shares of £1.00 each and 26,602,218,509 ordinary shares (excluding treasury shares) of $20\frac{20}{21}$ US cents each. As at 31 March 2017 2,190,064,339 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 any 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 or proxies 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 2016 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 2017 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;
- the 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; and
- the Implementation Agreement dated 20 March 2017 between Vodafone India Limited and Idea Cellular Limited and certain other parties as listed in the agreement.

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 American Depositary Shares ('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 HMRC published and case law, published practice, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

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 American Depositary Receipts (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 196).

Taxation of dividends

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 resident in the UK will be subject to the income tax on the dividends we pay. Dividends will be taxable in the UK at the dividend rates applicable where the income received is above the tax-free dividend allowance (currently £5,000 per tax year).

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 dividend is 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 dividend received, a foreign tax credit may be claimable under the treaty.

Additional information

Taxation of capital gains

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.

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

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.

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.

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".

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

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 du 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 (€7.7 billion).
- On 20 April 2009 we acquired an additional 15.0% stake in Vodacom for cash consideration of ZAR20.6 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 (€5.2 billion).
- On 16 June 2011 we sold our entire 44% interest in SFR to Vivendi for a cash consideration of €7.75 billion and received a final dividend from SFR of €200 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 (€2.9 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 19 August 2011 Piramal purchased 5.5% of VIL from the Essar Group for a cash consideration of INR28.6 billion (€410 million). On 8 February 2012 they purchased a further 5.5% of VIL from the Essar Group for a cash consideration of approximately INR30.1 billion (€460 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 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 (€1,340 million).
- On 31 October 2012 we acquired TelstraClear Limited in New Zealand for a cash consideration of NZ$840 million (€660 million).
- On 20 September 2013 we acquired a 76.57% interest in Kabel Deutschland Holding AG in Germany for cash consideration of €5.8 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 (€95 billion), including the remaining 23.1% minority interest in Vodafone Italy. Following completion, Vodafone shareholders received Verizon shares and cash totalling US$85 billion (€61 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 a cash consideration of INR89.0 billion (€1.1 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.
- On 31 December 2016 we completed the transaction with Liberty Global plc to combine our Dutch operations in a 50:50 joint venture called VodafoneZiggo Group Holding B.V. ("VodafoneZiggo"). See note 26 "Acquisitions and disposals" for further details.
- On 20 March 2017 we announced the agreement to combine Vodafone India, excluding its 42% stake in Indus Towers, with Idea Cellular, which is listed on the Indian Stock Exchanges, with the combined company to be jointly controlled by Vodafone and the Aditya Birla Group. See note 29 "Commitments" for further details.

Details of significant transactions that occurred after 31 March 2017 and before the signing of this Annual Report on 16 May 2017 are included in note 32 "Subsequent events".

Additional information

Regulation

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 2017. 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 January 2017 the Telecoms Single Market package was finalised when agreement was reached on the revised maximum wholesale rates for regulated roaming in the EU. The new rates will see the price of wholesale roaming fall on 15 June 2017 from 5 to 3.2 eurocents per minute for voice, from 2 to 1 eurocents for SMS and from 5 to 0.77 eurocents per megabyte for data. In addition a glide path has been established reducing roaming data services to 0.25 eurocents per megabyte by 1 Jan 2022. In December 2016 the European Commission ('the Commission') published the implementing act in relation to the Fair Use Policy and the Sustainability Mechanism. As a result, from 15 June 2017 all operators will be required to implement 'Roam Like at Home'. Under this approach all roaming customers will be able to use their home tariff whilst roaming. Operators will be able to apply fair use limits in line with the rules set out by the Commission. In exceptional circumstances operators will be able to apply for an exemption from implementing 'Roam Like at Home' if it is demonstrably unsustainable from a financial perspective.

In September 2016 the Commission published a set of initiatives and legislative proposals on connectivity. These include the European Electronic Communications Code ('Communications Code') and strategic communication documents which set EU-wide common rules and objectives for the regulation of providers of networks and communications services, common broadband targets for 2025, a 5G action plan (that foresees a common EU calendar for identification and allocation of spectrum and a coordinated 5G commercial launch in 2020) and a support scheme for public authorities who want to offer free Wi-Fi access to their citizens. The Communications Code covers the following five areas: access regulation, spectrum, rules for communications services, universal service and the institutional set up and governance. There is a clear focus on incentivising the investment required to meet the proposed broadband targets and ensure sustainable competition, the further harmonisation of spectrum regulation and the creation of a fair and level playing field for competing services.

The Commission has also published a number of proposals and reports on the online sale of goods and audiovisual services which are likely to impact e-commerce and the distribution of content across the European Single Market in a variety of areas. These include proposals on copyright, tangible goods and a new portability regulation which will allow consumers access to online TV and Video on Demand ('VoD') subscriptions while travelling across Europe.

In September 2016 the Commission issued new proposals on the *Satellite and Cable Directive*, together with a *Preliminary Report on the E-commerce Sector Inquiry* which is also likely to lead to change in a variety of areas in and beyond competition that impact e-commerce across the European Single Market.

Europe region

Germany

In September 2016 BNetzA's vectoring proposals entered into force and after taking the Commission's comments into account the layer 2 bitstream product entered into force in December 2016. In addition to the layer 2 bitstream product, BNetzA has proposed to mandate a virtual unbundled local access ('VULA') product at street cabinets that will be under the obligations of a reference offer. Deutsche Telekom's vectoring deployment is expected to commence in September 2017 once the existing unbundled local loop ('ULL') reference offer updates have been finalised. Vodafone Germany's very-high-rate digital subscriber line ('VDSL') customers are due to be migrated on to the substitute products from mid-2018.

Italy

Vodafone Italy has no new material items to report in the year ending 31 March 2017.

For information on litigation in Italy see note 30 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

United Kingdom

In July 2016 Hutchison 3G submitted an appeal to the EU's General Court against the Commission's competition authority (DG COMP) decision in May 2016 to prohibit the proposed Hutchison 3G acquisition of Telefonica UK (O2).

In March 2017 BT agreed to Ofcom's proposal for the legal separation of Openreach.

In May 2017 the Court of Appeal upheld the Competition Tribunal's decisions against BT's appeal on three matters relating to the charges for Ethernet services between 2009 and 2011. The decisions are subject to any further appeal.

Spain

The fines applied to Telefonica, 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. The National Audience decision is awaited.

In June 2016 following on from the National Markets and Competition Commission's ('CNMC') draft decision on the regulatory ex-ante price squeeze test run on Telefonica's retail offers, it is proposed that there will be a maximum permissible discount for promotions on fixed broadband and TV content bundles incorporating national football content, in order to allow replicability for competitors.

In September 2016 CNMC approved Masmovil's proposed acquisition of Yoigo.

In January 2017 following a public consultation and subsequent notification to the Commission, CNMC's decision requiring Telefonica to offer VULA products where there is insufficient network-based competition entered into force.

In January 2017 following a public consultation and subsequent notification to the Commission, CNMC's decision to maintain the access component cost but reduce the traffic component cost of the CNMC-approved wholesale broadband service ('NEBA') prices, for both NEBA Copper and fibre-to-the-home ('FTTH') by 40%, entered into force.

In April 2017 following notification to the Commission on Market 15 deregulation, the CNMC adopted the Resolution eliminating the ex-ante obligations imposed to Telefonica and Vodafone in providing wholesale tariffs to MVNOs.

Netherlands

In September 2016 the European Court of Justice ("ECJ") issued its ruling on the legal status of the recommendation to use pure BULRIC in underlying the termination rates, about BULRIC. The ECJ confirmed that a national court is allowed to deviate from the European MTR-FTR recommendation prescribing pure BULRIC as a cost methodology. Based on the ECJ ruling, the Court of Appeal is expected to revisit its prior ruling on the national regulatory and competition authority's (ACM) proposed 2013-2016 MTR-FTR rates by September 2017. ACM's final decision on the proposed MTR-FTR rates for the period 2017-2020 is expected to be published in June 2017 with rates due to enter into force on 1 July 2017.

In April 2017 the Court of Rotterdam ruled that the European rules on net neutrality prevail over the amendment to the Telecommunications Act that was passed by the Senate in 2016 that imposed an absolute ban on zero-rating. The ruling confirms that the European rules allow operators to offer zero rated services. ACM have a right to appeal the decision in the Court of Appeals in The Hague.

In December 2016 following the Dutch Supreme Court's February 2016 ruling that bundled [illegible] mobile subscription agreements (ie device along with mobile services) are considered consumer credit agreements, Vodafone Netherlands was granted a consumer credit licence by the Dutch Financial Supervisory Authority (AFM) containing a related compliance plan.

In December 2016 the Commission cleared ACM's review of Vodafone Netherlands and Liberty Global's proposed joint venture following the divestment of the Vodafone fixed consumer business in the Netherlands. Thus ACM has indicated that as a result of the joint venture, it will start a new analysis of the [illegible] market in 2017 which decision is expected to take [illegible] years.

Ireland

In November 2016 the national regulatory authority, ComReg commenced the review of the wholesale access markets 3a and 3b. ComReg has proposed a move to cost oriented price control on Wholesale Local Access and Wholesale Central Access (WCA) markets with the exception of FTTH wholesale products. The initial consultation closed in January 2017 and responses to the subsequent pricing consultation are required by [illegible] June 2017.

Portugal

In May 2016 Vodafone Portugal continued to challenge to payment notices totalling €9.8 million issued by the national regulatory authority (ANACOM) regarding the extraordinary compensation of Universal Service Net Costs for 2012–2015.

In September 2016 ANACOM approved the final decision on market 4 that identified the wholesale markets where Portugal Telecom's Serviços de Comunicações e Multimédia ("MEO") has significant market power and required ex-ante regulation in accordance with the principles of competition law. Wholesale markets for high-quality access in competitive areas will no longer require ex-ante regulation and the existing obligations will be withdrawn after a transition period of 12 months.

In March 2017 ANACOM rejected the Commission's recommendation to open up MEO's fibre network to competitors by providing regulated access in non-competitive areas. The Commission is yet to comment however it had previously indicated that it could resort to legal measures if the recommendation was not adopted.

Romania

Vodafone Romania had no new material items to report in the year ending 31 March 2017.

Greece

In August 2016 the Ministry of Infrastructure, Transport and Networks (MIITN) announced its decision in relation to Vodafone Greece's licence to spectrum licence. The 2x15MHz at 1800MHz licence was extended by 18 months to February 2018 at a cost of €5.8 million.

In December 2016 following notification to the Commission, the national regulatory authority (EETT) announced that the detailed operational requirements for the regulation of vectoring and other next generation access (NGA) technologies will be determined by a public consultation that commenced in March 2017 and is expected to be concluded in May 2017. Areas will be allocated by auction on a 28-month exclusive basis to deploy VDSL vectoring or any alternative 100Mbps or above access network. The successful bidder will sell VULA services to other operators in that auction area. There is an asymmetrical coverage obligation of 80% applied to Hellenic Telecommunications Organization (OTE) in each local exchange whereas all other operators have a 50% minimum coverage requirement. At the end of the exclusive period, any other operator can request access in any street cabinet that have not been VDSL vectoring enabled.

Czech Republic

In June 2016 the auction of the 1800MHz and 2.6GHz spectrum, previously planned in 2015, was concluded. Vodafone Czech Republic acquired an additional spectrum licence of 2x5MHz at 1800MHz at a cost of €16.4 million expiring in June 2029. The national regulatory authority (CTU) has deferred the proposed auction for the 3.7GHz spectrum until 2017.

In October 2016 DG COMP opened an investigation into a network sharing agreement between O2 CZ (CETIN) and T-Mobile CZ. The Commission will examine whether the cooperation restricts competition and thereby harms innovation in breach of EU antitrust rules.

In May 2017 CTU confirmed their intention to extend Vodafone Czech Republic's existing 900MHz and 1800MHz spectrum licences to June 2029.

Hungary

In June 2016 Vodafone Hungary acquired a spectrum licence of 2x30MHz at 3.5GHz at a cost of €2.1 million, expiring in June 2034.

In August 2016 the national regulatory authority (NMHH) commenced an investigation into a proposed agreement between Magyar Telekom and Telenor to share spectrum in the 900MHz band. This deal can be regarded as a second step in network collaboration after their 800MHz network and spectrum sharing deal that is still subject to an ongoing competition law investigation.

Albania

In June 2016 Vodafone Albania renewed its 2x8MHz at 900MHz and 2x9MHz at 1800MHz spectrum licences at a cost of €10.9 million expiring in June 2031.

Malta

Vodafone Malta had no new material items to report in the year ending 31 March 2017.

Additional information

Africa, Middle East and Asia-Pacific region

India

Vodafone India's challenge in the Telecom Tribunal (TDSAT) against the financial demands by the Department of Telecommunications (DoT) for approving the transfer of Vodafone India telecom licences that were held under seven subsidiary companies to create two telecom licensed companies – Vodafone India Limited and its subsidiary Vodafone Mobile Services Limited – is pending. Vodafone India has deposited INR 24.5 billion with DoT based on orders from the Supreme Court and TDSAT; this is without prejudice to its rights and contentions in the matter. The matter is listed for hearing in the TDSAT in due course.

In August 2016, in response to the Indian Supreme Court decision on call drops, TRAI launched a consultation on tightening benchmarks for network quality of service parameters, the outcome of which is awaited.

In August 2016 TRAI initiated a review of termination charges and initiated a consultation on Internet Telephony and App to Public Switched Telephone Network and Public Land Mobile Network (PSTN/PLMN) calling and a review of the Interconnection framework, the outcome of which are awaited. The current MTR regime introduced in February 2015 was challenged by Vodafone India in the Delhi High Court and the next hearing is currently scheduled in September 2017.

In August 2016 Vodafone India received 128 notices for financial demands (licence and spectrum fee) from the DoT of INR78.90 billion and INR0.24 billion for six notices concerning access and National and International Long Distance services based on the audit of Vodafone India's telecom operations by the DoT appointed auditors and by the Comptroller & Auditor General of India (CAG) for the years 2006 to 2010–11. Vodafone India has submitted its response to the demand notices.

In October 2016 Vodafone India acquired a total of 2x36.6MHz and 1x20MHz of spectrum across the 1800MHz, 2.1GHz and 2.5GHz bands at a cost of INR200 billion expiring in October 2036, enabling its 4G services to be expanded to a total of 17 circles.

In October 2016 TRAI recommended to the DoT that a fine of INR10.5 billion should be levied against Vodafone India for failing to provide adequate points of interconnection to Reliance Jio (RJIL). Similar fines were also recommended against Bharti Airtel and Idea Cellular. Vodafone India has challenged TRAI's recommendation in the Delhi High Court and the next hearing is scheduled on 24 October 2017. Vodafone India has filed a petition in the Delhi High Court on the basis that RJIL's zero/free mobile tariff offers are not compliant with TRAI's tariff requirements for interconnect usage charges and that the promotion/free benefit is continuing beyond the 90 days permitted by TRAI. The matter was heard at the Delhi High Court in April 2017 where it was adjourned. Similar petitions have been filed by Bharti Airtel and Idea Cellular in the TDSAT.

In March 2017 Vodafone India and Idea announced their proposal to merge. The transaction is expected to close during 2018, subject to customary approvals.

In May 2017 Vodafone India filed a challenge in TDSAT against DoT's microwave spectrum interim guidelines issued in October 2015 and their letter of January 2017 that conflict with the confirmations given to Vodafone India at the time of the 2014 and 2015 spectrum auctions that the microwave resources of expiring licences will be transferred to the Universal Licence.

For information on litigation in India, see note 30 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

Vodacom: South Africa

In April 2017 the national competition authority (CompCom) announced that it would not refer Cell C's allegation against Vodacom and MTN of market dominance abuse. However, CompCom will engage the national regulatory authority (ICASA) to explore the need for any regulatory interventions to ensure the market is competitive.

In October 2016 the Ministry of Telecommunications and Postal Services published the cabinet-approved National Integrated ICT Policy White Paper ("White Paper"). The White Paper sets out a framework on how the government wants to provide access to modern communications infrastructure and services to facilitate the entry of new players and the meaningful participation of all citizens, including those in rural areas. Its adoption will require various amendments to existing laws and regulations flowing from the Electronic Communications Act. Engagements between the various stakeholders and Government to explore the possibility of finding an amicable way to implement the White Paper are ongoing.

In November 2016 the Final Amended ICT Sector Black Economic Empowerment Codes were gazetted. The Codes contain variations to the draft ICT Sector Code, some of which are in conflict with that of the Revised Department of Trade and Industry Codes and will be used in May 2017 to rate Vodacom's and the other operators' performance for the 2016/17 financial year. Due to the nature of the new Codes, the industry is engaging the BEE ICT Sector Council to resolve some of the concerns.

In February 2017 ICASA formally deferred the timeframe for the Invitation to Apply (ITA) spectrum licensing process in the 700MHz, 800MHz and 2.6GHz bands whilst the judicial review process in the High Court is ongoing.

Vodacom: Democratic Republic of Congo

In August 2016 the Minister of Communications and Minister of Finance issued a ministerial decree setting the new tax on mobile payments at 3% of annual service revenue.

The Ministry of Finance DGRAD-Tax Administration has proposed a revision to the spectrum fees model which is to result in a 69% increase in annual fees. Vodacom Congo and other industry participants have engaged the DGRAD and Minister of Communications to request the nullification of this change on the grounds that such a tax will negatively impact communication costs.

As of March 2017 Vodacom Congo is implementing a compliance plan and continues to participate in industry association engagement with authorities to secure electronic SIM registration.

Vodacom: Tanzania

In July 2016 the national regulatory authority (TCRA) published an open invitation to apply for 3.5GHz spectrum. Vodacom Tanzania has submitted its application and the evaluation of all applications by TCRA is still pending.

In July 2016 the national competition authority (FCC) approved Vodacom Tanzania's acquisition of Shared Networks Tanzania which holds 2x5MHz of 900MHz spectrum licences which will be used to support the provision of rural services.

In March 2017 the Initial Public Offering for Vodafone Tanzania Public Company Limited was launched under the requirements of the Finance Act 2016, with the offer open until 11 May 2017.

In March 2017 the Ministry of Communications published its draft amendments to the Electronic and Postal Communications Act 2010 with comments submitted by 14 April 2017.

In April 2017 Vodacom Tanzania [illegible] compliance order from TCRA in relation to SIM registration tests conducted in December 2016. Vodacom Tanzania will continue to work with TCRA to resolve the SIM registration compliance actions.

Vodacom Mozambique

In July 2016 a new Communications Act was approved by Parliament that requires the national regulatory authority ('INCM') to issue new regulations under the Act. In February 2017 to date one draft regulation, the [illegible] Licensing Regulations and Infrastructure Sharing Regulations have been issued to which Vodacom Mozambique has submitted its comments.

In November 2016 Vodacom Mozambique complied with an order from INCM and blocked all existing unregistered users.

Vodacom Lesotho

In April 2016 the national regulatory authority ('LCA') finalised the approved renewal of Vodacom Lesotho's service licence at a cost of [illegible] million expiring in May 2036.

International roaming in Africa

In September 2016 an impact assessment carried out by [illegible] Consultants on East Africa Community ('EAC') Roaming was submitted to the Tanzanian Ministry of Communications as part of the ongoing public consultation to implement Phase [illegible] for EAC countries [illegible] engaged with the consultation process and presented to [illegible] February 2017 [illegible] Legislative Assembly [illegible].

As of March 2017 [illegible] national regulatory authority in the Vodacom Group market [illegible] fully complied with the Communications Regulators' Association of Southern Africa ('CRASA') guidance on the Southern African Development Community ('SADC') roaming glide path that had been issued in September 2015. In [illegible] Vodacom Group has developed [illegible] Roaming [illegible] across SADC which is being rolled out in 2017.

Turkey

As of March 2017 the national regulatory authority's ('ICTA') [illegible] action to broaden the scope of the 3G coverage to include the metropolitan areas [illegible] suspended by the Council of State [illegible] as Vodafone Turkey's appeal to the administrative court is pending.

Australia

In May 2017 Vodafone Australia acquired a spectrum licence of [illegible] MHz at 700MHz band spectrum at a cost of AU$285 million expiring in December 2029.

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 implemented with Orange Egypt (formerly Mobinil) and Telecom Egypt; however the arbitration case with Etisalat Misr is still pending.

In October 2016 Vodafone Egypt acquired a spectrum licence for 2x5MHz at 2.1GHz and extended the existing 2G/3G licence at a cost of US$335 million all expiring in October 2031, enabling the launch of 4G services.

For information on litigation in Egypt see note 30 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

Ghana

Vodafone Ghana has no material [illegible] to report for the year ending 31 March 2017.

New Zealand

In January 2017 the New Zealand Government [illegible] contracts to extend the existing Ultra-Fast Broadband fibre to the premises ('FTTP') initiative from 75% to 85% of premises [illegible] at a projected cost of NZ$[illegible] million. The Government has also announced a further NZ$150 million of funding to improve broadband coverage in rural areas and [illegible] mobile blackspots, with competitive tenders expected to be awarded in late 2017.

In February 2017 the Commerce Commission declined to clear the proposed merger between Vodafone New Zealand and Sky New Zealand under the New Zealand Commerce Act.

Safaricom, Kenya

In May 2016 the national regulatory authority ('CA') appointed Analysys Mason to conduct a study on competition within the Telecommunication subsector to identify any dominant operators and recommend regulatory remedies. The interim report was released in April 2017 and Safaricom's comments have been submitted.

In June 2016 following the CA [illegible] consultation on the allocation of LTE spectrum in the 800MHz band to all mobile operators, Safaricom secured a [illegible] spectrum licence for 2x10MHz at 800MHz at a cost of US$25 million.

As of March 2017 Safaricom continues to [illegible] to ensure an effective [illegible] national regulatory authority ('CA') new [illegible] registration process.

Qatar

As of May 2017 [illegible] Vodafone Qatar [illegible] by the Ministry and national regulatory authority relating to the application and enforcement of the [illegible] framework are ongoing in the administrative court.

Overview of spectrum licences at 31 March 2017

	Quantity	Quantity[1]	Quantity	Quantity	Quantity[1]	Quantity[1]	Quantity[1]	Quantity
Europe region								
Germany	2x10 (2033)	2x10 (2025)	2x10 (2033)	1x20 (2033)	2x25 (2033)	2x10+5 (2020) 2x5[2] (2025)	2x20+25 (2025)	n/a
Italy	n/a	2x10 (2029)	2x10 (2018)	1x20 (2029)	2x15 (2018) 2x5[2] (2029)	2x15+5 (2021)	2x15 (2029)	n/a
UK	n/a	2x10 (2033)	2x17 See note	1x20 (2025)	2x6 See note	2x15 See note	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 (2022)	n/a	n/a
Portugal	n/a	2x10 (2027)	2x5 (2021) 2x5[2] (2027)	n/a	2x6 (2021) 2x14[2] (2027)	2x20 (2033)	2x20+25 (202[illegible])	n/a
Romania	n/a	2x10 (2029)	2x10 (2029)	n/a	2x30 (2029)	2x15+5 (2020)	1x15 (2029)	2x20 (2025)
Greece	n/a	2x10 (2030)	2x15 (2027)	n/a	2x10 (2027) 2x15[2] (2013)	2x20+5 (2021)	2x20+20 (2030)	n/a
Czech Republic	n/a	2x10 (2029)	2x10 (2021)	n/a	2x18 (2021) 2x9[2] (2029)	2x20 (2025)	2x20 (2029)	n/a
Hungary	n/a	2x10 (2029)	2x10 (2022) 2x1 (2029)	n/a	2x15 (2022)	2x15 (2019)	2x20+25 (2029)	2x30 (2034)
Albania	n/a	n/a	2x8 (2031) 2x2[2] (2030)	n/a	2x9 (2031) 2x14[2] (2030)	2x15+5 (2025) 2x5[2] (2029)	2x20+20 (2030)	n/a
Malta	n/a	n/a	2x15 (2026)	n/a	2x25 (2026)	2x20+5 (2020)	n/a	2x21 (2020)

	Quantity[1]	Quantity[1]	Quantity[1]	Quantity	Quantity[1]	Quantity	Quantity	Quantity[1]
Africa, Middle East and Asia-Pacific								
India	n/a	n/a	(2021–2036)	n/a	(2021–2036)	(2030–2036)	n/a	n/a
Vodacom South Africa	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 [illegible]	2x10+15 [illegible]	n/a	2x15 (2028)
Lesotho	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 (2025)	n/a	n/a
Tanzania	n/a	n/a	2x8 (2031)	n/a	2x10 [illegible]	2x15 (2031)	n/a	1x14+1x14 (2031)
Turkey	n/a	2x10 (2029)	2x11 (2029) 2x1[2] (2029)	n/a	2x10 (2029)	2x15+5 (2029)	2x15+10 (2029)	n/a
Australia	n/a	2x10 (850MHz) (2028)	2x8 [illegible]	n/a	2x30 [illegible]	2x25+5 (2017)	n/a	n/a
Egypt	n/a	n/a	2x13 (2031)	n/a	2x10 (2031)	2x20 (2031)	n/a	n/a
New Zealand	2x15 [illegible]	n/a	2x15 [illegible]	n/a	2x25 (2031)	2x25+10 (2031)	2x15+5 [illegible]	2x28 [illegible]
Safaricom Kenya	n/a	2x10 TBC	2x17 [illegible]	n/a	2x20 (2024)	2x10 [illegible]	n/a	n/a
Ghana	n/a	n/a	2x8 [illegible]	n/a	2x10 [illegible]	2x15 [illegible]	n/a	n/a
Qatar	n/a	2x10 [illegible]	2x11 [illegible]	n/a	2x20 (2028) 2x5[2] [illegible]	2x15 [illegible]	2x20 [illegible]	n/a

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:

Europe				
Germany (€ cents)	[illegible]	1.66	1.10	1.10
Italy (€ cents)	0.98	0.98	0.98	0.98
UK (GB £ pence)	0.67	0.68	0.51	0.51
Spain (€ cents)	1.09	1.09	1.09	1.09
Netherlands (€ cents)	1.80	1.86	1.86	1.86
Ireland (€ cents)	2.60	2.60	0.84	0.84
Portugal (€ cents)	1.27	0.83	0.79	0.79
Romania (€ cents)	0.96	0.96	0.96	0.96
Greece (€ cents)	1.099	1.081	1.072	0.987 (30 April 2017)
Czech Republic (CZK)	0.27	[illegible]	0.248	0.248
Hungary (HUF)	7.06	1.71	1.71	1.71
Albania (ALL)	1.48	1.48	1.48	1.48
Malta (€ cents)	0.40	0.40	0.40	0.40
Africa, Middle East and Asia-Pacific				
India (rupees)	[illegible]	0.14	0.14	0.14
Vodacom: South Africa (ZAR)	0.10	0.10	0.15	0.13
Vodacom: Democratic Republic of Congo (USD cents)	5.40	5.40	2.50	2.50
Lesotho (LSL/ZAR)	0.56	0.51	[illegible]	0.26
Mozambique (MZN/USD cents)	0.86	[illegible]	0.41	0.41
Tanzania (TZN)	30.58	28.57	26.96	26.96
Turkey (lira)	0.0258	0.0255	0.0259	0.0259
Australia (AUD cents)	3.60	[illegible]	1.70	1.70
Egypt (PTS piastres)	10.00	10.00	10.00	10.00
New Zealand (NZD cents)	3.56	3.56	3.56	3.56
Safaricom Kenya (shilling)	1.15	0.99	0.99	0.99
Ghana (pesewas)	4.00	5.00	5.00	5.00
Qatar (dirham)	16.50	[illegible]	7.62	7.62

Alternative performance measures

In the discussion of the Group's reported operating results, alternative performance measures are 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 alternative performance measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

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. We believe that it is both useful and necessary to report this measure for the following reasons:

- it is used for internal performance reporting;
- it is used in setting director and management remuneration; and
- it is useful in connection with discussion with the investment analyst community.

A reconciliation of reported service revenue to the respective closest equivalent GAAP measure, revenue, is provided in the "Operating results" section on pages 33 to 45 and the "Prior year operating results" on pages 177 to 18[illegible].

Adjusted EBITDA

Adjusted EBITDA is operating profit excluding share of results in associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs arising from discrete restructuring plans, 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 adjusted 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 adjusted 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 adjusted EBITDA margin, which is an alternative sub-total or margin figure. We believe that it is both useful and necessary to report adjusted EBITDA as a performance measure as it enhances the comparability of profit across segments.

Because adjusted EBITDA does not take into account certain items that affect operations and performance, adjusted EBITDA has inherent limitations as a performance measure. To compensate for these limitations, we analyse adjusted EBITDA in conjunction with other GAAP and non-GAAP operating performance measures. Adjusted EBITDA should not be considered in isolation or as a substitute for a GAAP measure of operating performance. A reconciliation of adjusted EBITDA to the closest equivalent GAAP measure, operating profit, is provided in note 2 "Segmental analysis" to the consolidated financial statements.

Group adjusted EBIT, adjusted operating profit and adjusted earnings per share

Group adjusted EBIT and adjusted operating profit exclude impairment losses, restructuring costs arising from discrete restructuring plans, amortisation of customer bases and brand intangible assets, other operating income and expense and other significant one-off items. Adjusted EBIT also excludes the share of results in associates and joint ventures. 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 as they are used for internal performance reporting, in setting director and management remuneration and in connection with discussions with the investment analyst community and debt rating agencies.

Adjusted EBIT is reconciled to the respective closest equivalent GAAP measure, operating profit, in the "Operating results" on page 33. A reconciliation of adjusted operating profit to the respective closest equivalent GAAP measure, operating profit, is provided 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 37.

2017 financial year guidance

The adjusted EBITDA and free cash flow guidance measures for the year ended 31 March 2017 were forward-looking alternative performance measures based on the Group's assessment of the global macroeconomic outlook and foreign exchange rates of €1:INR 76.1, €1:ZAR 16.5, €1:TRY 3.[illegible] and €1:£0.[illegible]. These guidance measures exclude the impact of licence and spectrum payments, material one-off tax-related payments, restructuring costs and any fundamental structural change to the Eurozone. They also assume no material change to the current structure of the Group. We believe it is both useful and necessary to report these guidance measures to give investors an indication of the Group's expected future performance, the Group's sensitivity to foreign exchange movements and to report actual performance against these guidance measures.

Reconciliations of adjusted EBITDA and free cash flow to the 2017 financial year guidance basis is shown below.

	2017 €bn			
Reported	**14.1**	**14.2**	**–**	**4.1**
Discontinued operations – India	1.6	1.8		0.1
Foreign exchange	(0.1)	(0.7)		0.1
Guidance basis	**15.8**	**15.3**	**3.4**	**4.3**

Additional information

Cash flow measures and capital additions

In presenting and discussing our reported results, free cash flow, capital additions 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 and capital additions do 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:

	2017 £m		
Cash generated by operations (refer to note 19)	13,731	[illegible]	[illegible]
Capital additions	(7,675)	[illegible]	[illegible]
Working capital movement in respect of capital additions	(822)	(140)	1,009
Disposal of property, plant and equipment	43	164	190
Restructuring costs	266	[illegible]	[illegible]
Other	34	[illegible]	[illegible]
Operating free cash flow	**5,627**	**3,208**	**3,432**
Taxation	(761)	[illegible]	[illegible]
Dividends received from associates and investments	435	[illegible]	4
Dividends paid to non-controlling shareholders in subsidiaries	(413)	[illegible]	[illegible]
Interest received and paid	(830)	[illegible]	[illegible]
Free cash flow	**4,056**	**1,271**	**1,679**

Other

Certain of the statements within the Strategic Report contain forward-looking alternative performance measures 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 17 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).

The Group's organic growth rates for all periods excludes the results of Vodafone India (excluding its 42% stake in Indus Towers) which are now included in discontinued operations.

For the quarter ended 31 March 2015 and the year ended 31 March 2015, the Group's organic 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. Organic growth rates for the quarter ended 31 March 2016 and the year ended 31 March 2016 have been similarly adjusted to exclude these impacts.

For the quarter ended 30 September 2015 and year ended 31 March 2016 the Group's and Vodafone UK's organic growth rates have been adjusted to exclude the beneficial impact of a settlement of an interconnect rate dispute in the UK. [illegible] organic growth rates for the quarter ended 30 September 2016 and the year ended 31 March 2017 have been similarly adjusted to exclude these impact.

The Group's organic growth rate for the year ended 31 March 2017 and the quarters ended 31 December 2016 and 31 March 2017 have also been adjusted to exclude the results of Vodafone Netherlands following the disposal of its consumer fixed business and subsequent merger in VodafoneZiggo, and to include the results of VodafoneZiggo after the merger.

We have not provided a comparative in respect of organic growth rates as the current rates describe the change between the beginning and end of the current year, with such changes being explained by the commentary in this news release. If comparatives were provided, significant sections of the commentary from the news release for the prior year would also need to be included, reducing the usefulness and transparency of this document.

Reconciliations of organic growth to reported growth are shown where used or in the following tables:

	2017 €m					
Year ended 31 March 2017						
Revenue						
Europe	34,550	36,462	[illegible]	[illegible]	[illegible]	[illegible]
AMAP	11,775	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Of which Turkey	3,052	[illegible]	[illegible]	–	[illegible]	15.5
Of which Egypt	1,329	634	[illegible]	–	[illegible]	[illegible]
Other	1,390	[illegible]				
Eliminations	(82)	[illegible]				
Total	**47,631**	**49,810**	**(4.4)**	**1.5**	**4.1**	**1.2**
Service revenue						
Germany	10,006	[illegible]	[illegible]	–	–	[illegible]
Mobile service revenue	6,071	[illegible]	[illegible]	–	–	[illegible]
Fixed service revenue	3,935	[illegible]	[illegible]	–	–	4.8
Italy	5,247	[illegible]	[illegible]	–	–	[illegible]
Mobile service revenue	4,365	[illegible]	[illegible]	–	[illegible]	[illegible]
Fixed service revenue	882	[illegible]	[illegible]	–	–	[illegible]
UK	6,632	[illegible]	[illegible]	1.4	[illegible]	[illegible]
Mobile service revenue	5,079	6,025	[illegible]	–	[illegible]	[illegible]
Fixed service revenue	1,553	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	4,507	4,468	[illegible]	–	–	[illegible]
Other Europe	5,756	[illegible]	[illegible]	8.4	(0.1)	[illegible]
Of which Ireland	954	[illegible]	–	–	–	–
Of which Portugal	911	896	[illegible]	–	–	[illegible]
Of which Greece	789	[illegible]	[illegible]	–	–	0.5
Eliminations	(173)	[illegible]				
Europe	**31,975**	**33,381**	**(4.2)**	**1.8**	**3.0**	**0.6**
Fixed service revenue	8,624	[illegible]	[illegible]	[illegible]	[illegible]	3.5
Vodacom	4,447	[illegible]	[illegible]	–	3.5	4.1
Of which South Africa	3,396	[illegible]	[illegible]	–	1.7	5.6
Of which International operations	1,001	[illegible]	[illegible]	–	8.8	[illegible]
Other AMAP	5,509	[illegible]	[illegible]	–	[illegible]	[illegible]
Of which Turkey	2,310	[illegible]	[illegible]	–	12.0	[illegible]
Of which Egypt	1,278	[illegible]	[illegible]	–	34.6	15.6
Of which New Zealand	1,169	[illegible]	[illegible]	–	[illegible]	0.8
AMAP	**9,956**	**10,043**	**(0.9)**	**–**	**8.6**	**7.7**
Other	1,138	[illegible]				
Eliminations	(82)	[illegible]				
Total service revenue	**42,987**	**44,618**	**(3.7)**	**1.4**	**4.2**	**1.9**
Other revenue	4,644	[illegible]				
Revenue	**47,631**	**49,810**	**(4.4)**	**1.5**	**4.1**	**1.2**

Additional information

	2017 £m					
Year ended 31 March 2017 (continued)						
Other growth metrics						
Group – Enterprise service revenue	12,735	[illegible]	[illegible]	[illegible]	4.0	[illegible]
Vodafone Group Enterprise – Service revenue	2,982	3,106	[illegible]	[illegible]	5.4	[illegible]
Europe – Service revenue excluding the impact of regulation	31,975	[illegible]	[illegible]	2.8	3.0	[illegible]
Germany – Mobile service revenue excluding the impact of regulation	6,071	[illegible]	0.1	1.5	–	1.6
Spain – Service revenue excluding the impact of handset financing	4,507	4,468	0.9	[illegible]	–	4.0
Ireland – Service revenue excluding the impact of MTR cuts	954	954	–	[illegible]	–	[illegible]
South Africa – Data revenue	1,352	1,145	18.3	–	1.4	[illegible]
South Africa – Voice revenue	1,505	1,586	[illegible]	–	1.4	(3.7)
India – Service revenue	5,854	[illegible]	[illegible]	2.5	[illegible]	[illegible]
India – Adjusted EBITDA	1,596	1,815	[illegible]	–	1.6	(10.5)
Adjusted EBITDA						
Germany	[illegible]	[illegible]	[illegible]	–	–	[illegible]
Italy	2,229	2,015	10.6	–	–	[illegible]
UK	1,212	1,756	(31.0)	[illegible]	[illegible]	[illegible]
Spain	1,360	1,250	8.8	–	–	[illegible]
Other Europe	1,865	2,002	(6.8)	[illegible]	[illegible]	[illegible]
Europe	**10,283**	**10,485**	**(1.9)**	**2.9**	**2.1**	**3.1**
Vodacom	2,063	2,078	[illegible]	–	[illegible]	[illegible]
Other AMAP	1,791	[illegible]	[illegible]	–	[illegible]	[illegible]
Of which Turkey	646	[illegible]	16.8	–	15.1	[illegible]
Of which Egypt	590	[illegible]	(13.9)	–	[illegible]	[illegible]
AMAP	**3,854**	**3,706**	**4.0**	**–**	**9.2**	**13.2**
Other	12	[illegible]				
Total	**14,149**	**14,155**	**–**	**1.8**	**4.0**	**5.8**
Percentage point change in adjusted EBITDA margin						
Germany	34.1%	[illegible]	1.5	–	–	[illegible]
Italy	36.5%	[illegible]	[illegible]	–	–	3.0
UK	17.5%	20.8%	[illegible]	0.8	[illegible]	[illegible]
Spain	27.3%	25.2%	2.1	–	–	[illegible]
Other Europe	30.4%	30.5%	[illegible]	0.5	–	[illegible]
Europe	**29.8%**	**28.8%**	**1.0**	**0.2**	**(0.2)**	**1.0**
Vodacom	39.0%	[illegible]	0.9	0.2	(0.4)	[illegible]
Other AMAP	27.6%	25.6%	2.0	–	0.9	2.9
Of which Turkey	21.2%	[illegible]	2.5			
Of which Egypt	44.4%	41.8%	2.6			
AMAP	**32.7%**	**31.2%**	**1.5**	**–**	**0.1**	**1.6**
Group	**29.7%**	**28.4%**	**1.3**	**–**	**(0.1)**	**1.2**
Adjusted EBIT						
Group	**3,970**	**3,769**	**5.3**	**(3.0)**	**4.7**	**7.0**
Adjusted operating profit						
Europe	1,890	1,927	(1.9)	(2.4)	(0.7)	(5.0)
AMAP	2,238	1,941	15.3	–	9.9	25.2
Other	6	(39)				
Total	**4,134**	**3,829**	**8.0**	**(1.1)**	**4.9**	**11.8**

	2017 €m					
Six months ended 31 March 2017						
Adjusted EBITDA						
Germany	1,830	[illegible]	[illegible]	–	–	[illegible]
Italy	1,125	[illegible]	[illegible]	–	[illegible]	[illegible]
UK	537	[illegible]	[illegible]	–	9.8	[illegible]
Spain	668	[illegible]	[illegible]	–	[illegible]	[illegible]
Other Europe	825	[illegible]	[illegible]	16.5	–	[illegible]
Europe	**4,985**	**5,140**	**(3.0)**	**3.3**	**2.1**	**2.4**
Vodacom	1,111	[illegible]	[illegible]	–	[illegible]	5.6
Other AMAP	851	849	[illegible]	–	[illegible]	[illegible]
AMAP	**1,962**	**1,809**	**8.5**	**–**	**5.3**	**13.8**
Other	112	21				
Total	**7,059**	**6,970**	**1.3**	**1.5**	**3.5**	**6.3**
Depreciation and amortisation	(5,669)	[illegible]				
Share of results in associates and joint ventures	91	[illegible]				
Impairment loss	–	[illegible]				
Restructuring costs	(379)	[illegible]				
Other income and expense	[illegible]	(5)				
Operating profit	**2,212**	**429**				
Quarter ended 31 March 2017						
Service revenue						
Germany	2,492	[illegible]	[illegible]	–	–	[illegible]
Italy	1,298	[illegible]	[illegible]	–	–	[illegible]
UK	1,524	[illegible]	[illegible]	–	[illegible]	[illegible]
Spain	1,109	[illegible]	[illegible]	–	[illegible]	[illegible]
Other Europe	1,102	[illegible]	[illegible]	[illegible]	–	[illegible]
Of which Ireland	235	[illegible]	[illegible]	–	[illegible]	[illegible]
Of which Portugal	226	[illegible]	[illegible]	–	[illegible]	[illegible]
Of which Greece	189	[illegible]	–	–	[illegible]	[illegible]
Eliminations	[illegible]	[illegible]				
Europe	**7,593**	**8,202**	**(7.4)**	**5.3**	**2.2**	**0.1**
Vodacom	1,198	[illegible]	[illegible]	–	[illegible]	[illegible]
Of which South Africa	937	[illegible]	[illegible]	–	[illegible]	[illegible]
Of which International operations	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Other AMAP	[illegible]	[illegible]	[illegible]	–	21.6	[illegible]
Of which Turkey	526	[illegible]	[illegible]	–	[illegible]	[illegible]
Of which Egypt	224	[illegible]	[illegible]	–	[illegible]	[illegible]
Of which New Zealand	305	[illegible]	[illegible]	–	[illegible]	[illegible]
AMAP	**2,437**	**2,396**	**1.7**	**–**	**5.1**	**6.8**
Other	314	[illegible]				
Eliminations	(23)	(45)				
Total service revenue	**10,321**	**10,888**	**(5.2)**	**3.9**	**2.8**	**1.5**
Other revenue	1,020	[illegible]				
Revenue	**11,341**	**12,006**	**(5.5)**	**2.8**	**2.9**	**0.2**
Other growth metrics						
Germany – Mobile service revenue excluding the impact of regulation	1,500	[illegible]	[illegible]	[illegible]	(0.1)	1.8
UK – Fixed service revenue excluding carrier services	406	[illegible]	[illegible]	[illegible]	9.8	[illegible]
Spain – Service revenue excluding the impact of handset financing	1,109	1,094	1.4	[illegible]	[illegible]	[illegible]
Ireland – Service revenue excluding the impact of MTR cuts	255	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
India – Service revenue	1,379	[illegible]	[illegible]	[illegible]	(3.8)	[illegible]
India – Data browsing revenue	247	[illegible]	[illegible]	–	3.5	[illegible]
India – Voice revenue	870	1,046	[illegible]	–	[illegible]	[illegible]

Additional information

	Restated 2016 €m					
Quarter ended 31 December 2016						
Service revenue						
Germany	2,505	2,460	[illegible]	–	[illegible]	[illegible]
Italy	1,330	[illegible]	[illegible]	–	–	[illegible]
UK	1,607	[illegible]	[illegible]	–	[illegible]	(3.2)
Spain	1,125	1,116	0.8	–	–	0.8
Other Europe	1,537	1,536	[illegible]	1.9	[illegible]	1.8
Of which Ireland	235	240	(2.1)	–	0.1	(2.0)
Of which Portugal	227	223	1.8	–	0.4	2.2
Of which Greece	195	192	1.6	–	(0.4)	1.2
Eliminations	(41)	(35)				
Europe	**8,063**	**8,366**	**(3.6)**	**0.3**	**4.0**	**0.7**
Vodacom	1,165	1,107	5.2	–	(1.2)	4.0
Of which South Africa	896	817	9.7	–	(4.1)	5.6
Of which International operations	256	270	(5.2)	–	[illegible]	[illegible]
Other AMAP	1,363	1,423	[illegible]	–	14.7	10.5
Of which Turkey	581	562	3.4	–	11.6	15.0
Of which Egypt	288	395	(27.1)	–	46.7	19.6
Of which New Zealand	299	275	8.3	–	(8.3)	–
AMAP	**2,528**	**2,530**	**(0.1)**	–	**7.5**	**7.4**
Other	281	308				
Eliminations	(17)	(18)				
Total service revenue	**10,855**	**11,186**	**(3.0)**	**0.3**	**4.8**	**2.1**
Other revenue	1,384	[illegible]				
Revenue	**12,239**	**12,722**	**(3.8)**	**0.9**	**4.4**	**1.5**
Other growth metrics						
Germany – Mobile service revenue excluding the impact of regulation	1,516	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain – Service revenue excluding the impact of handset financing	1,125	1,116	0.8	[illegible]	–	[illegible]
India – Service revenue	1,450	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
India – Data browsing revenue	295	[illegible]	[illegible]	–	(0.8)	0.6
India – Voice revenue	991	[illegible]	[illegible]	–	[illegible]	(3.0)

	Restated 2016 £m					
Year ended 31 March 2016 restated						
Revenue						
Europe	36,462	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMAP	11,891	[illegible]	[illegible]	[illegible]	4.8	[illegible]
Other	1,567	[illegible]				
Eliminations	[illegible]	[illegible]				
Total	**49,810**	**48,385**	**2.9**	**(0.7)**	**(0.1)**	**2.1**
Service revenue						
Germany	9,817	[illegible]	[illegible]	–	[illegible]	[illegible]
Mobile service revenue	6,062	[illegible]	[illegible]	–	–	[illegible]
Fixed service revenue	3,755	[illegible]	[illegible]	–	[illegible]	[illegible]
Italy	5,129	[illegible]	[illegible]	–	–	[illegible]
Mobile service revenue	4,305	[illegible]	[illegible]	–	–	[illegible]
Fixed service revenue	[illegible]	[illegible]	[illegible]	–	–	[illegible]
UK	7,987	[illegible]	6.1	[illegible]	[illegible]	[illegible]
Mobile service revenue	6,025	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fixed service revenue	1,962	1,825	[illegible]	[illegible]	[illegible]	[illegible]
Spain	4,468	[illegible]	[illegible]	[illegible]	–	[illegible]
Mobile service revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fixed service revenue	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Other Europe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Of which: Netherlands	1,750	[illegible]	[illegible]	–	[illegible]	[illegible]
Eliminations	[illegible]	[illegible]				
Europe	**33,381**	**32,612**	**2.4**	**(1.5)**	**(1.5)**	**(0.6)**
Vodacom	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Of which: South Africa	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Of which: International operations	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
Other AMAP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Of which: Turkey	2,222	[illegible]	[illegible]	–	[illegible]	[illegible]
Of which: Egypt	1,578	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMAP	**10,043**	**9,770**	**2.8**	**1.0**	**4.2**	**8.0**
Other	[illegible]	[illegible]				
Eliminations	[illegible]	[illegible]				
Total service revenue	**44,618**	**43,635**	**2.3**	**(0.8)**	**(0.4)**	**1.1**
Other revenue	[illegible]	[illegible]				
Revenue	**49,810**	**48,385**	**2.9**	**(0.7)**	**(0.1)**	**2.1**
Other growth metrics						
Group – Enterprise service revenue	[illegible]	[illegible]	[illegible]	[illegible]	(1.3)	[illegible]
UK – Fixed service revenue excluding carrier services	1,962	[illegible]	7.5	[illegible]	[illegible]	[illegible]
Spain – Service revenue excluding the impact of handset financing	4,468	[illegible]	5.4	[illegible]	–	[illegible]
South Africa – Data revenue	260	[illegible]	[illegible]	–	[illegible]	[illegible]
India – Service revenue	6,135	[illegible]	[illegible]	–	[illegible]	[illegible]
India – Service revenue excluding the impact of MTR cuts	6,135	[illegible]	[illegible]	5.0	[illegible]	[illegible]
India – Adjusted EBITDA	1,815	[illegible]	[illegible]	–	[illegible]	[illegible]
India – Percentage point change in adjusted EBITDA margin	29.5%	[illegible]	[illegible]	–	–	[illegible]

	Restated 2016 €m					
Year ended 31 March 2016 restated (continued)						
Adjusted EBITDA						
Germany	3,462	[illegible]	[illegible]	–	–	[illegible]
Italy	2,015	1,956	3.0	–	0.1	3.1
UK	1,756	1,724	[illegible]	4.7	(5.4)	[illegible]
Spain	1,250	1,035	[illegible]	(20.1)	(0.5)	4.2
Other Europe	2,002	2,004	(0.1)	[illegible]	(0.1)	(1.5)
Europe	**10,485**	**10,077**	**4.0**	**(1.3)**	**(1.0)**	**1.7**
Vodacom	2,028	1,949	4.1	–	8.6	12.7
Other AMAP	1,678	1,633	2.6	[illegible]	0.6	4.5
AMAP	**3,706**	**3,584**	**3.4**	**0.6**	**5.0**	**9.0**
Other	(36)	[illegible]				
Total	**14,155**	**13,702**	**3.3**	**(1.6)**	**0.6**	**2.3**
Percentage point change in adjusted EBITDA margin						
Germany	32.6%	[illegible]	0.8	–	–	0.8
Italy	33.5%	[illegible]	–	–	–	–
UK	20.8%	21.8%	(1.0)	[illegible]	0.3	[illegible]
Spain	25.2%	[illegible]	3.5	[illegible]	–	[illegible]
Other Europe	30.5%	31.5%	[illegible]	0.2	–	(1.0)
Europe	**28.8%**	**28.5%**	**0.3**	**0.0**	**0.1**	**0.4**
Vodacom	38.1%	[illegible]	[illegible]	–	[illegible]	[illegible]
Other AMAP	25.6%	[illegible]	(1.4)	[illegible]	[illegible]	[illegible]
AMAP	**31.2%**	**30.9%**	**0.3**	–	–	**0.3**
Group	**28.4%**	**28.3%**	**0.1**	**(0.1)**	**0.1**	**0.1**
Adjusted operating profit						
Europe	1,927	[illegible]	[illegible]	[illegible]	0.5	[illegible]
AMAP	1,941	[illegible]	[illegible]	1.6	[illegible]	[illegible]
Other	(39)	[illegible]				
Total	**3,829**	**4,040**	**(5.2)**	**(1.7)**	**3.1**	**(3.8)**
Quarter ended 31 March 2016 restated						
Service revenue						
Germany	2,462	[illegible]	1.6	–	–	[illegible]
Italy	1,263	1,246	1.4	–	(0.1)	[illegible]
UK	1,903	2,095	[illegible]	5.4	[illegible]	[illegible]
Spain	1,094	[illegible]	[illegible]	–	[illegible]	[illegible]
Other Europe	1,516	1,481	2.4	[illegible]	(0.2)	2.1
Of which Netherlands	428	434	(1.4)	–	0.1	[illegible]
Of which Portugal	221	213	3.8	–	(0.5)	[illegible]
Of which Romania	174	163	6.7	–	1.0	[illegible]
Eliminations	(36)	(44)				
Europe	**8,202**	**8,330**	**(1.5)**	**1.1**	**0.9**	**0.5**
Vodacom	992	[illegible]	(16.1)	–	[illegible]	[illegible]
Of which South Africa	717	888	(19.3)	–	25.8	6.5
Other AMAP	1,404	1,478	(5.0)	7.0	[illegible]	[illegible]
AMAP	**2,396**	**2,661**	**(10.0)**	**4.0**	**15.6**	**9.6**
Other	335	[illegible]				
Eliminations	(45)	(69)				
Total service revenue	**10,888**	**11,364**	**(4.2)**	**2.3**	**4.1**	**2.2**
Other revenue	1,118	1,376				
Revenue	**12,006**	**12,740**	**(5.8)**	**2.0**	**4.5**	**0.7**
India – Service revenue	1,532	1,547	(1.0)	–	6.5	5.3

	Restated 2015 £m					
Quarter ended 31 December 2015 restated						
Service revenue						
Germany	2,460	2,469	(0.4)		–	(0.4)
Italy	1,291	1,245	(0.3)	–	–	0.3
UK	1,998	1,334	[illegible]	0.8	[illegible]	[illegible]
Spain	1,116	[illegible]	[illegible]	[illegible]	–	[illegible]
Other Europe	1,536	1,485	3.4	[illegible]	[illegible]	[illegible]
Of which Netherlands	438	458	–	–	0.2	[illegible]
Eliminations	(35)	[illegible]				
Europe	**8,366**	**8,237**	**1.6**	**(0.1)**	**(2 1)**	**(0.6)**
Vodacom	1,107	1,128	[illegible]	–	[illegible]	[illegible]
Of which South Africa	817	846	[illegible]	–	[illegible]	[illegible]
Other AMAP	1,423	[illegible]	[illegible]	–	[illegible]	[illegible]
AMAP	**2,530**	**2,455**	**3.1**	–	**6.1**	**9 2**
Other	308	330				
Eliminations	(18)	[illegible]				
Total service revenue	**11,186**	**11,010**	**1.6**	**0.1**	**(0.4)**	**1.3**
Other revenue	1,536	[illegible]				
Revenue	**12,722**	**12,387**	**2.7**	**0.1**	**(0.1)**	**2 7**
India – service revenue	1,529	[illegible]	[illegible]	–	[illegible]	[illegible]
Year ended 31 March 2015 restated						
Revenue						
Europe	35,296	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMAP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	1,595	[illegible]				
Eliminations	[illegible]	[illegible]				
Total	**48,385**	**40,843**	**18.5**	**(19.5)**	**(1 1)**	**(2.1)**
Service revenue						
Europe	32,612	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMAP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	1,356	[illegible]				
Eliminations	(103)	(57)				
Total	**43,635**	**37,121**	**17.5**	**(19.6)**	**(1.1)**	**(3.2)**
Other revenue	[illegible]	[illegible]				
Total	**48,385**	**40,843**	**18.5**	**(19.5)**	**(1.1)**	**(2.1)**
Adjusted EBITDA						
Europe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMAP	3,584	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]				
Total	**13,702**	**11,840**	**15.7**	**(23.2)**	**(0 8)**	**(8.3)**
Adjusted operating profit						
Europe	2,216	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMAP	1,746	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	78	[illegible]				
Total	**4,040**	**4,740**	**(14.8)**	**(11.9)**	**(0.1)**	**(26.8)**
Other growth metrics						
Group – Enterprise service revenue	12,779	[illegible]	[illegible]	[illegible]	[illegible]	–

Form 20-F cross reference guide

The information in this document that is referenced in the following table is included in our Annual Report on Form 20-F for 2017 filed with the SEC (the 2017 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 2017 Form 20-F or incorporated by reference into any filings by us under the Securities Act. Please see Documents on display on page [illegible] for information on how to access the 2017 Form 20-F as filed with the SEC. The 2017 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 2017 Form 20-F.

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Note:
1 [illegible]

Forward-looking statements

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, preparation for 5G and expectations regarding 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 and licences, including 5G, 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, including their impact on the absolute indirect cost base;
- 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, adjusted EBITDA, adjusted 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 extend and expand its spectrum resources to support ongoing growth in customer demand for mobile data services;
- 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 28 to 34 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

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.
Adjusted EBIT	Operating profit excluding share of results in associates and joint ventures, impairment losses, amortisation of customer bases and brand intangible assets, restructuring costs arising from discrete restructuring plans and other income and expense. The Group's definition of adjusted EBIT may not be comparable with similarly titled measures and disclosures by other companies.
Adjusted EBITDA	Operating profit excluding share of results in associates and joint ventures, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs arising from discrete restructuring plans and other income and expense. The Group's definition of adjusted EBITDA may not be comparable with similarly titled measures and disclosures by other companies.
Adjusted operating profit	Group adjusted operating profit excludes impairment losses, restructuring costs arising from discrete restructuring plans, amortisation of customer bases and brand intangible assets and other income and expense.
ADR	American depositary receipt 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 customer revenue and incoming revenue divided by average customers.
Capital additions ('capex')	Comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, during the year.
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.
Converged customer	A customer who receives both fixed and mobile services (also known as unified communications) on a single bill or who receives a discount across both bills.
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.
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 data network.
Fixed service revenue	Service revenue relating to provision of fixed line ("fixed") and carrier services.
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 arising from discrete restructuring plans and licence and spectrum payments. For the year ended 31 March 2016 and 31 March 2015 free cash flow also excludes payments in respect of the Group's historical UK tax settlement.
Gbps	Gigabits (thousand million) 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
Incoming revenue	Comprises revenue from termination rates for voice and messaging to Vodafone customers.
Internet of Things ('IoT')	The network of physical objects embedded with electronics, software, sensors and network connectivity, including built-in mobile SIM cards, that enable these objects to collect data and exchange communications with one another or a database.
IP	Internet Protocol 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 delivers 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 service revenue	Service revenue relating to the provision of mobile services.
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 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.
Next generation networks ('NGN')	Fibre or cable networks typically providing high-speed broadband over 30Mbps.
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 additions (excludes capital licence and spectrum payments) and cash receipts from the disposal of intangible assets and property, plant and equipment, but before restructuring costs arising from discrete restructuring plans.
Organic growth	An alternative performance measure which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates. See pages 205 to 213 "Alternative performance measures" for further details.
Other revenue	Other revenue includes revenue from connection fees and equipment sales.
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.
Regulation	Impact of industry specific law and regulations covering telecommunication services. The impact of regulation on service revenue comprises the effect of changes in mobile termination rates and roaming regulation.

Additional information

Reported growth Reported growth is based on amounts reported in euros as determined under IFRS.

Restructuring costs Costs incurred by the Group following the implementation of discrete restructuring plans to improve overall efficiency.

RGUs/sub Revenue Generating Units/unique subscriber ratio (RGUs/sub) describes the average number of fixed services taken by subscribers.

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. See pages 205 to 213 "Alternative performance measures" for further details.

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.

VGE Vodafone Global Enterprise ("VGE") which serves the Group's biggest multi-national customers.

VoIP Voice over IP is a set of technologies 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

	2017				
Consolidated income statement data (€m)					
Revenue	47,631	[illegible]	48,385	[illegible]	[illegible]
Operating profit/(loss)	3,725	[illegible]	[illegible]	[illegible]	[illegible]
Profit/(loss) before taxation	2,792	[illegible]	[illegible]	[illegible]	[illegible]
(Loss)/profit for the financial year from continuing operations	(1,972)	[illegible]	[illegible]	[illegible]	[illegible]
(Loss)/profit for the financial year	(6,079)	[illegible]	[illegible]	71,515	[illegible]
Consolidated statement of financial position data (€m)					
Total assets	154,684	[illegible]	[illegible]	[illegible]	[illegible]
Total equity	73,719	[illegible]	[illegible]	[illegible]	[illegible]
Total equity shareholders' funds	72,200	[illegible]	[illegible]	[illegible]	[illegible]
Earnings per share[1,2]					
Weighted average number of shares (millions)					
– Basic	27,971	[illegible]	[illegible]	[illegible]	[illegible]
– Diluted	27,971	[illegible]	[illegible]	[illegible]	[illegible]
Basic (loss)/earnings per ordinary share	(22.51)c	[illegible]	[illegible]	[illegible]	[illegible]
Diluted (loss)/earnings per ordinary share	(22.51)c	[illegible]	[illegible]	[illegible]	[illegible]
Basic (loss)/earnings per share from continuing operations	(7.83)c	[illegible]	[illegible]	[illegible]	[illegible]
Cash dividends[1,3]					
Amount per ordinary share (eurocents)	14.77c	–	–	–	–
Amount per ADS (eurocents)	147.7c	–	–	–	–
Amount per ordinary share (pence)	–	[illegible]	[illegible]	[illegible]	[illegible]
Amount per ADS (pence)	–	[illegible]	[illegible]	[illegible]	[illegible]
Amount per ordinary share (US cents)	18.52c	[illegible]	[illegible]	[illegible]	[illegible]
Amount per ADS (US cents)	182.5c	[illegible]	[illegible]	[illegible]	[illegible]
Other data					
Ratio of earnings to fixed charges	2.1	–	[illegible]	–	[illegible]
Deficiency between fixed charges and earnings (€m)	–	159	–	485	–

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Additional information

Vodafone Group Plc Annual Report 2017

Vodafone Group Plc

Registered Office:
Vodafone House
The Connection
Newbury
Berkshire
RG14 2FN
England

Registered in England No. 1833679

Telephone: +44 (0)1635 33251
Fax: +44 (0)1635 238080

vodafone.com

Contact details:

Shareholder helpline
Telephone: +44 (0)370 702 0198
(In Ireland): +353 (0)818 300 999

Investor Relations
ir@vodafone.co.uk
vodafone.com/investor

Media Relations
vodafone.com/media/contact

Sustainability
vodafone.com/sustainability

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