Company Registration number: 06844137

VODAFONE SALES & SERVICES LIMITED

Annual Report and Financial Statements

for the Year Ended 31 March 2017

Company Registration number: 06844137

VODAFONE SALES & SERVICES LIMITED

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VODAFONE SALES & SERVICES LIMITED

Company Information

Directors

P Patel
D Massidda
S Parisse
C Sommer
N Vlachopoulos
D Wormald

Company Registration Number

06844137

Company Secretary

Vodafone Corporate Secretaries Limited

Registered office

Vodafone House
The Connection
Newbury
Berkshire
RG14 2FN

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

United Kingdom

VODAFONE SALES & SERVICES LIMITED

Strategic Report for the Year Ended 31 March 2017

The Directors present their strategic report for the year ended 31 March 2017.

Vodafone Sales & Services Limited ("the Company") is a wholly owned subsidiary of Vodafone Group Plc ("the Group").

The Company's financial performance is mainly influenced by the services it provides to other Vodafone companies, associates and partners of the Group.

The activities of the Company are focussed on 3 main areas, namely Partner Markets, the Vodafone brand and Vodafone Money Transfer (M-Pesa). In addition the Company offers mobile applications including widget and embedding services and makes available through Group companies rich communication services, for example Message+ and Call+. These services provide a more interactive and personal calling experience by adding content on the go and a set of innovative features that enhance the voice experience and let customers communicate in a more complete way.

The Company operates within the global market to build the Vodafone brand, bring new products and services to market, unlock efficiency and drive value for its customers.

Fair review of the business

Vodafone Partner Markets works to form strategic alliances with operators all over the world, partnering to offer a range of global products and services that extend Vodafone's reach into local markets. Vodafone Partner Market agreements vary from roaming and service resale to full partner branding. Established in 2002, Vodafone Partner Markets as at 31 March 2017 had relationships with 31 companies in 49 countries. Partner Market revenues decreased by 7% year on year in the year ended 31 March 2017.

The Company has the right to utilise the Vodafone brand rights around the world, and receives a return on these rights from the Group operating companies based upon revenues earned by these Vodafone companies.

The Vodafone brand strategy is about building a strong, coherent brand globally: one brand, united behind a single idea. The value of the Vodafone brand is focussed on delivering value to the customer through network performance that enables them to be confidently connected, an unmatched customer experience across all touch points and integrated worry free solutions that meet our customer's communication needs. The Company drives brand awareness and seeks to ensure that the Vodafone brand provides customers both with great innovations and incredible value.

The Company is responsible for the licensing of the brand to operating companies, affiliates and partner networks of the Vodafone Group. Brand revenue is earned through a royalty levied on the revenues of those businesses to which it has licensed the use of the Vodafone brand. Brand revenue increased by 10% to €649m for the year ended 31 March 2017 (2016: €591m).

The Company provides mobile money transfer services to companies in the Vodafone Group and associated partners. The turnover of this business division is derived mainly from charges for software, hosting and support services made to other companies in the Vodafone Group, who sell mobile applications to their customers.

The hugely successful and popular M-PESA programme has revolutionised small business and local commerce in a number of developing markets since its launch in East Africa. Revenues earned from mobile money transfers and other mobile applications decreased by 12% in the year.

Results

The Income Statement is set out on page 10 of the financial statements. For the year ended 31 March 2017 the Company recorded a profit for the financial year of €160 million (2016: profit of €97 million). The Company generated €844 million of revenues in the year which are analysed in note 4 to the financial statements (2016: €805 million) and cost of sales of €628 million (2016: €637 million).

Financial Position and Liquidity

The Statement of financial position on page 12 of the financial statements shows the Company's financial position at the end of the year.

The Company had creditors of €217 million at 31 March 2017 (2016: €234 million), €150 million at 31 March 2017 (2016: €180 million) of which is due to group companies, and debtors of €1,238 million (2016: €1,089 million). Debtors primarily consisted of €1,012 million of deposits with the Company's parent undertaking (2016: €764 million). The net current asset position of the Company increased from €859 million at 31 March 2016 to €1,026 million at 31 March 2017 reflecting the impact of the profits earned in the year.

For further details of amounts payable to and due from the parent company and fellow subsidiary undertakings see notes 13 and 14 of the financial statements.

Future developments

The Directors are of the opinion that the Company's activities will continue on a similar basis for the foreseeable future.

Other key performance indicators

Vodafone Group Plc includes within its Annual Report a detailed review of the results of operations and financial performance. As the Company's activities are directly and largely related to the provision of central management, technical and administrative and other key services to the Vodafone Group, the Company's Directors believe that further key performance indicators are not necessary or appropriate for an understanding of the development or position of the business.

Principal risks and uncertainties

The Company's financial performance is mainly influenced by the services it provides to other Vodafone companies, associates and partners of the Vodafone Group.

The Company's principal business risks in relation to partner market activities include the ability of the Company to enter into new agreements or renew existing agreements with partners, the pricing thereof, and the ability of the Company to continue to provide services that are attractive to the Company's partners.

For its mobile money transfer services, the Company's principal business risks relate to any change in the strategy of the Vodafone Group or its partners in relation to the promotion of activities described above, the extent of use by their customers of mobile technology for the purposes of conducting money transfers and other services, and the development and availability to consumers of alternative technologies.

The key risk facing the Company in relation to its brand activities is that existing licensees of the Vodafone brand will cancel their brand licensing agreements and adopt an alternative brand (for example as the result of the termination of a partner network agreement between Vodafone Group Plc and an existing licensee, or the disposal of a Vodafone Group company). This activity is also subject to the business performance of the licensees (as the brand revenues are linked to it) and to revisions in the pricing of such licenses e.g. as a result of a tax dispute.

VODAFONE SALES & SERVICES LIMITED

Strategic Report for the Year Ended 31 March 2017 (continued)

Principal risks and uncertainties (continued)

Within Vodafone Group there are dedicated teams that manage all partner markets relationships, mobile money transfer activities and the global brand relationship with all the existing licensees. These teams are involved in the reporting and monitoring of financial and non-financial performance in these areas and for agreeing overall strategy with Vodafone Group senior management.

After reviewing the Company's budget for the next financial year, and other longer term plans, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Approved by the Board on 28/11/17 and signed on its behalf by:

D Wormald
Director

VODAFONE SALES & SERVICES LIMITED

Directors' Report for the Year Ended 31 March 2017

The Directors present their report and the financial statements for the year ended 31 March 2017.

Future Developments

Details of the business' activities are set out in the Strategic Report.

Dividends

The Directors do not recommend the payment of a final dividend (2016: €nil).

Going concern

The Directors are satisfied that the Company has adequate resources to continue to operate in the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Financial risk management

The Company follows Group policy to manage its principal financial risks which include liquidity risk, market risk (interest rate management and foreign exchange management) and credit risk. The Group's treasury function provides a centralised treasury service to the Company, and follows a framework of policies and guidelines authorised and reviewed annually by the Group's management.

The Group's internal auditors review the internal control environment regularly. There has been no significant change during the financial year to the types of financial risks faced by the Company, or the Company's approach to the management of those risks.

Further details of the Group's policies on financial risk management can be found in the annual report and financial statements of Vodafone Group Plc for the year ended 31 March 2017.

Directors

The Directors of the Company, who served throughout the year and up to the date of signing the financial statements, unless otherwise indicated, are as follows:

	Appointed	Resigned
S Parisse		
D Wormald	12 May 2016	
N Vlachopoulos	12 May 2016	
D Massidda	7 September 2016	
C Sommer	13 December 2016	
P Patel	18 September 2017	
R Osborne		1 April 2016
S Gastaut		1 September 2016
R Mohindra		9 December 2016
M Joseph		18 September 2017

Independent Auditors

PricewaterhouseCoopers LLP were re-appointed as auditors for the 2017 financial year, and have indicated their willingness to continue in office for the next financial year.

Registered office

The registered office of the Company is Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, United Kingdom.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Indemnification of Directors

In accordance with the Company's articles of association and to the extent permitted by law, the Directors may be granted an indemnity from the Company in respect of liabilities incurred as a result of their office. In respect of those matters for which the Directors may not be indemnified, Vodafone Group Plc maintained a directors' and officers' liability insurance policy throughout the financial year. This policy is renewed annually in August. Neither the Company's indemnity nor the insurance provides cover in the event that the Director is proven to have acted dishonestly or fraudulently.

Statement as to disclosure of information to the auditor

Having made the requisite enquiries, so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and each of the Directors has 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 auditors are aware of that information.

VODAFONE SALES & SERVICES LIMITED

Directors' Report for the Year Ended 31 March 2017 (continued)

Employment of disabled persons

Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that training, career development and promotion of a disabled person, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Every year all our employees participate in our Global People Survey which allows us to measure engagement trends and identify ways to improve how we do things. Consultation with employees takes place at all levels, to ensure that their views are taken into account when decisions are made that are likely to affect their interests and to ensure employees are aware of the financial and economic performance of their business area and the Group as a whole. Communication with all employees is regular including weekly bulletins, regular briefing groups and the sharing of quarterly financial performance.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Events occurring after balance sheet date

The Company will closely monitor progress in relation to the impending exit of Great Britain from the membership of the European Union and regularly review the impact as part of the overall Group strategy.

Approved by the Board on 28/11/17 and signed on its behalf by:

D Wormald
Director

VODAFONE SALES & SERVICES LIMITED

Independent auditors' report to the members of Vodafone Sales & Services Limited

Report on the financial statements

Our opinion

In our opinion, Vodafone Sales & Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2017;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility

Independent auditors' report to the members of Vodafone Sales & Services Limited (continued)

Directors' remuneration

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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 International Standards on Auditing (UK and Ireland) ("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 parent 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

We conducted our audit in accordance with ISAs (UK & Ireland). 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 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 and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

N. Comello

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Nigel Comello (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 NOVEMBER 2017

VODAFONE SALES & SERVICES LIMITED

Income Statement for the Year Ended 31 March 2017

	Note	2017 €'000	2016 €'000
Revenue	4	844,438	805,393
Cost of sales		(628,325)	(636,949)
Gross profit		216,113	168,444
Other income/(expense)		695	(2,368)
Operating profit	5	216,808	166,076
Amounts written off investments	12	-	(18,200)
Net finance expense	6	(2,920)	(685)
Profit on ordinary activities before taxation		213,888	147,191
Income tax expense on ordinary activities	9	(53,821)	(50,038)
Profit for the financial year		160,067	97,153

The above results were derived from continuing operations.

The notes on pages 14 to 31 form an integral part of these financial statements.

VODAFONE SALES & SERVICES LIMITED

Statement of Comprehensive Income for the Year Ended 31 March 2017

	2017 €'000	2016 €'000
Profit for the financial year	160,067	97,153
Other comprehensive expense: Items that will not be reclassified to income statement		
Loss on cash flow hedges (net)	-	(568)
Total comprehensive income for the year	160,067	96,585

The notes on pages 14 to 31 form an integral part of these financial statements.

VODAFONE SALES & SERVICES LIMITED

Statement of Financial Position as at 31 March 2017

	Note	2017 €'000	2016 €'000
Fixed assets			
Intangible assets	11	21,527	28,630
Investment in subsidiary	12	15,890	15,890
		37,417	44,520
Current assets			
Debtors	13	1,238,037	1,089,324
Deferred tax asset	10	4,934	3,493
		1,242,971	1,092,817
Creditors: Amounts falling due within one year	14	(217,192)	(233,553)
Net current assets		1,025,779	859,264
Provision for liabilities	15	(3,789)	(3,487)
Net assets		1,059,407	900,297
Capital and reserves			
Called up share capital	16	-	-
Share premium account		250,000	250,000
Share based payments reserve		388	1,345
Retained earnings		809,019	648,952
Total shareholders' funds		1,059,407	900,297

The financial statements on pages 10 to 31 were authorised for issue by the board of directors on 28/11/17 and were signed on its behalf:

D Wormald
Director

The notes on pages 14 to 31 form an integral part of these financial statements.

Company Registration number: 06844137

VODAFONE SALES & SERVICES LIMITED

Statement of Changes in Equity for the Year Ended 31 March 2017

	Share premium account €'000	Share based payments reserve €'000	Cash flow hedging reserve €'000	Retained earnings €'000	Total shareholders' funds €'000
Balance as at 1 April 2015	250,000	911	568	551,799	803,278
Profit for the financial year	-	-	-	97,153	97,153
Loss on cash flow hedges	-	-	(568)	-	(568)
Total comprehensive income for the year	-	-	(568)	97,153	96,585
Credit relating to equity-settled share based awards	-	434	-	-	434
Balance as at 31 March 2016	250,000	1,345	-	648,952	900,297
Balance as at 1 April 2016	250,000	1,345	-	648,952	900,297
Profit for the financial year	-	-	-	160,067	160,067
Total comprehensive income for the year	-	-	-	160,067	160,067
Charge relating to equity-settled share based awards (net of tax)	-	(957)	-	-	(957)
Balance as at 31 March 2017	250,000	388	-	809,019	1,059,407

The notes on pages 14 to 31 form an integral part of these financial statements.

VODAFONE SALES & SERVICES LIMITED

Notes to Financial Statements for the Year Ended 31 March 2017

1. General Information

The activities of the Company are focussed on 3 main areas, namely Partner Markets, the Vodafone brand and Vodafone Money Transfer (M-Pesa). For detail activities please refer to Strategic Report.

The Company is a limited by share capital incorporated in United Kingdom and domiciled in England.

The address of its registered office is:

Vodafone House
The Connection
Newbury
Berkshire
RG14 2FN
United Kingdom

Company Registration number: 06844137

These financial statements were authorised for issue by the Board on 28/11/17 2017

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention as modified by derivative financial assets and liabilities measured at fair value through profit or loss and in accordance with the UK Companies Act 2006, as applicable to companies using FRS 101.

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

The Company's functional and presentational currency is 'Euro'.

2. Summary of significant accounting policies (continued)

(b) Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements in accordance with FRS 101:

- 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:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  – 10(d), (statement of cash flows)
  – 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  – 16 (statement of compliance with all IFRS),
  – 38A (requirement for minimum of two primary statements, including cash flow statements),
  – 38B-D (additional comparative information),
  – 40A-D (requirements for a third statement of financial position),
  – 111 (cash flow statement information), and
  – 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

(c) Going concern

The financial statements have been prepared on a going concern basis. The Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 3.

2. Summary of significant accounting policies (continued)

(d) Exemption from preparing group financial statements

The financial statements contain information about Vodafone Sales & Services Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is included by full consolidation in the consolidated financial statements of its ultimate parent, Vodafone Group Plc, a company incorporated in United Kingdom.

(e) Revenue recognition

Revenue is recognised to the extent the Company has 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 Company. Revenue is measured at the fair value of the consideration received, excluding value added tax.

Brand revenues are recognised in respect of services provided to group companies during the year.

Partner Markets revenues are recognised based upon services provided to customers through strategic partners including mobile operators.

Mobile Applications service and M-PESA mobile money transfer revenues are recognised on the basis of services provided during the year.

(f) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income.'

2. Summary of significant accounting policies (continued)

(g) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. 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 at the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those which are included in 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.

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

(h) Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:
– it is technically feasible to complete the software product so that it will be available for use;
– management intends to complete the software product and use or sell it;
– there is an ability to use or sell the software product;
– it can be demonstrated how the software product will generate probable future economic benefits;
– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
– the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Computer software 2 - 5 years
Development expenditure meeting the conditions stated above is capitalised and amortised over the period during which the Company is expected to benefit, typically three years. Provision is made for any impairment.

Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

2. Summary of significant accounting policies (continued)

(i) Financial assets

Classification

The Company classifies its financial assets in the category of receivables.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's receivables comprise amounts owed by parent, group and associated undertakings, other receivables in the statement of financial position.

Recognition and measurement

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within interest income or expenses in the period in which they arise.

Impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(j) Investment in subsidiary

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Earned income from the disposal of an investment is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

At each balance sheet date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss been recognised for the investment in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

2. Summary of significant accounting policies (continued)

(k) Debtors

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using an effective interest method less provision for impairment. Estimates are based on the ageing of the debt balances and historical experience. Receivables are written off when management considers them to be irrecoverable.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand less bank overdrafts. In the statement of financial position, bank overdrafts are shown within creditors in current liabilities.

(m) Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

(n) Share based payments

Vodafone Group Plc issues equity-settled awards to some of the Company's employees. Equity settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured using a binomial pricing model which is calibrated using a Black-Scholes framework. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where Vodafone Group Plc grants rights or share options over its shares to employees of the Company, the Company records this as a capital contribution directly in equity. Where the Company makes cash payments to its parent in respect of any rights or share options granted, such cash contributions are accounted for as a reduction in the capital contribution received. This accounting policy is only applicable to equity-settled share-based payments granted after 7 November 2002.

2. Summary of significant accounting policies (continued)

(o) Employee benefits

Pension obligations
A defined contribution plan is a pension plan under which the Company pays fixed contributions into a publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Defined contribution pension costs charged to the income statement represent contributions payable in respect of the year.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(p) Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

(q) Derivatives and hedging

Derivative financial instruments are initially recognised at fair value on the contract date, and are subsequently re-measured to fair value at each reporting date. The Company uses cash flow hedge accounting to minimise income statement volatility on foreign exchange forward and swap derivatives.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity within the cash flow hedging reserve. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument matures or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the net cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Directors have elected to take the exemption from the disclosure requirements of IFRS 7 Financial Instruments: Disclosures, on the basis that the Company is a wholly owned subsidiary included within the publicly available consolidated financial statements of Vodafone Group Plc, which includes the disclosure requirements of IFRS 7.

(r) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i. Useful economic lives of Intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments and economic utilisation. See note 11 for the carrying amount of the intangible assets.

ii. Impairment of Intangible assets

The Company assesses at the end of each reporting period whether there is objective evidence that an intangible asset or group of intangible assets is impaired. An intangible asset or a group of intangible assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the intangible asset or group of intangible assets that can be reliably estimated.

iii. Impairment of debtors

The Company makes an estimate of the recoverable value of all its debtors. When assessing impairment of the debtors, management considers factors including aging profile of debtors, historical experience and the level of group support.

iv. Recoverability of deferred tax asset

The recoverability of deferred income tax assets is evaluated through a probability assessment of the future taxable profit that will be available for the temporary differences to be utilised against. See note 10 for the carrying amounts.

v. Impairment of investment in subsidiary

In making the judgement for impairment of investment in subsidiary, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the subsidiary, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

4. Revenue

All revenue originated within the UK. Revenue, by country of destination, is as follows:

	2017	2016
	€'000	€'000
United Kingdom	1,882	12,779
Rest of Europe	481,415	485,629
Rest of the World	361,141	306,985
	844,438	805,393

Revenue by business activity is as follows:

	2017	2016
	€'000	€'000
Brand	648,917	591,428
Partner Markets	158,552	170,503
Mobile money transfer	32,822	37,284
Mobile applications	4,147	6,178
	844,438	805,393

5. Operating profit

The operating profit is stated after charging/(crediting):

	2017 €'000	2016 €'000
Wages and salaries	11,816	12,551
Social security costs	1,448	1,768
Pension and other post-employment benefit costs (see note 18)	925	1,028
Staff costs	14,189	15,347
Amortisation of intangible assets	17,795	17,703
Onerous contract expense (see note 15)	-	3,487
Foreign exchange gains	(695)	(1,367)

The fee payable of €14,000 (2016: €14,000) to the Company's auditors for the audit of the current year has been borne by another group company.

6. Interest income and expense

	2017 €'000	2016 €'000
Finance income	-	45
Finance expense	(2,920)	(730)
Net finance expense	(2,920)	(685)

All amounts stated above are relating to interest on deposit balance with Vodafone Group Plc.

7. Employees

The average number of persons employed by the company during the year, was as follows:

	2017 No.	2016 No.
Sales and admin	81	75

8. Directors' remuneration

The Directors are employees of other companies within the Vodafone Group Plc group of companies and did not receive any emoluments from the Company in respect of their services during the year (2016: £nil).

9. Income tax

Tax charge on profit on ordinary activities	2017 €'000	2016 €'000
UK Corporation Tax	43,567	33,968
UK Corporation Tax – adjustment to prior periods	(2,282)	205
	41,285	34,173
Foreign tax	35,662	34,033
Double tax relief	(21,729)	(16,997)
	13,933	17,036
Total current tax charge	55,218	51,209
Deferred taxation		
Arising from origination and reversal of temporary differences	(1,881)	(1,391)
Arising from changes in tax rates and laws	829	388
Arising from previously temporary difference of prior periods	(345)	(168)
Total deferred taxation	(1,397)	(1,171)
Total tax expense in the income statement	53,821	50,038

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 20% (2016: 20%). The actual tax charge for the current and previous year differs from the tax charge at the standard rate for the reasons set out in the following reconciliation:

	2017 €'000	2016 €'000
Profit on ordinary activities before tax	213,888	147,191
Corporation tax at standard rate of 20% (2016:20%)	42,778	29,439
Factors affecting tax credit/ (charge)		
(Decrease)/increase from effect of expenses not deductible in determining taxable profit (tax loss)	(50)	4,330
Decrease arising from overseas tax suffered	(1,042)	(1,190)
Increase from effect of double tax relief	13,934	17,035
Deferred tax expense relating to changes in tax rates	829	388
(Decrease)/increase from effect of prior year adjustments	(2,628)	36
Total tax charge	53,821	50,038

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate was announced in the 2016 Finance Bill to further reduce the tax rate to 17% (to be effective from 1 April 2020) was substantively enacted on 6th September 2016.

10. Deferred Tax

The following elements of deferred taxation are provided within the statement of financial position:

	2017 €'000	2016 €'000
Accelerated capital allowances	4,277	3,184
Share based payments	280	305
Other timing differences	377	4
	4,934	3,493

Deferred tax consists of the following deferred tax assets. There were no deferred tax liabilities.

	2017 €'000	2016 €'000
Deferred tax assets due within 12 months	987	776
Deferred tax assets due after 12 months	3,947	2,717
Deferred tax asset	4,934	3,493

Deferred tax assets and liabilities have not been discounted. The movement in the deferred tax asset balance is as follows:

	Accelerated capital allowances €'000	Share based payments €'000	Other €'000	Total €'000
At 1 April 2016	3,184	305	4	3,493
Amounts credited/(charged) to the income statement	1,093	(69)	373	1,397
Amounts charged directly to other comprehensive income	-	44	-	44
At 31 March 2017	4,277	280	377	4,934

Deferred tax assets have not been discounted. The recoverability of the deferred tax asset is based on the Directors' expectations of surrendering the losses to other Group companies at value.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further rate reduction from 19% to 17% (to be effective from 1 April 2020) was substantively enacted on 6th September 2016.

The rate of 17% (2016: 18%) has been used to calculate the above deferred tax asset.

11. Intangible assets

	Computer software	Assets in course of construction	Total
	€'000	€'000	€'000
Cost			
At 1 April 2016	78,032	841	78,873
Additions	-	10,692	10,692
Transfers	10,175	(10,175)	-
At 31 March 2017	**88,207**	**1,358**	**89,565**
Accumulated amortisation			
At 1 April 2016	50,243	-	50,243
Charge for the year	17,795	-	17,795
At 31 March 2017	**68,038**	-	**68,038**
Net book value			
At 31 March 2016	27,789	841	28,630
Movement during the year	(7,620)	517	(7,103)
At 31 March 2017	**20,169**	**1,358**	**21,527**

12. Investment in subsidiary

	€'000
Cost as at 1 April 2016 and 31 March 2017	34,090
Impairment provision as at 1 April 2016 and 31 March 2017	(18,200)
Carrying Value as at 31 March 2016 and 31 March 2017	15,890

The Company's stake in Invitation Digital Limited of 81.69%.

The Company is a party to a put/call option arrangement to purchase the remaining minority shareholding of 18.31% in Invitation Digital Limited. This was exercisable in May 2017 then extended to December 2017 at fair market value provided that such amount shall not be lower than £25 million resulting in a minimum purchase price of £6.9 million after dilution from the exercise of share options held by Invitation Digital Limited employees. The process to complete this purchase is ongoing as at the date of signing of the financial statements.

Company Name	Country of Incorporation	Principal Activity	Holding	%
Invitation Digital Limited	UK	Delivery of third party promotions on mobiles and internet	56,991 Preference shares (2016: 56,991) 247,792 Ordinary shares (2016:247,792)	81.69

13. Debtors

	2017 €'000	2016 €'000
Trade debtors	15,030	12,027
Amounts owed by group undertakings	181,647	297,384
Amounts owed by parent undertakings	1,011,719	763,894
Amounts owed by associate undertakings	20,455	-
Prepayments and accrued income	9,186	16,019
	1,238,037	1,089,324

Amount owed by group undertakings relate to trading balances due for brand and license fees. They are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Amounts owed by parent undertakings relate to deposits placed that are repayable on demand and attract interest at the 1 month EURIBOR rate.

14. Creditors: amounts falling due within one year

	2017 €'000	2016 €'000
Bank loans and overdraft	394	51
Trade creditors	7,631	2,083
Other creditors	5,529	471
Amount owed to group undertakings	149,947	179,607
Amount owed to associate undertakings	1,054	-
Group relief payable	21,785	16,971
Accruals and deferred income	30,852	34,370
	217,192	233,553

Amount owed to group undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. Provision for liabilities

	Onerous contract €'000	Others €'000	Total €'000
Balance as at 1 April 2016	3,487	-	3,487
Additions during the year	-	302	302
Balance as at 31 March 2017	3,487	302	3,789

The Company is a party to a put/call option arrangement to purchase the remaining minority shareholding of 18.31% in Invitation Digital Limited. The shareholder's agreement includes a minimum purchase price based on a £25 million valuation limit. The onerous contract provision represents the value below this minimum purchase price that the Company would pay based on their current fair market value assessment of Invitation Digital Limited.

16. Called up share capital

	2017	2016
	€	€
Allotted, called up and fully paid:		
10 (2016:10) ordinary shares of €1	10	10

17. Share-based payments

The Company currently uses a number of equity-settled share plans to grant options and shares in Vodafone Group Plc, the ultimate parent of the Company, to its directors and employees.

Vodafone Group Sharesave Plan

Scheme description

The Vodafone Group 2008 Sharesave Plan (and its predecessor the Vodafone Group 1998 Sharesave Scheme) enables UK staff to acquire shares in Vodafone Group Plc, through monthly savings of up to £250, over a three or five-year period, at the end of which they also receive a tax-free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of Vodafone Group Plc's shares. Invitations to participate in this scheme are usually issued annually.

Vodafone Share Incentive Plan

Scheme description

The Share Incentive Plan enables UK staff to acquire shares in Vodafone Group Plc through monthly purchases of up to £125 per month or 5% of salary, whichever is lower. For each share purchased by the employee, the Company provides a free matching share. The plan was closed for future contributions from April 2017.

Summary of share options outstanding

	31 March 2017		31 March 2016	
	Options in '000	Weighted average remaining contractual life Months	Options in '000	Weighted average remaining contractual life Months
Vodafone Group Savings Related and Sharesave Scheme £1.01 - £2.00	333	31	185	24

The average share price in the year was £2.23 (2016: £2.24).

18. Post-employment benefits

The Group has operated a number of different types of pension schemes for the benefits of its UK employees, which have been provided through defined contribution arrangements. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

The total amount charged to the income statement is as follows:

	2017 €'000	2016 €'000
Defined contribution schemes:		
Vodafone UK Defined Contribution Pension Plan		
– normal contributions	925	1,028
Total amount charged to the income statement (see note 5)	925	1,028

19. Related party disclosures

The Company has taken advantage of the Related Party Disclosures exemption granted under paragraph 8 'FRS 101' reduced disclosure framework to not to disclose transactions with Vodafone Group Plc group companies.

During the year the Company provided partner market & M-PESA related services of €6,176k and €23,799k respectively (2016: €6,181k and €24,529k) to its indirect associated undertaking, Safaricom, a Group associate in Kenya. At the year-end €nil (2016: €nil) was outstanding.

During the year, the Company provided partner market & brand related services of €9,595k and €22,169k respectively (2016: €8,619k and €22,687k) to its indirect associated undertaking, Vodafone Hutchison Australia Pty Limited, a Group joint venture in Australia. At the year-end €9,392k (2016: €8,511k) was outstanding and included within debtors. The receivable is unsecured and no guarantees have been received.

During the year, the Company provided brand services of €7,500k (2016: €nil) to its indirect associated undertaking, Vodafone Ziggo Group Holding B.V., a Group joint venture in Netherlands. At the year-end €11,062k (2016: €nil) was outstanding. On 1 January 2017, Vodafone Netherlands (a fully owned Group subsidiary until 31 December 2016) became a joint venture and was re-named as Vodafone Ziggo Group Holding B.V.

20. Controlling parties

The immediate parent company is Vodafone International Operations Limited and ultimate parent company and controlling entity of Vodafone Sales & Services Limited, and the smallest and largest group which prepares consolidated financial statements and of which the Company forms a part, is Vodafone Group Plc, a company which is incorporated in United Kingdom and registered in England and Wales. As a wholly owned subsidiary of a company which is incorporated in Great Britain and registered in England and Wales, for which group financial statements are prepared, the Company has taken advantage of Section 400 of the Companies Act 2006 and has not prepared consolidated financial statements.

A copy of the financial statements of Vodafone Group Plc for the year ended 31 March 2017 may be obtained from the company's website www.vodafone.com or from The Company Secretary, Vodafone Group Plc, Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, England.

21. Events occurring after balance sheet date

The Company will closely monitor progress in relation to the impending exit of Great Britain from the membership of the European Union and regularly review the impact as part of the overall Group strategy.