

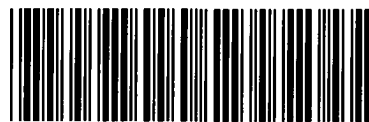
VODAFONE LIMITED

Company No: 01471587

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

SATURDAY



A7HHG17U

A05

27/10/2018

#238

COMPANIES HOUSE

VODAFONE LIMITED

Company No: 01471587

CONTENTS	PAGE
Strategic Report	1 – 2
Report of the directors	3 - 6
Independent auditors report	7 - 8
Income statement	9
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13 - 43

VODAFONE LIMITED

Company No: 01471587

STRATEGIC REPORT

Strategic report for the year ended 31 March 2018

The directors present their strategic report for the year ended 31 March 2018.

Review of the business and future developments

The overall strategy of Vodafone Limited (the "Company") is aligned to that of Vodafone Group Plc ("the Group"), which is outlined in the Group Strategic Review in the Group's Annual Report for the year ended 31 March 2018; it does not form part of this report.

Key financial performance indicators for the Company include revenue, operating result and average revenue per user ("ARPU"). Other non-financial key performance indicators include 4G coverage and 4G customer growth. The details of the performance indicators are explained in more detail in the Group Annual Report.

We delivered record operational performance in the UK this year, resulting in our best ever network performance and customer net promoter scores. Our 4G network coverage now stands at 99%, and we are well positioned for the evolution to 5G having acquired the largest share of 3.4GHz spectrum (50MHz) in the recent UK auction. We added 106,000 contract customers in the year.

Organic service revenue declined 3.5%, impacted by the drag from handset financing which weighed on organic service revenue by 2.5 percentage points. Excluding the impact of handset financing and regulatory drags, organic service revenue grew 0.3%, with trends improving throughout the year, driven by improvements in Consumer mobile and fixed line, largely offset by continued declines in Enterprise fixed business. We have seen an improving service revenue trend across the year, with Q4 back to growth despite regulation.

Mobile organic service revenue declined 4.2%, but grew 0.7% excluding the impact of handset financing and regulation. This underlying growth was supported by more-for-more actions, a better inflow mix of higher-value customers, and RPI-linked consumer price increases. Enterprise continued to decline in a competitive market, however ARPU trends improved with an increasing proportion of customers adopting our bespoke SoHo tariffs.

Fixed line organic service revenue declined 1.1%, with strong customer momentum in consumer broadband being more than offset by competitive pricing pressure and a lower Enterprise customer base. We delivered a record number of consumer broadband net additions across the year, making us the fastest growing operator in the UK broadband market. In total we now serve approximately 382,000 broadband customers.

Adjusted organic EBITDA grew 51.8% and the adjusted EBITDA margin was 24.9%. Excluding the impact of handset financing and regulatory settlements in the year, adjusted EBITDA grew by 1.4% and the adjusted EBITDA margin improved 0.3 percentage points as out-of bundle roaming declines were more than offset by lower operating costs delivered through our Fit for Growth programme. In total we delivered a 4.9% reduction in operating costs year-on-year.

In FY19 we shall focus on building on our improved operational performance, looking to return the UK back to growth for revenue and EBITDA in the second year of our turnaround plan.

An operating loss of £340.7m (2017: £669.2m loss) was incurred during the year.

Financial position and liquidity

The Statement of Financial Position on page 11 of the financial statements shows the Company's overall financial position at the end of the year.

In October 2017 the Company issued 107 ordinary shares of £1 each to its immediate parent company at a premium of £194.1m in order to fund the Company's defined benefit pension schemes. The major source of liquidity for the Company comes from the cash generated from trading activities. The Group treasury function

VODAFONE LIMITED

Company No: 01471587

STRATEGIC REPORT (continued)

provides a centralised treasury service to the Company, including managing its cash flow risks and follows a framework of policies and guidelines authorised and reviewed annually by the Group's management.

The Company closed the year with cash of £24.9m (2017: £19.8m), including amounts held in its joint operation of £7.7m (2017: £6.4m). Excess funds are loaned to the Vodafone Group under cash sweep arrangements. For further details of current and long term amounts payable to and due from the parent company and fellow subsidiary undertakings, see notes 12, 13 and 14 of the financial statements.

Principal risks and uncertainties

The Company has a clear framework for identifying and managing risk, both at an operational and strategic level. The Company has a dedicated Risk and Compliance team that coordinates risk management across the Company's business, alongside an established Risk and Compliance Committee that is made up of members of the Company's General Management Team. Additional oversight of the Enterprise Risk Management Framework is also provided by Internal Audit.

The Principal Risks and uncertainties for the Company and mitigating factors are as follows:

a) Risk: Failure to protect customer information

We host increasing quantities and types of customer data in both enterprise and consumer segments. Hardware and software applications include security features which are reviewed by our technology and corporate security functions to ensure compliance with our policies, security standards and UK GDPR requirements.

b) Risk: Malicious Cyber Threat

We recognise the increasing threat of malicious data loss or outages as a consequence of cyber-crime. This is mitigated by continuous monitoring of our IT infrastructure to identify threats and potential areas of weaknesses.

c) Risk: Significant Outage to our Network or IT Systems

Major failure or malicious attack on our network or IT systems may result in service interruption and consequential customer and revenue loss. Specific back-up and resilience requirements are built into our networks combined with regularly tested business continuity and disaster recovery plans.

The Strategic Report was approved by the Board and signed on its behalf by:

N Jeffery
Director

Date: 8th October 2018

VODAFONE LIMITED

Company No: 01471587

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2018.

Principal activity

The principal activity of the Company is the provision of telecommunication services through its mobile and fixed networks.

Results and dividends

For year ended 31 March 2018, the Company reported a loss for the financial year of £256.9m (2017: £621.3m loss). The Income Statement set out on page 9 of the financial statements summarises the trading, interest and tax components of the loss. The directors do not recommend the payment of a final dividend (2017: £nil).

Future developments

The future development of the business has been outlined in the Strategic Report.

Directors

The directors of the Company, who served throughout the year and to the date of this report, unless otherwise indicated, are as follows:

N Jeffery
H Lamprell
E Tournon

Registered office and company domicile

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

The Company is a private limited company and is incorporated and domiciled in England and Wales (company number 01471587).

Financial risk management

The Company follows Group policy to manage its 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 service to the Group, including the Company, and follows a framework of policies and guidelines authorised and reviewed annually by the Group's management.

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 can be found in the annual report and financial statements of Vodafone Group Plc, the ultimate parent undertaking, for the year ended 31 March 2018, which does not form part of this report.

VODAFONE LIMITED

Company No: 01471587

REPORT OF THE DIRECTORS (continued)

Employee involvement and commitment

Employee involvement and commitment is encouraged throughout the Company and is the responsibility of the board of directors.

Regular contact and exchanges of information between managers and staff is maintained through team briefings, and a range of communication channels. Key channels include Listen Live which is a monthly radio session run by our CEO and GMT to all team members across the organisation, providing a forum to update on the UK's strategic priorities, including financial results and provides a regular forum for employees to ask questions. We also provide a dedicated employee Vodafone News app, large digital screens around all our offices and sites, physical posters and collateral, company-wide emails and smaller face to face department meetings ("Town Halls"). Vodafone has a healthy social and interest-specific club culture, with clubs for varying interests.

The directors of the Company are committed to the principle of employee share participation, providing employees with the opportunity to acquire Vodafone Group Plc's shares on an advantageous basis operated with tax benefits under HM Revenue & Customs approved share scheme arrangements. This opportunity is provided through the Sharesave programme.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when policy decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the range of channels outlined above.

Disabled persons

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

Going concern

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 1.

The directors have reviewed the financial position of the Company, including the arrangements with Vodafone Group Plc. The directors have also considered the financial position of the Company's ultimate parent Vodafone Group Plc, including centralised treasury arrangements.

VODAFONE LIMITED

Company No: 01471587

REPORT OF THE DIRECTORS (continued)

Going concern (continued)

On the basis of their assessment of the Company's financial position and the confirmation of ongoing support made by the directors of Vodafone Group Plc, the Company's directors have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the Vodafone Group Plc to continue to provide financial support. Accordingly, they expect that the Company will be able to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Report of the directors 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.

VODAFONE LIMITED

Company No: 01471587

REPORT OF THE DIRECTORS (continued)

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 by 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, the Group maintains a directors' and officers' liability insurance policy throughout the financial year, and up to the date of approval. 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 auditors

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are 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 auditors are aware of that information.

The report of the directors was approved by the Board on 8th October 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'H Lamprell', with a horizontal line extending to the right.

H Lamprell
Director



Independent auditors' report to the members of Vodafone Limited

Report on the audit of the financial statements

Opinion

In our opinion, Vodafone Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2018; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities. With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

.....
: PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7212 4652, www.pwc.co.uk



Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jonathan Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
08 October 2018

VODAFONE LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £m	2017 £m
Revenue	2	6,253.6	5,843.9
Cost of sales		<u>(4,668.3)</u>	<u>(4,568.9)</u>
Gross profit		1,585.3	1,275.0
Selling and distribution costs		<u>(699.8)</u>	<u>(661.6)</u>
Administrative expenses		<u>(1,226.2)</u>	<u>(1,282.6)</u>
Operating loss	3	<u>(340.7)</u>	<u>(669.2)</u>
Finance income - net	6	<u>0.8</u>	<u>0.7</u>
Loss on ordinary activities before taxation		<u>(339.9)</u>	<u>(668.5)</u>
Income tax on ordinary activities	7	<u>83.0</u>	<u>47.2</u>
Loss for the financial year		<u><u>(256.9)</u></u>	<u><u>(621.3)</u></u>

The results above are derived from continuing operations.

The accompanying notes on pages 13 to 43 are an integral part of these financial statements.

VODAFONE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £m	2017 £m
Loss for the financial year		(256.9)	(621.3)
Other comprehensive income/(expense): Items that will not be reclassified to profit or loss			
Actuarial loss in the value of defined benefit retirement plans	21	(58.5)	(263.5)
Cash flow hedging reserve		(1.7)	-
Tax attributable to actuarial losses	7	11.2	46.2
Other comprehensive expense		<u>(49.0)</u>	<u>(217.3)</u>
Total comprehensive loss for the financial year		<u><u>(305.9)</u></u>	<u><u>(838.6)</u></u>

The accompanying notes on pages 13 to 43 are an integral part of these financial statements.

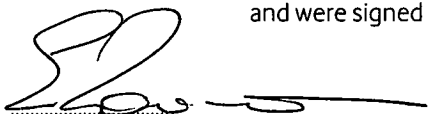
VODAFONE LIMITED
STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

Company No: 01471587

	Notes	2018 £m	2017 £m
Fixed assets			
Intangible assets	8	2,844.4	3,229.4
Property, plant and equipment	9	3,148.7	3,232.1
Investments	10	25.1	25.1
Deferred tax asset	16	841.9	961.4
Post-employment benefits - asset	21	92.1	44.4
		<u>6,952.2</u>	<u>7,492.4</u>
Current assets			
Inventory	11	92.5	102.0
Trade and other receivables	12	3,753.2	3,328.2
Cash and cash equivalents		24.9	19.8
		<u>3,870.6</u>	<u>3,450.0</u>
Creditors: amounts falling due within one year	13	(4,265.6)	(4,138.8)
NET CURRENT LIABILITIES		<u>(395.0)</u>	<u>(688.8)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,557.2	6,803.6
Creditors: amounts falling due after more than one year	14	(18.3)	(20.4)
Provisions for liabilities	15	(152.0)	(204.3)
Post-employment benefits - liability	21	(140.9)	(221.4)
NET ASSETS		<u>6,246.0</u>	<u>6,357.5</u>
EQUITY			
Ordinary shares	17	-	-
Share premium account		9,168.2	8,974.1
Reserves		(2,922.2)	(2,616.6)
TOTAL SHAREHOLDER'S FUNDS		<u>6,246.0</u>	<u>6,357.5</u>

The financial statements on pages 9 to 43 were approved and authorised for issue by the directors on 8 October 2018 and were signed on its behalf by:



E Tournon
Director

VODAFONE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Called up share capital £m	Share premium account £m	Retained earnings £m	Total Shareholder's funds £m
Balance at 1 April 2016		-	8,974.1	(1,774.7)	7,199.4
Loss for the financial year		-	-	(621.3)	(621.3)
Other comprehensive expense		-	-	(217.3)	(217.3)
Total comprehensive loss for the financial year		-	-	(838.6)	(838.6)
Net share based payment recharge		-	-	(3.3)	(3.3)
Balance at 31 March 2017		-	8,974.1	(2,616.6)	6,357.5
Loss for the financial year		-	-	(256.9)	(256.9)
Other comprehensive expense		-	-	(49.0)	(49.0)
Total comprehensive loss for the financial year		-	-	(305.9)	(305.9)
Net share based payment recharge	20	-	-	0.3	0.3
Share issues	17	-	194.1	-	194.1
Balance at 31 March 2018		-	9,168.2	(2,922.2)	6,246.0

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. Statement of accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The accounting policies adopted in respect of material items are described below. The accounting policies have been applied on a consistent basis during the current and the preceding year.

Basis of preparation

These financial statements were prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The following disclosure exemptions available under FRS 101 have been applied:

- (a) Paragraphs 45(b) and 46 to 52 of IFRS 2, "Shared-based payment" (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- (b) IFRS 7 "Financial Instruments: Disclosures";
- (c) 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);
- (d) Paragraph 38 of IAS 1 "Presentation of financial statements" comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73 (e) of IAS 16 "Property, Plant and Equipment" and paragraph 118 (e) of IAS 38 "Intangible assets".
- (e) 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)
- (f) IAS 7 "Statement of cash flows";
- (g) 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);
- (h) Paragraph 17 of IAS 24 "Related party disclosures" (key management compensation);
- (i) The requirements in IAS 24 "Related party disclosures" to disclose related party transactions entered into between two or more members of a group; and

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. Statement of accounting policies: (continued)

- (j) Paragraphs 130(f)(ii), 130(f)(iii), 134(f) and 135(c) to 135(e) of IAS 36 "Impairment of Assets", provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Going concern

The Company meets its day to day working capital requirements through its cash reserves and intercompany borrowing within the Group's treasury arrangements.

The directors have reviewed the financial position of the Company, including the arrangements with Vodafone Group Plc. The directors have also considered the financial position of the Company's ultimate parent Vodafone Group Plc, including centralised treasury arrangements.

On the basis of their assessment of the Company's financial position and the confirmation of ongoing support made by the directors of Vodafone Group Plc, the Company's directors have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the Vodafone Group Plc to continue to provide financial support. Accordingly, they expect that the Company will be able to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The accounting policies that materially impact the financial statement are as follows:

Revenue recognition

Revenue is recognised to the extent the Company 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 Company. Revenue is measured at the fair value of the consideration receivable, exclusive of sales taxes and discounts.

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

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

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

Revenue for the provision of televisual and music content is recognised when or as the Company performs the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Company 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 any related excess equipment revenue, is deferred and recognised over the period in which services are expected to be provided to the customer.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. Statement of accounting policies (continued)

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

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (i) the deliverable has value to the customer on a stand-alone basis and (ii) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value. The Company 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. 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.

Acquisition and retention commissions

Intermediaries are given cash incentives by the Company to connect new mobile customers and upgrade existing customers. Costs are recognised as an expense in cost of sales for the period in which they are incurred or where related to future performance, recognised in future periods on an accruals basis when contractual conditions have been satisfied.

Intangible assets

Purchased intangible assets, including licence fees, are capitalised at cost and stated at cost less amortisation and provision for impairment.

(i) Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets and 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 annually for impairment or whenever there is evidence that it may be required. Goodwill is denominated in the currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

Goodwill arising before the date of transition to FRS101, on 1 April 2015, is recognised at the net book value prevailing at that date, subject to being tested for impairment. Goodwill written off to reserves under UK GAAP has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

(ii) Licence fees

Licence fees are capitalised and amortised on a straight-line basis over their estimated useful economic life. The amortisation period for the Company's 3G licence fees is 17 years. The amortisation period for the Company's 4G licence fees is 20 years.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. Statement of accounting policies (continued)

(iii) Computer software

Development and acquisition costs that are directly attributable to the design and testing of identifiable software products controlled by the Company are recognised as intangible assets.

Computer software costs recognised as assets are amortised using the straight line basis over their estimated useful lives, which does not exceed 5 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairments.

Included within the cost of network infrastructure systems are materials awaiting installation which are valued at cost less a provision for excess and obsolete items. The materials are used in the construction and maintenance of new and existing infrastructure and, when issued, are charged either to the cost of specific infrastructure or to the Income Statement.

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

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is charged so as to write off the cost of assets, other than assets under construction, to their residual values using the straight-line method over their estimated useful lives, as follows:

Freehold buildings	40-50 years
Leasehold improvements	5-40 years (or over the lease term, whichever is shorter)
Plant and machinery	1-7 years
Motor vehicles	4 years
Furniture and fittings	5-10 years
Network infrastructure	5-40 years

Depreciation is not provided on freehold land.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value. The performance of investments is reviewed annually at each year end to establish whether there has been an impairment in the value of the investment which would necessitate a provision.

Asset impairment

Intangible assets and property, plant and equipment that are subject to amortisation are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an impairment indicator is identified, the carrying value of the income generating unit is compared with its recoverable amount. Where the recoverable amount is less than the carrying value an impairment is recognised.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. Statement of accounting policies (continued)

An impairment loss is recognised in the Income Statement for the amount by which the assets carrying amount exceeds its recoverable amount.

Inventory

Inventory is valued at the lower of cost and estimated net realisable value. Provision is made where inventory is slow moving or obsolete to reduce cost to its net realisable value, calculated with reference to historic sales experience and forecast demand.

Leases

Rental costs under operating leases are charged to the Income Statement in equal annual amounts over the periods of the leases.

Assets acquired under finance leases, which transfer substantially all the rights and obligations of ownership, are accounted for as though purchased outright. The fair value of the asset at the inception of the lease is included in property, plant and equipment and the capital element of the leasing commitment included in creditors. Finance charges are calculated on an actuarial basis and are allocated over each lease to produce a constant rate of charge on the outstanding balance.

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 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 within the UK tax group to allow all or part of the asset to be recovered.

Foreign currencies

Transactions in currencies other than the Company's reporting currency are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when fair value was determined. Non-monetary items that are 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.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. Statement of accounting policies (continued)

Joint operations

The Company has a tower sharing arrangement determined as a joint operation. 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 Company's assets, liabilities, revenue, expenses and cash flows in the joint operation plus the share of jointly held balances and transaction are combined with the equivalent items in the financial statements on a line-by-line basis.

Pensions

The Company participates in both defined benefit and defined contribution pension schemes.

(i) Defined benefit pension schemes

The asset or deficit recognised in the Statement of Financial Position in respect of the defined benefit plan represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. Net plan assets are recognised only to the extent that the present value of the economic benefit is available in the form of refunds from the plan or reductions in future contributions to the plan. Defined benefit obligations for the scheme are calculated annually by independent actuaries using the projected unit method. The present value of these obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid. The bonds used have terms to maturity approximating the terms of the related pension obligation.

The Company recognises actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in the period in which they occur in the Statement of Comprehensive Income. Past service costs are recognised immediately in the Income Statement, unless the changes to the pension plan are conditional on the employee remaining in service for a specified period of time (the vesting period). In these cases, the past service costs are amortised on a straight-line basis over the vesting period.

Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities less the expected return on plan assets, and scheme administration costs are included within operating costs.

(ii) Defined contribution pension schemes

For defined contribution schemes, the Company pays contributions to independently administered funds. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they fall due.

Defined contribution pension costs charged to the Income Statement represent contributions payable in respect of the year.

Financial assets

The Company classifies its financial assets under loans and receivables: Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise receivables and cash. The Company has no financial assets at fair value through profit or loss.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. Statement of accounting policies (continued)

Trade and other receivables mainly consist of amounts owed to the Company by customers, fellow group undertakings and amounts paid to suppliers in advance. Trade receivables do not carry any interest and are stated at their fair 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 collectable.

Borrowings

Interest bearing loans are initially measured at fair value, 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.

Creditors

Creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Share-based payments

Vodafone Group Plc issues equity-settled share awards to certain 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 option pricing 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 behavioral considerations.

Where the 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 ultimate parent in respect of any rights or share options granted, such cash contributions are accounted for as a reduction in the capital contribution received (see note 20).

Finance costs

Finance costs are recognised in the Income Statement in the period in which they are incurred.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. Statement of accounting policies (continued)

Provisions

Provisions for asset restoration obligations, restructuring costs and other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

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 judgements 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.

(a) Revenue recognition

(i) Gross versus net presentation

When the Company 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 Company 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 Company 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 Company 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.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. Statement of accounting policies (continued)

(b) Taxation

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

The recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether it is probable that there will be sufficient and suitable taxable profits in the Company or the UK tax group against which to utilise the assets in the future.

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

Changes in the assumptions which underpin the Company'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 Company only considers substantively enacted tax laws when assessing the amount and availability of tax losses to offset against the future taxable profits. See note 7 "Income tax expense".

(c) Finite lived intangible assets

Other intangible assets include amounts spent by the Company acquiring investments, licences fees 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.

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 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.

The estimated useful life of licence fees 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.

The useful life of software 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 the licence.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. Statement of accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment represents 29.1% (2017: 29.5%) of the Company's total assets; estimates and assumptions made may have a material impact on their carrying value and related depreciation charge. See note 9 "Property, plant and equipment".

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

(e) Post-employment benefits

Management judgement is exercised when determining the Company's liabilities and expenses arising for defined benefit pension schemes. Management is required to make assumptions regarding future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Further details, including a sensitivity analysis, are included in note 21 "Post-employment benefits".

(f) Impairment reviews

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

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

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

Management prepares formal five year forecasts for the Company's operations, which are used to estimate their value in use.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projection, could significantly affect the Company's impairment evaluation and hence reported assets and profits or losses.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Revenue

The Company operates in one class of business, being the supply of telecommunications voice, data, services and equipment.

In both the current and prior years, revenue was generated predominantly by operations in the United Kingdom, as determined by the destination of revenue.

3. Operating loss

The operating loss of £340.7m (2017: £669.2m loss) is stated after charging/(crediting):

	2018	2017
	£m	£m
Bad debts	66.3	89.7
Depreciation	650.2	663.9
Payments under operating leases:		
Other assets	171.4	165.5
Plant, machinery and network infrastructure	311.0	321.8
Fees payable to the Company's auditors:		
Audit of the Company's financial statements	1.4	1.5
Loss on disposal of fixed assets	6.9	15.7
Amortisation of license fees	391.9	391.9
Amortisation of computer software	207.6	235.6
Reorganisation expenses – restructuring	4.0	37.5
Net foreign exchange gain	<u>(1.3)</u>	<u>(2.5)</u>

Reorganisation expense comprises redundancy and property costs as a result of restructuring. The Company continued to undertake restructuring activities in its second year of a three-year program.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

4. Employees

The average monthly number of persons directly employed by the Company (including directors) during the year was:

	2018 Number	2017 Number
Selling and distribution	4,349	4,596
Administration	7,174	7,632
	<u>11,523</u>	<u>12,228</u>

The costs incurred in respect of employees (including directors) were:

	2018 £m	2017 £m
Wages and salaries	466.3	494.7
Social security costs	54.2	57.5
Other pension costs	52.8	38.1
Cost of employee share schemes	8.6	8.7
	<u>581.9</u>	<u>599.0</u>

5. Directors' remuneration

	2018 £'000	2017 £'000
Emoluments	4,679	2,037
Company payments to defined contribution pension schemes	20	-
Compensation for loss of office	-	551
	<u>4,699</u>	<u>2,588</u>

The emoluments shown are those earned by the directors in performing qualifying services for the Company during the year.

	2018 Number	2017 Number
Number of directors in the year who:		
Are members of a defined contribution pension scheme:	<u>2</u>	<u>2</u>

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

5. Directors' remuneration (continued)

	2018 £'000	2017 £'000
Highest paid director's remuneration	2,803	729

All directors of the Company participate in the Group's share plans which are described in note 20.

6. Net finance income

	2018 £m	2017 £m
Interest receivable and similar income:		
Vodafone Group companies	7.5	8.9
Interest payable and similar charges:		
Vodafone Group companies	(3.8)	(3.6)
Other interest and charges	(2.9)	(4.6)
	(6.7)	(8.2)
	0.8	0.7

7. Income tax expense

	2018 £m	2017 £m
UK Corporation Tax credit at 19% (2017: 20%)	195.2	21.8
Adjustments in respect of prior years	6.9	(31.3)
Total current taxation credit/(charge)	202.1	(9.5)
Deferred taxation (charge)/credit - current year	(142.0)	82.8
Deferred taxation credit - prior year	9.4	41.0
Deferred taxation credit/(charge) - impact of change in tax rate	13.5	(67.1)
Total deferred taxation (charge)/credit	(119.1)	56.7
Total income tax credit	83.0	47.2

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

7. Income tax expense (continued)	2018	2017
	£m	£m
Tax included in other comprehensive income		
Current tax	11.6	0.9
Origination and reversal of temporary differences	(0.5)	49.5
Impact of change in tax rate	0.1	(4.2)
Total tax credit included in other comprehensive income	<u>11.2</u>	<u>46.2</u>

The elements of deferred taxation are shown in note 16.

The tax rate for the current year is 19%.

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

An amount of £13.5m (2017: £67.1m charged) was credited to the Income Statement due to the change in the UK tax rate.

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 19% (2017: 20%). The actual income tax for the current and previous year differs from the tax credit at the standard rate for the reasons set out in the following reconciliation

	2018	2017
	£m	£m
Loss before taxation	<u>(339.9)</u>	<u>(668.5)</u>
Tax on loss before income tax at standard rate of 19% (2017: 20%)	64.6	133.8
Factors affecting tax credit for the year:		
Permanent differences	(10.6)	(28.0)
Losses not utilised	(0.8)	(1.1)
Re-measurement of deferred tax – change in UK tax rate	13.5	(67.2)
Adjustments in respect of prior years	16.3	9.7
Income tax credit for the year	<u>83.0</u>	<u>47.2</u>

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

8. Intangible assets

	Goodwill	Licence fees	Computer software	Total
	£m	£m	£m	£m
Cost				
At 1 April 2017	360.0	6,930.1	2,220.6	9,510.7
Restatement*	-	-	119.5	119.5
At 1 April 2017 (Restated)	360.0	6,930.1	2,340.1	9,630.2
Additions	-	-	209.1	209.1
Disposals	-	-	(2.9)	(2.9)
Transfers	-	-	6.5	6.5
At 31 March 2018	360.0	6,930.1	2,552.8	9,842.9
Accumulated amortisation				
At 1 April 2017	-	(4,491.2)	(1,790.1)	(6,281.3)
Restatement*	-	-	(119.5)	(119.5)
At 1 April 2017 (Restated)	-	(4,491.2)	(1,909.6)	(6,400.8)
Charge for the year	-	(391.9)	(207.6)	(599.5)
Disposals	-	-	2.4	2.4
Transfers	-	-	(0.6)	(0.6)
At 31 March 2018	-	(4,883.1)	(2,115.4)	(6,998.5)
Net book value				
At 31 March 2018	360.0	2,047.0	437.4	2,844.4
At 31 March 2017	360.0	2,438.9	430.5	3,229.4

*A misclassification in the prior year costs and accumulated amortisation has been identified and therefore the opening balances have been restated. The restatement has had no impact on the net book value reported in the current or prior year.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

9. Property, plant and equipment

	Freehold land & buildings and leasehold improvements	Plant, machinery and motor vehicles	Furniture and fittings	Network infrastructure	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2017	387.9	789.1	395.6	9,694.1	240.8	11,507.5
Restatement*	-	-	21.7	(44.1)	-	(22.4)
At 1 April 2017 (Restated)	387.9	789.1	417.3	9,650.0	240.8	11,485.1
Additions	-	2.0	-	5.4	575.7	583.1
Transfers	-	7.6	33.3	590.4	(637.8)	(6.5)
Disposals	(16.7)	(6.1)	(37.0)	(141.2)	-	(201.0)
At 31 March 2018	371.2	792.6	413.6	10,104.6	178.7	11,860.7
Accumulated depreciation						
At 1 April 2017	(302.2)	(717.8)	(265.7)	(6,989.7)	-	(8,275.4)
Restatement*	-	-	(21.7)	44.1	-	22.4
At 1 April 2017 (Restated)	(302.2)	(717.8)	(287.4)	(6,945.6)	-	(8,253.0)
Charge for the year	(15.2)	(50.7)	(35.2)	(549.1)	-	(650.2)
Transfers	-	(0.2)	-	0.8	-	0.6
Disposals	14.5	5.7	35.6	134.8	-	190.6
At 31 March 2018	(302.9)	(763.0)	(287.0)	(7,359.1)	-	(8,712.0)
Net book value						
At 31 March 2018	68.3	29.6	126.6	2,745.5	178.7	3,148.7
At 31 March 2017	85.7	71.3	129.9	2,704.4	240.8	3,232.1

Included in property, plant and equipment is freehold land with a cost of £11.2m (2017: £11.2m). Freehold land is not depreciated.

The net book value of plant, machinery and motor vehicles includes £nil (2017: £nil) in respect of assets held under finance leases.

*A misclassification in the prior year costs and accumulated depreciation has been identified and therefore the opening balances have been restated. The restatement has had no impact on the net book value reported in the current or prior year.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

10. Investments

Cost	£m
At 1 April 2017 and at 31 March 2018	<u>25.1</u>

The companies in which the Company had an interest at the year-end were as follows:

Investment held	Principal activity	Holding and Voting Rights %
Cornerstone Telecommunications Infrastructure Limited	Passive network infrastructure management	50
Talkmobile Limited	Telecommunications services	100

All shareholdings are investments in ordinary shares of companies registered in England and Wales. The Company accounts for Cornerstone Telecommunications Infrastructure Limited as a joint operation.

11. Inventories

	2018 £m	2017 £m
Finished goods held for resale	<u>92.5</u>	<u>102.0</u>

There is no material difference between the balance sheet value of inventory and their replacement cost. Cost of sales includes amounts related to inventory of £1,008.0m (2017: £897.0m). Inventories are stated after provisions for impairment of £10.8m (2017: £12.0m).

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

12. Trade and other receivables

	2018 £m	2017 £m
<i>Trade and other receivables: amounts falling due within one year</i>		
Trade receivables	506.5	452.9
Amounts owed by group undertakings	1,868.0	2,310.0
Group relief receivable	207.9	23.7
Other receivables	59.5	54.3
Prepayments and accrued income	711.2	472.0
	<u>3,353.1</u>	<u>3,312.9</u>
<i>Trade and other receivables: amounts falling due after more than one year</i>		
Prepayments and accrued income	400.1	15.3
	<u>3,753.2</u>	<u>3,328.2</u>

Included within Trade and other receivables: amounts falling due after more than one year, is a prepayment totalling £230.6m for the acquisition of 5G Spectrum licenses. Refer note 22.

Amounts owed by group undertakings are payable on demand.

The carrying amounts of trade and other receivables approximate their fair value and are non-interest bearing. Trade receivables are stated after provisions for impairment of £72.4m (2017: £143.6m).

13. Creditors: amounts falling due within one year

	2018 £m	2017 £m
Trade payables	336.6	310.6
Amounts owed to group undertakings	2,942.5	2,859.0
Net obligations under finance leases	0.5	0.4
Taxation payable	1.0	1.0
Other taxation and social security costs	133.2	132.0
Other payables	24.0	22.6
Accruals and deferred income	827.8	813.2
	<u>4,265.6</u>	<u>4,138.8</u>

Amounts owed to group undertakings are payable on demand.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

14. Creditors: amounts falling due after more than one year

	2018	2017
	£m	£m
Other payables	18.3	19.9
Net obligations under finance leases	-	0.5
	<u>18.3</u>	<u>20.4</u>

The maturity of creditors falling due after more than one year is as follows:

	2018	2017
	£m	£m
Between 2 and 5 years	3.1	20.4
More than 5 years	15.2	-
	<u>18.3</u>	<u>20.4</u>

15. Provisions for liabilities

	Asset retirement obligations	Other	Total
	£m	£m	£m
As at 1 April 2017	129.5	74.8	204.3
Amount charged to the income statement	-	14.3	14.3
Additions	2.2	-	2.2
Released in the year	(17.6)	(11.8)	(29.4)
Utilised in the year	(1.8)	(41.3)	(43.1)
Discount unwind	3.7	-	3.7
As at 31 March 2018	<u>116.0</u>	<u>36.0</u>	<u>152.0</u>

Asset retirement obligations are provisions recognised by the Company for the obligation to decommission its network sites at the end of their operating life. In the course of the Company's activities, a number of sites and other assets are utilised which are expected to have costs associated with decommissioning. The associated cash outflows are substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in periods up to 25 years from when the asset is brought into use.

Other provisions include legal, regulatory, and reorganisations provisions that are expected to be utilised within one year, as well as network decommissioning and onerous property lease provisions that are expected to be utilised primarily in periods up to 10 years.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

16. Deferred taxation

	2018 £m	2017 £m
The elements of deferred taxation which have been recognised as assets in the Statement of Financial Position are as follows:		
Accelerated capital allowances	826.0	918.0
Share based payments	2.4	2.7
Pension asset	8.3	30.1
Other timing differences	5.2	10.6
	<u>841.9</u>	<u>961.4</u>

Deferred tax assets and liabilities have not been discounted.

The movements in the deferred taxation balances were as follows:

	2018 £m	2017 £m
Asset at the beginning of year	961.4	859.4
Amount (charged)/credited to the income statement	(119.1)	56.7
Amount (charged)/credited to other comprehensive income	(0.4)	45.3
Asset at the end of year	<u>841.9</u>	<u>961.4</u>

Deferred tax consists of the following deferred tax assets/(liabilities):

	2018 £m	2017 £m
Deferred tax assets due within 12 months	46.3	232.7
Deferred tax liabilities due within 12 months	(17.4)	(9.1)
Total deferred tax	<u>28.9</u>	<u>223.6</u>
Deferred tax assets due after 12 months	813.0	737.8
Deferred tax liabilities due after 12 months	-	-
Total deferred tax	<u>813.0</u>	<u>737.8</u>
Total deferred tax asset	<u>841.9</u>	<u>961.4</u>

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

16. Deferred taxation (continued)

Reconciliation of the deferred tax asset as at 31 March 2018

	ACA	Share-based payment	Pension deficit	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2017	922.5	2.7	30.1	10.6	965.9
Charged to the income statement	(89.8)	-	(21.7)	(5.4)	(116.9)
Charged directly to other comprehensive income	-	(0.3)	(0.1)	-	(0.4)
At 31 March 2018	<u>832.7</u>	<u>2.4</u>	<u>8.3</u>	<u>5.2</u>	<u>848.6</u>

Reconciliation of deferred tax liability as at 31 March 2018

	Total £m
At 1 April 2017	(4.5)
Charged to the income statement	<u>(2.2)</u>
At 31 March 2018	<u>(6.7)</u>

The recoverability of the deferred tax asset is based on the directors' expectations of surrendering the losses to other Group companies at value. Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. No unrecognised deferred income tax asset in respect of losses are carried forward for use against future taxable income (2017: £nil).

Changes to the UK Corporation Tax system were substantively enacted as part of Finance Bill 2016 on 6 September 2016. These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements.

17. Called up share capital

	2018 £	2017 £
Allotted, issued and fully paid:		
4,343 (2017: 4,236) ordinary shares of £1 each	<u>4,343</u>	<u>4,236</u>

In October 2017 the Company issued 107 ordinary shares of £1 each to its immediate parent company at a premium of £194.1m in order to fund the defined benefit pension schemes.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

18. Capital and other commitments

	2018 £m	2017 £m
Contracted for, but not provided	127.0	129.7

19. Operating leases

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018 £m	2017 £m
In respect of leases expiring:		
Not later than one year	317.7	270.6
Later than one year but not later than five years	440.3	345.5
Later than five years	226.6	238.8
	<u>984.6</u>	<u>854.9</u>

The total of future minimum sublease payments expected to be received under non-cancellable subleases is £7.4m (2017: £10.0m).

20. Share-based payments

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

The Company has applied the exemption permitted by IFRS 2 that allows the measurement of this expense to be calculated only on share awards and share options granted after 7 November 2002. IFRS 2 requires that equity-settled share-based payments issued to the Company's employees are measured at fair value and that this value is expensed over the vesting period, with an equivalent credit taken directly in equity as a capital contribution. On vesting of the shares, the Company is charged the intrinsic value of the share by Vodafone Group Plc. This amount is treated as a reduction of the capital contribution and is recognised directly in equity.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

20. Share-based payments (continued)

(i) Share options

Vodafone Group executive plans

No share options have been granted to any directors or employees under the Company's discretionary share option plans in the year ended 31 March 2018.

At 31 March 2018, there were no options outstanding under the Vodafone Global Incentive Plan.

Vodafone Group Sharesave Plan

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 £375 over a three or five year period, at the end of which they may, in some years, also be entitled to receive a tax free bonus. The savings and bonus (if any) may then be used to purchase shares at the option price, which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the shares.

(ii) Share plans

Vodafone Group executive plans

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

Vodafone Share Incentive Plan

The Vodafone Share Incentive Plan enabled 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, Vodafone Group Plc provided a free matching share. Following a review of our plans, it was decided that, from 1 April 2017, employees would no longer be able to purchase shares under this plan and would no longer receive matching shares. However, individuals continue to receive Dividend Equivalent awards in the plan.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

21. Post-employment benefits

The Company's pension plans are provided through both defined benefit and defined contribution arrangements. Defined benefit schemes provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

Defined benefit plans

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

The Company's main defined benefit scheme is the Vodafone UK Group Pension Scheme ('Vodafone UK plan'). There are two segregated sections of the Vodafone UK plan, the pre-existing assets and liabilities of the Vodafone UK plan in the Vodafone Section and the former Cable & Wireless Worldwide Retirement Plan ("CWWRP") assets and liabilities, which were transferred into the Vodafone UK plan on 6 June 2014, in the CWW Section, with the CWWRP then being wound up. The pre-existing Vodafone UK plan and the former CWWRP plan closed to future accrual on 31 March 2010 and 30 November 2013 respectively.

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

The most recent valuations for the Vodafone Section and CWW Section of the Vodafone UK plan were carried out as at 31 March 2016 by an independent actuary appointed by the plan trustee. These valuations revealed a net deficit of £189m on the scheme's funding basis (£249m deficit for the Vodafone Section and a £60m surplus on the CWW Section). Following the valuation, the Company paid one-off funding contributions totalling £194m in October 2017 (£136m into the Vodafone Section and £58m into the CWW Section). For the Vodafone Section this lump sum contribution represented both contributions due under the previous schedule of contributions and accelerated funding that would otherwise have been due over a longer recovery period. For the CWW Section this represented a cash payment due under the previously agreed schedule of contributions. These cash payments were invested into annuity policies issued by a third party insurance company which in turn entered into a reinsurance policy covering these risks with the Vodafone Group's captive insurance company.

The value of the additional buy-in policies on IAS19 assumptions as at 31 March 2018 totalled £154m (£109m in relation to the Vodafone section and £45 million in relation to the CWW section). The difference between the IAS19 value of the additional buy-in policies at the date of the transaction and the premiums paid has been recognised through Other Comprehensive Income as an asset loss totalling £40m.

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

21. Post-employment benefits (continued)

No further contributions were therefore due to the Vodafone UK plan for the year ended 31 March 2018.

The investment strategy for the UK schemes is controlled by the trustees in consultation with the Company and the schemes have no direct investments in the Group's equity securities or in property or other assets currently used by the Group. The allocation of assets between different classes of investment is reviewed regularly and is a key factor in the trustee's investment policy. The trustees aim to achieve the scheme's investment objectives through investing partly in a diversified mix of growth assets which, over the long term are expected to grow in value by more than the low risk assets. The low risk assets include cash and gilts, inflation and interest rate hedging and in substantial insured pensioner annuity policies in both the Vodafone Section and CWW Sections of the Vodafone UK plan. A number of investment managers are appointed to promote diversification by assets, organisation and investment style and current market conditions and trends are regularly assessed, which may lead to adjustments in the asset allocation.

The next valuation will be completed during the 2020 financial year after which the position of the scheme will be reassessed.

The Vodafone Section of the Vodafone UK plan covers a number of UK based employers within the Vodafone Group. Individual companies' contribution, including the impact of any surplus or deficit overall within the scheme, have been accounted by each company in the same proportion since 31 March 2010, when the plan closed to future accrual, based on members employed in the company at that time.

The Company also operates the THUS Group plc Pension Scheme and two further small schemes.

The funding policies for these schemes are reviewed on a systematic basis in consultation with the independent scheme actuaries in order to ensure that the funding contributions from sponsoring employers are appropriate to meet the liabilities of the schemes over the long term.

Defined contribution pension schemes

Defined contribution pension costs charged to the Income Statement were £43.5m (2017: £48.0m). There were no amounts accrued but not paid in respect of pension schemes at 31 March 2018 (2017: £nil).

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

21. Post-employment benefits (continued)

IAS 19 valuation – Vodafone UK plan and other schemes

IAS 19 valuations of the defined benefit pension schemes operated by the Company have been prepared as at 31 March 2018 by qualified independent actuaries, KPMG LLP.

	2018	2017
	Assumption	Assumption
	%	%
RPI Inflation	3.15	3.20
Pension increases	3.00	3.05
Discount rate	2.60	2.65

The assumptions regarding mortality in retirement for the Vodafone UK plan as at 31 March 2018 use the S2PA tables with scheme specific adjustments and 0.3 years age rating, subject to improvements in line with the CMI 2015 projections with a long term rate of improvement of 1.5% per annum for both males and females.

Based on these assumptions, the life expectancy of pensioners aged 65 are as follows:

	On 31 March 2018	Retiring in 25 yrs
Male	23.0 years	26.1 years
Female	26.6 years	29.3 years

	2018 £m	2017 £m
Total market value of assets	4,388.5	4,309.1
Present value of scheme liabilities	(4,437.3)	(4,486.1)
Excess of assets/(liabilities) of funded obligations	(48.8)	(177.0)

Represented by:

Schemes with excess of obligations over assets	(140.9)	(221.4)
Schemes with excess of assets over obligations	92.1	44.4

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

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

21. Post-employment benefits (continued)

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 Company's obligations in respect of its defined benefit scheme is as follows:

	Assets £m	Liabilities £m	Net deficit £m
1 April 2016	3,734.8	(3,659.3)	75.5
Service cost	-	(1.2)	(1.2)
Past service credit	-	14.0	14.0
Interest income/(cost)	128.6	(126.5)	2.1
Return on plan assets excluding interest income	560.8	-	560.8
Actuarial losses arising from changes in financial assumptions	-	(901.9)	(901.9)
Actuarial gains arising from experience adjustments	-	77.6	77.6
Employer contributions	1.1	-	1.1
Employee contributions	0.2	(0.2)	-
Benefits paid	(111.4)	111.4	-
Expenses paid	(5.0)	-	(5.0)
31 March 2017	4,309.1	(4,486.1)	(177.0)

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

21. Post-employment benefits (continued)

The amount included in the statement of financial position arising from the Company's obligations in respect of its defined benefit scheme is as follows: (continued)

	Assets £m	Liabilities £m	Net deficit £m
1 April 2017	4,309.1	(4,486.1)	(177.0)
Service cost	-	(1.3)	(1.3)
Past service credit	-	(1.5)	(1.5)
Interest income/(cost)	113.9	(116.3)	(2.4)
Return on plan assets excluding interest income	(25.1)	-	(25.1)
Actuarial losses arising from changes in demographic assumptions	-	(24.8)	(24.8)
Actuarial losses arising from changes in financial assumptions	-	(7.4)	(7.4)
Actuarial losses arising from experience adjustments	-	(1.2)	(1.2)
Employer contributions	196.0	-	196.0
Employee contributions	0.1	(0.1)	-
Benefits paid	(201.4)	201.4	-
Expenses paid	(4.1)	-	(4.1)
31 March 2018	4,388.5	(4,437.3)	(48.8)

Of the employer contributions shown above, £194m was contributed as a funding lump sum in respect of the Vodafone UK Plan.

Duration of the benefit obligations

The weighted average duration of the defined benefit obligation at 31 March 2018 is 24.7 years (2017: 24.7 years).

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

21. Post-employment benefits (continued)

Fair value of pension assets	2018	2017
	£m	£m
Cash and cash equivalents – quoted in an active market	47.0	39.6
Equity investments:		
With quoted prices in an active market	941.4	1,283.7
Without quoted prices in an active market	119.6	152.7
Debt instruments:		
With quoted prices in an active market	3,082.7	2,847.9
Without quoted prices in an active market	142.7	69.7
Property:		
With quoted prices in an active market	14.8	14.1
Without quoted prices in an active market	68.7	66.4
Derivatives:		
With quoted prices in an active market	(901.8)	(870.8)
Without quoted prices in an active market	28.3	-
Investment fund		
Annuity policies – with quoted prices in an active market	104.3	104.9
Annuity policies – without quoted prices in an active market	63.0	69.6
Assets held by insurance companies:		
Without quoted prices in an active market	677.8	531.3
Total	4,388.5	4,309.1

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

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

The actual return on plan assets over the year to 31 March 2018 was a gain of £88.8m (2017: £689.4m).

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

21. Post-employment benefits (continued)

Amounts recognised in the income statement in respect of defined benefit pension schemes are as follows:

	2018	2017
	£m	£m
Current service cost	1.3	1.2
Past service cost/(credit)	1.5	(14.0)
Interest expense /(income)	2.4	(2.1)
Administration expense	4.1	5.0
Total net (credit)/expense	<u>9.3</u>	<u>(9.9)</u>

The best estimate of contributions for the year ending 31 March 2019 is:

	£m
Employer contributions	0.7
Employee contributions	-

Sensitivity analysis

Measurement of the Company's defined benefit retirement obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase, or decrease, in a particular assumption would, in isolation, results in an increase, or decrease, in the present value of the defined benefit obligation, as at 31 March 2018.

	Rate of inflation		Discount rate		Life expectancy	
	Decrease by 0.5p.p. £m	Increase by 0.5 p.p. £m	Decrease by 0.5 p.p. £m	Increase by 0.5 p.p. £m	Decrease by 1 year £m	Increase by 1 year £m
(Decrease)/increase in present value of defined obligation	<u>(377.8)</u>	<u>429.8</u>	<u>559.2</u>	<u>(477.1)</u>	<u>(149.0)</u>	<u>150.4</u>

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

VODAFONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

22. Events after the reporting period

On 5 April 2018, the Company acquired 50 MHz of spectrum in the 3400 MHz band for mobile data services in Ofcom's auction, for a total cost of £378.2m. The spectrum acquired has a 20-year term (amortisation period for 5G licenses) and is convertible to perpetual licences thereafter. At 31 March 2018 auction deposits totalling £230.6m were included within Trade and other receivables: amounts falling due after more than one year at 31 March 2018.

23. Related party disclosures

The Company has a number of related parties including joint arrangements, pension schemes and directors (see note 5 "Directors' remuneration", note 10 "Investments" and note 21 "Pensions").

The Company has taken advantage of the exemption granted by paragraphs 17 and 18A of IAS24, Related Party Disclosures, not to disclose transactions with group companies.

The Company has included its share of its joint operation, Cornerstone Telecommunications Infrastructure Limited, in the financial statements.

The joint operation has share capital consisting solely of ordinary shares 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.

24. Ultimate parent company

The immediate parent company of the Company is Vodafone Mobile Network Limited, a company registered in England and Wales. The ultimate parent company and controlling entity of the Company, 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 registered in England and Wales.

A copy of the financial statements of Vodafone Group Plc for the year ended 31 March 2018 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, United Kingdom.