

**VODAFONE NEW ZEALAND LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED  
31 MARCH 2016**

**VODAFONE NEW ZEALAND LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2016**

<b>Directors:</b>	Russell Stanners (Managing) Antony Welton Mark Aue
<b>Nature of business:</b>	Telecommunications Service Provider
<b>Holding company:</b>	Vodafone Europe B.V.
<b>Ultimate holding company:</b>	Vodafone Group Plc
<b>Auditor:</b>	PricewaterhouseCoopers
<b>Company number:</b>	927212
<b>Registered office:</b>	20 Viaduct Harbour Avenue, Auckland, New Zealand

**VODAFONE NEW ZEALAND LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2016**

<b>Contents</b>	<b>Page</b>
Independent Auditor's report	3-4
Directors' approval of the financial statements	5
Consolidated statement of comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the financial statements	10-22



## ***Independent Auditors' Report*** to the shareholder of Vodafone New Zealand Limited

### ***Report on the Consolidated Financial Statements***

We have audited the consolidated financial statements of Vodafone New Zealand Limited ("the Company") on pages 6 to 22, which comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2016 or from time to time during the financial year.

### ***Directors' Responsibility for the Consolidated Financial Statements***

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are independent of the Group. Our firm carries out other assignments for the Group in the areas of other assurance services. The provision of these other services has not impaired our independence. In addition to this, partners and employees of our firm deal with Vodafone New Zealand Limited on normal terms within the ordinary course of trading activities of the business of Vodafone New Zealand Limited. The firm has no other relationship with, or interest in, Vodafone New Zealand Limited or any of its subsidiaries.



## ***Independent Auditors' Report*** Vodafone New Zealand Limited

### ***Opinion***

In our opinion, the consolidated financial statements on pages 6 to 22 present fairly, in all material respects, the financial position of the Group as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

### ***Restriction on Use of our Report***

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

*PricewaterhouseCoopers*

Chartered Accountants  
29 June 2016

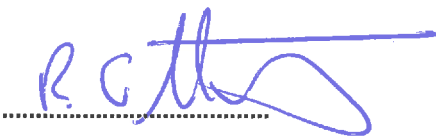
Auckland

**VODAFONE NEW ZEALAND LIMITED  
DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

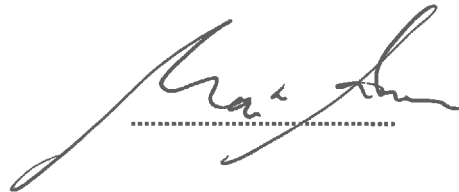
The directors are pleased to present the consolidated financial statements of Vodafone New Zealand Limited for the year ended 31 March 2016 on pages 6 to 22.

A shareholder's resolution has been passed by the shareholder of the Company whereby it agrees, pursuant to section 211(3) of the Companies Act 1993, that the Annual Report of Vodafone New Zealand Limited need not comply with section 211(1)(a) and (e) to (j) and section 211(2) of that Act.

**R Stanners  
Director**



**M Aue  
Director**



**For and on behalf of the Board of Directors, who  
authorised the issue of the financial statements on:**

*29 June 2016*  
.....

**VODAFONE NEW ZEALAND LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 \$ million	2015 \$ million
Revenue		1,998.9	1,964.5
Cost of sales		(954.2)	(911.6)
<b>Gross Profit</b>		<b>1,044.7</b>	<b>1,052.9</b>
Operating expenses		(994.5)	(1,035.7)
<b>Operating profit</b>	4	<b>50.2</b>	<b>17.2</b>
Finance income		11.0	11.2
Finance costs	17	(82.7)	(137.3)
Finance costs - net		(71.7)	(126.1)
Share of loss of investments accounted for using the equity method	8	(1.9)	(1.0)
<b>Loss before income tax</b>		<b>(23.4)</b>	<b>(109.9)</b>
Income tax credit	19	5.1	19.4
<b>Loss for the year</b>		<b>(18.3)</b>	<b>(90.5)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(18.3)</b>	<b>(90.5)</b>

The notes to the financial statements (pages 10-22) form an integral part of these consolidated financial statements.

**VODAFONE NEW ZEALAND LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**

	Note	2016 \$ million	2015 \$ million
<b>Current assets</b>			
Cash and cash equivalents (excluding bank overdrafts)		13.2	8.6
Inventories		17.2	16.5
Trade and other receivables	5	487.2	586.1
Tax receivable		18.8	20.2
Deferred tax assets	19	18.2	5.3
		<u>554.6</u>	<u>636.7</u>
<b>Non-current assets</b>			
Property, plant and equipment	6	1,001.9	1,036.8
Intangible assets	7	500.9	546.4
Investments accounted for using the equity method	8	2.7	3.6
		<u>1,505.5</u>	<u>1,586.8</u>
<b>Total assets</b>		<u><b>2,060.1</b></u>	<u><b>2,223.5</b></u>
<b>Current liabilities</b>			
Trade creditors		137.2	125.2
Other liabilities	9	296.0	1,780.7
Provisions	11	7.0	2.2
		<u>440.2</u>	<u>1,908.1</u>
<b>Non-current liabilities</b>			
Other liabilities	10	1,152.1	128.2
Provisions	11	22.2	24.8
		<u>1,174.3</u>	<u>153.0</u>
<b>Total liabilities</b>		<u><b>1,614.5</b></u>	<u><b>2,061.1</b></u>
<b>Net assets</b>		<u><b>445.6</b></u>	<u><b>162.4</b></u>
<b>Equity</b>			
Share capital	12	454.6	154.6
Reserves	13	(9.0)	7.8
<b>Total equity</b>		<u><b>445.6</b></u>	<u><b>162.4</b></u>

The notes to the financial statements (pages 10-22) form an integral part of these consolidated financial statements.



**VODAFONE NEW ZEALAND LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	Note	Share Capital  \$ million	Share Based Payment Reserve  \$ million	Retained Earnings  \$ million	Total equity  \$ million
<b>Balance as at 1 April 2014</b>		154.6	8.5	90.5	253.6
Loss for the year		-	-	(90.5)	(90.5)
<b>Total comprehensive loss for the year</b>		<u>-</u>	<u>-</u>	<u>(90.5)</u>	<u>(90.5)</u>
Share based payments reserves	18	-	(0.7)	-	(0.7)
<b>Balance as at 31 March 2015</b>		<u>154.6</u>	<u>7.8</u>	<u>-</u>	<u>162.4</u>
Balance as at 1 April 2015		154.6	7.8	-	162.4
Loss for the year		-	-	(18.3)	(18.3)
<b>Total comprehensive loss for the year</b>		<u>-</u>	<u>-</u>	<u>(18.3)</u>	<u>144.1</u>
Share based payments reserves	18	-	1.5	-	1.5
Shares issued to parent company	12	300.0	-	-	300.0
<b>Balance as at 31 March 2016</b>		<u>454.6</u>	<u>9.3</u>	<u>(18.3)</u>	<u>445.6</u>

The notes to the financial statements (pages 10-22) form an integral part of these consolidated financial statements.

**VODAFONE NEW ZEALAND LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 \$ million	2015 \$ million
<b>Cash flows from operating activities</b>			
Cash generated from operations		272.6	295.8
Income tax paid		(6.4)	(0.1)
<b>Net cash generated from operating activities</b>		<b>266.2</b>	<b>295.7</b>
<b>Cash flows from investing activities</b>			
Acquisition of business	15	(20.6)	-
Acquisition of investments accounted for using the equity method	8	(1.0)	(2.5)
Purchases of property, plant and equipment		(177.3)	(203.4)
Purchases of intangible assets		(63.4)	(119.8)
Loans granted to related parties		(0.6)	-
Interest received		0.3	1.5
<b>Net cash used in investing activities</b>		<b>(262.6)</b>	<b>(324.2)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		8.6	36.5
Exchange gains on cash and cash equivalents		0.1	0.6
<b>Cash and cash equivalents at end of year <sup>1</sup></b>		<b>12.3</b>	<b>8.6</b>

<sup>1</sup> Cash and cash equivalents at end of year include bank overdrafts of \$0.9m (2015: nil) (note 9).

<sup>2</sup> During the 2016 financial year, \$300m share capital was issued to Vodafone Europe B.V. (note 12). In addition, \$1.1 billion was drawn down, as a loan repayable to Vodafone Overseas Finance Limited (note 10) and \$1.5 billion was repaid to Vodafone Group Plc (note 9). These have been classified as non-cash transactions in the financial statements as they are recorded within receivables from Vodafone Group entities (note 5).

The notes to the financial statements (pages 10-22) form an integral part of these consolidated financial statements.

**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

## **1. General information**

These financial statements are for Vodafone New Zealand Limited (the company) and its subsidiaries (together, the group). They provide telecommunications services.

During the year, the company acquired the business of WorldxExchange Communications Limited, a unified communications provider operating in New Zealand.

## **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all years, unless otherwise stated.

### **2.1. Basis of preparation**

The consolidated financial statements of Vodafone New Zealand Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). Vodafone New Zealand Limited is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR) and other applicable Financial Reporting Standards as appropriate for for-profit entities.

The group is eligible to apply Tier 2 for-profit Accounting Standards (NZ IFRS RDR) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The group has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

### **Application of First-time adoption of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS 1)**

The group's consolidated financial statements for the year ended 31 March 2016 are the first annual financial statements that comply with NZ IFRS RDR and NZ IFRS 1 has been applied in their preparation. The group's consolidated financial statements for the year ended 31 March 2015 had been prepared in accordance with previous New Zealand Financial Reporting standards, under the NZ IFRS Differential Reporting Regime (NZ IFRS Diff Rep).

The group's transition date is 1 April 2014. The group prepared its opening NZ IFRS RDR statement of financial position at that date. The reporting date of these financial statements is 31 March 2016. The group's NZ IFRS RDR adoption date is 1 April 2015.

In preparing these financial statements in accordance with NZ IFRS 1, the group has applied all the mandatory exceptions but neither of the optional exemptions from full retrospective application of NZ IFRS RDR.

NZ IFRS Diff Rep differs in certain respects from NZ IFRS RDR. On transition to NZ IFRS RDR, adjustments to equity arising from recognition of deferred tax as at 1 April 2014 and 31 March 2015 were made, for the amounts of (\$24.9)m and \$5.3m respectively, with \$30.2m of deferred tax credit recognised directly in the statement of comprehensive income for the year ended 31 March 2015. Total equity reported under NZ IFRS Diff Rep as at 1 April 2014 and 31 March 2015 was \$278.5m and \$157.1m respectively.

In addition, when preparing the consolidated financial statements for the year ended 31 March 2016, management has prepared a statement of cash flows which includes comparative figures to comply with NZ IFRS RDR. There have been no other significant impacts on the financial statements on transition to NZ IFRS RDR, except for disclosure changes to some notes as a result of the removal of NZ IFRS Diff Rep disclosure concessions.

### **Statutory base**

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

### **Historical cost convention**

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

The preparation of financial statements in conformity with NZ IFRS RDR requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas

**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

## **2.2 Consolidation**

### *(a) Subsidiaries*

A subsidiary is an entity controlled by the group. The group controls an entity when the group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The results of the subsidiaries acquired or disposed during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by the group. All intra-group transactions, balances, incomes and expenses are eliminated on consolidation.

### *(b) Associates*

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The accounts of associated companies and other investments have been reflected in the consolidated financial statements on an equity accounting basis that shows the share of surpluses/losses in the consolidated statement of comprehensive income and the share of post-acquisition increases/decreases in net assets in the consolidated statement of financial position.

## **2.3 Foreign currency transactions**

All foreign currency transactions during the year have been brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are brought to account in the consolidated statement of comprehensive income in the period in which they arise.

## **2.4 Property, plant and equipment**

Property, plant and equipment are initially stated at cost and depreciated as outlined below. Where appropriate, the cost of property, plant and equipment includes site preparation costs, installation costs, unrecovered operating costs incurred during planned commissioning and the cost of obtaining initial resource consents.

Where an item of property, plant and equipment is disposed of, the gain or loss recognised in the consolidated statement of comprehensive income is calculated as the difference between the sale price and the carrying amount of the item.

Depreciation is provided on property, plant and equipment excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation for property, plant and equipment:

Fixtures, fittings and improvements	4 - 8 years
Network	3 - 8 years
Customer premises equipment	1 - 4 years
Fibre cables & ducting	25 or lease term if shorter
IT equipment	3 - 5 years

Assets are depreciated from the date they are brought into service, or in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Construction in progress is accounted for at cost and capitalised to property, plant and equipment as projects are completed. Depreciation is accrued based on the in-service date.

**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

## **2.5 Intangible assets**

### *(a) Goodwill*

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingency 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 where impairment indicators are noted. Any impairment is recognised immediately in the consolidated statement of comprehensive income and is not subsequently reversed.

### *(b) Computer software and licenses*

The amounts paid for network licenses and additional spectrum licenses are amortised over the period of the licenses on a straight line basis. The amortisation commences from the date of network acceptance, which is when the network is technically ready to operate the commercial service. Where a network is progressively brought into full service over a period of time, the initial amortisation is in proportion to the capacity of the network compared to that expected at network maturity.

Software is amortised on a straight line basis over the useful lives between 3 to 5 years. Customer base is amortised on a sum of digit basis over the estimated useful lives of underlying customers, which is between 7 to 9 years.

Radio spectrum licences are amortised over the legal lives of the underlying spectrum management rights as at acquisition date. The average legal lives range from 15 to 20 years.

## **2.6 Impairment of non-financial assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows known as cash-generating units. If the recoverable amount of the cash generating unit (CGU) is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit.

## **2.7 Financial assets**

Financial assets are classified into the following specified categories: at fair value through profit or loss and loans and receivables. The classification depends on purpose for which the financial assets were acquired and is determined at the time of initial recognition.

### *(a) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

### *(b) Loans and receivables*

Loans and 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 group's loan and receivables comprise 'trade and other receivables' (note 5), and 'cash and cash equivalents' in the consolidated statement of financial position.

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

Financial assets and financial liabilities have been presented on a net basis in the consolidated financial statements where there is legal right to offset.

**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**2.8 Impairment of financial assets**

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectable, it is written off against the allowance account. A trade receivable is deemed to be uncollectable upon notification of insolvency of the debtor or upon receipt of similar evidence that the group will be unable to collect the trade receivable. Changes in the carrying amount of the allowance account are recognised in the profit and loss component of the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed. In respect of financial assets carried at amortised cost, with the exception of trade receivables, the impairment loss is reversed through the profit and loss component of the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. Subsequent recoveries of trade receivables previously written off are credited to operating expenses in the consolidated statement of comprehensive income.

**2.9 Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory on hand using the weighted average basis.

**2.10 Trade receivables, other receivables and loans**

Trade receivables, other receivables and loans that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

**2.11 Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within current liabilities.

**2.12 Trade and other payables**

Trade and other payables are recognised when the group becomes obliged to make future payments resulting from the purchase of goods and services.

**2.13 Borrowings**

Borrowings are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

**2.14 Financial instruments issued by the group**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Interest and dividends are classified as expenses or as distributions of profit consistent with the consolidated statement of financial position classification of the related debt or equity instruments.

**2.15 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance date where the group operates and generates taxable income.

**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

#### **2.16 Employee benefits**

An accrual is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Accruals are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Contributions to defined contribution superannuation plans are expensed when incurred.

Accruals made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the group in respect of services provided by employees up to reporting date.

#### **2.17 Share-based payments**

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

Fair value is measured by deducting the present value of expected dividend cash flows over the life of the awards from the share price as at the grant date.

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

#### **2.18 Provisions**

Provisions are recorded at the best estimate of the expenditure required to settle the obligation at balance date. Where the effect is material, the expected expenditures are discounted to their present value using a pre-tax discount rate. Provisions expected to be settled within 12 months are measured at their nominal values.

#### **2.19 Revenue recognition**

Revenue from the sale of goods and other assets is recognised when the group has passed control of the goods to the buyer. Revenue from subscribers is recognised when the services are provided. Revenue received in advance is initially deferred and recognised when the goods or services are provided.

#### **2.20 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss component of the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Leases where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

#### **2.21 Government grants**

Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised by deducting the amount from the net carrying value of the asset in the consolidated statement of financial position.

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received.

**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

### **3. Critical accounting estimates, assumptions and judgements**

The preparation of the financial statements requires judgements, estimates and assumptions. Application is based on future expectations as well as historical experience and other factors, as appropriate to the particular circumstances.

#### **3.1 Revenue recognition**

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

#### **3.2 Business combinations and goodwill**

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

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

#### **3.3 Impairment reviews**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows known as cash-generating units. Management has identified the entire group as the smallest identifiable cash-generating unit.

#### **3.4 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. 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 changed in technology.

#### **3.5 Finite lived intangible assets**

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

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. Useful lives are periodically reviewed to ensure that they remain appropriate.

#### **3.6 Provisions**

In the course of the group's activities, a number of sites and other assets are utilised which are expected to have costs associated with decommissioning. The associated cash outflows are substantially expected to occur at the end of the life of the relevant assets.



**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**4. Operating profit**

<i>Detailed below are the key amounts recognised in arriving at operating profit:</i>	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
Share based payments	7.2	6.6
Employee benefits	281.0	295.5
Amount paid to auditors for audit fees	0.7	0.7
Amount paid to auditors for other assurance services	0.1	0.1
Operating lease payments	73.7	81.5
Bad and doubtful debts	11.8	18.0
Loss on disposal of property, plant and equipment	0.7	1.7
Net loss/(gain) on foreign exchange	5.6	(0.9)
Depreciation	206.1	243.8
Amortisation	135.8	152.6

Audit fees for 2016 comprised \$0.5m (2015: \$0.5m) paid to PwC New Zealand and \$0.2m (2015: \$0.2m) paid to PwC UK.

<b>5. Trade and other receivables</b>	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
Trade receivables	149.6	148.5
Less: allowance for doubtful debts	(8.0)	(5.6)
Trade receivables – net	<u>141.6</u>	<u>142.9</u>
Other receivables	79.1	74.8
Receivables from related parties	5.4	5.3
Receivable from Vodafone Group Plc	<u>261.1</u>	<u>363.1</u>
	<u>487.2</u>	<u>586.1</u>

The allowance for doubtful debts in relation to trade receivables is provided for based on estimated irrecoverable amounts determined by reference to current customer circumstances and past default experience.

Receivable from Vodafone Group Plc is payable on demand.

**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**6. Property, plant and equipment**

\$ million	Fixtures, Fittings & Improvements	Communication & Network equipment	Construction in progress	Total
<b>At 1 April 2015</b>				
Cost	101.3	2,676.5	77.1	2,854.9
Accumulated depreciation	(73.9)	(1,744.2)	-	(1,818.1)
<b>Net book value</b>	<b>27.4</b>	<b>932.3</b>	<b>77.1</b>	<b>1,036.8</b>
<b>Year ended 31 March 2016</b>				
Opening net book value	27.4	932.3	77.1	1,036.8
Additions – acquisition (note 15)	0.4	0.4	-	0.8
Additions	-	-	171.0	171.0
Transfer from construction in progress	5.4	192.3	(197.7)	-
Disposals	(0.1)	(0.5)	-	(0.6)
Depreciation charge	(6.5)	(199.6)	-	(206.1)
<b>Closing net book value</b>	<b>26.6</b>	<b>924.9</b>	<b>50.4</b>	<b>1,001.9</b>
<b>At 31 March 2016</b>				
Cost	106.6	2,858.9	50.4	3,015.9
Accumulated depreciation	(80.0)	(1,934.0)	-	(2,014.0)
<b>Net book value</b>	<b>26.6</b>	<b>924.9</b>	<b>50.4</b>	<b>1,001.9</b>

All additions are made through construction in progress.

As at 31 March 2016 Vodafone New Zealand has claimed a total of \$56.6m (2015: \$46.2m) in government grant monies. This has been offset against the costs of building the cell sites to reduce the carrying value of the assets.

**7. Intangible assets**

\$ million	Goodwill	Radio spectrum licenses	Software	Customer base	Construction in progress	Total
<b>At 1 April 2015</b>						
Cost	143.1	225.4	745.8	105.8	34.2	1,254.3
Accumulated amortisation and impairment	-	(64.9)	(591.6)	(51.4)	-	(707.9)
<b>Net book value</b>	<b>143.1</b>	<b>160.5</b>	<b>154.2</b>	<b>54.4</b>	<b>34.2</b>	<b>546.4</b>
<b>Year ended 31 March 2016</b>						
Opening net book value	143.1	160.5	154.2	54.4	34.2	546.4
Additions – acquisition (note 15)	8.4	-	11.9	-	-	20.3
Additions	-	-	-	-	70.1	70.1
Transfer from construction in progress	-	-	98.1	-	(98.1)	-
Disposals	-	-	(0.1)	-	-	(0.1)
Amortisation charge	-	(15.2)	(104.2)	(16.4)	-	(135.8)
<b>Closing net book value</b>	<b>151.5</b>	<b>145.3</b>	<b>159.9</b>	<b>38.0</b>	<b>6.2</b>	<b>500.9</b>
<b>At 31 March 2016</b>						
Cost	151.5	225.4	794.1	105.8	6.2	1,283.0
Accumulated amortisation and impairment	-	(80.1)	(634.2)	(67.8)	-	(782.1)
<b>Net book value</b>	<b>151.5</b>	<b>145.3</b>	<b>159.9</b>	<b>38.0</b>	<b>6.2</b>	<b>500.9</b>

All additions are made through construction in progress.

An impairment review was performed for the year ended 31 March 2016 and the result indicated no goodwill impairment is required (2015: nil).

**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

<b>8. Investments accounted for using the equity method</b>	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
Opening balance	3.6	2.1
Additions	1.0	2.5
Share of losses	(1.9)	(1.0)
<b>Closing balance</b>	<b>2.7</b>	<b>3.6</b>

*Nature of investment in associates:*

<b>Name of entity</b>	<b>Country of incorporation</b>	<b>% ownership interest</b>	<b>Measurement method</b>
Centurion GSM Limited	New Zealand	25.0	Equity
TNAS Limited	New Zealand	50.0	Equity
TSM NZ Limited	New Zealand	32.5	Equity

<b>9. Other liabilities - current</b>	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
Loan from Vodafone Group Plc	-	806.6
Accumulated interest on loan	-	699.7
	<b>-</b>	<b>1,506.3</b>
Revenue received in advance	78.6	79.1
Bank overdraft	0.9	-
Other payables & accruals	193.0	181.7
Related party payables	23.5	13.6
	<b>296.0</b>	<b>1,780.7</b>

<b>10. Other liabilities - Non-current</b>	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
Loan from Vodafone Overseas Finance Limited	1,152.1	128.2
	<b>1,152.1</b>	<b>128.2</b>

The Vodafone Overseas Finance Limited payable is an interest bearing loan denominated in GBP. There were no defaults or breach of covenants by the group on any borrowing arrangement during the current year (2015: none).

<b>11. Provisions</b>	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
<b>At 1 April 2015</b>	<b>27.0</b>	<b>27.2</b>
Additional provisions/(unused amounts reversed)	2.2	(0.2)
<b>At 31 March 2016</b>	<b>29.2</b>	<b>27.0</b>
Current	7.0	2.2
Non-current	22.2	24.8
	<b>29.2</b>	<b>27.0</b>

**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

<b>12. Share capital</b>	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
Ordinary shares	454.6	154.6
	<u>454.6</u>	<u>154.6</u>

On 1 July 2015, Vodafone New Zealand issued \$300m ordinary shares to Vodafone Europe B.V. Share capital comprises 454,600,000 (2015:154,600,000) ordinary shares fully paid. All ordinary shares have equal rights to share of dividends and surpluses upon liquidation.

<b>13. Reserves</b>	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
<b>At 1 April 2015</b>	<b>7.8</b>	<b>99.0</b>
Total comprehensive loss for the year	(18.3)	(90.5)
Share based payments reserves movement	1.5	(0.7)
<b>At 31 March</b>	<u><b>(9.0)</b></u>	<u><b>7.8</b></u>

Dividend per share was nil (2015: nil).

<b>14. Financial assets and liabilities</b>	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
<b>Total financial assets</b>	<u><b>470.6</b></u>	<u><b>563.4</b></u>
Financial assets comprise cash and cash equivalents and trade and other receivables (excluding prepayments).		
<b>Total financial liabilities</b>	<u><b>1,506.8</b></u>	<u><b>1,954.9</b></u>

This consists of trade creditors, current other liabilities (excluding revenue received in advance), and non-current other liabilities.

In 2016 and 2015 all financial assets are classified as loans and receivables and all financial liabilities are classified as financial liabilities measured at amortised cost.

**15. Business combinations**

On 31 July 2015, the group acquired the business of WorldxExchange Communications Limited (WxC), a unified communications provider operating in New Zealand, for a cash consideration of \$20.6m.

The assets and liabilities recognised in the acquisition were:

	<b>Fair value</b>
	<b>\$ million</b>
Property, plant and equipment	0.8
Intangible assets - Software	11.9
Trade and other receivables	1.3
Trade creditors and other liabilities	(1.8)
<b>Fair value of net identifiable assets acquired</b>	<u><b>12.2</b></u>
Goodwill	8.4
<b>Total consideration paid in cash</b>	<u><b>20.6</b></u>

**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**16. Subsidiaries**

The group has the following subsidiaries at 31 March 2016:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by parent (%)
Vodafone New Zealand Foundation Limited	New Zealand	Non-trading trustee of the Vodafone New Zealand Foundation	100
Vodafone Mobile NZ Limited	New Zealand	Holds management rights to spectrum assets	100
Vodafone Next Generation Services Limited	New Zealand	Provider of unified communication services (manages acquired business of WxC)	100

**17. Related parties**

The parent entity in the consolidated entity, and the ultimate New Zealand entity, is Vodafone New Zealand Limited. The immediate parent entity of Vodafone New Zealand Limited is Vodafone Europe BV. The ultimate parent entity, of the parent and the wholly-owned group, is Vodafone Group Plc. Unless otherwise stated, related parties are under common controls of the ultimate parent entity.

During the year the group entered into the following transactions with related parties. Key management personnel comprise the executive directors.

Transaction type	Related party	2016 \$ million	2015 \$ million
Purchases of goods and services	Vodafone Group Plc entities	(182.2)	(153.1)
Sale of goods and services	Vodafone Group Plc entities	9.6	14.0
Finance charges	Vodafone Group Plc entities	(82.7)	(137.3)
Interest received	Vodafone Group Plc entities	10.7	9.7
Total compensation paid	Key management personnel	(7.5)	(11.2)

Other transactions with related parties and Vodafone Group Plc entities are disclosed in notes 5, 9, 10 and 12.

**18. Share based payments**

**Share plans**

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

Movements in non-vested shares are as follows:

	2016 Number of shares	2016 Weighted average fair value at grant date	2015 Number of shares	2015 Weighted average fair value at grant date
<b>1 April</b>	4,485,712	\$3.70	5,376,117	\$3.24
Granted during the year	1,063,113	\$4.14	2,018,309	\$3.80
Forfeited during the year	(666,851)	\$3.82	(1,133,759)	\$3.09
Exercised during the year	(791,702)	\$3.80	(1,774,955)	\$2.82
Expired during the year	-	-	-	-
<b>31 March</b>	<b>4,090,272</b>	<b>\$3.96</b>	<b>4,485,712</b>	<b>\$3.70</b>

**VODAFONE NEW ZEALAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**19. Income tax**

	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
<b>Income tax recognised in profit or loss</b>		
Tax expense/(credit) comprises:		
Current tax expense	10.7	5.7
Under / (over) provision in previous years	(3.0)	5.1
Deferred income tax	(12.8)	(30.2)
<b>Total tax expense/(credit)</b>	<b>(5.1)</b>	<b>(19.4)</b>

Income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Loss before income tax	(23.4)	(109.9)
Income tax credit calculated at 28% (2015: 28%)	(6.5)	(30.8)
Non-deductible expenses	4.4	6.3
Under / (over) provision in previous years	(3.0)	5.1
<b>Tax charge/(credit)</b>	<b>(5.1)</b>	<b>(19.4)</b>
<b>Deferred income tax</b>		
Share Option Scheme	-	0.4
<b>Total income tax (charged)/credited directly to equity</b>	<b>-</b>	<b>0.4</b>

**Deferred tax assets/(liabilities)**

<b>\$ million</b>	<b>Property, plant and equipment</b>	<b>Provisions and accruals</b>	<b>Other</b>	<b>Intangible assets</b>	<b>Total</b>
<b>At 1 April 2014</b>	(8.4)	20.2	3.7	(40.6)	(25.1)
Recognised in the income statement	11.6	3.8	(0.8)	15.6	30.2
Recognised directly in equity	-	-	0.2	-	0.2
<b>At 31 March 2015</b>	<b>3.2</b>	<b>24.0</b>	<b>3.1</b>	<b>(25.0)</b>	<b>5.3</b>
Recognised in the income statement	9.4	(3.0)	0.1	6.3	12.8
Acquired in business combinations	-	0.1	-	-	0.1
<b>At 31 March 2016</b>	<b>12.6</b>	<b>21.1</b>	<b>3.2</b>	<b>(18.7)</b>	<b>18.2</b>

**20. Imputation credits**

	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
Imputation credits available for use	171.9	165.5

The availability of imputation credits for use is subject to New Zealand tax legislation.

**VODAFONE NEW ZEALAND LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

<b>21. Commitments</b>	<b>2016</b> <b>\$ million</b>	<b>2015</b> <b>\$ million</b>
Capital commitments	32.5	15.6
	32.5	15.6

Capital commitments of \$10m related to construction of a high capacity fibre optic submarine cable between New Zealand and Australia (Tasman Global Access System) have not been included in the capital commitments disclosure above as this project is fully funded by Vodafone Group.

Future minimum lease payments:

Within one year	53.2	52.3
Later than one year but not later than five years	109.6	81.6
Later than five years	73.4	25.8
	236.2	159.7

The group holds commercial operating leases on properties, network infrastructure, motor vehicles and other items of equipment.

**22. Contingencies**

A contingent payment of \$9m is payable to the former shareholders of WxC in the period to 31 July 2018, subject to satisfying performance conditions.

There are no other significant contingent liabilities as at 31 March 2016 (2015: nil).

**23. Events after the reporting period**

On 8 June 2016, Vodafone Group and Sky Network Television Limited (Sky) announced a potential merger of their New Zealand operations. Sky proposes to acquire all of the shares in Vodafone New Zealand from Vodafone Europe B.V. for a total purchase price of \$3.44 billion, paid for through a mixture of cash consideration of \$1.25 billion and Sky shares valued at \$2.19 billion. The issue of shares will result in Vodafone Europe B.V. owning 51% of the total number of shares in Sky. The proposed transaction is still subject to shareholder and regulatory approvals.

There were no other events subsequent to 31 March 2016 requiring disclosure or qualifying for recognition (adjusting event).