

VODAFONE NEW ZEALAND LIMITED

ANNUAL REPORT

**FOR THE YEAR ENDED
31 MARCH 2018**

**VODAFONE NEW ZEALAND LIMITED
DIRECTORY
FOR THE YEAR ENDED 31 MARCH 2018**

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Independent auditor's report

To the shareholder of Vodafone New Zealand Limited

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Vodafone New Zealand Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated 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.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of other assurance services, including services in relation to potential capital structure opportunities, assurance on regulatory returns and agreed upon procedures over regulatory returns. In addition, the firm, partners and certain employees of our firm deal with the Group on normal commercial terms within the ordinary course of trading activities of the Group. These matters have not impaired our independence as the auditor of the Group.

Emphasis of matter

We draw attention to Note 23 to the consolidated financial statements which describes the restatements that have been made by the Directors to the previously reported statutory consolidated financial statements for the year ended 31 March 2017. The restatements were identified as a result of a re-audit of the year ended 31 March 2017, which was performed in anticipation of potential capital structure opportunities, to a lower level of materiality. Our opinion is not modified in respect of this matter.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 NZ and ISAs 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our auditor's report.



Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 shareholder, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Lisa Crooke.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
31 July 2018

Auckland

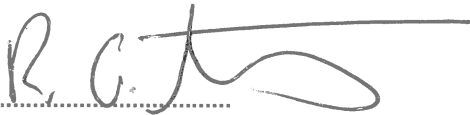
VODAFONE NEW ZEALAND LIMITED
DIRECTORS' APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

The Directors are pleased to present the consolidated financial statements of Vodafone New Zealand Limited (the Company) and its controlled entities (together the "Group") for the year ended 31 March 2018 on pages 6 to 33.

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.

For and on behalf of the Board of Directors, who authorised the issue of the consolidated financial statements on 30 July 2018:

R Stanners
Director



.....

J Tombleson
Director



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

	Note	2018 \$ million	2017 Restated* \$ million
Revenue			
Service revenue		1,795.9	1,804.9
Device and other revenue		234.1	220.0
Total revenue		2,030.0	2,024.9
Other income		5.5	-
Operating expenses – direct costs	4	(944.6)	(941.9)
Operating expenses – other	4	(688.4)	(659.5)
Share of gain of investments accounted for using the equity method	10	0.5	-
Impairment of investments accounted for using the equity method	10	-	(0.6)
Earnings before interest, tax, depreciation and amortisation		403.0	422.9
Depreciation and amortisation		(310.6)	(316.0)
Operating profit		92.4	106.9
Finance income		5.2	6.2
Finance costs		(43.8)	(45.7)
Finance costs – net	5	(38.6)	(39.5)
Profit before income tax		53.8	67.4
Income tax expense	19	(13.9)	(19.8)
Profit for the year		39.9	47.6
Profit is attributable to:			
Owners of the Parent		40.4	47.6
Non-controlling interest		(0.5)	-
		39.9	47.6
Total comprehensive income for the year		39.9	47.6
Total comprehensive income is attributable to:			
Owners of the Parent		40.4	47.6
Non-controlling interest		(0.5)	-
		39.9	47.6

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 23.

The notes to the consolidated financial statements (pages 10 to 33) form an integral part of these consolidated financial statements.

VODAFONE NEW ZEALAND LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 \$ million	2017 Restated* \$ million
Current assets			
Cash and cash equivalents		19.2	2.6
Receivable from Vodafone Group Plc	17	290.1	264.3
Trade and other receivables	6	246.6	238.0
Inventories	7	19.3	16.7
Tax receivable		11.7	13.6
		<u>586.9</u>	<u>535.2</u>
Non-current assets			
Trade and other receivables	6	19.8	22.6
Property, plant and equipment	8	943.4	963.4
Intangible assets	9	459.7	475.3
Investments accounted for using the equity method	10	3.1	2.1
Deferred tax assets	19	29.1	20.0
		<u>1,455.1</u>	<u>1,483.4</u>
Total assets		<u>2,042.0</u>	<u>2,018.6</u>
Current liabilities			
Bank overdrafts		-	0.8
Revenue received in advance		60.6	66.2
Trade payables		150.3	108.2
Accrued employee benefits		28.0	31.1
Other payables and accrued expenses	11	214.6	223.0
Provisions	12	0.3	1.9
Related party borrowings	17	-	122.2
		<u>453.8</u>	<u>553.4</u>
Non-current liabilities			
Revenue received in advance		6.4	11.0
Other payables and accrued expenses	11	3.3	13.1
Provisions	12	42.3	36.6
Related party borrowings	17	982.1	887.5
		<u>1,034.1</u>	<u>948.2</u>
Total liabilities		<u>1,487.9</u>	<u>1,501.6</u>
Net assets		<u>554.1</u>	<u>517.0</u>
Equity			
Contributed equity	13	454.6	454.6
Reserves	14	99.5	62.4
		<u>554.1</u>	<u>517.0</u>
Contributed equity attributable to the owners of the Parent		552.9	517.0
Non-controlling interest		1.2	-
Total equity		<u>554.1</u>	<u>517.0</u>

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 23.

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VODAFONE NEW ZEALAND LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

Note	Contributed equity	Other reserves	Retained earnings	Attributable to owners of the parent	Non- controlling interest	Total equity
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Balance as at 1 April 2016 Restated*	454.6	9.4	8.1	472.1	-	472.1
Profit for the year	-	-	47.6	47.6	-	47.6
Total comprehensive income for the year	-	-	47.6	47.6	-	47.6
Share based payment charge	-	3.3	-	3.3	-	3.3
Repurchase of equity instruments of the Parent	-	(4.2)	-	(4.2)	-	(4.2)
Distribution to the Parent	-	-	(1.8)	(1.8)	-	(1.8)
Balance as at 31 March 2017 Restated*	454.6	8.5	53.9	517.0	-	517.0
Balance as at 1 April 2017 Restated*	454.6	8.5	53.9	517.0	-	517.0
Profit / (loss) for the year	-	-	40.4	40.4	(0.5)	39.9
Total comprehensive income for the year	-	-	40.4	40.4	(0.5)	39.9
Share based payment charge	-	3.3	-	3.3	-	3.3
Repurchase of equity instruments of the Parent	-	(3.8)	-	(3.8)	-	(3.8)
Distribution to the Parent	-	-	(1.0)	(1.0)	-	(1.0)
Issuance of put options over non-controlling interest	-	(3.0)	-	(3.0)	-	(3.0)
Non-controlling interest	-	-	-	-	1.7	1.7
	15					
Balance as at 31 March 2018	454.6	5.0	93.3	552.9	1.2	554.1

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 23.

The notes to the consolidated financial statements (pages 10 – 33) form an integral part of these consolidated financial statements.

VODAFONE NEW ZEALAND LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$ million	2017 Restated* \$ million
Cash flows from operating activities			
Cash generated from operations		418.1	413.3
Income tax paid		(20.9)	(26.6)
Net cash generated from operating activities		397.2	386.7
Cash flows from investing activities			
Acquisition of interest of business, net of cash acquired	15	(9.2)	-
Acquisition of investments accounted for using the equity method	10	(0.5)	-
Purchases of property, plant and equipment		(218.5)	(162.3)
Proceeds from the sale of property, plant and equipment		9.4	4.5
Purchases of intangible assets		(70.0)	(61.6)
Government grants received for purchases of property, plant and equipment		-	3.4
Net advances to Vodafone Group Plc		(90.8)	(182.4)
Interest received		0.2	1.3
Net cash used in investing activities		(379.4)	(397.1)
Net increase / (decrease) in cash and cash equivalents		17.8	(10.4)
Cash and cash equivalents at beginning of year		1.8	12.3
Exchange losses on cash and cash equivalents		(0.4)	(0.1)
Cash and cash equivalents at end of year		19.2	1.8
Cash and cash equivalents is included in the consolidated statement of financial position as follows:			
Cash and cash equivalents		19.2	2.6
Bank overdrafts		-	(0.8)
Cash and cash equivalents at end of year		19.2	1.8

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 23.

The notes to the consolidated financial statements (pages 10 – 33) form an integral part of these consolidated financial statements.

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

1. General information

Vodafone New Zealand Limited is a limited company incorporated and domiciled in New Zealand. The address of its registered office and principal place of business is 74 Taharoto Road, Takapuna, Auckland 0622, New Zealand. These consolidated financial statements are for Vodafone New Zealand Limited (the Company) and its controlled entities (together, the Group). The Group provides telecommunications services in New Zealand.

The Group is a for-profit entity. The Company is registered under the Companies Act 1993.

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.

These consolidated financial statements for the year ended 31 March 2018 have been approved for issue by the Board of Directors on 30 July 2018.

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, unless otherwise stated.

2.1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with NZ IFRS RDR and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS RDR.

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

The consolidated financial statements are presented in New Zealand dollars (\$) which is also the functional currency of the Company.

Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention with the exception of derivatives and contingent consideration which are held at fair value.

The preparation of consolidated financial statements in conformity with NZ IFRS 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 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.

Restatement of prior year comparatives

There have been amendments to the reported numbers and reclassifications of balances from those presented in the statutory financial statements for the years ended 31 March 2017. Details of these changes are set out in note 23.

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 control or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All intra-group transactions, balances, incomes and expenses are eliminated on consolidation.

(b) Investments accounted for using the equity method

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

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

2.2 Consolidation (continued)

(b) Investments accounted for using the equity method (continued)

For a joint venture, the control of the arrangement is shared with one other party. A joint venture is based on management's assessment of the legal form and substance of the arrangement.

For both associates and joint ventures the results and assets and liabilities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets, less any impairment in the value of the investment. The Group's share of post-tax profits or losses are recognised in the consolidated statement of comprehensive income. Losses in excess of Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the entity.

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 balance 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. Cost includes purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Where appropriate, the cost of property, plant and equipment includes site preparation costs, installation costs, the cost of obtaining initial resource consents, and direct costs. Direct costs include employee costs and directly attributable overheads. Directly attributable overheads include a proportion of office accommodation and other operating expenses, weighted for capitalisable labour hours.

The cost of an item of property, plant and equipment also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Changes in the liability resulting from changes in the estimated timing or amount of payments required to settle the obligation or changes to the discount rate are added to, or deducted from, the cost of the related asset, except that where a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised in profit or loss.

Where an item of property, plant and equipment is disposed of, the gain or loss recognised in operating expenses 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
Communication & network equipment includes the following:	
Customer premises equipment	1 - 4 years
IT equipment	3 - 5 years
Network equipment	4 - 8 years
Network and broadband infrastructure	8 -15 years
Fibre cables & ducting	20 - 35 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 of these assets commences when the assets are ready for their intended use.

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

2.5 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the business 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 impairment indicators are noted. On disposal of a subsidiary or business, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the consolidated statement of comprehensive income on disposal.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, known as cash-generating units. Goodwill is allocated to cash-generating units that are expected to benefit from the business combination in which the goodwill arose. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment in relation to goodwill is recognised immediately in the consolidated statement of comprehensive income and is not subsequently reversed.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

(b) Computer software and licenses

Computer software comprises computer software purchased from third parties as well as the cost of internally developed software. The cost of an internally generated intangible asset that meets the recognition criteria is the sum of directly attributable expenditure incurred to create, produce and prepare the asset so that it is capable of operating in the manner intended by management.

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific software.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and directly attributable overheads.

Software integral to an item of hardware equipment is classified as property, plant and equipment. Costs associated with maintaining computer software programs are recognised as an expense as they are incurred. Internally developed software is recognised only if all of the following conditions are met – an asset is created that can be separately identified; it is probable that the asset created will generate future economic benefits; and the development cost of the asset can be measured reliably.

The amounts capitalised 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.

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

At each balance date, the Group reviews the carrying amounts of its property, plant and equipment and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

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

2.6 Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years and an impairment loss reversal is recognised immediately in profit or loss.

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 they are expected to be settled within 12 months, otherwise they are classified as non-current. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss component of the consolidated statement of comprehensive income. Financial assets at fair value through profit or loss are subsequently carried at fair value.

(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 balance date. These are classified as non-current assets. The Group's loan and receivables comprise 'trade and other receivables', 'receivable from Vodafone Group Plc' and 'cash and cash equivalents' in the consolidated statement of financial position. Loans and receivables are recognised initially at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

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.

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 and other receivables where the carrying amount is reduced through the use of an allowance account. When trade and other receivables are uncollectable, they are written off against the allowance account. Trade and other receivables are 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 or other receivable. Changes in the carrying amount of the allowance account are recognised in operating expenses 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.

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, receivables from Vodafone Group Plc 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.

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

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are held by the Group on a short-term basis with all having an original maturity of three months or less. The carrying amounts approximates their fair value.

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. The amounts are unsecured and are usually paid within normal business terms. Trade and other payables are classified as non-current only when the Group has the unconditional right to defer payment for more than 12 months from balance date. Otherwise the amounts are classified as current. Trade and other payables are measured initially at fair value and are subsequently measured at amortised cost using the effective interest method.

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, to the net carrying amount of the financial liability.

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 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.

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 date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.15 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 the balance date.

2.16 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 share-based payment reserves is also recognised.

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2.16 Share-based payments (continued)

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

2.17 Equity dividends

Dividends paid and received are included in the Group's consolidated financial statements in the period in which the related dividends are actually paid or received, following approval from the Board of Directors.

2.18 Provisions

Provisions are recorded at the best estimate of the expenditure required to settle the obligation at the balance date. Where the effect is material, the expected expenditures are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability for which the future cash flow estimates have not been adjusted. Where discounting is used, the carrying amount of the provision is increased each period to reflect the passage of time. Interest expense relating to the unwinding of the discount is recorded in finance costs in the consolidated statement of comprehensive income. Provisions expected to be settled within 12 months are measured at the undiscounted amounts required to settle the obligation.

2.19 Revenue recognition

Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration receivable, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing mobile and fixed telecommunication services including: access charges, voice 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.

(a) Mobile Services

Revenue from voice and video calls, messaging and mobile data and related services and interconnect fees is recognised as the services are performed.

Enterprise and consumer postpay mobile - Unbilled revenue resulting from services already provided are accrued at the end of each reporting period.

Consumer prepay mobile - Revenue from the sale of prepaid credit is deferred until such time as the customer uses the services, or the credit expires.

(b) Fixed Services

Revenue from access charges, voice calls, and broadband data, TV and related services is recognised as the services are performed.

Enterprise and consumer fixed - Unbilled revenue resulting from services already provided are accrued at the end of each reporting period.

(c) Wholesale and other recurring services

Revenue from provision of services to other telecommunications operators, including fixed and mobile access, voice services, national transmission and backhaul services, the provision of data and internet access as well as the resale of public switched telephone network, tolls and ultra-fast broadband access and other revenue is recognised as the services are performed.

Wholesale and other recurring - Unbilled revenue resulting from services already provided are accrued at the end of each reporting period.

(d) Device and other revenue

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.

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2.19 Revenue recognition (continued)

(e) Revenue arrangements including more than one deliverable

In revenue arrangements including more than one deliverable, the arrangements are divided into separate components. Deliverables are considered separate components 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 component based on its relative fair value. Revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services. This restriction typically applies to revenue recognised for devices provided to customers, including handsets.

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.

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.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity instruments, for example as a result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.23 Earnings per share

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of share in issue during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax income effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.25 Derivatives

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured to their fair value at each balance date. They are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the balance date.

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3. Critical accounting estimates, assumptions and judgements

The preparation of the consolidated 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 goods and services using relative fair value principles. The fair values determined for deliverables may impact the timing of the recognition of revenue. Determining the fair value of each deliverable can require complex estimates.

The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis after considering appropriate volume discounts.

When the Group sells goods or services as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Group is considered to be the principal or agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners.

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 consideration is lower than the fair value of the net 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.

Refer to note 15 for information about business combinations in the current period.

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. The recoverable amounts of the Group's cash generating units are based on value in use, which is determined using discounted cash flow models. The value in use calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units and suitable discount rates to determine the present value.

3.4 Property, plant and equipment

Where appropriate, the cost of property, plant and equipment includes site preparation costs, installation costs, the cost of obtaining initial resource consents, and direct costs. Direct costs include employee costs and a reasonable proportion of overhead costs, which are directly attributable to bringing the asset to the location and condition necessary for its intended use. Estimation is involved in determining both the relevant employee costs to be considered as direct costs, and the appropriate rate at which to capitalise these costs per hour.

The depreciation charge for an asset is derived using estimates of its expected useful life, which are reviewed annually. The useful life over which tangible assets are depreciated 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 depreciation charge in the consolidated statement of comprehensive income. Useful lives are periodically reviewed to ensure that they remain appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

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.

Refer to note 8 for information about the Group's property, plant and equipment.

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3.5 Finite lived intangible assets

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and a reasonable proportion of overhead costs, which are directly attributable to bringing the asset to the location and condition necessary for its intended use. Estimation is involved in determining both the relevant employee costs to be considered as direct costs, and the appropriate rate at which to capitalise these costs per hour.

Finite lived intangible assets include amounts spent by the Group acquiring licenses and spectrum, customer bases and the costs of purchasing and developing computer software. Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Estimates relating to the future cash flows and discount rates used may have a material effect on the reported amounts of finite lived intangible assets.

Estimation of useful life

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Reducing the useful life will increase the amortisation charge in the consolidated statement of comprehensive income. Useful lives are periodically reviewed to ensure that they remain appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The basis for determining the useful life for the most significant categories of intangible assets is discussed below.

Customer base

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

Software

For computer software, the estimated useful life is based on management's view, considering historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. The useful life will not exceed the duration of a licence.

Radio spectrum licenses

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.

Refer to note 9 for information about the Group's intangible assets.

3.6 Provisions

In the course of the Group's activities, a number of lease agreements for cell sites, point of presence (POP) sites and other network infrastructure assets are entered into for which the Group has decommissioning obligations on termination of the leases.

In order to determine the carrying amount of the provision for decommissioning costs, the Group estimates the timing and amount of cash flows that will be required to settle the obligation. These estimates are evaluated each reporting period to determine whether any adjustments are required.

The associated cash outflows are substantially expected to occur at the end of the life of the relevant assets. The useful life for cell sites and POP sites is calculated by reference to the longest remaining lease term after factoring in expected exits from cell sites and POP sites each year based on historic trends. The useful life of other network infrastructure assets is based on estimates performed by engineers.

The amount of cash outflows are estimated based on actual costs of exiting sites already incurred, and estimates provided by engineers.

Refer to note 12 for further information about the provisions.

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4. Operating expenses

	2018 \$ million	2017 Restated* \$ million
Operating expenses - direct costs		
Interconnect and access costs	388.1	404.9
Device and other product costs	366.4	352.2
Other direct and variable costs	190.1	184.8
	944.6	941.9

Interconnect and access costs comprise the costs paid to other telecommunication operators (for delivery of voice, messaging, or data from Vodafone customers to other customers); access fees (fixed payments to access the networks of Chorus and other telecommunication operators) and international bandwidth (contracted capacity of international connections).

Device and other product costs comprise equipment costs (which include handsets and modems), SIM costs, one-off commissions, and provisioning costs.

Other direct and variable costs comprise the costs associated with content, enterprise projects and managed services (e.g. Vodafone managed IT systems), regulatory fees, handset insurance costs, other miscellaneous mobile costs, and ongoing commissions and logistics costs.

	2018 \$ million	2017 Restated* \$ million
Operating expenses – other		
Employee benefit expenses	257.2	246.4
Intercompany recharges	157.8	140.6
IT and network maintenance	72.5	70.4
Operating lease expenses	48.0	49.9
Media, publicity and communication	51.5	47.2
Outsourced services	28.6	33.8
Leased lines	18.2	20.8
Bad debt expense	18.2	21.1
Utilities	13.4	13.5
Other expenses	23.0	15.8
	688.4	659.5

Operating lease expenses include \$3.1 million of sub-lease rental receipts (2017: \$4.0 million).

5. Finance costs – net

	2018 \$ million	2017 Restated* \$ million
Vodafone Group Plc (note 17)	(5.0)	(5.0)
Other	(0.2)	(1.2)
Finance income	(5.2)	(6.2)
Vodafone Overseas Finance Ltd (note 17)	40.7	44.2
Other	3.1	1.5
Finance costs	43.8	45.7
Finance costs - net	38.6	39.5

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6. Trade and other receivables

	2018 \$ million	2017 Restated* \$ million
<i>Included within trade and other receivables - current</i>		
Trade receivables	157.5	157.2
Less: allowance for doubtful debts	(7.0)	(10.6)
Trade receivables – net	150.5	146.6
Accrued revenue	68.8	62.1
Less: allowance for doubtful debts	(3.9)	(3.8)
Accrued revenue - net	64.9	58.3
Prepayments	19.3	23.8
Other receivables	7.0	7.2
Receivables from related parties (note 17)	4.9	2.1
	246.6	238.0
<i>Included within trade and other receivables – non-current</i>		
Accrued revenue	18.2	18.8
Prepayments	1.6	3.8
	19.8	22.6

Movement in allowance for doubtful debts

	2018 \$ million	2017 Restated* \$ million
Balance at the beginning of the year restated*	14.4	8.0
Impairment losses recognised on receivables	18.2	21.1
Amounts written off during the year as uncollectible	(21.7)	(14.7)
Balance at the end of the year	10.9	14.4

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.

7. Inventories

Inventories comprises the cost of mobile handsets and network spares.

	2018 \$ million	2017 Restated* \$ million
Mobile handsets and network spares	24.9	22.2
Provision for inventory obsolescence	(5.6)	(5.5)
	19.3	16.7

Inventories recognised as an expense during the year of \$259.0 million are included within 'operating expenses – direct costs' in the consolidated statement of comprehensive income (2017: \$229.9 million).

The current year charge includes \$1.0 million (2017: \$1.1 million) in respect of write-downs of inventory to net realisable value.

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8. Property, plant and equipment

\$ million	Fixtures, Fittings & Improvements	Communication & Network equipment	Construction in progress	Total
At 31 March 2017 Restated*				
Cost	108.6	2,715.5	21.7	2,845.8
Accumulated depreciation	(79.5)	(1,802.9)	-	(1,882.4)
Net book value Restated*	29.1	912.6	21.7	963.4
2018 movements				
Opening net book value restated*	29.1	912.6	21.7	963.4
Additions – acquisitions (note 15)	0.5	0.3	3.2	4.0
Additions	1.8	184.2	20.7	206.7
Transfer from construction in progress	0.8	20.3	(21.1)	-
Net movement from asset retirement obligation	-	(4.2)	-	(4.2)
Disposals	-	(7.0)	-	(7.0)
Depreciation charge	(8.4)	(211.1)	-	(219.5)
Closing net book value	23.8	895.1	24.5	943.4
At 31 March 2018				
Cost	111.7	2,911.9	24.5	3,048.1
Accumulated depreciation	(87.9)	(2,016.8)	-	(2,104.7)
Net book value	23.8	895.1	24.5	943.4

The Group did not receive any government grants for the year ended 31 March 2018. During the year ended 31 March 2017 the Group claimed \$3.4 million in government grants. The grants are required to be utilised for the construction of network infrastructure to support the rural broadband initiative (RBI). This has been offset against the costs of building network cell sites, resulting in a reduction of the carrying value of these assets.

9. Intangible assets

\$ million	Goodwill	Radio spectrum licenses	Software	Customer base	Construction in progress	Total
At 31 March 2017 Restated*						
Cost	165.9	625.4	840.7	103.4	23.6	1,759.0
Accumulated amortisation	-	(493.3)	(709.0)	(81.4)	-	(1,283.7)
Net book value Restated*	165.9	132.1	131.7	22.0	23.6	475.3
2018 movements						
Opening net book value restated*	165.9	132.1	131.7	22.0	23.6	475.3
Additions – acquisition (note 15)	5.1	-	0.2	-	-	5.3
Additions	-	-	46.4	-	23.8	70.2
Transfer from construction in progress	-	-	18.0	-	(18.0)	-
Disposals	-	-	-	-	-	-
Amortisation charge	-	(15.5)	(65.1)	(10.5)	-	(91.1)
Closing net book value	171.0	116.6	131.2	11.5	29.4	459.7
At 31 March 2018						
Cost	171.0	625.4	905.3	103.4	29.4	1,834.5
Accumulated amortisation	-	(508.8)	(774.1)	(91.9)	-	(1,374.8)
Net book value	171.0	116.6	131.2	11.5	29.4	459.7

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10. Investments accounted for using the equity method

	2018 \$ million	2017 Restated* \$ million
Opening balance restated*	2.1	2.7
Additions	0.5	-
Share of profits	0.5	-
Impairment of investment in Rural Connectivity Group Limited ²	-	(0.6)
Closing balance	3.1	2.1

Nature of investment in joint ventures and associates:

Set out below are the joint ventures and associates of the Group at 31 March 2018. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of Entity	% of ownership	Country of Incorporation	Nature of relationship	Measurement method	Carrying amount \$ million
Rural Connectivity Group Limited ¹	33%	New Zealand	Joint Venture	Equity	0.5
Centurion GSM Limited	25%	New Zealand	Associate	Equity	2.5
TNAS Limited	50%	New Zealand	Associate	Equity	0.1

¹ Since being renamed Rural Connectivity Group Limited, the purpose of the entity is to facilitate the government project Rural Broadband Initiative phase 2.

² Rural Connectivity Group Limited was renamed from TSM NZ Limited on 23 August 2017. During the 2017 financial year an impairment expense of \$0.6 million was recognised in relation to TSM NZ Limited due to the shutdown of its mobile payment services.

The joint venture and associates have a balance date of 31 March.

11. Other payables and accrued expenses

	2018 \$ million	2017 Restated* \$ million
<i>Included within other payables and accrued expenses - current</i>		
Other payables and accruals	154.3	170.9
GST and other taxes payable	26.8	28.9
Related party payables (note 17)	33.5	23.2
	214.6	223.0
<i>Included within other payables and accrued expenses – non-current</i>		
Other payables and accruals*	3.3	13.1
	3.3	13.1

*In 2017, a contingent payment of \$8.6 million payable to the former shareholders of WorldxChange Communications Limited was included within non-current other payables and accruals. In 2018, \$9.0 million has been recognised within the current other payables and accrued expenses.

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12. Provisions

	Asset retirement Obligations \$ million	Other \$ million	Total \$ million
At 31 March 2017 Restated*	37.7	0.8	38.5
Changes in estimates	-	-	-
Additional provisions	6.0	0.2	6.2
Utilised	(0.6)	-	(0.6)
Reversed	-	(0.8)	(0.8)
Unwinding of discount rate	(0.7)	-	(0.7)
At 31 March 2018	42.4	0.2	42.6

	2018 \$ million	2017 Restated* \$ million
Current	0.3	1.9
Non-current	42.3	36.6
	42.6	38.5

Provisions for asset retirement obligations

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

A risk-free discount rate that reflects the risks specific to the liability has been used.

13. Contributed equity

	2018 shares (million)	2018 \$ million	2017 shares (million)	2017 \$ million
Ordinary shares				
Ordinary shares at the beginning of the year	945.1	454.6	454.6	454.6
Shares issued to parent company	-	-	490.5	-
Ordinary shares at the end of the year	945.1	454.6	945.1	454.6

Share capital comprises 945,100,000 (2017: 945,100,000) ordinary shares fully paid. All ordinary shares carry one vote per share and have equal rights to dividends and surpluses upon liquidation.

On 22 February 2017, the Company issued 490,500,000 ordinary shares for nil consideration to Vodafone Europe B.V.

14. Other reserves

	2018 \$ million	2017 Restated* \$ million
Other reserves at the beginning of the year restated*	62.4	17.5
Total comprehensive income for the year, attributable to owners of the Parent	40.4	47.6
Distribution to the Parent	(1.0)	(1.8)
Issuance of put options over non-controlling interest	(3.0)	-
Share based payments reserves movement	(0.5)	(0.9)
Non-controlling interest	1.2	-
Other reserves at the end of the year	99.5	62.4

Dividend per share was nil (2017: nil).

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15. Business combinations

On 1 June 2017, the Group acquired 70% of Baycity Communications Limited and its 100% subsidiaries (together 'Farmside'), a provider of rural broadband services for cash consideration of \$10.0 million less a working capital adjustment. The Group had an option to purchase the remaining 30% of Farmside shares for \$3.0 million within the next 3 years if certain trigger events occur and TeamTalk had a put option to sell the remaining 30% of the shares to the Company for \$3.0 million at its complete discretion within the next 3 years. Details of the purchase consideration and the net assets and liabilities recognised are as follows:

Purchase consideration	\$ million
Consideration paid in cash	9.2
Total consideration	9.2

The assets and liabilities recognised at the date of acquisition were:

	Fair value \$ million
Trade and other receivables	2.0
Current tax receivable	0.2
Inventory	0.8
Property, plant and equipment	4.0
Intangible assets	0.2
Deferred tax asset	3.0
Trade payables and other liabilities	(3.3)
Other non-current liabilities	(1.1)
Fair value of net identifiable assets acquired	5.8
Net assets acquired	3.4
Less: Non-controlling interest	(1.7)
Goodwill arising on acquisition	5.1

As noted in note 22, the Group purchased the remaining 30% of the shares in Farmside on 31 May 2018. As at 31 March 2018 the Group recognised the \$3.0 million purchase price within other payables and accrued expenses with the corresponding entry recorded within other reserves in the consolidated statement of changes in equity, refer to note 11.

16. Subsidiaries

The Group has the following subsidiaries at 31 March:

Name	Country of incorporation and place of business	Nature of business	Effective interest held by the Group (%)	
			2018	2017
Vodafone New Zealand Foundation Limited	New Zealand	Non-trading trustee of the Vodafone New Zealand Foundation	100	100
Vodafone Mobile NZ Limited	New Zealand	Holds management rights to spectrum assets	100	100
Vodafone Next Generation Services Limited	New Zealand	Provider of unified communication services	100	100
Baycity Communications Limited ¹	New Zealand	Provider of rural broadband services	70	-
Baycity Dairy Limited ¹	New Zealand	Dormant company	70	-
Farmside Limited ¹	New Zealand	Dormant company	70	-
Farmside Technologies Limited ¹	New Zealand	Dormant company	70	-
Myfarmside Limited ¹	New Zealand	Dormant company	70	-

¹ Baycity Communication Limited and its 100% subsidiaries from 1 June 2017.

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17. Related parties

The parent entity in the consolidated Group, 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 control of the ultimate parent entity.

In addition, the Group has a number of related parties including subsidiaries as detailed in note 16, associates and joint venture arrangements as detailed in note 10 and executive directors and other members of key management personnel.

During the year the Group entered into the following transactions with related parties:

Transaction type	Related party	2018 \$ million	2017 \$ million
Purchases of goods and services	Vodafone Group Plc entities	(259.5)	(206.4)
Sale of goods and services	Vodafone Group Plc entities	11.6	17.6
Finance income (note 6)	Vodafone Group Plc	5.0	5.0
Finance charges (note 6)	Vodafone Overseas Finance Limited	(40.7)	(44.2)
Loans repaid	Vodafone Overseas Finance Limited	122.2	-
Sale of trade receivables*	Vodafone Overseas Finance Limited	33.1	-
Total compensation paid	Key management personnel	(10.7)	(11.2)
Purchases of goods and services	Associates – Centurion GSM Limited	(65.8)	(62.2)
Sale of goods and services	Associates – Centurion GSM Limited	0.7	0.7
Sale of goods and services	Joint ventures – Rural Connectivity Group Limited	1.0	-

***Sale of trade receivables**

During the year the Group sold certain trade receivables to Vodafone Overseas Finance Limited. These trade receivables had a face value of \$36.5 million were sold for a net consideration of \$33.1 million. Substantively all risks and rewards associated with the receivables passed onto the purchaser at the date of sale, therefore the receivables were derecognised. Following this transaction Vodafone Overseas Finance Limited sold these receivable balances to a financial institution, for a net consideration of \$33.3 million.

The following balances were outstanding at the end of the balance date:

Balances	Related party	2018 \$ million	2017 \$ million
Amount owed to related parties	Vodafone Group Plc entities	(33.5)	(23.2)
Amount owed by related parties	Vodafone Group Plc entities	4.6	2.1
Loan from related parties – current	Vodafone Overseas Finance Limited	-	(122.2)
Loan from related parties – non current	Vodafone Overseas Finance Limited	(982.1)	(887.5)
Amount owed by related parties	Vodafone Group Plc	290.1	264.3
Amount owed to related parties	Associates – Centurion GSM Limited	-	(0.1)
Amount owed by related parties	Associates – Centurion GSM Limited	-	0.3
Amount owed by related parties	Joint ventures – Rural Connectivity Group Limited	0.3	-

Purchases / sales of goods and services and Amounts owed to / by related parties

These are trading transactions and intercompany recharges arising in the normal course of business. Purchases of goods and services from Vodafone Group Plc entities include inventory purchases.

The closing balances are payable / receivable on demand and are non-interest bearing and unsecured.

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17. Related parties (continued)

Loan from related parties – Vodafone Overseas Finance Limited

In 2018, the non-current loan with Vodafone Overseas Finance Limited is interest bearing and denominated in GBP. Interest on the loan is charged at LIBOR plus a margin of 1.3%. The loan is unsecured and repayable in full on 1 July 2020.

The loan has a covenant of 3x interest cover. There were no defaults or breaches of covenants by the Group on any borrowing arrangements during the current year (2017: nil).

In 2017, there was a current loan balance which was repaid during the current year. This loan was interest bearing and denominated in GBP, interest on the loan was charged at LIBOR plus a margin of 1.7%.

The finance charges paid to Vodafone Overseas Finance Limited includes \$0.2 million capitalised to qualifying assets during the year (2017: \$0.8 million). The weighted average capitalisation rate on funds borrowed is 1.68% per annum (2017: 1.88% per annum).

Amounts owed by related parties – Vodafone Group Plc

The receivable from Vodafone Group Plc is payable on demand. The receivable from Vodafone Group Plc bears interest at a floating rate of 1.8% (2017: 1.8%).

18. Share based payments

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 award shares are as follows:

	2018		2017	
	Number of shares	Weighted average fair value at grant date	Number of shares	Weighted average fair value at grant date
Outstanding at 1 April	3,212,458	\$3.75	4,090,272	\$3.96
Granted during the year	1,321,357	\$4.31	1,202,674	\$3.82
Forfeited during the year	(461,372)	\$4.02	(793,172)	\$3.51
Exercised during the year	(1,031,470)	\$3.70	(1,287,316)	\$3.23
Expired during the year	-	-	-	-
Outstanding at 31 March	3,040,973	\$4.33	3,212,458	\$3.75

19. Income tax

	2018 \$ million	2017 Restated* \$ million
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense	21.9	31.2
Over provision in previous year	(1.9)	(0.5)
Deferred income tax	(6.1)	(10.9)
Income tax expense	13.9	19.8

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

	2018 \$ million	2017 Restated* \$ million
Profit before income tax	53.8	67.4
Income tax expense calculated at 28%	15.1	18.9
Non-deductible expenses	2.5	1.4
Over provision in previous year	(1.9)	(0.5)
Other	(1.8)	-
Income tax expense	13.9	19.8

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Deferred tax assets / (liabilities)

\$ million	Property, plant and equipment	Provisions and accruals	Other	Intangible assets	Total
At 31 March 2016 Restated*	7.7	21.1	1.8	(21.5)	9.1
Recognised in the statement of comprehensive income restated*	6.3	1.1	(1.6)	5.1	10.9
At 31 March 2017 Restated*	14.0	22.2	0.2	(16.4)	20.0
Recognised in the statement of comprehensive income	(9.8)	4.8	1.3	9.7	6.0
Acquired in business	2.9	0.1	-	-	3.0
Recognised directly in equity	-	-	0.1	-	0.1
At 31 March 2018	7.1	27.1	1.6	(6.7)	29.1

20. Commitments

	2018 \$ million	2017 Restated* \$ million
Capital commitments	49.3	18.0
	49.3	18.0

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

Future minimum operating lease payments:

	2018 \$ million	2017 Restated* \$ million
Within one year	61.8	59.2
Later than one year but not later than five years	147.6	132.7
Later than five years	79.0	85.1
	288.4	277.0

The total of future minimum sublease payments expected to be received under non-cancellable subleases is \$8.7 million (2017: \$8.3 million).

21. Contingencies

There are no significant contingent liabilities as at 31 March 2018 (2017: nil).

22. Events after the reporting period

On 31 May 2018, The Group purchased the remaining 30% of shares in Baycity Communications Limited and its subsidiaries (together 'Farmside') for \$3.0 million which had been provided for at 31 March 2018 due to the option held which was valued at \$3.0 million, being the exercise price.

There were no other events subsequent to 31 March 2018 requiring disclosure or qualifying for recognition (adjusting event).

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 23.

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

23. Restatement of previously reported 31 March 2017 consolidated financial statements

During the process of preparing these consolidated financial statements the Directors have made adjustments as a result of the re-audit of the comparatives to these consolidated financial statements to a lower materiality performed in anticipation of potential capital structure opportunities that may be undertaken in the future.

The Directors have also reclassified items in the consolidated statement of financial position, the consolidated statement of comprehensive income and the consolidated statement of cash flows to align the presentation with the way the consolidated financial statements will be presented for future reporting periods.

Included below are reconciliations of the amounts previously reported in the 31 March 2017 consolidated financial statements to the restated amounts reported in these consolidated financial statements, and explanations of the adjustments.

Previously reported consolidated statement of comprehensive income for the year ended 31 March 2017	Statutory financial statements \$ million	Adjustments \$ million	Notes	Reclassifications \$ million	Notes	Balances presented in these financial statements \$ million
Service revenue*	1,834.6	(3.9)	A	(25.8)	O	1,804.9
Device and other revenue*	220.1	1.7	A	(1.8)	O	220.0
Total revenue	2,054.7	(2.2)		(27.6)		2,024.9
Operating expenses – direct costs	(979.5)	1.3	G B, E,	36.3	O,P	(941.9)
Operating expenses – other	(651.9)	1.1	G, H	(8.7)	P	(659.5)
Impairment of investments accounted for using the equity method	(0.6)	-		-		(0.6)
Earnings before interest, tax, depreciation and amortisation*	422.7	0.2		-		422.9
Depreciation and amortisation	(323.4)	7.4	D, F	-		(316.0)
Operating profit	99.3	7.6		-		106.9
Finance income	6.2	-		-		6.2
Finance costs	(48.0)	2.3	C, F, I	-		(45.7)
Finance costs - net	(41.8)	2.3		-		(39.5)
Profit before income tax	57.5	9.9		-		67.4
Income tax expense	(17.3)	(2.5)	Tax effect of adjustment	-		(19.8)
Profit for the year	40.2	7.4		-		47.6
Total comprehensive income for the year	40.2	7.4		-		47.6

* Service revenue, device and other revenue and EBITDA were not disclosed separately in the consolidated statement of comprehensive income in the 2017 consolidated statutory financial statements.

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

23. Restatement of previously reported 31 March 2017 consolidated financial statements (continued)

Previously reported consolidated statement of financial position as at 31 March 2017	Statutory financial statements \$ million	Adjustments \$ million	Notes	Reclassifications \$ million	Notes	Balances presented in these financial statements \$ million
Current Assets						
Cash and cash equivalents	2.6	-		-		2.6
Receivable from Vodafone Group Plc*	264.3	-		-		264.3
Trade and other receivables	230.0	(1.3)	G, K	9.3	M	238.0
Inventories	9.7	7.0	A	-		16.7
Tax receivable	15.6	(2.0)	Tax effect of adjustments	-		13.6
	<u>522.2</u>	<u>3.7</u>		<u>9.3</u>		<u>535.2</u>
Non-current assets						
Trade and other receivables	22.6	-		-		22.6
Property, plant and equipment	949.9	13.5	B, C, D, F B, C, D, I,	-		963.4
Intangible assets	458.0	17.3	J	-		475.3
Investments accounted for using the equity method	2.1	-		-		2.1
Deferred tax assets	29.8	(9.8)	Tax effect of adjustments	-		20.0
	<u>1,462.4</u>	<u>21.0</u>		<u>-</u>		<u>1,483.4</u>
Total assets	<u>1,984.6</u>	<u>24.7</u>		<u>9.3</u>		<u>2,018.6</u>
Current liabilities						
Bank overdrafts*	0.8	-		-		0.8
Revenue received in advance*	63.6	(3.4)	A	6.0	M	66.2
Trade payables	142.3	-		(34.1)	M, N	108.2
Accrued employee benefits*	25.8	(10.9)	E, G	16.2	N	31.1
Other payables and accrued expenses	191.6	(5.8)	A, G, K	37.2	M, N	223.0
Provisions	17.7	-		(15.8)	N	1.9
Related party borrowings*	138.4	-		(16.2)	L	122.2
	<u>580.2</u>	<u>(20.1)</u>		<u>(6.7)</u>		<u>553.4</u>
Non-current liabilities						
Revenue received in advance*	11.0	-		-		11.0
Other payables and accrued expenses	13.6	(0.5)	I	-		13.1
Provisions	23.3	13.5	F	(0.2)	N	36.6
Related party borrowings*	871.3	-		16.2	L	887.5
	<u>919.2</u>	<u>13.0</u>		<u>16.0</u>		<u>948.2</u>
Total liabilities	<u>1,499.4</u>	<u>(7.1)</u>		<u>9.3</u>		<u>1,501.6</u>
Net assets	<u>485.2</u>	<u>31.8</u>		<u>-</u>		<u>517.0</u>
Equity						
Share capital	454.6	-		-		454.6
Opening retained earnings	(18.3)	26.4		-		8.1
Profit for the year	40.2	7.4		-		47.6
Distribution to the Parent	-	(1.8)	H	-		(1.8)
Share based payment reserve	8.7	(0.2)	H	-		8.5
Total equity	<u>485.2</u>	<u>31.8</u>		<u>-</u>		<u>517.0</u>

*The following balances were not disclosed separately on the face of the consolidated statement of financial position in the 2017 consolidated statutory financial statements:

- Receivable from Vodafone Group Plc. This amount was included within trade and other receivables.

- Bank overdrafts, revenue received in advance, accrued employee benefits and related party borrowings. These amounts were included within other payables and accrued expenses.

VODAFONE NEW ZEALAND LIMITED
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FOR THE YEAR ENDED 31 MARCH 2018

23. Restatement of previously reported 31 March 2017 consolidated financial statements (continued)

Previously reported consolidated statement of cash flows for the year ended 31 March 2017	Statutory financial statements \$ million	Reclassifications \$ million	Notes	Balances presented in these financial statements \$ million
Cash flows from operating activities				
Cash generated from operations	220.7	192.6	Q, R, S	413.3
Income tax paid	(4.3)	(22.3)	R	(26.6)
Net cash generated from operating activities	216.4	170.3		386.7
Cash flows from investing activities				
Purchases of property, plant and equipment	(174.4)	12.1	S	(162.3)
Proceeds from the sale of property, plant and equipment	-	4.5	S	4.5
Purchases of intangible assets	(53.7)	(7.9)	S	(61.6)
Government grants received for purchases of property, plant and equipment	-	3.4	S	3.4
Net advances to Vodafone Group Plc	-	(182.4)	Q	(182.4)
Interest received	1.3	-		1.3
Net cash used in investing activities	(226.8)	(170.3)		(397.1)
Net decrease in cash and cash equivalents	(10.4)	-		(10.4)
Cash and cash equivalents at beginning of year	12.3	-		12.3
Exchange gains on cash and cash equivalents	(0.1)	-		(0.1)
Cash and cash equivalents at end of year	1.8	-		1.8
Cash and cash equivalents is included in the statement of financial position as follows:				
Cash and cash equivalents	2.6	-		2.6
Bank overdrafts	(0.8)	-		(0.8)
Cash and cash equivalents at end of year	1.8	-		1.8

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23. Restatement of previously reported 31 March 2017 consolidated financial statements (continued)

Adjustments which impact profitability and net assets

- A. **Timing of revenue recognition** – the Group corrected the timing of revenue recognition. As a result, adjustments were made to inventories, revenue received in advance (current), other payables and accrued expenses (current) and equity-reserves.

	\$ million	2017
Service revenue		(3.9)
Device and other revenue		1.7
Inventories		7.0
Revenue received in advance (current)		(3.4)
Other payables and accrued expenses (current)		5.2
Equity – retained earnings		5.2

- B. **Capitalisation of overhead costs** – the Group has adjusted the estimate of the rates used to capitalise certain overhead expenses in the construction of property, plant and equipment and internally generated intangible assets.

	\$ million	2017
Property, plant and equipment		(18.1)
Intangible assets		(17.7)
Operating expenses – other		(10.3)
Equity – retained earnings		(35.8)

- C. **Capitalisation of borrowing costs** – Certain borrowing costs directly attributable to the acquisition or construction of property plant and equipment and intangible assets are required to be capitalised as part of the initial cost of the assets in accordance with the Group's accounting policy.

	\$ million	2017
Property, plant and equipment		6.9
Intangible assets		4.2
Finance costs		0.8
Equity – retained earnings		11.1

- D. **Calculation of asset costs and depreciation and amortisation** – The Group has made adjustments to correct timing differences in the measurement of fixed assets and in the depreciation and amortisation calculations for fixed and intangible assets in prior periods.

	\$ million	2017
Property, plant and equipment		15.8
Intangible assets		25.3
Depreciation and amortisation expense		9.3
Equity – retained earnings		41.1

- E. **Employee holiday pay accrual** – The Group has recorded additional accruals to correct errors made in its employee holiday pay calculations in prior periods and release part of the provision held at 31 March 2017.

	\$ million	2017
Accrued employee benefits (current)		(8.5)
Operating expenses – other		14.8
Equity – retained earnings		(8.5)

- F. **Asset retirement obligations** – The Group has recorded additional provisions for the present value of amounts that are expected to be paid when certain items of plant and equipment are decommissioned at the end of their useful lives that were not previously recorded. The estimated costs of decommissioning assets forms part of the cost of the asset at the date of acquisition. Interest expense relating to the unwinding of the discount is recorded as a finance cost.

	\$ million	2017
Property, plant and equipment		8.9
Provisions (non-current)		13.5
Depreciation and amortisation expense		(1.9)
Finance cost		1.9
Equity – retained earnings		(4.6)

- G. **Adjustments to the timing and measurement of operating expenses** – The Group has corrected the timing and amount of certain operating expenses.

	\$ million	2017
Operating expenses – direct costs		1.3
Operating expenses – other		(5.5)
Trade and other receivables (current)		(0.8)
Accrued employee benefits (current)		(2.4)
Other payables and accrued expenses (current)		(8.3)
Equity – retained earnings		9.6
Rounding		0.3

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23. Restatement of previously reported 31 March 2017 consolidated financial statements (continued)

Adjustments which impact profitability and net assets (continued)

- H. **Share based payment expense** – The Group adjusted the share-based payment expense relating to share awards that did not vest due to employees leaving the Group.

	\$ million	2017
Operating expenses – other		2.1
Share based payment reserves		(0.2)
Equity – distribution to the Parent		(1.8)
Equity – retained earnings		0.1

- I. **Contingent consideration regarding acquisition of WorldxChange Communications Limited in July 2015** – The Group made adjustments to record contingent consideration in the appropriate period relating to the acquisition that had previously not been recorded until the year ended 31 March 2017.

	\$ million	2017
Intangible assets		(1.1)
Other payables and accrued expenses (non-current)		(0.5)
Finance costs		(0.4)
Equity – retained earnings		(0.6)

- J. **Acquisition of TelstraClear Limited** – The purchase accounting was adjusted to record the impact to goodwill of deferred tax that should have been recorded as part of the acquisition accounting for TelstraClear Limited Goodwill (which took place in the year ended 31 March 2013).

	\$ million	2017
Intangible assets (goodwill)		6.6
Equity – retained earnings		6.6

- K. **Incorrect impairment charge and related party balances** – The Group adjusted related party balances to reverse an incorrect impairment charge.

	\$ million	2017
Trade and other receivables (current)		(0.5)
Other payables and accrued expenses (current)		(2.7)
Equity – retained earnings		2.2

Reclassifications within the consolidated statement of financial position

- L. **Non-current items incorrectly classified as current** - Related party borrowings not due to be paid for more than 12 months past the balance date have been reclassified to non-current.

	\$ million	2017
Related party borrowings (current)		(16.2)
Related party borrowings (non-current)		16.2

- M. **Assets and liabilities incorrectly net** - Credit balances in trade and other receivables have been reclassified to trade payables and other payables and accrued expenses. Revenue received in advance was incorrectly netted against trade and other receivables, handset purchases were incorrectly netted against other payables and accrued expenses.

	\$ million	2017
Trade and other receivables (current)		9.3
Trade payables (current)		1.5
Revenue received in advance (current)		6.0
Other payables and accrued expenses (current)		1.8

- N. **Liability reclassifications** - certain items within liabilities have been reclassified to correctly reflect the nature of the balance.

	\$ million	2017
Trade payables (current)		(35.6)
Other payables and accrued expenses (current)		35.4
Provisions (current)		(15.8)
Provisions (non-current)		(0.2)
Accrued employee benefits (current)		16.2

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

23. Restatement of previously reported 31 March 2017 consolidated financial statements (continued)

Reclassifications within the consolidated statement of comprehensive income

- O. Transactions incorrectly recorded on a gross basis** – Service revenue and operating expenses were reversed for certain carrier services where the Group acted as an agent, resulting in the net margin being recorded as revenue. Certain profit share and supplier rebates have been reclassified to be presented on a net basis as well.

	\$ million	2017
Service revenue		(25.8)
Operating expenses – direct costs		27.6
Device and other revenue		(1.8)

- P. Reclassification within operating expenses** – certain operating expenses – direct costs have been reclassified to operating expenses - other to correctly reflect the nature of the underlying transactions.

	\$ million	2017
Operating expenses – direct costs		8.7
Operating expenses - other		(8.7)

Reclassifications within the consolidated statement of cash flows

- Q. Advances to Vodafone Group Plc** – The net advances to Vodafone Group Plc have been reclassified from an operating activity to an investing activity because the advances are not used as part of the day to day cash management activities of the Group.

	\$ million	2017
Cash generated from operations		182.4
Net advances to Vodafone Group Plc		(182.4)

- R. Income tax paid to tax pooling account** – Payments to tax pooling accounts have been reclassified to income tax paid together with direct payments to tax authorities rather than being included in other cash generated from operations.

	\$ million	2017
Cash generated from operations		22.3
Income tax paid		(22.3)

- S. Other reclassifications on the statement of cash flows** – Proceeds from the sale of property, plant and equipment have been reclassified out of purchases of property, plant and equipment, and certain amounts relating to the acquisition of property, plant and equipment and intangible assets have been reclassified.

	\$ million	2017
Cash generated from operations		(12.1)
Purchases of property, plant and equipment		12.1
Purchases of intangible assets		(7.9)
Proceeds from the sale of property, plant and equipment		4.5
Government grants received for purchases of property, plant and equipment		3.4