



Vodafone Group Plc

Annual Report for the year ended 31 March 2013

The way ahead...

introducing Vodafone 2015



We are a global communications business giving people the power to connect with each other – and to learn, work, play, be entertained and broaden their horizons – wherever and however they choose.

Our business is constantly evolving to adapt to changes in customer behaviour, technology, regulation and the competitive landscape. Vodafone 2015 is our response to these changes: how we maximise new opportunities and defend ourselves against new challenges.



This year's report:

We've made some big changes to this year's report to give readers a clearer picture of how we're doing and what our plans are.

On pages 90 to 97, you can see we've combined our financial statements with a commentary explaining the main moving parts.

Elsewhere, we've expanded our KPI reporting, given more information on directors' pay, and embraced a number of new reporting requirements a year early.

We hope you find it useful and informative.

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These sections and pages 91, 93, 95 and 97 make up the directors' report.

The terms "Vodafone", the "Group", "we", "our" and "us" refer to the Company and, as applicable, its subsidiaries and/or interests in joint ventures and associates.

Unless otherwise stated references to "year" or "2013" mean the financial year ended 31 March 2013; to "2012" or "previous year" mean the financial year ended 31 March 2012, and to the "fourth quarter" or "Q4" are to the quarter ended 31 March 2013. For other references please refer to page 44.

All amounts marked with an "*" represent organic growth as defined on page 188. Definitions of terms used throughout the report can be found on pages 187 and 188.

Further information on non-GAAP measures used in the report can be found on page 179.

Website references are for information only and do not constitute part of this annual report.

This report is dated 21 May 2013.

Access full PDF downloads of this report, or watch a summary of the year at:

vodafone.com/ar2013





Promoting women

Our commitment to promoting greater female representation at board level was recently recognised by a leading Media award, "Breaking the Mould" where Vodafone was named overall winner of its 2013 award.

Today 20% of our senior leadership are women, up from 17% two years ago. Turn to page 34 for more on our people.



More on:
Key performance
indicators
Pages 18 and 19

We have seen mixed trends in our business this year, with a difficult macroeconomic environment and regulatory pressure affecting many of our European businesses, strong growth in emerging markets and an excellent performance from our US associate.

Resilient performance

£44.4bn

-4.2%

Group revenue

Group revenue decreased -4.2% to £44.4 billion as strong demand for data services and growth in emerging markets were offset by continued significant economic and regulatory pressures in Europe.

£6.7bn

+7.5%

Data revenue

Data revenue increased 7.5%, or 13.8%* on an organic basis, reflecting increased smartphone penetration and further take-up of integrated voice, SMS and data plans.

£12.0bn

+3.7%

Adjusted operating profit

Adjusted operating profit was up 3.7% at £12.0 billion, and above our guidance range, as a result of a strong contribution from our US associate, Verizon Wireless.

£5.6bn

-8.1%

Free cash flow

Free cash flow of £5.6 billion was within our guidance range. The decline reflected the relative strength of sterling against several currencies over the course of the year, as well as tough trading conditions.

29.9%

-1.3pp

EBITDA margin

Reported EBITDA margin fell -1.3 percentage points. Excluding restructuring costs and on an organic basis margin was down -0.1* percentage points, as the impact of steep revenue declines in Southern Europe offset improving margins in India and Vodacom.

10.19p

+7.0%

Total ordinary dividends per share

Final dividends per share of 6.92 pence, giving total dividends per share of 10.19 pence, up 7.0% year-on-year, in line with our target.

£6.3bn

-1.6%

Capital expenditure

Capital expenditure was stable at £6.3 billion as we continued to maintain a significant level of investment to extend our high speed mobile data coverage across our footprint.

15.65p

+5.0%

Adjusted earnings per share

Adjusted earnings per share was up 5.0% at 15.65 pence, driven by growth in adjusted operating profit and a lower share count as a result of share buybacks.

**Emerging markets**

Today, most of our revenue comes from mature European markets, where most people have a phone, but economic and regulatory pressures are limiting growth. Our future is increasingly in emerging markets, such as India and parts of Africa, where mobile penetration is low, GDP growth is high and mobile internet usage on smartphones is beginning to take off. Today around one third of revenue comes from emerging markets and going forward it is likely to be more.

Maximising our reach...

We are one of the world's largest mobile communications companies. We serve 404 million customers, employ over 91,000 people and operate in over 30 countries. To extend our reach beyond the companies we own, we also participate in partner market agreements in around 50 additional countries.

Global footprint

Equity interests

Revenue¹

Northern
and Central
Europe

£20.1bn

Southern
Europe

£10.5bn

Africa,
Middle East and
Asia Pacific
(AMAP³)

£13.5bn

Non-Controlled
Interests and
Common
Functions

£0.5bn

Operating free cash flow

£3.3bn

£2.3bn

£2.5bn

-£0.5bn

Adjusted operating profit

£2.1bn

£1.8bn

£1.7bn

£6.4bn

Countries

Czech Republic
Germany
Hungary
Ireland
Netherlands
Romania
Turkey
United Kingdom

Albania
Greece
Italy
Malta
Portugal
Spain

Australia
Egypt
Fiji
Ghana
India
Safaricom (Kenya)²
New Zealand
Qatar
Vodacom³

Verizon Wireless²

Our main markets

Germany

32 million mobile customers



Our largest market, generating annual revenue of £7.9 billion. We have a leading position with 35% service revenue market share. This was our first market to launch our ultra-fast 4G services which are now available to around 61% of the population.

Spain

14 million mobile customers



The severe recession combined with intense competition has led to falling revenue in Spain. However we remain confident in the country's future prospects and therefore we plan to co-invest €1 billion with another operator, to deploy a high speed fibre network.

Italy

29 million mobile customers⁵



We are the largest mobile operator in Italy with a 35% service revenue share. A combination of economic, competitive and regulatory pressures has led to a decline in revenue during the year, but due to careful cost control we have maintained a good level of profitability.

UK

19 million mobile customers



We have a 25% service revenue market share in the UK, and are a leading player among enterprise customers. During the year we acquired Cable & Wireless Worldwide plc ('CWW'); and we invested £803 million in spectrum to support the launch of ultra-fast 4G services later in 2013.

India

152 million mobile customers



Our largest market measured by customers. We have a strong brand position, an extensive range of distribution outlets and nationwide network coverage. As a result, our revenue market share has increased every year over the last four years and now stands at over 21%⁴.

Vodacom³

59 million mobile customers



We own 65% of Vodacom which covers five countries in Africa – South Africa, Tanzania, Mozambique, Lesotho, and the Democratic Republic of Congo. In South Africa, which accounts for 84% of Vodacom's revenue, we launched the country's first commercial 4G service in October 2012.

Verizon Wireless ('VZW')²

99 million mobile customers⁵



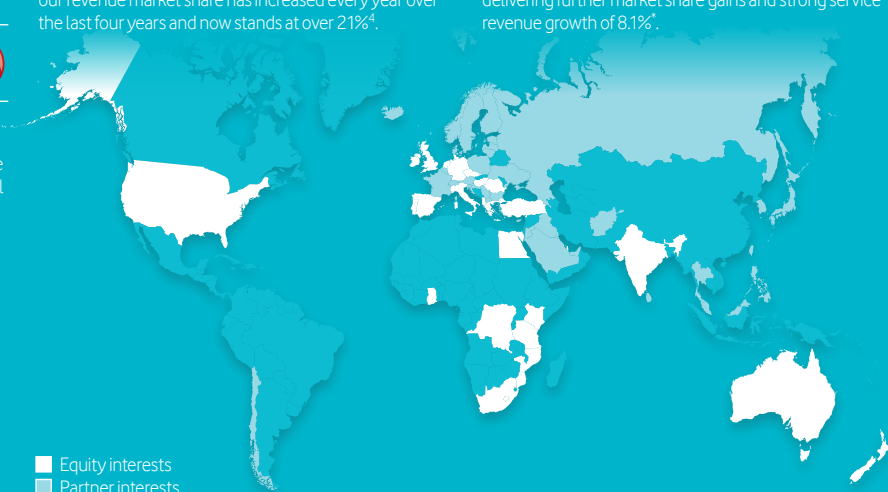
We own 45% of VZW, the largest mobile operator in the US by revenue. Its leading 4G network now covers around 90% of the US population. VZW continued to trade well delivering further market share gains and strong service revenue growth of 8.1%⁴.

Notes:

- 1 The sum of these amounts do not equal Group totals due to inter-company eliminations.
- 2 Associate.
- 3 Includes South Africa, Tanzania, Mozambique, Lesotho, and the Democratic Republic of Congo.
- 4 At December 2012.
- 5 Represents the Group's interest on a 100% owned basis. Based on equity interests the Group's customer base is 22 million in Italy and 45 million in VZW.

To see more information on our markets follow this link vodafone.com/investor

■ Equity interests
■ Partner interests



It's been a busy year. We have launched our new Vodafone Red proposition, bought valuable spectrum to develop 4G services and acquired two major fixed line businesses, and that's not all...

An eventful year...

Cable & Wireless Worldwide

April

The acquisition of Cable & Wireless Worldwide in the UK was announced.

M-Shwari

November

Our Kenyan associate company, Safaricom, launched M-Shwari, a mobile banking service which offers savings and loans to customers.



November

4G services launched in Romania.



October

4G services launched in South Africa and Italy.



December

4G services launched in Greece.

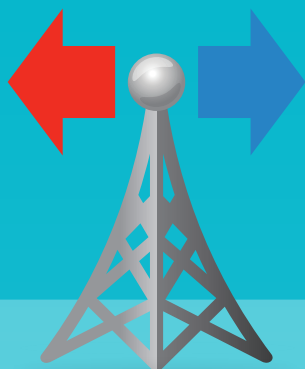


December

We received a £2.4 billion dividend from our 45% owned business in the US, VZW.

December

We acquired new spectrum in auctions in the Netherlands for £1.1 billion.



June

Vodafone and O₂ announced a network sharing deal in the UK, allowing us to reach 98% population coverage by 2015.



June

We announced new innovative roaming propositions in Europe including calls, texts and mobile internet access for €3 or €4 a day.



July

We announced plans to acquire TelstraClear, the second largest fixed operator in New Zealand.



September

First launch of Vodafone Red plans providing unlimited voice, texts and generous data bundles in the UK.



September

Vodafone and Zain Group announced a multi-country partner market agreement, expanding Vodafone's presence through partner markets to around 50 countries.



August

We paid a 6.47 pence per share final dividend, amounting to £3.2 billion, re-confirming our position as one of the largest dividend payers in the FTSE.



December/February

We commenced a £1.5 billion share buyback programme in December and paid an interim dividend per share of 3.27 pence, amounting to £1.6 billion in February.



February

We acquired new spectrum in auctions held in the UK for £803 million in order to launch 4G services later in the year.



March

We announced plans to invest €1 billion, jointly with Orange in Spain, to deploy a high speed fibre network to six million homes and businesses.



More on:
**Strategy and
Vodafone 2015**
Pages 24 to 33

**Our strategy adapts to fit to, and shape,
a fast-moving environment. But at its heart is our
consistent commitment to differentiation through
investment in our network and services.**

Adapting in a dynamic market...

Short-term challenges

A very tough regulatory environment, particularly in Europe and India, combined with significant macroeconomic pressures in many of our markets, mean that it is currently hard for us to grow our business. Competition, while a fact of life in any industry, is being exacerbated by high unemployment and austerity measures. These force many customers to value price over quality. In addition, regulation has lowered barriers to entry and allowed low or no-capital operators to compete with businesses such as ours which have invested significantly over many years.

Long-term growth opportunities

We expect smartphone adoption to accelerate in all markets over the next three years, with mobile applications and low cost smartphone availability increasing everywhere. With the broad deployment of high speed data networks, and the increasing deployment of TV programming, films and music streaming across all devices, we expect customers' appetite for data on both mobile and fixed networks to increase significantly. Companies will increasingly look to consolidate telecoms procurement across borders and put mobility at the centre of their strategies, favouring operators who can supply seamless unified communications.

Our response: **Vodafone 2015**

Our Vodafone 2015 strategy reflects our confidence in the future. This is based on a new strategic approach to our consumer offer and pricing in Europe, an increasing focus on unified communications, and an attractive and growing exposure to emerging markets. Fundamental to the success of this strategy will be an ongoing enhancement of the consumer and enterprise customer experience through continuous investment in high speed data networks, and an increased drive towards standardisation and simplification across the Group to maximise cost efficiency and accelerate execution.

Consumer 2015 (turn to **page 24**)

Enterprise 2015 (turn to **page 28**)

Network 2015 (turn to **page 30**)

Operations 2015 (turn to **page 32**)

Vodafone 4G ready

We are deploying 4G, also known as long-term evolution ('LTE') technology, which at least doubles data speeds compared to 3G, bringing the very best mobile data speeds available today and building capacity for future data growth. 9% of sites in our major European markets have LTE today and we expect this to be 40% by 2015.



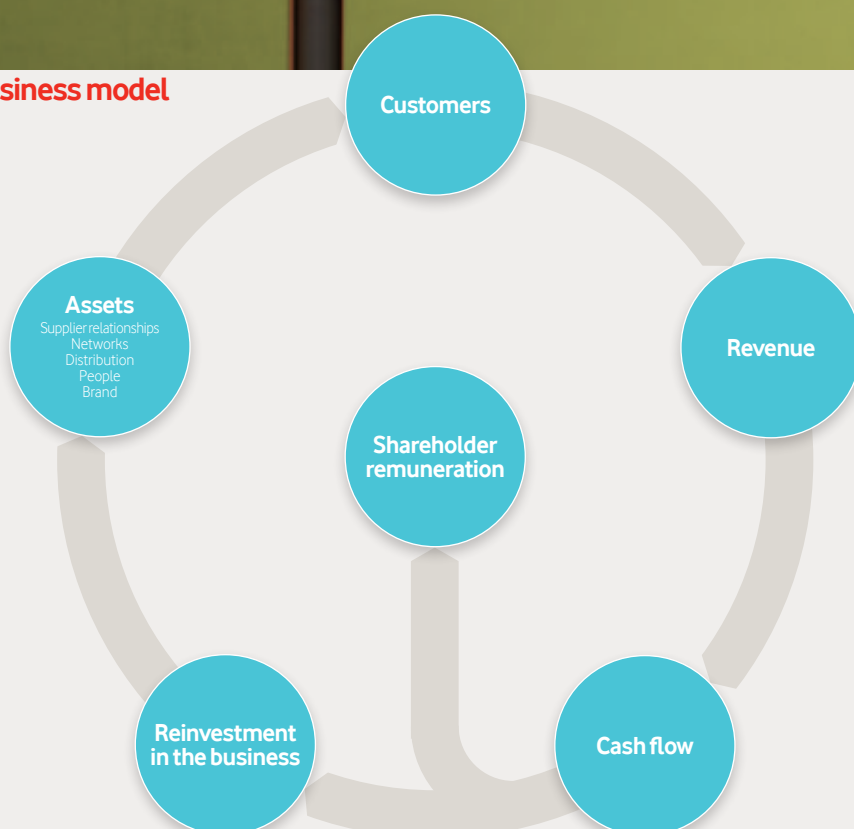


More on:
Business model
Pages 22 and 23
Principal risks
Pages 46 to 49

Simple, but thorough...

Our objectives could not be more simple: to continue to invest in a superior network and customer experience, and to sustain high levels of cash generation with which we can reward shareholders and reinvest in the business – so maintaining that virtuous circle.

Business model



Key risks

We have a rigorous process for monitoring and managing risk, which feeds directly into our business and financial strategy.

To read more on risks, turn to page 46.

**Our future leaders**

Our global graduate programme, Discover, continued to bring the best graduates into our local markets, with around 470 top university recruits this year. In addition, we partnered with ten leading MBA schools in Europe, the US, Africa and India to recruit MBA graduates for key management roles. Turn to page 35 to read more about our talent and capability development.

The Vodafone Way

We want to be admired for empowering people – making their lives simpler, easier and a good deal richer and more rewarding. These are the four pillars of the Vodafone Way which forms the foundation of our culture.

Customer obsessed

We are passionate about exceeding customer expectations, understanding their needs and earning their increasing loyalty.

Innovation hungry

We promote a climate that fosters innovation and calculated risk taking to develop new services and ways of working.

Ambitious and competitive

We bring energy and passion to our work, setting ourselves high standards. We measure our success compared to our competitors, not just to our plans.

One company, local roots

We operate as one company across diverse teams and markets to achieve the best outcome for our customers. We have an international brand and values, but are part of the local community.

Chairman's statement

Strong business, strong governance

Gerard Kleisterlee has been Chairman of Vodafone for two years. Previously he was CEO of Philips for ten years. Here he gives his perspectives on Vodafone's strategy, the impact of regulation, the role and composition of the Board, our approach to management and shareholder remuneration, and Vodafone's role in society.



Personal perspectives

In a world that is becoming increasingly digital, Vodafone's strategy is to deliver individuals and companies the seamless internet experience they will increasingly demand, irrespective of technology or platform. Our commitment to providing the leading mobile network in each of our markets is stronger than ever, and will be supplemented by increasing our access to next generation fixed line infrastructure, which provides additional capability. We have made strong progress in this respect this year, with over £8.7 billion invested in spectrum and capex, and the acquisitions of CWW and TelstraClear.

However, the industry remains severely constrained by regulatory intervention. Spectrum auctions are designed to maximise short-term proceeds at the expense of long-term investment in service quality and coverage, and new entrants are artificially supported. I will continue to work closely with Vittorio, our Group CEO, to engage with local and regional regulators to construct a framework which can better combine investment certainty with suitable consumer protections.

The role of the Board

An effective Board needs to have the right balance of knowledge and experience among the non-executive directors, and to be well informed on the relevant technological, regulatory and market developments.

In February 2013 we were delighted to announce the appointment of Omid Kordestani to the Board. Omid was one of Google's very first employees, and brings

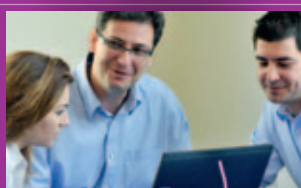
Summary of key points

Our strategy is to deliver individuals and companies the seamless internet experience they will increasingly demand, irrespective of technology or platform.



We have strength in depth in the management team and a Board comprising business leaders with a wide range of expertise.

We want to broaden that experience further, while achieving a greater gender balance.



Strong returns to shareholders with total dividends for the year of 10.19 pence and £1.6 billion invested in share buybacks. Total cash returns to shareholders during the year amounted to £6.4 billion.

£6.4bn

Vodafone share price vs STOXX Europe 600 Index

1 April 2010 to 20 May 2013, in €, rebased to 100

**Cash returns to shareholders**

Strong cash returns to shareholders are an established priority for Vodafone. The ordinary dividend is the core element of shareholder remuneration, with any surplus capital distributed via special dividend or share buybacks.

2010	£4.1bn
2011	£6.6bn
2012	£10.2bn
2013	£6.4bn



You can find more information on our **remuneration policies on pages 67 to 82**



You can find more information on our **sustainability programmes on pages 36 and 37**

with him a depth of insight into internet businesses built up over nearly 20 years as a pioneer in the industry.

Sir John Buchanan stepped down from his role as Deputy Chairman and Senior Independent Director in July 2012, after nine years of dedicated service to the Vodafone Board. His experience was invaluable to me personally in my first year as Chairman, and I would like to thank him for his wisdom and commitment. I am delighted that Luc Vandeveldt agreed to become Senior Independent Director in Sir John's place.

Luc has also served on the Board for nine years, and has therefore reached the milestone after which the UK Corporate Governance Code recommends Boards take account of a director's period of service when considering whether or not he remains independent. The Board considers that it is not in the best interests of shareholders to lose the experience of two such distinguished international business leaders in close succession.

My medium-term ambitions for the composition of the Board are to bring in further marketing expertise, and achieve a greater gender balance towards our ambition of 25% of Board members being women by 2015.

Take a lead in financial reporting

This year's annual report incorporates a number of new features to make our strategy and performance easier to understand, such as our innovative move to incorporate a high level business review with our primary financial statements (pages 90 to 97). In addition, we have adopted a number of aspects of the

revised UK Corporate Governance Code a year earlier than required. These include the Board's confirmation that the report presents a fair, balanced and understandable assessment of Vodafone's position and prospects, and an enhanced audit report. We have also adopted some of the new disclosure requirements on directors' remuneration a year early.

Strong capital discipline

The Board considers the ordinary dividend to be the core element of shareholder remuneration, and something on which shareholders should be able to depend. This year we raised our ordinary dividend per share by 7% for the third year in a row, and remain focused on at least maintaining the dividend per share at this level in the future.

In addition, during the year we completed a £6.8 billion share buyback programme, funded by the disposal of non-controlling interests, and committed an additional £1.5 billion to share buybacks on receipt of a further dividend from VZW in December 2012. We have demonstrated a highly disciplined approach to capital allocation, and will continue to manage our portfolio of assets in the best interest of shareholders.

Taking ordinary and special dividends, and the buyback programmes, total cash returns to shareholders have been equivalent to approximately 34% of our average market capitalisation over the last four years. Furthermore, in the period from 1 April 2010 to 20 May 2013, our share price has outperformed the STOXX Europe 600 Index by 20.9%.

Aligning management's interests to shareholders'

Our incentive schemes have a bias towards long-term, share-based plans, which incentivise our leaders to prioritise multi-year investment decisions and align their interests closely with those of institutional shareholders. We deepened this alignment last year by introducing shareholding requirements throughout the senior leadership team. The Executive Committee owns Vodafone shares worth around 500% of their combined salaries in total.

You can find more information on our remuneration policies on pages 67 to 82.

Vodafone's role in society

Mobile technology is a massive driver of economic and social improvement. Our vision is to unleash the power of Vodafone to help transform societies and enable sustainable living for all. Whether through low cost mobile banking services, mobile agriculture solutions or mobile health initiatives, we are making a real difference to people's lives. We have also stepped up our commitment to responsible and ethical business practices in our new Code of Conduct, published during the year.

You can find more information on our sustainability programme on pages 36 and 37.

Gerard Kleisterlee
Chairman

Chief Executive's review

Ready to seize future growth opportunities

Even in the context of tough economic and regulatory conditions, I remain very excited about the longer term prospects for the industry, as customer appetite for high speed data grows rapidly, and companies look to embed mobility into their corporate strategies.



Financial review of the year

Performance was strong in our emerging markets operations, with continued good growth in revenue and improving margins. However, the macroeconomic environment in Southern Europe has been very challenging, and European regulation continues to depress returns in the industry, rather than incentivise investment. VZW, our 45% owned associate in the US, continued to achieve strong growth in revenue, EBITDA, cash flow and market share.

Overall, I am satisfied with the progress we have made with our strategic priorities:

- We have launched Vodafone Red, our new strategic approach to pricing and our customer proposition, in 14 markets, with very positive initial results;
- We remain competitive in all markets, gaining or at least holding market share in most of our operations;
- We have bought new low frequency spectrum in a number of markets, and have laid the technology platform for the rapid deployment of HSPA+ and 4G/LTE services;
- We have accelerated the integration of CWW and TelstraClear, two fixed line businesses acquired during the year, advancing our enterprise and unified communications strategies; and
- We have increased the ordinary dividend per share by 7% for the third year in a row, as well as buying back £1.6 billion of shares¹.

Group revenue for the year was down -1.4%* to £44.4 billion, with Group organic service revenue down -1.9%*. Data revenue (+13.8%*) and major emerging markets (India +10.7%*, Vodacom +3.0%*, Turkey +17.3%*) continued to perform strongly. Group EBITDA margin fell -0.5* percentage points, or -0.1* percentage points excluding restructuring costs, as the impact of steep revenue declines in Southern Europe offset improving margins in India and Vodacom. Group EBITDA fell -3.1%* to £13.3 billion, after restructuring costs of £310 million.

Summary of where we are now.

- Further good progress on data: organic revenue growth 13.8%*, European smartphone penetration 36%, up 9 percentage points year-on-year.



- Vodafone Red now in 14 markets; 4.1 million customers as at 12 May 2013; 67% of consumer contract revenue in our European markets from integrated plans.



- Unified communications strategy accelerated: acquisitions of CWW and TelstraClear; fibre deployment planned in Spain and Portugal.



- £2.4 billion dividend received from VZW of which £1.5 billion is committed to share buybacks.

Consumer 2015

Enterprise 2015

Network 2015

Operations 2015

£7.9bn

invested in spectrum in the last four years, to provide 4G services and improve the quality of our networks.

10.19 pence

total ordinary dividends for the year, up 7% year-on-year in line with our target.

Adjusted operating profit from controlled and jointly controlled operations, before our share of associates' profits, was £5.5 billion, down -7.0%* year-on-year, reflecting the decline in EBITDA and relatively consistent depreciation and amortisation year-on-year. Group adjusted operating profit was up 9.3%* year-on-year at £12.0 billion, above our guidance range of £11.1 billion to £11.9 billion, as a result of the strong VZW contribution, which increased 30.5%* year-on-year. Excluding M&A and restructuring costs, adjusted operating profit was £12.3 billion².

We recorded an accounting gain of £0.5 billion on the acquisition of CWW and impairment charges of £7.7 billion relating to our businesses in Italy and Spain. These were driven primarily by lower projected cash flows within business plans, resulting from the tougher macroeconomic environment, and partly by an increase in discount rates.

Free cash flow was £5.6 billion, or £5.8 billion² excluding M&A and restructuring costs, at the top of our guidance range of £5.3 billion to £5.8 billion for the year. The year-on-year decline reflected the relative strength of sterling against the euro, South African rand and Indian rupee over the course of the year, as well as tough trading conditions. In addition to the free cash flow reported above, we received an income dividend of US\$3.8 billion (£2.4 billion) from VZW, and will shortly receive a further £2.1 billion which will be retained for general business purposes, including spectrum costs.

Capital additions were stable at £6.3 billion, as we continued to maintain a significant level of investment to extend our high speed mobile data coverage across our existing voice footprint. In addition, we spent £2.5 billion during the year on acquiring and renewing spectrum in a number of markets including the UK, India and the Netherlands.

Adjusted earnings per share was up 5.0% at 15.65 pence, driven by growth in adjusted operating profit and a lower share count. The Board is recommending a final dividend per share of 6.92 pence, to give total ordinary dividends per share for the year of 10.19 pence, up 7.0% year-on-year.

Service revenue growth 2013

It has been a difficult year in our controlled and jointly controlled operations due to tough economic and regulatory conditions particularly impacting our European business. However we continue to see good growth in key areas of data and emerging markets.

Group	-1.9%*
Data	+13.8%*
Emerging markets	+8.4%*

Northern and Central Europe

Organic service revenue in Northern and Central Europe was down -0.2%* year-on-year. Excluding the impact of regulated mobile termination rate ('MTR') cuts, service revenue was up 1.6%*. Underlying performance in the major markets of Germany, the UK and the Netherlands, while robust compared with our competitors, weakened in the second half of the year, reflecting increased competition and some macroeconomic pressure. Turkey continued to grow very well through strong execution.

Enterprise revenue grew 0.8%*, with continued growth in Germany (+3.0%*) and Turkey offsetting declines in other markets. The accelerated integration of CWW is proceeding successfully, and we expect it to deliver significant network synergies in the UK and internationally, while also boosting our enterprise business.

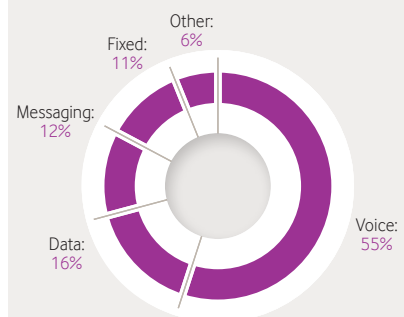
Data revenue was up 14.4%*, reflecting increased smartphone penetration – now 35.4% in the region, up 9.1 percentage points year-on-year – and further take-up of integrated voice, SMS and data plans. By the fourth quarter, 69.7% of consumer contract revenue in the major markets came from customers on these integrated plans. During the year we launched 4G/LTE services in Romania.

Organic EBITDA was down -2.4%* and the EBITDA margin fell -0.7* percentage points. Margin improvement in Turkey, the Netherlands and Ireland only partly offset small declines in Germany and the UK, driven by a lower top line, rising commercial costs and higher restructuring costs in Germany.

Southern Europe

Organic service revenue in Southern Europe fell -11.6%* year-on-year, as the effects of severe macroeconomic weakness were intensified by strong competition, and steep cuts to MTRs in Italy and Greece. Combined mobile and fixed offers in Spain and Portugal, from incumbents and fixed operators, made increasing inroads into the market in the second half of the year. Excluding MTR cuts, service revenue fell -8.4%*.

Service revenue by type 2013



Data revenue was up 9.7%*, as demand for data continued to grow despite the economic and competitive pressures. Smartphone penetration increased 7.5 percentage points to 35.5%. During the year we launched 4G/LTE services in Italy, Greece and Portugal, announced a partnership with Orange in Spain to deploy fibre to six million homes over the next four years, and committed to extending our fibre network in Portugal to pass over one million homes.

Organic EBITDA fell -16.4%* and the EBITDA margin fell -2.2* percentage points, mainly as a result of the steep revenue declines across the region and restructuring costs, offset by operating cost savings. Towards the end of the year, we undertook significant redundancy programmes in Spain and Greece to reduce operating expenses.

AMAP

Organic service revenue growth in AMAP was 3.9%*, with continued growth in all of our markets apart from Australia and New Zealand. Growth in India slowed through the year, mainly as a result of increased consumer protection regulation and a more stringent customer verification process, but the competitive environment improved and we continued to gain market share. In Vodacom, continued strong underlying revenue growth in our other sub-Saharan markets offset a weaker performance in South Africa. Despite competitive pressure and the uncertain political environment, service revenue in Egypt grew 3.7%*. Australia continued to experience steep revenue declines on the back of ongoing service perception issues. During the year we launched 4G/LTE services in South Africa and New Zealand.

Organic EBITDA rose 10.3%* and the EBITDA margin increased 1.7* percentage points, with strong margin improvements in India and Vodacom offsetting a sharp decline in Australia. Ghana and Qatar also made good margin progress on strong revenue growth and market share gains. Egypt's margin improved 1.4* percentage points.

Chief Executive's review (continued)

4.1m

of our customers are on our new strategic Vodafone Red plans³, which we first launched in the UK in September 2012.

£6.4bn

our share of VZW profits for the year, which represented 30.5%* year-on-year growth.

Verizon Wireless

VZW continued to trade very well, launching successful new price plans and making further market share gains. Organic service revenue was up 8.1%* and EBITDA was up 13.6%*. Free cash flow amounted to US\$13.2 billion (£8.4 billion), and net debt at 31 March 2013 was US\$6.2 billion (£4.1 billion). Our share of VZW's profits for the year amounted to £6.4 billion, up 30.5%* year-on-year.

Vodafone 2015

While the macroeconomic and regulatory environment in Europe presents significant short-term challenges, we see a number of positive developments. We expect smartphone adoption to continue to grow in all markets over the next three years, with mobile applications and low cost smartphone availability increasing in mature and emerging markets alike.

With the broad deployment of high speed data networks, both mobile and fixed, we expect customers' appetite for data to increase significantly. At the same time, the evolution of network and IT platforms should enable lower cost and more standardised approaches as we further integrate commercial and technology planning.

As a result, we believe that the long-term prospects for the mobile market are highly attractive for those that make scale, standardisation and the customer data experience fundamental to how they operate. Vodafone 2015 is our strategy to maximise this opportunity.

Consumer 2015

We are adopting a new strategic approach to consumer pricing and bundling in Europe, in order to offer customers greater freedom of usage and, at the same time, stabilise ARPU. We have launched new plans across much of our footprint, branded Vodafone Red in most markets, which incorporate unlimited voice and SMS, and generous data allowances.

As a result, we have radically simplified pricing, giving clear visibility of the cost of ownership and, enabling simplification of IT and billing. We are progressively enhancing the value proposition through the introduction of a number of additional features, including improved access to technical support, attractive roaming packages, shared data

plans, early handset upgrades, storage and back-up in the cloud, and device security, to increase the breadth of service and support ARPU over time.

Already, we have 4.1 million customers on Vodafone Red plans³ across 14 markets. The customer response has been very positive, with strong net promoter scores. Data usage on Vodafone Red plans is much higher, as is the average return on our commercial investment. As expected, we have seen some ARPU dilution, but at a lower level than planned. We aim to have ten million customers on Vodafone Red plans by March 2014.

We also see an increasing move towards residential unified communications services in some of our European markets. We expect this trend to grow, with cable operators offering MVNO services, and incumbent fixed line providers combining their domestic broadband services with mobile and TV plans. Our goal is to offer unified communications services in our major European markets, accessing next generation fixed line infrastructure through a combination of negotiated wholesale terms, deployment of our own fibre and, potentially, acquisitions. A clear regulatory framework with regard to accessing incumbent fibre infrastructure will be key.

In emerging markets, we aim to build on our success to date to become a clear leader, increasing the value of these markets to the Group through market growth, improving margins, share gains and stronger cash generation. These markets offer very attractive long-term opportunities from sustained GDP growth, the scope for widespread mobile data adoption and the fulfilment of unmet needs such as basic financial services. We aim to maximise these opportunities through superior marketing and distribution, smart data pricing, the development of low-cost smartphones and selective innovation in areas in which we can truly differentiate.

Enterprise 2015

We are strengthening our leading position in enterprise, enhancing our product offering to large and medium-sized businesses and creating a dedicated enterprise operational structure, following the market success of Vodafone Global Enterprise ('VGE') and the CWW and TelstraClear acquisitions. Enterprise

now represents 27.3% of Group service revenue and we have over 32 million mobile enterprise customers accounting for around 8% of our total customer base.

VGE, serving our biggest multi-national accounts, will continue to expand its remit, driven by an increasing appetite among customers to consolidate telecoms procurement cross-border and bring mobility into the heart of their business strategies. In unified communications, we continue to develop Vodafone One Net for small- and medium-sized companies, and increasingly provide total communications services to our larger customers through the purchase of CWW. This acquisition will also allow us to develop our product offering in high growth segments, such as cloud and hosting.

In machine-to-machine ('M2M'), we intend to leverage our new business unit organisation, global technical platform and vertical sector competences to exploit the current wave of adoption of M2M solutions across many industry and service sectors.

Network 2015

Our network strategy continues to focus on supporting higher speed data in both mature and emerging markets, and delivering a consistently excellent data experience to our customers through the widespread deployment of HSPA+, LTE and high capacity backhaul. We expect to continue our consistent level of investment so that Vodafone customers can be assured of a video-standard data service across our footprint in Europe and we can successfully manage the high growth in data volumes anticipated. We aim to extend our 3G footprint at 43.2 Mbps and LTE coverage across our five major European markets to 80% and 40% respectively by March 2015.

To complement our physical infrastructure investment, we are committed to securing the best portfolio of low frequency spectrum to maintain and improve our strong market positions through the improved customer experience this will offer. During the year, we acquired spectrum in the important 800 MHz band in the UK, the Netherlands, Ireland, Romania and in the 1800 MHz band in India, taking our total spectrum investment to £7.9 billion in the last four years.

Operations 2015

Over the next three years we plan to simplify further our business model both across and within countries, eliminating legacy structures, reducing non-customer-facing costs and moving towards more standardised offerings.

This will enable us to maximise the benefits of our scale and share commercial, technical and support functions across geographies in Europe, and to speed up and co-ordinate our time to market for new propositions and services. We see a significant opportunity in unifying network and IT management across multiple markets, in further centralising and standardising procurement, and in offshoring more business functions to shared service centres of expertise. We are targeting an absolute reduction in European⁴ operating expenses from these and other programmes of £0.3 billion in the 2014 financial year.

Prospects for the 2014 financial year⁵

Entering the new financial year, we continue to face stiff headwinds from regulation, competition and a tough economic environment, particularly in Europe. However, we are well positioned, with broad geographic exposure which includes attractive growth markets in India, Africa and the US, and a differentiated enterprise franchise. We benefit from a strong balance sheet and will continue our major focus on shareholder remuneration, while consistently reinvesting in our network to enhance the customer experience.

Regulation remains a key concern for us and the industry. Again we face the significant hurdle of MTR cuts, which we expect to create a drag of over two percentage points on service revenue. However, this effect should reduce substantially in the 2015 financial year based on current regulatory glide paths. We also await clarity on EU fibre regulation, where we are supportive of the pro-investment stance, subject to equality of access and margin squeeze provisions which are enforceable at the country level.

We expect adjusted operating profit for the 2014 financial year to be in the range of £12.0 billion to £12.8 billion.

We expect free cash flow to be around £7.0 billion, including the £2.1 billion VZW dividend due in June 2013. We expect capital expenditure, to remain broadly steady on a constant currency basis.

We expect the Group EBITDA margin, excluding M&A and restructuring costs, to decline slightly year-on-year, reflecting the ongoing weak macroeconomic environment in Europe.

Vittorio Colao
Chief Executive

Notes:

- 1 £442 million from current programme and £1,126 million from previous programme.
- 2 Based on 2013 guidance foreign exchange rates.
- 3 At 12 May 2013.
- 4 Northern and Central Europe, Southern Europe and Common Functions, excluding restructuring costs.
- 5 See guidance on page 45.

10m

customers are expected to be using Vodafone Red plans by March 2014.

Our Vodafone 2015 strategy

Consumer 2015

A new strategic approach to consumer pricing and bundling in Europe, in order to offer customers greater freedom of usage and, at the same time stabilise ARPU.

We are aiming to increase the number of Vodafone Red customers to ten million by March 2014.

**Enterprise 2015**

We are strengthening our position in enterprise, enhancing our product offering to large and medium-sized businesses and creating a dedicated enterprise operational structure.

Our 2015 enterprise strategy is based on six pillars: accelerating our converged offers; consolidating our lead in M2M; growing Vodafone Global Enterprise and our Carrier Services business; leveraging our hosting capability; and offering cloud-based software as a service.

**Network 2015**

We are focused on supporting high speed data services and delivering a consistently excellent data experience.

We aim to extend our 3G footprint at 43.2 Mbps and LTE coverage across five major European markets to 80% and 40% respectively by 2015.

**Operations 2015**

We aim to further simplify our business model both across and within countries.

We are targeting a £0.3 billion reduction in European operating expenses in the 2014 financial year.



Key performance indicators

Our performance over the year

We track our performance against 12 key financial, operational and commercial metrics which we judge to be the best indicators of how we are doing.

Organic service revenue growth

 More work to do

Target:
To maximise service revenue growth.



Growth in the top line demonstrates our ability to grow our customer base and stabilise or increase ARPU. It also helps to maintain margins. As we anticipated at the start of the year, we missed our service revenue target because of ongoing macroeconomic and regulatory pressures in Europe.

EBITDA margin

 On-track

Target:
EBITDA margin to stabilise by March 2014.



Trends in our EBITDA margin demonstrate whether our revenue growth is generating a good return and whether we can offset underlying cost pressures in our business with cost efficiencies. This year excluding M&A and restructuring costs, margins fell only 0.1* percentage point year-on-year.

Adjusted operating profit ('AOP')

 Achieved

Target:
£11.1–£11.9 billion in 2013 financial year.



Due to the significant contribution made to our overall profitability by our US associate, VZW, AOP is a better indicator of overall profitability than EBITDA. We exceeded our target for the year due to a strong performance from VZW.

Free cash flow

 Achieved

Target:
£5.3–£5.8 billion in 2013 financial year.

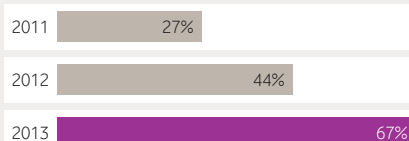


Our regular dividend is paid out of free cash flow, so maintaining a high level of cash generation (even after significant continued investment in capital expenditure) is key to delivering strong shareholder returns. Free cash flow of £5.6 billion was within our guidance range for the year.

% of consumer contract revenue from integrated plans (Europe)

 Achieved

Target:
To increase significantly each year.

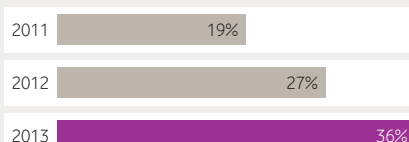


Our strategic push towards integrated plans allows us both to defend our revenue base from voice and SMS substitution, and to monetise future data demand growth.

Smartphone penetration (Europe)

 On-track

Target:
To increase to over 50% by 2015.



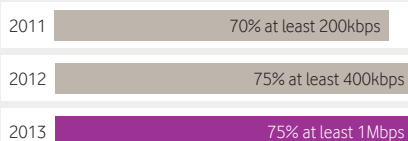
Smartphones are the key to giving our customers access to the mobile internet; the more our customers have them, the bigger our data opportunity becomes. In 2010, we set a target of at least 35% smartphone penetration by March 2013, which we achieved. We now have a new ambition of over 50% by March 2015.

Mobile network performance floor (Europe)

→ On-track

Target:

75% of smartphone data sessions at least 3 Mbps in 2015.



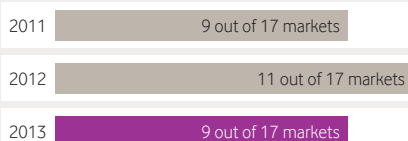
We continuously improve the speed of our European network to create the best data experience for our customers. This year we took our performance floor up to 1 Mbps or better for 75% of our European data footprint.

Relative market share performance

→ On-track

Target:

Gain or hold revenue market share in most of our markets.



We track our relative performance by measuring the change in our revenue market share against our key competitors. This year we remained competitive, gaining or holding market share in most of our markets.

Returns to shareholders

↑ Achieved

Target:

Dividend per share growth of at least 7% per year to March 2013 (excluding special dividends).



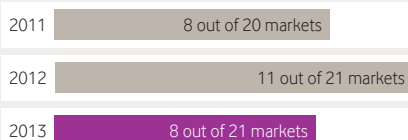
Consistent and balanced returns to shareholders demonstrate our commitment to capital discipline. This year we raised our dividend per share by 7% for the third year in a row, in line with our target.

Consumer net promoter score ('NPS')

↓ More work to do

Target:

To increase or maintain the number of markets where we are ranked number one by NPS.



To better understand how well we deliver quality service to our customers, we use NPS to measure the extent to which they recommend us to their friends and family. We also capture this for our competitors which provides us with a ranking of operators within any given market.

Employee engagement

↑ Achieved

Target:

Maintain top quartile.



The employee engagement score measures employees' level of engagement, a combination of pride, loyalty and motivation. We improved our employee engagement score again this year, remaining top quartile.

% of women in the senior leadership team

↑ Achieved

Target:

To improve each year.



This is one measure of the diversity in our business which brings us a more balanced range of skills and management styles. We increased the proportion during the year.

Industry trends

Where the industry is now

The mobile industry is a large and important sector with around six and a half billion connections across the globe – in other words, most of the world's population use mobile phones. The number of mobile phone users has doubled in the last five years, driven by an increasing range of smartphones for using mobile data, increasing demand for mobile services in emerging markets and lower prices.

Scale

The mobile industry is a large and important sector with around six and a half billion connections, generating over US\$960 billion of annual service revenue every year. The majority of revenue, some 75%, comes from traditional services such as calls and texts (on average, around 17 billion mobile phone calls are made each day). However, over the last few years the demand for data services, such as mobile internet browsing and email on a smartphone, has accelerated, and today 25% of industry revenue is from data.

Growth

The demand for mobile services continues to grow. In the last five years the number of users has increased by an average of 14% each year driven by rising living standards, population growth and cheaper mobile services and handsets. In 2012 93% of the world's population had a mobile phone, whereas ten years ago this was only 18%. Most of the growth in users has been from emerging markets, such as China, India and Africa. As a result around 73% of mobile phone users now come from emerging markets compared to 60% in 2007.

Emerging vs. mature markets

Around 70% of mobile users are in emerging markets, reflecting the combination of large populations and less fixed line infrastructure. The remaining users are from wealthier mature markets, such as Europe and the US. In mature markets, most people have a mobile device, reflected in mobile penetration rates of around 125%, compared to around 90% in emerging markets.

Competition

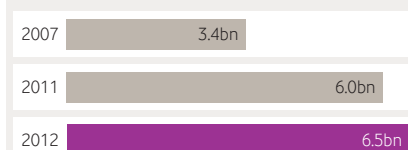
The industry is highly competitive, with many alternative providers, giving customers a wide choice of supplier. In each country there are typically at least four main mobile network operators, such as Vodafone, and one national fixed line operator. In addition, there can be numerous mobile virtual network operators ('MVNOs') – suppliers that rent capacity from mobile operators to on-sell to their customers. In some countries there can also be several independent mobile retailers that may compete with mobile network operators' own stores. Advances in technology have also led to internet based companies and software providers offering alternative communication services such as voice over internet protocol ('VoIP').

Regulation

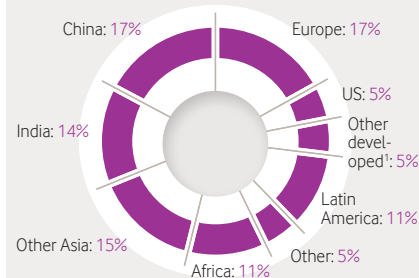
The mobile industry is very heavily regulated by national, regional and international authorities. Regulators continue to lower the cost for consumers of using mobile services by setting lower mobile termination rates (the fees mobile companies charge for calls received from other companies' networks) and to limit the amount that operators can charge for mobile roaming services. These two areas represent 13% of service revenue for Vodafone.

In an environment of intense competition and significant regulatory pressures, industry voice prices have tended to reduce over time – and in 2012¹ fell 12%. However, with more mobile phone users and some customers using their devices ever more frequently, global industry revenue remains on a positive trend and expanded 4% in 2012¹.

Mobile phone users

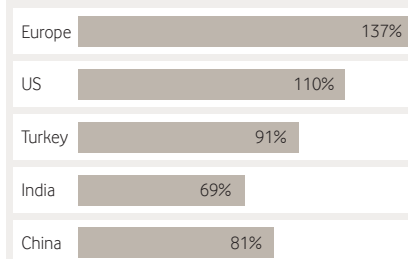


Mobile phone users by market 2012



1 Japan, Canada, Australia, New Zealand, Hong Kong, Singapore, South Korea, Taiwan
Note: Figures are not comparable with prior year disclosure due to new data source

Mobile penetration December 2012



Notes:
The industry data on pages 20 and 21 is sourced from Strategy Analytics.
1 Refers to calendar year.

Where the industry is heading

The pace of change in the mobile industry over the last few years has been significant and is expected to continue. We anticipate growing sources of revenue from data services such as mobile internet usage; higher penetration of smartphones and tablets; new users from emerging markets; and major advancements in mobile network technology to deliver faster and better customer services. The demand for seamless converged fixed and mobile solutions using high speed networks is expected to accelerate.

According to industry analysts, data is expected to continue to be the fastest growing segment of the mobile industry. It is estimated that between 2012 and 2015¹ worldwide mobile data revenue is set to grow by US\$104 billion, compared to a US\$20 billion decline in voice revenue over the same period. The demand for data is being driven by a widening range of powerful and attractive smartphones and tablets, significant improvements in mobile network capability, and an increased choice of content and applications ('apps').

Most of the new demand for mobile services will be from emerging markets

Emerging markets, such as China, India and Africa, have the most potential for future revenue growth driven by rising populations, strong economic growth, lower mobile penetration and a lack of alternative fixed line infrastructure. According to industry analysts, by 2015¹ there will be 1.5 billion new mobile users across the globe, of which over 90% will be from emerging markets. In contrast the more mature markets in Europe are likely to exhibit modest growth, due to weaker GDP growth prospects, high mobile penetration and intense regulatory pressures.

Convergence of fixed and mobile into unified communication services

Converged fixed and mobile solutions (such as combined mobile, fixed line, fixed broadband and TV) provide a range of benefits for the user, including simplicity, flexibility and cost savings. The demand for these services is already established among enterprise customers and it is now becoming more visible in the consumer market, in part due to consumers' needs to save money in a recessionary

European environment. We believe that this demand, combined with technological advances delivering easier connection of multiple data devices, will support strong growth in data-intensive applications over the next three to five years, and that this will need to be managed by access to next generation networks to support increased speed and capacity demands.

Faster mobile networks

Today's mobile networks are typically a combination of 2G networks for traditional voice, text and basic data services, and 3G networks for fast mobile internet access and application downloads. The latest stage of mobile network development is superfast 4G which is already in place in some countries – providing maximum theoretical user speeds of up to 150 Mbps today (with typical user speeds up to 12 Mbps, compared with up to 6 Mbps on 3G).

Technological innovation

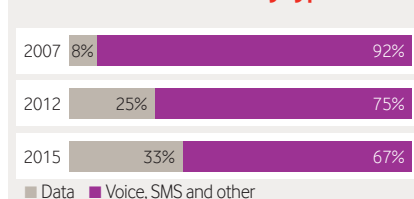
Alternative communication technologies, such as instant messaging services, are increasingly used by mobile consumers, particularly in mature markets, such as Europe. These services use data, rather than traditional voice and text. This trend will continue and in response operators, such as Vodafone, have begun to replace per unit charges for voice and text services with unlimited bundles and combine this with a fixed fee for data usage.

New applications for mobile services are being developed by the industry to extend the use of mobile beyond everyday communication, such as mobile payments via a handset or M2M services, including the location monitoring of vehicles, through a SIM card embedded in the vehicle.

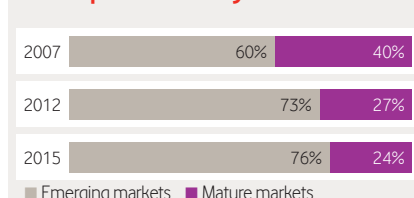
Regulatory pressures

The industry is expecting to see continued downward revenue pressure from regulated cuts to termination rates, and voice and data roaming prices. European regulators are also seeking to encourage investment in high speed data services. However, the policies to achieve this have not been confirmed by either European or national regulators and therefore the impact on the mobile sector is difficult to judge.

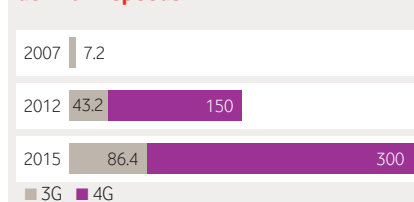
Mobile service revenue by type



Mobile phone users by market



Maximum mobile data downlink speeds



Note:
1 Refers to calendar year.

How we do business

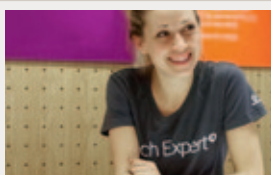
A simple business model

We pursue a virtuous circle of investment, revenue, strong cash conversion and reinvestment – while rewarding shareholders along the way.



Networks

We aim to have a great mobile network in each of our markets. This means giving our customers far-reaching coverage, a very reliable connection, and increasing speeds and data capacity. We combine our ongoing high level of network investment with a commitment to securing the best possible portfolio of spectrum. For more information on our network build-out, see page 30.



People

We have a highly skilled, motivated and diverse workforce, and we believe each individual should be a key advocate of Vodafone's products and services. For more information on our people, see page 34.



Brand

Vodafone is ranked as one of the most valuable telecoms brands in the world, with an attributed worth of US\$27 billion (source: Brand Finance). This brand strength is a major driver of purchasing decisions for consumers and enterprise customers alike.



Distribution

We reach our customers through around 15,000 of our own stores, a broad network of exclusive distribution partners and third-party retailers. The internet, whether accessed through a mobile device or PC, is becoming an increasingly important channel.



Supplier relationships

Given our scale and global reach, we tend to be a key strategic partner for many of our suppliers. We work closely with them to build great networks, develop innovative services and offer the widest range of the latest devices.

Assets

Supplier relationships
Networks
Distribution
People
Brand

Reinvestment in the business

Our track record demonstrates a successful balance between the capital requirements of the business – in networks, spectrum and IT platforms – and our desire to sustain an attractive annual cash return to shareholders.

Capital expenditure

2011	£6.2bn
2012	£6.4bn
2013	£6.3bn

Customers

404 million

With 404 million customers, Vodafone is one of the biggest mobile operators in the world. We provide services to everyone, from many of the biggest multinational companies, to individuals in some of the poorest countries in the world.

Consumer
customers:
92%



Enterprise
customers:
8%

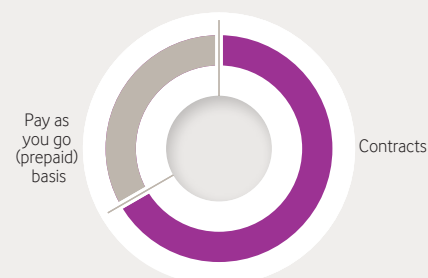


Our ordinary dividend, funded from our annual cash flow, is the primary form of shareholder remuneration. We have increased the ordinary dividend per share by over 22% over the last three years. Going forward the Board aims at least to maintain the ordinary dividend per share at current levels.

Shareholder remuneration

Revenue

We generate service revenue, through the supply of communications services over our networks. Around two-thirds is under contracts with the remainder from customers buying our services on a 'pay as you go' (or prepaid) basis.



Cash flow

£5.6bn

2013 free cash flow

The conversion of revenue to cash flow is key both to ongoing reinvestment in the business and rewarding shareholders. We have strong market share positions in most of our markets, which, combined with highly efficient networks, deliver healthy cash flow.

Strategy

Consumer²⁰¹⁵

1 2 3 4

Data

We are reconfiguring our company to meet the growing demand for data services. We will differentiate our data services from our competitors through ongoing investment in technology, distribution and customer services, providing both a great customer experience and competitive value.

Market context:

Data is the fastest growing segment of our business as more and more people use data in their everyday lives, whether for work or home. Our data revenue grew by 13.8%* during the year mainly due to increasing demand for mobile internet and email services via smartphones.

Looking forward, both smartphone penetration and data usage are expected to continue to grow. In Europe, our smartphone user penetration is already at 36% and by 2015 we expect it to be above 50%.

Towards 2015:

We are adopting a new strategic approach to consumer pricing and bundling in Europe, in order to offer customers worry-free usage and, at the same time, stabilise average revenue per user ('ARPU'). We believe that this will both support and encourage greater data usage, particularly in Europe, which is at much lower levels than the US. Pricing is being radically simplified, giving clear visibility of the cost of ownership for the customer and simplifying our IT and billing.

As technology continues to evolve at a rapid rate we want to support our customers by providing the best retail stores, the easiest online experience and most accessible expert advice when needed.

Strengths:

We are among the world's largest retailers with around 15,000 Vodafone branded retail stores, helping customers choose the best device and price plan for their needs in an increasingly complex data-centric environment.

Actions:

We are launching new Vodafone Red plans which include a generous mobile data allowance and unlimited voice and SMS across European markets and selected non-European markets.

Progress:

We have 4.1 million customers on Vodafone Red plans within eight months of launch¹.

**Mobile commerce**

As more and more retailers roll out 'contactless' payment terminals at the checkout, Vodafone is developing services which will allow our customers to use their smartphones to pay for goods and services. We have launched Vodafone branded payment solutions in Italy and Turkey and are about to launch Vodafone SmartPass in four other countries. We are also developing the Vodafone Mobile Wallet to allow customers to use their existing credit and debit cards via their smartphones. Customers can use both services at thousands of retailers by simply waving their smartphone in front of a contactless terminal.

34%

of our customers use data.

48%

of our consumer contract customers in Europe are on integrated voice, text and data plans up from 27% last year.

**Leading in retail**

We are updating our retail footprint to a new Vodafone Retail concept delivering a differentiated customer experience. A core part of our promise to customers is to ensure that our technical experts in store transfer all their personal data to their new phone allowing them to walk out of the store with their phone fully functional. Extensive trials of our new concept store across ten markets have shown significant increases in both sales and customer satisfaction. The new concept will be rolled out globally over the next three years.

36%

of customers in Europe have a smartphone, up from 27% a year ago.

>70%

of smartphones users are expected to use video services by 2015 (compared to around a third today)².

US\$27bn

At US\$27 billion our brand is rated as one of the most valuable telecoms brands in the world.

Vodafone Red

Our Vodafone Red proposition offers consumers and businesses a simple and worry-free package, with generous mobile data allowances, unlimited calls and text messages, plus cloud and online services to secure and back-up personal data, all included as standard. Vodafone Red packages also incorporate a number of innovative services including:

- **multi device plans**, enabling customers to connect a smartphone and tablet under one Vodafone Red plan, making it simple and cost effective to own and manage multiple devices under a single bill;
- **family plans**, allowing individual family members to sign up to Vodafone Red at a discounted price;
- a much **wider range of device choices**, giving customers the freedom to have a new device included in the cost of their contract, receive a discount by choosing a 'nearly new' smartphone or choose to receive a new device every year for a small extra fee;
- the option to connect to new, **ultra-fast 4G services** where available;
- **safe and secure solutions**, including world-class cloud and back-up services plus device insurance, giving customers peace of mind in the event of theft or damage; and
- industry **leading roaming** plans for customers travelling in Europe, so that they can use their phone abroad as they do at home, for an additional daily price similar to the cost of a cup of coffee.



Vodafone Red

Vodafone Red offers consumers and businesses a simple and worry-free package with generous mobile data allowances, unlimited calls and texts, plus cloud and back-up services to secure personal data (see Vodafone Red story above).

Vodafone Red has been launched in 14 markets including Germany, Italy, the UK and Spain. Early take-up has been positive with 4.1 million customers within eight months of launch². We intend to extend it to all European markets within the next few months.

Future proofing revenues

Our Vodafone Red plans are designed to protect our revenues by providing unlimited voice and text services, rather than limited bundles or pay per event. Vodafone Red is the latest step in our journey over the last few years to migrate our customers onto integrated price plans that combine voice, SMS and data together in one single plan rather than buying these services separately. Including Vodafone Red customers, we now have 48% of our consumer contract customers in Europe on integrated price plans. These plans deliver value to our customers, reduce the need for customers to use IP-based substitutes and provide more stable revenue streams.

Driving data usage

Although our data revenue is growing strongly in Europe the amount of data consumed by each smartphone customer is on average around 250 megabytes per month, only around a quarter of the level seen in the US. We see a significant opportunity to drive more revenue from data services and see the Vodafone Red proposition delivering this by offering generous data allowances to encourage customers to use more data and over time purchase larger allowances.

Providing customers with devices in a cost-effective way

At Vodafone we are a major source of our customers' smartphones, having subsidised for many years the initial cost to access our network. During the year we spent some £5 billion or about 16% of our revenue in Europe on acquiring new, and retaining existing customers. In addition smartphone penetration in Europe increased to 36%, up from 27% in the prior year, and the mix of smartphones continued to move towards more expensive high-tier devices. Against this background and to protect our profitability we need to maintain discipline on the handset subsidies we pay.

Our Vodafone Red proposition is designed to control handset subsidy costs by helping customers more clearly identify the difference between the price to access our services and the price of the handset. We achieve this by setting a base price for Vodafone Red plans that does not include a handset (SIM-only), charging a slightly higher service fee for a basic smartphone and more above that for a high-tier smartphone.



Vodafone Cloud

Vodafone Cloud allows customers to safely store their personal digital content such as contacts, photos and videos in the Vodafone network and to access it on the move from any connected device. Vodafone Cloud was launched last year in multiple markets and works across the most popular smartphones, tablets and PCs, forming part of the Vodafone Red proposition.

Notes:

1 At 12 May 2013.

2 Vodafone internal estimates.

Strategy (continued)

Consumer²⁰¹⁵

1 2 3 4

Emerging markets¹

Emerging markets are important to us – they account for 68% of our customers and 75% of the total call minutes across our networks. These markets are likely to become even more relevant due to a combination of strong population and economic growth, and the increase in mobile penetration.

Market context:

Emerging markets such as India and Africa are already a significant part of Vodafone. They account for 30% of the Group's service revenue, and our business in India alone accounts for around half of our base station sites and voice calls across the Group.

Emerging markets represent a significant opportunity for future growth. Almost all of the 1.5 billion new mobile phone users by 2015² are expected to come from emerging markets. Smartphones are also proving popular in emerging markets, and this is expected to continue. For example, in India, the number of smartphone users has grown already from 11 million in 2010 to 33 million in 2012².

Towards 2015:

These markets offer very attractive long-term opportunities from sustained GDP growth, the scope for widespread mobile data adoption and the fulfilment of unmet needs such as basic financial services. We aim to maximise these opportunities through smart data pricing, the development of low-cost smartphones and selective innovation in areas in which we can truly differentiate.

Strengths:

We are a leading operator in our emerging markets with either a number one or two revenue market share position in most countries.

Actions:

Through our ongoing investment we have built a strong platform of high quality networks, a broad distribution reach and attractive add-on services, such as mobile payments.

Progress:

Emerging markets represent our fastest growing geographies. During the year service revenue increased by 8.4%*, including: India 10.7%*, Turkey 17.3%* and Ghana 24.2%*.

**Access to energy**

Extending access to energy in remote regions without grid electricity enables more people to use our mobile services and brings wider social and environmental benefits. Our new solar-powered solution, ReadySet, is able to charge up to eight mobile phones per day and provide electric lighting, offering a greener and cheaper alternative to kerosene lamps. Entrepreneurs in Tanzania use ReadySet to earn around US\$44 a month, while families in Kenya use M-Pesa to pay towards a similar system, M-Kopa, designed for home use.

Notes:

- 1 Vodafone's emerging markets comprise Vodacom, India, Egypt, Turkey, Ghana, Qatar and Fiji.
- 2 Refers to calendar year.

Mobile penetration opportunity in emerging markets

Emerging markets represent the regions with the most potential for future mobile revenue growth driven in part by lower mobile penetration. For example 1.2 billion people live in India (the second most populated country in the world, after China) but only around two-thirds have a mobile phone, implying good potential future market growth.

The data opportunity in emerging markets

For many people in emerging markets their first internet experience has been on a mobile device due to the lack of alternative fixed line infrastructure, and we expect this to be the case going forward. In South Africa mobile broadband accounts for around 80% of all broadband revenue including fixed. The demand for data is expected to grow strongly as only around 28% of our customers in emerging markets currently use data services, compared to around 48% in Europe. In India we have 37 million data customers, most of which are 2G data users mainly consuming services such as messaging, email and internet browsing. Within this some three million customers are 3G data users, stream videos and downloading more heavy content. During the year we launched 4G services in South Africa.



Extending our global presence with partner market agreements

We enter into partner market agreements with local mobile network operators in order to extend our global reach and better serve our global customers without the need for capital investment. Our partner markets community has grown rapidly to cover around 50 countries. During the year we established a partner agreement with Polkomtel in Poland and Zain Group, which extended our reach to Saudi Arabia, Bahrain, Kuwait, Jordan and Iraq.

Financial services in emerging markets

Our Vodafone money transfer service, M-Pesa, enables people in emerging markets, who have a mobile phone, but with limited or no access to a bank account, to send and receive money, top-up airtime and make bill payments. We now have just over 18.1 million active M-Pesa customers, up from 14.4 million a year ago, who transfer around £656 million per month. The service is now available in Kenya, Tanzania, South Africa, Afghanistan, Qatar, Fiji, the Democratic Republic of Congo and India.

M-Pesa is already a major contributor to our businesses in Kenya and Tanzania, accounting for about 18% and 14% of revenue respectively.

Looking forward we intend to extend the M-Pesa service to other emerging markets within the Vodafone footprint, and to expand the products and services available. For example in April 2013, India became the latest addition to our M-Pesa footprint. Following a successful trial, the service will be offered in a limited number of areas of the country and will be progressively rolled out nationwide. The opportunity in India is particularly attractive as some 700 million people do not have a bank account. Other new products, such as international money transfer, savings and loans, salary disbursements and access to insurance products have also been introduced in different markets.

30%

of our service revenue is from emerging markets.

28%

of our customers in emerging markets use data; compared to around 48% in Europe.

£656m

transferred person-to-person each month over our M-Pesa money transfer service.



M-Shwari, Mobile banking

M-Shwari is a revolutionary new paperless banking product for M-Pesa customers, delivered by our associate Safaricom, in partnership with the Commercial Bank of Africa. This was launched in Kenya in November 2012. M-Shwari enables customers to save and borrow directly via their phone, while earning interest on the money saved. At 31 March 2013, 1.2 million people were actively using the service in Kenya.

M-Shwari builds on our successful M-Pesa money transfer service, which has 18.1 million active customers across the globe.

Strategy (continued)

Enterprise²⁰¹⁵

1 2 3 4

As enterprise customers embrace flexible and remote working to improve business efficiency, our fixed and mobile converged solutions and global footprint enable our customers to become more effective in their business operations. Our services enable our customers to make mobility a central part of the services they offer their own customers.

Market context:

The core criteria our enterprise customers use when choosing a communications service provider are speed, simplicity, flexibility, cost and security. We are well placed to offer enterprise customers all of these through our mobile and fixed converged services, applications and secure solutions. Enterprises are expected to spend €78 billion in 2014 in areas where Vodafone provides its services: mobile voice, messaging, data and fixed line.¹

Towards 2015:

Our 2015 enterprise strategy is based on six pillars: accelerating our converged offers; consolidating our lead in M2M; growing Vodafone Global Enterprise and our Carrier Services businesses; leveraging our hosting capability; and offering cloud-based software as a service.

Our enterprise customers range from small-office-home-office ('SoHo') businesses and small to medium-sized enterprises ('SME'), through to large domestic and multi-national corporates ('MNC').

Strengths:

Our broad geographic footprint allows us to offer customers cross border fixed and mobile converged solutions while realising scale benefits. Our recent purchase of CWW has augmented our ability to offer fully converged solutions and offer market-leading hosting capabilities in the UK.

Actions:

We have created a Group-wide enterprise services organisation, following the CWW acquisition.

Progress:

Enterprise now represents 27% of Group service revenue. Across the Group we have over 32 million mobile enterprise customers accounting for around 8% of all customers.

Our enterprise business

In conjunction with our acquisition of CWW and TelstraClear and to deliver our enterprise strategy, we created a Group-wide enterprise services organisation on 1 January 2013. The unit comprises four vertical business units, and two supporting units.

**Machine-to-machine**

M2M connections allow machines to communicate with one another through our network. It is our vision to transform lives and businesses by providing the most innovative M2M products and services for our customers. Smart metering, automotive and logistics are currently the key growth sectors, with the potential global market for M2M connectivity growing from US\$5.7 billion in 2011 to US\$12.0 billion by 2015². We are now serving around 11.1 million M2M connections globally, up from 7.8 million last year.

An increasing number of global businesses are incorporating M2M communications into their core operations, leading to greater productivity, enhanced customer service, lower energy use and decreased carbon dioxide emissions. For more information on M2M visit our website at: m2m.vodafone.com.

Hosting and Cloud Services

Our new Hosting and Cloud Services include fully managed hosting solutions as well as cloud computing, co-location, server and website hosting, storage and security, and build on the capability acquired from CWW, allowing us to target a leading position in a rapidly growing market. The hosted services market in Western Europe is worth over an estimated €21 billion,

Vodafone Global Enterprise ('VGE')

VGE serves the needs of Vodafone's largest MNC customers, serving around 1,700 customers representing 5.9 million connections, including an additional 200 customers from the integration of CWW.

MNCs demand a consistent multi-country offer from Vodafone across our global footprint. VGE simplifies operations for these customers by providing them with a single account and service team, a single contract, single pricing structures and a single portfolio of products and services. VGE has created a market-leading portfolio of managed mobility services providing capabilities such as spend management or device security in addition to providing the underlying connectivity and devices.

During the financial year VGE achieved revenue of €1.7 billion, with growth of 5%*.

For more information on VGE visit our website at: enterprise.vodafone.com.

Vodafone Carrier Services

Vodafone Carrier Services was created in January 2013 to consolidate all the Group's carrier buying and selling into one dedicated unit to maximise efficiencies. The acquisition of CWW provided Vodafone with a market-leading carrier capability, and when augmented by existing Group capability gives Vodafone significant carrier scale. The Group carries nearly 28 billion minutes of international traffic annually, on a network of nearly 500,000 kilometres of submarine cable routes.



Services that support SMEs

Irish Farm Computers, a software business based in County Meath, creates software solutions for farming businesses. It's a small, highly personal business that relies on Vodafone One Net to manage incoming calls. "The flexibility enables a far more professional approach to business, and our customer feedback has been excellent," says their operations manager.

The acquisition of Cable & Wireless Worldwide in July 2012

What was the rationale for the acquisition?

- To create the only integrated fixed and mobile player in the UK.
- To take advantage of CWW's UK 20,500 kilometres fibre network infrastructure which is within 100 metres of one-third of Vodafone's UK base stations, and the extensive international cable network assets spanning 425,000 kilometres.
- To drive significant synergies from the combined scale.

What are the financial implications and synergy benefits from this acquisition?

- We spent £1.3 billion to acquire the business.
- We expect integration costs of £500 million.
- We aim to deliver annual cash flow synergies of at least £150 to £200 million by the 2016 financial year.
- We aim to deliver operating free cash flow from the acquisition of £250 to £300 million in the 2016 financial year.

Cable & Wireless
Worldwide

What are the network and product benefits from this acquisition?

- CWW's UK base station backhaul circuits and the migration of Vodafone traffic onto CWW's international cable network enable us to reduce third-party wholesale payments and will help support the launch of 4G services.
- Rationalisation of the combined Vodafone and CWW enterprise product set aids procurement savings across network and IT services. Over 60% of products will be retired or merged to deliver a simpler and more customer focused portfolio.

What has been your experience so far?

- We have been realistic about the opportunities, investment requirements and risks for CWW.
- We have found the business is in better shape than expected and are stabilising its financial, operational and customer performance.
- We have accelerated the integration plan by forming a single integrated organisation and rebranded as Vodafone.
- Initial synergies have been realised through initiatives such as removal of corporate overheads, utilising Vodafone's scale for procurement and are in the process of transferring Vodafone's traffic onto CWW's network.

and the estimated compound annual growth rate is over 14% from 2011 to 2016³. Vodafone's Hosting and Cloud business generated revenue of £213 million in the 2013 financial year.

With a large portfolio of UK data centres and cloud-based hosting capabilities, we are well placed to capitalise on the growing technology and procurement link between hosting, cloud and connectivity. Vodafone will look to expand and deepen its hosting offer to all segments over the coming year.

Supporting units

The two supporting units within Group Enterprise, Product Management and Channels and Sales Support, will drive scale, consistency and excellence across the Group in sales; product management and development; and operational delivery; in order to sustain efficiencies and ensure customer service and experience is consistent irrespective of customer scale or location.

Enterprise convergence

As enterprise customers embrace flexible and remote working to improve business efficiency, so Vodafone's fixed and mobile converged solutions are increasingly vital to our customers' business operations:

- "Always on" is expected and demanded by customers: 78% of small firms agreed an instant response is the top factor in maintaining a competitive edge and 40% of small firms surveyed said customers expect a response to a social media query in under an hour⁴.
- Streamlining fixed and mobile communications can help businesses save money, boost productivity and increase responsiveness to customer needs.

Vodafone One Net offers customers a single telephone number which rings on both their fixed desk-phone and mobile handset. Vodafone One Net users have complete control over where and when they take their calls. As a result we help improve business efficiency, flexibility and cost control. Vodafone One Net users generate higher revenue and have lower churn than mobile-only customers. At the end of the year, we had around 3.0 million Vodafone One Net customers across ten markets.

Enterprise mobile data

Vodafone's device management solutions help customers manage the rapidly increasing number of mobile devices used in their business, such as smartphones and tablets. Our reliable and secure data networks allow our customers to make full use of the mobile internet for business. Enterprise data revenue grew 10.0%* this year driven by smartphone penetration of around 48% in Europe, as the use of the internet on smartphones has increased.



Vodafone's unique global footprint

Our global scale was key to ThyssenKrupp selecting us to provide 60,000 mobile voice and data connections across 30 countries and 50,000 M2M connections to aid remote management of their industrial products. This contract is able to meet ThyssenKrupp's specific needs, and offers excellent value for money and worldwide service management from one source.

Notes:

- 1 Sourced from IDC and Vodafone estimates.
- 2 Analysys Mason report M2M device connections, revenue and ARPU: worldwide forecast 2011–2021 (May 2012) and includes connectivity-related segments of the M2M value chain, such as M2M hardware and M2M application service.
- 3 Vodafone report commissioned by McKinsey.
- 4 Vodafone working smarter to succeed report, 2011 and Vodafone's critical response time index, 2010.

Strategy (continued)

Network²⁰¹⁵

1 2 3 4

We aim to have a great mobile network in all of the markets in which we operate, supported by leading IT systems. This means giving our customers far-reaching voice and data coverage, a very reliable connection, and increasing speeds and data capacity.

Market context:

The industry is seeing increasing demand towards data services such as watching videos on the web and internet browsing. This trend is being driven by a number of factors including the increased take-up of high powered smartphones and an increased choice of apps for business and social use. As a result data traffic increased by more than 53% over the last year and data now accounts for 73% of the total traffic on our network. Against this background our Network 2015 strategy is designed to ensure the readiness and capability of our network for the future for both consumer and enterprise and for fixed and mobile services.

Towards 2015:

Our network strategy continues to focus on supporting higher speed data in both mature and emerging markets, and delivering a consistently excellent data experience to our customers through the widespread deployment of 3G and 4G capability and high capacity backhaul and high speed fixed access. We will continue our consistent level of investment so that Vodafone customers can be assured of a video-standard data service across our footprint in Europe and we can successfully manage the high growth in data volumes anticipated. We will also continue to maintain the broad and deep network quality for our standard voice and text services.

Strengths:

We have nearly 250,000 base station sites transmitting wireless signals – making us one of the largest mobile operators in the world.

Actions:

We are consistently investing around £6 billion a year to deliver a high quality mobile and fixed data experience for our customers.

Progress:

We now have 42% of our Europe 3G footprint which can deliver peak downlink speeds of 43.2 Mbps (up from 15% last year) which at least doubles the average data speed with a 43.2 Mbps capable smartphone.

Future proofing our IT infrastructure

Vodafone's five main data centres that host our IT systems, three in Europe, and one each in Africa and India, are linked together to form an internal 'Cloud'. The servers within these centres use virtualisation technology to more effectively run multiple applications to enable customer services, such as M2M platforms, to be provisioned and scaled up very quickly and easily. It also provides the flexibility to run services for any market from any centre, within regulatory limits. Within Europe, data is backed-up from one centre in one country to another, to provide business continuity and additional resilience.


The leading Vodacom South Africa network

Our superior network in South Africa enables us to provide a leading overall customer and broadband experience. We have just over 9,400 base station sites, significantly ahead of our main competitor in the country. We were the first operator in South Africa to launch 4G services in October 2012. We have renewed around 77% of our 2G network and about 74% of our 3G network to date. We have also progressed well with the implementation of our own self-built fibre and microwave and 65% of our base station sites now utilise high capacity backhaul.

Strong network reach

As demand for mobile services moves from voice and text to data we have been investing to build a superior data network. Our data network now covers 91% of the European population, and we are aiming to reach 95% coverage by 2015 – nearly on a par with our voice coverage.

At the same time, smartphones are only going to get faster, so we are constantly upgrading our networks to support these future speed demands. Today, we provide base-level theoretical speeds of 14.4 Mbps across 98% of our 3G network, typically giving customers actual speeds of 2 to 3 Mbps – more than enough to stream video or music, for example.

The next goal is to deliver another significant step up in the customer experience, with the move to peak speeds of 43.2 Mbps across much of our European 3G network. We are aiming to upgrade 80% of the 3G footprint in our five major European markets to this level by March 2015. For customers with the latest smartphones, this will more than double the speed they are currently enjoying, and allow them to view video in high definition, for example.



UK 4G is nearly here

In February we successfully bid £803 million in the UK spectrum auction for crucial low frequency (800 MHz) spectrum as well as more higher-frequency spectrum to boost our existing network. 800 MHz spectrum is great for transmitting a stronger, more reliable signal and one that works well indoors. We expect to launch our ultra-fast 4G service later this year. The roll out of our 4G service is all part of around £1.6 million we invest every single day in the UK on our network to bring our customers coverage where it matters.

73%

of the traffic on our network is due to data services such as video, email and internet browsing on a mobile device.

91%

of the European population where we operate is covered by our 3G network.

one trillion

minutes of calls were carried and more than 330 petabytes of data were sent across our networks – enough data for 4.4 trillion emails.

4G technology

We are beginning to build 4G (or LTE) networks, which will at least double the data speeds achievable over our 43.2 Mbps footprint. It will also give us significant additional capacity, allowing us to stay ahead of the significant growth in data traffic that we forecast. We aim to upgrade 40% of our coverage in our five main European markets to 4G by March 2015.

To maximise the potential of 4G, we have invested £7.9 billion in spectrum in the last four years. Much of this spectrum is in the very valuable, low frequency 800 MHz band, which allows much broader coverage, and much better in-building connectivity, than higher frequencies used in wireless networks.

We now have 4G services in seven countries (Germany, Portugal, Italy, Romania, South Africa, Greece and New Zealand). We are also preparing for 4G launches in the UK, Spain, Australia and the Netherlands in the 2014 financial year.

Future proofing our network infrastructure

We are well prepared for rapid growth in data traffic and a fast, but cost-effective, roll-out of 4G services. At our base stations we are consolidating equipment across several technologies, including 4G, into a platform called “single RAN” – allowing us to reduce capex and operating costs. We have already upgraded over half our European sites to single RAN.

We are also increasing capacity in our backhaul – the link between our base stations and our nationwide core networks. 57% of our European backhaul footprint is now capable of handling one gigabit per second – which is more than even the busiest base station at full capacity will require based on current technologies and projections.

Technological innovation

We are always looking for ways of innovating in our network to improve our customers' experience.

Recently we have been changing the way we use spectrum to improve data coverage. By moving 3G data traffic from its traditional spectrum band (2.1 MHz) down to the 900 MHz band – a process known as “re-farming” – we can significantly improve our data coverage and in-building reception, and we have done this in ten markets.

Fixed network

In addition to our mobile businesses, we also provide fixed broadband and calls in 16 markets. We have started to modernise our fixed networks to deliver much higher data speeds to the home, through a combination of upgrades to traditional copper lines and the introduction of the latest fibre technology.

In Spain we are upgrading copper lines. In Portugal, we are extending our fibre network, and in New Zealand, the acquisition of TelstraClear gives us a high speed fixed network. We have also announced plans in conjunction with Orange in Spain to build a fibre network which will pass 40% of homes by 2017.

Elsewhere we are securing wholesale access to third-party fibre networks. In Germany we have announced a next-generation access agreement with Deutsche Telekom. In Italy we have an agreement with Metroweb to lease their fibre in Milan. In New Zealand we are interconnecting with a government fibre initiative called Ultra Fast Broadband, in Qatar we interconnect with Qatari National Broadband Networks and in the Netherlands we are accessing KPN's fibre network allowing us to cover 20% of homes.



Vodafone, the most preferred operator in Turkey

Over the last 12 months the Turkish network has been enhanced with the modernisation of nearly 1,100 legacy 2G sites with the latest single RAN hardware and the implementation of around 1,200 and 2,500 new 2G and 3G sites respectively. We have attained the number one position in independent benchmark tests for data transfer speeds. Vodafone is the first telecommunications firm in Turkey to be awarded the BS25999 certification for business continuity, underlining our commitment to reliable communication services for our customers. As a result of our actions we are now seen as the preferred operator in Turkey measured by benchmark net promoter scores.

Strategy (continued)

Operations²⁰¹⁵

1 2 3 4

We are using the benefits of our global reach and scale to standardise and simplify the way we do business across the Group. This will both improve cost efficiency and reduce the time to launch new services and products to our customers.

Market context:

Against a background of challenging economic, regulatory and competitive pressures, in our European markets in particular, we are taking a number of actions to improve operating efficiency and reduce unnecessary processes and costs. We are also experiencing a trend towards greater data usage, which requires us to reconfigure our IT systems and standardise operating practices to support new pricing plans and new data centric services such as mobile payments and M2M solutions.

Towards 2015:

Over the next three years we will simplify further our business processes both across and within countries, eliminating legacy structures, reducing non customer-facing costs and moving towards more standardised offerings. This will enable us to maximise the benefits of our scale and share commercial, technical and support functions across geographies in Europe, and to speed up and co-ordinate our time to market for new propositions and services. We see a significant opportunity in unifying network and IT management across multiple markets, in further centralising and standardising functions and processes, and in offshoring more business functions to shared service centres of expertise.

Strengths:

Vodafone is one of the world's largest mobile companies. Our scale enables us to secure considerable unit costs savings through various measures including bulk purchasing, standardisation of processes and transferring activities to lower cost locations within the Group.

Actions:

We are targeting an absolute reduction in European operating expenses ('opex') from cost saving programmes of £0.3 billion in the 2014 financial year.

Progress:

Over the last three years we have reduced the absolute European opex base by some £0.3 billion, which has been used in part to offset inflationary pressures or cope with the volume of extra traffic on our networks.

**Vodafone and Telefónica UK (O₂) network collaboration**

Together with Telefónica UK we have started a collaboration to operate and manage jointly a single network grid in the UK that will run two competing nationwide mobile internet and voice networks. These networks will be able to offer indoor 2G and 3G coverage targeting 98% of the UK population by 2015, delivering mobile voice coverage and mobile internet services to the vast majority of UK households. We also intend to offer indoor 4G coverage targeting 98% of the UK population at speeds of at least 2Mbps by 2015.

10.4%

represents our supply chain saving as a share of controlled spend during the year, which exceeded the Hackett world class benchmark of 7.6%.

>69%

of the new radio sites deployed across the Group were shared with other mobile operators, which reduces the cost of renting or building new sites.

We are taking a number of steps across the Group to improve our cost efficiency and simplify our processes:

Cost efficiency

Over 69% of the new radio sites deployed across the Group during the year were shared with other mobile operators, which reduces the cost of renting or building new sites and reduces the environmental impact.

During the financial year we commenced a UK network sharing agreement with O₂ and we are targeting 18,500 sites to be shared by 2015. In Ireland, we have entered into a site sharing agreement with Three Ireland, targeting 2,000 shared sites by 2015.

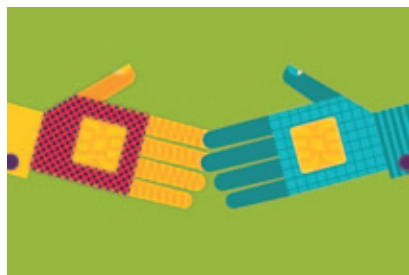
With a clear focus on driving greater standardisation and simplification, we are optimising the supplier base across our operations. In India for example, following supplier segmentation exercises and a rigorous drive to improve operational efficiencies, we rationalised our supplier base by about 75% over the last two years.

Unifying network management

During the year we reduced the number of network engineering teams in Europe from 13 individual country teams to four consolidated teams. We also consolidated our network operations centres, which provide service level monitoring in Europe, to two from 13. In India, the 12 separate regional network operations centres have been consolidated into one single centre in Pune.

M2M solutions for energy savings

Applying our M2M solutions to monitor energy at our network sites, offices, retail premises and data centres has allowed us to optimise energy consumption, procure competitively and reduce our carbon footprint. This has delivered savings over the last two years of about 25% across 11 European markets winning us recognition at the European Supply Chain Excellence Awards 2012.



Modernising the UK business

In the UK we are introducing a simplified organisation and enhancing our IT systems in order to improve our customers' experience of interacting with Vodafone. This will, for example, enable the UK business to reduce the number of different price plans from 5,000 to just 500. Additionally we will be able to better integrate the various routes our customers use to interact with us – retail shops, online, call centres and mobile devices – to make it easier for customers to order online and pick up in store.

Unifying IT management

We are progressing well in decommissioning, with over 100 legacy IT applications during the 2013 financial year. In addition, common customer operations processes are being progressively deployed throughout the Group, which are supported by a single set of tightly integrated IT applications. These actions are expected to both reduce costs and improve the time to market for new offers such as mobile commerce services.

We have developed one integrated data centre cloud across Europe and Africa and are well underway to extending it to Asia this year which enables us to operate highly resilient services and to be faster to market with our new services.

Centralising and standardising functions and processes

Our central purchasing function, the Vodafone Procurement Company (the 'VPC') in Luxembourg, consolidates spend across our global operations allowing us to leverage scale, and achieve better prices and terms and conditions. During the financial year the spend managed through the VPC increased to €6.9 billion up from €5.3 billion in the 2012 financial year.

In addition we continue to centralise procurement of software and licences, which is anticipated to generate around £100 million of cost benefits over the next three years.

Shared service centres of expertise

We use shared service centres in Hungary, India and Egypt to provide financial, administrative, IT, customer operations and human resource services for our operations in over 30 countries which helps us to standardise and optimise the way we run our businesses. The number of shared centre employees has increased from 6,000 in 2012 by nearly 30% to over 7,800 by 31 March 2013, and we are targeting around 10,500 by March 2014.

>7,800

of our employees are now in four low cost, high skill locations, to provide shared services for the Group.

Our people

Our people are integral to our success

With over 91,000¹ employees in over 30 countries, we have a wealth of international talent to draw from. We continue to develop our people to meet the requirements of our business and our employee engagement continues to be amongst the highest in the industry.

Employee engagement

In October 2012, we carried out our eighth annual global people survey – and 90% of our people responded. The survey measures employees' level of engagement – a combination of pride, loyalty and motivation. We increased our overall employee engagement score by 1 point to 78 and remain amongst other high performing global organisations.

Open and regular communication is fundamental to employee engagement. In 2012, we launched the Vodafone Hub, our new intranet site, which aims to promote engagement with a social networking feature, Vodafone Circle, and a video channel, Tube, which enables employees to upload videos that share best practice across the business. Group and local market Chief Executives also communicate regularly with employees through a number of media, including webinars and videos.

The Vodafone Way

In 2011, we introduced The Vodafone Way: a framework which defines how we operate, with speed, simplicity and trust, and how we deliver to our customers: being customer obsessed, innovation hungry, ambitious and competitive and acting as one company, with local roots. We continue to embed this framework, reinforcing the leadership skills and habits required to bring The Vodafone Way into daily business reality to deliver our Vodafone 2015 strategy.

The Vodafone Way is part of employees' performance objectives and defines a consistent way of working to help us strengthen our position as an admired company in the eyes of our customers, shareholders and employees.

Being an admired company is not just about our performance and achievements, it's also about acting in a responsible, ethical and lawful way. In 2012, we launched our revised Code of Conduct which sets out our business principles. All employees and contractors have a duty to report any suspected breaches of our Code of Conduct through our "Speak Up" process. Along with existing web reporting, we launched a global telephone hotline for employees and third parties to report concerns on code of conduct issues.

Employment policies and employee relations

Our employment policies are developed to reflect local legal, cultural and employment requirements. We aim to be recognised as an employer of choice and therefore seek to maintain high standards and good employee relations wherever we operate.

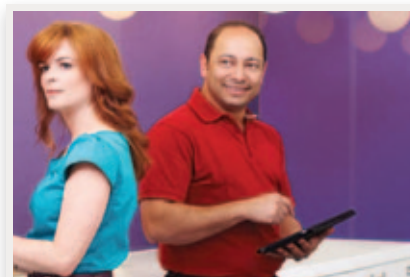
We believe that diversity plays an important role in a successful business. Our Group-wide diversity and inclusion strategy outlines our commitment to creating an inclusive work environment which respects, values, celebrates and makes the most of the individual differences our people bring to Vodafone. Key to this is our recognition of diversity as a business asset that fosters innovation and helps us better understand and meet the needs of our customers.

We do not condone unfair treatment of any kind and offer equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religious or political beliefs. This also applies to agency workers, the self-employed and contract workers who work for us. In our latest people survey, 89% of employees agreed that Vodafone treats people fairly, regardless of their gender, background, age or beliefs.

Organisation effectiveness

We employed over 91,000¹ people worldwide during the year. Headcount additions related to our acquisitions of CWW in the UK and TelstraClear in New Zealand were partly offset by reductions in Europe. We have implemented a new regional structure in Europe and a new enterprise division across Vodafone worldwide. Our strategic acquisitions strengthen our capabilities in enterprise and to help us in our goal to become a total communications company.

We are also continuing to drive efficiency and simplification in our organisation through headcount management, appropriate organisation structures and the continued drive to move transactional and back office activities to shared services teams.



Diversity is the key to a successful business

We value all types of diversity, but one global focus is on gender balance within teams and at all levels of the business. To understand and strengthen our female talent pipeline, we analyse the proportion of men and women in promotions, new hires and leavers through our talent management dashboard.

Note:

¹ Represents the average number of employees in our controlled and jointly controlled markets during the year.

Talent and capability development

During the year we strengthened our senior leadership team, with 61% of the vacancies being filled by internal talent, up from 31% two years ago.

- Our global graduate programme, Discover, continued to bring the best graduates into our local markets, with around 470 top University recruits this year. In addition, we partnered with ten leading MBA schools in Europe, the US, Africa and India to recruit MBA graduates for key management roles.
- We continued to encourage international assignments in our talent pipeline and introduced the Columbus programme designed for the top 5% of our graduate recruits to gain international experience two years after joining Vodafone.
- For the past five years we have been developing our next generation of leaders through Inspire, an 18 month programme for high potential managers. Since its inception, 200 high potential managers from over 26 countries joined the programme, attending leadership development workshops, leading business challenges, and receiving coaching sessions and mentoring from senior leaders.

We are committed to helping our people perform at their best and achieve their full potential through ongoing training and development. Our people review and agree development objectives during their annual performance dialogue with their manager and are encouraged to learn proactively through easily accessible online resources, on-the-job learning and mentoring.

During the year we invested over £34 million in training programmes. Our global academies in marketing, technology, human resources and finance enable people to develop the critical skills they need to work in particular functions. We work with leading business schools and accredited external providers to develop and deliver the training, most of which is online. More than 33,000 people have used our academies, completing over 12,000 online and instructor-led courses. We focused on developing our customer facing capabilities by launching global training and certification programmes in retail and enterprise sales. We also focused on building people manager skills through mentoring and targeted learning interventions. Our new global learning management system enables more training to be delivered online and on demand, supporting individuals to manage their own development.

Health and safety

We know from experience that failing to follow basic health and safety standards can lead to our employees, the people we work with and the people exposed to our activities being seriously injured or killed. As part of our health and safety strategy we have developed a set of Absolute Rules to focus attention on common causes of fatalities and serious injury.

By focusing on controlling our top five risks, we are creating a safe place to work, and this is evidenced by fewer fatalities and fewer high-potential incidents. Although we have seen significant reductions in incidents and related fatalities year-on-year, we greatly regret to report that 13 people died while undertaking work on behalf of Vodafone businesses around the world. Vehicle related incidents involving subcontractors in emerging markets remains our main cause of fatalities and we are addressing this through several interventions in local markets. Safety culture in Vodafone continues to mature with the results of last year's people survey showing that 87% of employees believe that our Absolute Rules for safety are taken seriously.

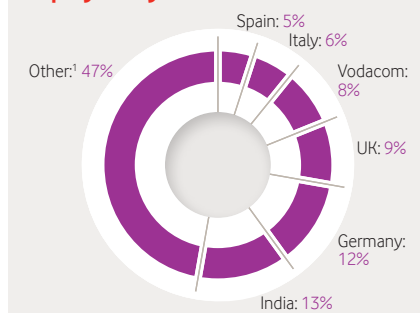
Performance, reward and recognition

In 2013, we maintained our consistent approach to rewarding our people, based on their performance, potential and contribution to the success of the business. We benchmark roles regularly on a total compensation basis to support our aim to provide competitive and fair rates of pay and benefits in every country where we operate. We also offer competitive retirement and other benefit provisions which vary depending on conditions and practices in local markets.

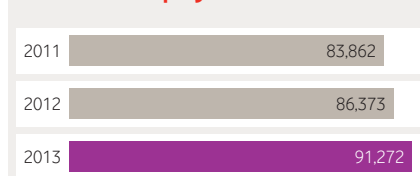
Global short-term incentive plans are offered to a large percentage of employees and global long-term incentive plans are offered to our senior managers. Individual and company performance measures are attached to these plans which give employees the opportunity to achieve upside for exceptional performance as well as ensuring that as a business we do not reward failure.

An ownership mentality is a cornerstone of our reward strategy and senior executives are expected to build up and maintain a significant holding in Vodafone shares within a few years of joining the Company.

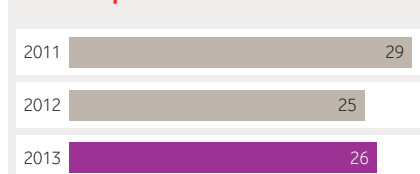
Employees by location 2013



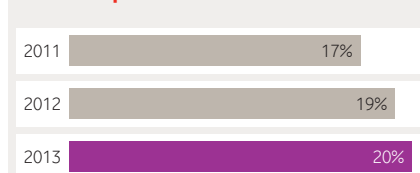
Number of employees²



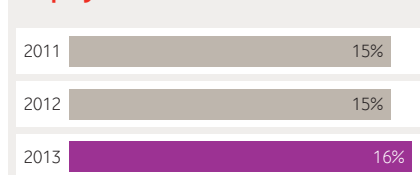
Nationalities in top senior leadership team roles



Women in top senior leadership team roles



Employee turnover rates³



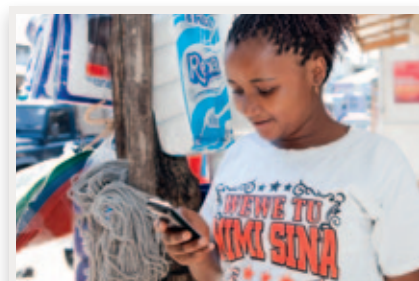
Notes:

- 1 Includes CWW. See page 102 for more information.
- 2 Represents the average number of employees in our controlled and jointly controlled markets during the year.
- 3 Represents the average number of employees in our controlled and jointly controlled markets during the year and excludes CWW.

Sustainable business

Improving lives around the world

Vodafone's strategic focus on emerging markets, enterprise, data and new services brings significant opportunities to align our business growth with our goal to be a sustainable business, by contributing to resource efficiency, energy and carbon reduction, and sustainable development.



Connected Worker research

Our Connected Worker research, explores how mobile technology can be used to make organisations more productive and efficient, while improving the quality of life for workers in emerging markets. Findings across 12 markets highlight the potential for six workforce management solutions to boost workers' livelihoods by US\$7.7 billion by 2020, while enabling a further US\$30.6 billion in commercial benefits to organisations, through improved productivity.

The global footprint of our telecoms network, our significant presence in emerging markets and our long track record as an innovator in mobile communications, enable us to make an important contribution to socio-economic development. This is underpinned by our strong commitment to operating responsibly and ethically.

Our consumers and government and enterprise customers face significant challenges, ranging from food shortages and ageing populations, to lack of access to communications and financial services. Mobile technology has become a vital tool for improving people's livelihoods and quality of life.

Delivering transformational services

A 2012 report by Deloitte and the GSMA found that a 10% expansion in mobile penetration leads to a 4.2% increase in economic productivity in emerging markets. As 68% of our customers live in these markets, our efforts to extend the coverage of our networks creates tangible socio-economic benefits, while simultaneously building our customer base.

We continue to explore new market opportunities to bring further sustainable benefits to societies through new partnerships and the development of products and services that focus on: agriculture, education, finance, health, low carbon products and services and smart working.

Building up to commercial scale

Our aim is to create commercially viable services that can be scaled up and rolled out across different markets, adding value for customers, commercial partners, our business and society. Our mobile money transfer solution, M-Pesa, and our M2M platforms are already well established, and work continues to extend their positive impacts.

M-Pesa continues to grow. New services include a savings product, M-Shwari, enabling people in Kenya to save as little as KES1 shillings (less than 1 pence) and a funeral insurance plan in Tanzania, both of which further drive the financial inclusion of people with very limited resources. There are over 18.1 million active users of Vodafone's M-Pesa, up from 14.4 million a year ago. (See page 27)

Vodafone's M2M solutions connect machines to the internet, transforming them into intelligent devices that exchange real time information. This opens up new possibilities for how businesses are run, as well as the opportunity to reduce running costs and carbon emissions.

In 2013, we continued to establish Vodafone as a leading M2M technology provider, offering new end-to-end services, including remote energy monitoring solutions.

Our carbon-reducing applications for M2M are wide-ranging, from improving fleet management performance, to enabling smart energy grids. We now have contracts in place to supply over 9.5 million M2M connections to specifically enable carbon reductions through energy and fuel savings for our customers.

Fostering enterprise and partnership

In sectors such as agriculture and health, we are developing commercial solutions in partnership with governments and NGOs, to deliver a range of business and sustainable benefits to society, as well as further growing our business.

In 2013, we announced two new strategic three-year partnerships. The first, with the US Agency for International Development ('USAID') and the NGO, TechnoServe, aims to reduce poverty and increase resilience for half a million smallholder farmers across Kenya, Mozambique and Tanzania. This will be achieved through the introduction of simple but innovative mobile technologies, including a registration system for growers, information on crop prices, collection days and quality reminders.

The second will explore how health ministries in sub-Saharan Africa can use mobile technology to increase immunisation rates. In Mozambique, we are partnering with GSK and the Ministry of Health in a pilot aiming to boost child vaccination rates by approximately 5% and are working with the GAVI Alliance on how to scale such initiatives.

In 2013, we also researched the potential for mobile technology to deliver commercial benefits and increase productivity for organisations, while improve working life and access to jobs for people in emerging markets. The resulting Connected Worker report quantifies the projected benefits for organisations, together with the livelihood benefits for workers across 12 markets.

Being responsible and ethical wherever we operate

Customer trust is essential to Vodafone and critical to the value of our brand. To earn and retain that trust we need to manage our operations responsibly and conduct our business in an ethical and transparent way. In 2012, we reinforced our commitment to ethical behaviour by refreshing our Code of Conduct for all employees, contractors and suppliers, rolling out further compulsory training in local markets.

Vodafone works hard to manage the risks inherent in these areas, while still initiating the development of products and services which give us a commercial advantage. This is particularly evident in our approach to protecting customer data, managing climate impacts and improving ethical, labour and environmental standards in our supply chain.

Protecting data, respecting privacy

We are committed to protecting our customers' information and respecting their right to privacy and freedom of expression. Vodafone is a member of the Telecommunications Industry Dialogue on Freedom of Expression and Privacy, a group of global telecoms companies who are working in collaboration with the Global Network Initiative ('GNI') to address these issues and Vodafone is implementing the group's Guiding Principles.

Our global privacy programme and binding privacy commitments have been recognised as setting an industry standard for operational and strategic privacy risk management. We continue to build greater privacy and security features into our products and services, offering our customers increasing transparency and control over how their personal information is used.

Managing climate impacts

The Global e-Sustainability Initiative's ('GeSI') SMARTer 2020 report recently projected that while the ICT industry's footprint will rise to 1.27 gigatonnes CO₂ equivalent by 2020, its solutions have the potential to deliver carbon reductions of seven times that amount. Our own carbon footprint must be viewed in the context of the potential for our products and services to help our customers reduce their carbon emissions. In 2013, we began to quantify the benefits of our products and services to help us build a better picture of our overall climate impact.

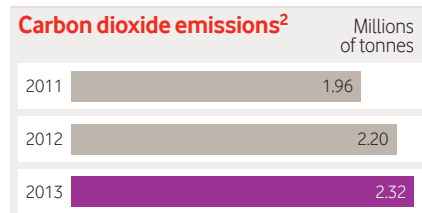
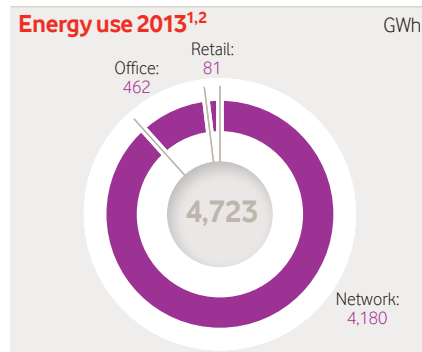
We also have targets to help us manage the carbon footprint of our own operations. Meeting these targets is proving challenging particularly in mature markets, as customers download and send more data, which directly increases the amount of energy our network uses. However, we remain determined to reduce our global footprint and are implementing new technologies that improve the energy efficiency of our networks.

Improving standards in the supply chain

To raise ethical, labour and environmental standards in our supply chain, we regularly monitor and work with our suppliers to improve their performance. We have made good progress in 2013, by strengthening due diligence measures to improve traceability of metals in our products and tackle the issue of conflict minerals. Our supplier management programmes have also enabled us to empower our customers to make more sustainable choices and our Eco-Rating scheme, which assesses the impact of mobile handsets, is now available in eight markets.

Governance

The Executive Committee has overall ownership of our sustainability strategy and the Board receives annual progress updates. We keep track of material issues through regular contact with customers, employees, governments, investors, non-government organisations and suppliers, and the Vodafone Sustainability Expert Advisory Panel continues to provide guidance on the implementation of our strategy.



Notes:

- 1 Energy use does not include data for fleet fuel consumption.
- 2 The charts above on energy use and carbon emissions are calculated using actual or estimated data collected by our mobile operating companies except for Qatar which is estimated based on 2012 data. The data is sourced from invoices, purchasing requisitions, direct data measurement and estimations where required. The 2013 data includes Vodacom markets Mozambique, Tanzania, Lesotho and Democratic Republic of Congo, which were not included in prior years, and excludes TelstraClear and CWW. Our joint venture in Italy is included in all years.



Sustainability report

Our full online sustainability report outlines our vision, approach and performance in 2013 on all these issues and more.

vodafone.com/sustainability

Vodafone Foundation

Mobile for Good

At the heart of our Foundation is the belief that mobile communications technologies can address some of the world's most pressing humanitarian challenges and our responsibility is to utilise our innovative mobile technology in mobilising social change and improving people's lives.

Over the last year, more than ever before, we have delivered transformational projects at scale by connecting our charitable giving with our technology, working in partnership with other charities and organisations to increase our impact. Across our network of Foundations these projects are delivering significant public benefit. Total donations for the year were £51.5 million which included £6.4 million towards Vodafone Foundations' operating costs.

Instant Network

When Typhoon Bopha hit the Philippines in December communications infrastructure was destroyed and network coverage was lost. A team of qualified Vodafone volunteers from the Vodafone Foundation, including the project manager and two Vodafone New Zealand employees, deployed Vodafone Instant Network in the Philippines. Working in partnership with Telecoms Sans Frontieres and local operator, Smart, a network was established in the town of Baganga, available to anyone in the vicinity.

Thanks to Vodafone Instant Network, people were able to reconnect with families and friends. Locals were able to receive money to their phones via Smart money, a mobile application similar to M-Pesa. Aid agencies,

including the Philippine Red Cross, were given access to the network to coordinate rescue and relief efforts and to set up free calling services for local people without phones, credit or power.

For the duration of the 17 day deployment Instant Network ran at full capacity with the maximum number of calls and texts being sent over the network at all times. In total 296,926 calls and 578,994 texts were sent over Instant Network, the highest number in any deployment to date. Equipment was removed once the permanent network had been re-established.

JustTextGiving

JustTextGiving by Vodafone in the UK leads the way as the world's first free SMS based charity fundraising platform available to all mobile customers on any UK network. JustTextGiving by Vodafone is revolutionising the way charities and fundraisers collect donations, with donors using a unique code to send donations via text. It is also linked to Gift Aid which means 25% can be added to all donations made by a UK taxpayer. To date, £9.2 million (including gift aid) has been raised using JustTextGiving, 17,719 charities have signed up to use the service and over 72,000 individual fundraisers have registered for unique codes.

TecSOS

The TecSOS handset has been adapted for use by victims of domestic abuse. The handset was initially developed by the Vodafone Spain Foundation in partnership with the Spanish Red Cross and the TecSOS Foundation, and provides a connection to emergency services at the press of a button. TecSOS programmes currently run in five of our markets: Spain, Italy, Portugal, Hungary and the UK. Pilot programmes in Germany, Turkey and Ireland are set to launch shortly. Italy launched a national programme in 2012. Hungary's Minister of Justice made TecSOS part of the Safety for Women programme and one third of the UK police forces have integrated TecSOS since its launch in 2011. In total 28,426 women have used the handset to keep them safe from abusive partners and in Spain there are on average 60 to 70 activations a month. A user in the UK shared their experience with us: "My message to Vodafone is a massive thank you, I hope that you can give TecSOS handsets to more women to help them. Without a doubt my phone saved my life."

For more information about Vodafone Foundation go to vodafonefoundation.org/m4gplayer



Instant Network volunteer programme

Vodafone Foundation volunteers are trained employees deployed as first responders to provide mobile communications support in emergencies. These network engineers, IT and corporate security specialists are trained on mobile technology, humanitarian aid and go through a certified course so they are best prepared for natural disaster situations and conflict areas. The Foundation's Instant Network Programme comprises 67 volunteers from 21 countries across Europe, Africa and the Pacific.



Exceeding our £7m target for Moyo

Thanks to the support of our colleagues and generous partners we exceeded our £7 million target set in September 2011 to support 'CCBRT' in Tanzania. Money raised has funded the integration of a remote mobile referral system for women suffering from obstetric fistula. Diagnosis happens over the phone and money is sent via M-Pesa to cover the costs of transferring patients to Dar es Salaam for surgery. This system enabled 600 women in 2012 to receive corrective surgery compared to 168 in 2011.

Operating results

This section presents our operating performance, providing commentary on how the revenue and the EBITDA performance of the Group and its operating segments within Northern and Central Europe, Southern Europe, AMAP, and Non-Controlled Interests and Common Functions have developed over the last year. See pages 151 to 155 for commentary on the 2012 compared to the 2011 financial year.

Group¹

	Northern and Central Europe £m	Southern Europe £m	AMAP £m	Non-Controlled Interests and Common Functions ² £m	Eliminations £m	2013 £m	2012 £m	% change	
								£	Organic
Revenue	20,099	10,522	13,466	481	(123)	44,445	46,417	(4.2)	(1.4)
Service revenue	18,768	9,635	12,345	315	(121)	40,942	42,885	(4.5)	(1.9)
EBITDA ³	5,713	3,483	4,178	(99)	—	13,275	14,475	(8.3)	(3.1)
Adjusted operating profit	2,081	1,802	1,678	6,399	—	11,960	11,532	3.7	9.3
Adjustments for:									
Impairment loss						(7,700)	(4,050)		
Other income and expense ⁴						468	3,705		
Operating profit						4,728	11,187		

Notes:

1 Current year results reflect average foreign exchange rates of £1:€1.23 and £1:US\$1.58.

2 Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.

3 Operating expenses for the year ended 31 March 2013 included restructuring charges of £310 million (2012: £144 million).

4 Other income and expense for the year ended 31 March 2013 included a £473 million gain on acquisition of CWW. The year ended 31 March 2012 included a £3,419 million gain on disposal of the Group's 44% interest in SFR and a £296 million gain on disposal of the Group's 24.4% interest in Polkomtel.

Revenue

Group revenue fell by -4.2% to £44.4 billion, with service revenue of £40.9 billion, a decline of -1.9%* on an organic basis. Our performance reflected continued strong demand for data services and good growth in our major emerging markets, offset by regulatory changes, challenging macroeconomic conditions, particularly in Southern Europe, and continued competitive pressures.

In Northern and Central Europe service revenue declined by -0.2%* as growth in Germany and Turkey was offset by increased competition and some macroeconomic pressure in other markets.

In Southern Europe service revenue declined by -11.6%* reflecting severe macroeconomic weakness in our main markets, intense competition and MTR cuts.

In AMAP service revenue increased by 3.9%* with continued growth in all of our markets apart from Australia and New Zealand.

EBITDA and profit

Group EBITDA decreased by -8.3% to £13.3 billion, primarily driven by lower revenue and higher restructuring costs partially offset by operating cost efficiencies.

Adjusted operating profit grew by 3.7%, driven by 31.9% growth in our share of profits of VZW to £6.4 billion, partially offset by lower EBITDA.

Operating profit decreased by -57.7% to £4.7 billion, primarily due to the gains on the disposal of the Group's interests in SFR and Polkomtel in the prior year and the higher impairment charges in the current year, partially offset by the gain on acquisition of CWW of £0.5 billion.

An impairment loss of £7.7 billion was recorded in relation to Italy and Spain, primarily driven by adverse performance against previous plans and adverse movements in discount rates.

Northern and Central Europe

	Germany £m	UK £m	Other Northern and Central Europe £m	Eliminations £m	Northern and Central Europe £m	% change	
						£m	Organic
Year ended 31 March 2013							
Revenue	7,857	5,150	7,181	(89)	20,099	2.7	—
Service revenue	7,275	4,809	6,773	(89)	18,768	2.8	(0.2)
EBITDA	2,735	1,209	1,769	—	5,713	(3.7)	(2.4)
Adjusted operating profit	1,305	294	482	—	2,081	(17.7)	(8.1)
EBITDA margin	34.8%	23.5%	24.6%		28.4%		
Year ended 31 March 2012							
Revenue	8,233	5,397	6,042	(97)	19,575	3.6	3.7
Service revenue	7,669	4,996	5,695	(95)	18,265	2.2	2.5
EBITDA	2,965	1,294	1,675	—	5,934	2.7	2.1
Adjusted operating profit	1,491	402	637	—	2,530	2.2	0.8
EBITDA margin	36.0%	24.0%	27.7%		30.3%		

Revenue increased by 2.7% including a -4.1 percentage point negative impact from foreign exchange rate movements and a 6.8 percentage point positive impact from M&A and other activity. On an organic basis service revenue declined by -0.2%*, driven by challenging macroeconomic conditions in some markets, increased competition and the impact of MTR cuts, partially offset by continued growth in data revenue. Organic growth in Germany and Turkey was more than offset by declines in all other markets.

EBITDA declined by -3.7%, including a -4.3 percentage point negative impact from foreign exchange rate movements and a 3.0 percentage point positive impact from M&A and other activity. On an organic basis EBITDA decreased by -2.4%*, resulting from a reduction in service revenue in most markets, the impact of restructuring costs, and higher customer investment due to the increased penetration of smartphones.

	Organic change %	Other activity ¹ pps	Foreign exchange pps	Reported change %
Revenue – Northern and Central Europe	–	6.8	(4.1)	2.7
Service revenue				
Germany	0.5	(0.1)	(5.5)	(5.1)
UK	(4.0)	0.3	–	(3.7)
Other Northern and Central Europe	2.2	23.1	(6.4)	18.9
Northern and Central Europe	(0.2)	7.1	(4.1)	2.8
EBITDA				
Germany	(2.6)	0.2	(5.4)	(7.8)
UK	(6.9)	0.3	–	(6.6)
Other Northern and Central Europe	1.9	9.8	(6.1)	5.6
Northern and Central Europe	(2.4)	3.0	(4.3)	(3.7)
Adjusted operating profit				
Germany	(7.5)	0.3	(5.3)	(12.5)
UK	(27.7)	0.8	–	(26.9)
Other Northern and Central Europe	4.3	(23.9)	(4.7)	(24.3)
Northern and Central Europe	(8.1)	(5.4)	(4.2)	(17.7)

Note:

¹ "Other activity" includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to "Organic growth" on page 188 for further detail.

Germany

Service revenue increased by 0.5%*, driven by a 1.3%* increase in mobile service revenue. Growth in enterprise and wholesale revenue, despite intense price competition, was offset by lower prepaid revenue. Data revenue increased by 13.6%* driven by higher penetration of smartphones and an increase in those sold with a data bundle. Vodafone Red, introduced in October 2012, performed in line with expectations and had a positive impact on customer perception. Enterprise revenue grew by 3.0%*, despite the competitive environment.

The roll out of LTE services continued and was available in 81 cities, with population coverage of 61% at 31 March 2013.

EBITDA declined by -2.6%*, with a -1.3* percentage point reduction in EBITDA margin, driven by higher customer and restructuring costs, partially offset by operating cost efficiencies and a one-off benefit from a legal settlement during Q2.

UK

Service revenue declined by -4.0%* driven by the impact of MTR cuts effective from April 2012, intense price competition and macroeconomic weakness, which led to lower out-of-bundle usage. Data revenue grew by 4.2%* driven by higher penetration of smartphones. Vodafone Red plans, launched in September 2012, performed well, with over one million customers at 31 March 2013.

Following the purchase of additional spectrum in February 2013, preparation for LTE roll-out is underway.

The network sharing joint venture between Telefónica UK and Vodafone UK, announced in June 2012, is now operational and the integration of the CWW enterprise businesses into Vodafone UK is proceeding successfully.

EBITDA declined by -6.9%*, with a -0.5* percentage point reduction in EBITDA margin, driven by higher retention activity and the impact of restructuring costs.

Other Northern and Central Europe²

Service revenue increased by 2.2%* as growth in Turkey more than offset declines in the rest of the Other Northern and Central Europe region. Service revenue in Turkey grew by 17.3%*, primarily driven by growth in the contract customer base and an increase in data revenue due to mobile internet and higher smartphone penetration. Revenue also benefited from enterprise growth and the success of commercial initiatives. In the Netherlands service revenue declined by -2.7%* due to more challenging macroeconomic conditions and lower out-of-bundle usage. CWW contributed £1,234 million of revenue since it was acquired on 27 July 2012.

EBITDA increased by 1.9%*, with a -0.3* percentage point reduction in the EBITDA margin, as margin improvement in Turkey, driven by the increase in scale and cost management, were partially offset by declines in most other markets primarily resulting from lower revenue. Turkey reported positive operating free cash flow for the first time this year.

Note:

² The results of CWW are included within the reported results from the date of acquisition, however, they are excluded from the organic results. Refer to definitions of terms on page 188 for more details.

Operating results (continued)

Southern Europe

	Italy €m	Spain €m	Other Southern Europe €m	Eliminations €m	Southern Europe €m	% change	
						€m	Organic
Year ended 31 March 2013							
Revenue	4,755	3,904	1,883	(20)	10,522	(16.0)	(10.8)
Service revenue	4,380	3,629	1,644	(18)	9,635	(16.7)	(11.6)
EBITDA	1,908	942	633	—	3,483	(21.5)	(16.4)
Adjusted operating profit	1,163	342	297	—	1,802	(32.3)	(27.5)
EBITDA margin	40.1%	24.1%	33.6%		33.1%		
Year ended 31 March 2012							
Revenue	5,658	4,763	2,128	(27)	12,522	(3.9)	(5.4)
Service revenue	5,329	4,357	1,904	(25)	11,565	(4.7)	(6.2)
EBITDA	2,514	1,193	731	—	4,438	(11.0)	(12.5)
Adjusted operating profit	1,735	566	359	—	2,660	(16.8)	(18.2)
EBITDA margin	44.4%	25.0%	34.4%		35.4%		

Revenue decreased by -16.0% including a -5.0 percentage point impact from adverse foreign exchange rate movements. On an organic basis service revenue declined by -11.6%*, driven by the impact of MTR cuts, severe macroeconomic weakness and intense competition, partially offset by growth in data revenue. Revenue declined in all of the major markets in the region.

EBITDA declined by -21.5%, including a -4.9 percentage point impact from adverse foreign exchange rate movements. On an organic basis EBITDA decreased by -16.4%*, resulting from a reduction in service revenue in most markets and the impact of restructuring costs, partially offset by a reduction in operating costs.

	Organic change %	Other activity ¹ pps	Foreign exchange pps	Reported change %
Revenue – Southern Europe	(10.8)	(0.2)	(5.0)	(16.0)
Service revenue				
Italy	(12.8)	(0.1)	(4.9)	(17.8)
Spain	(11.5)	(0.2)	(5.0)	(16.7)
Other Southern Europe	(8.2)	(0.4)	(5.1)	(13.7)
Southern Europe	(11.6)	(0.1)	(5.0)	(16.7)
EBITDA				
Italy	(19.5)	—	(4.6)	(24.1)
Spain	(15.4)	(0.6)	(5.0)	(21.0)
Other Southern Europe	(7.1)	(0.4)	(5.9)	(13.4)
Southern Europe	(16.4)	(0.2)	(4.9)	(21.5)
Adjusted operating profit				
Italy	(28.7)	(0.1)	(4.2)	(33.0)
Spain	(34.3)	(0.9)	(4.4)	(39.6)
Other Southern Europe	(10.4)	(0.9)	(6.0)	(17.3)
Southern Europe	(27.5)	(0.3)	(4.5)	(32.3)

Note:
1 "Other activity" includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to "Organic growth" on page 188 for further detail.

Italy

Service revenue declined by -12.8%* driven by the severe macroeconomic weakness and intense competition, as well as the impact of MTR cuts starting from 1 July 2012. Data revenue increased by 4.4%* driven by mobile internet growth and the higher penetration of smartphones, which more than offset the decline in mobile broadband revenue. Vodafone Red plans, branded as "Vodafone Relax" in Italy, continued to perform well and now account for approximately 30% of the contract customer base at 31 March 2013. The majority of contract additions are Vodafone Relax tariffs. Fixed revenue declined by -6.8%* driven by intense competition and a reduction in the

customer base due to the decision to stop consumer acquisitions in areas where margins are impacted by unfavourable regulated wholesale prices.

LTE commercial services were launched in October 2012 and were available in 21 cities at 31 March 2013.

EBITDA declined by -19.5%*, with a -4.3* percentage point fall in the EBITDA margin, driven by the decline in service revenue and an increase in commercial costs, partially offset by operating cost efficiencies such as site sharing agreements and the outsourcing of network maintenance.

Spain

Service revenue declined by -11.5%* driven by continued macroeconomic weakness, high unemployment leading to customers optimising their spend, and a lower customer base following our decision to remove handset subsidies for a period earlier in the year. Competition remains intense with the increased popularity of converged consumer offers in the market. Data revenue grew by 16.5%* driven by the higher penetration of smartphones and an increase in those sold with a data bundle. Vodafone Red, which was launched in Q3, continues to perform well. Fixed revenue declined by -2.9%*, primarily due to intense competition, although new converged fixed/mobile tariffs had a positive impact on fixed broadband customer additions during Q4.

In March 2013 Vodafone Spain signed an agreement with Orange to co-invest in a fibre network in Spain, with the intention to reach six million households and workplaces across 50 cities by September 2017. The combined capital expenditure is expected to reach €1 billion.

EBITDA declined by -15.4%*, with a -0.7* percentage point reduction in EBITDA margin, primarily driven by lower revenue and the impact of restructuring costs offset by commercial and operating cost efficiencies. The EBITDA margin stabilised in H2, benefiting from lower operating and commercial costs.

Other Southern Europe

Service revenue declined by -8.2%*, driven by declines in Greece and Portugal, which more than offset growth in Albania and Malta. Macroeconomic weakness and intense competition resulted in service revenue declines of -13.4%* and -8.2%* in Greece and Portugal, respectively. Greece and Portugal were also impacted by an MTR cut.

EBITDA declined by -7.1%*, with a -0.4* percentage point reduction in EBITDA margin, primarily driven by lower service revenue, partially offset by operating cost efficiencies.

Africa, Middle East and Asia Pacific

	India £m	Vodacom £m	Other AMAP £m	Eliminations £m	AMAP £m	£m	% change Organic
Year ended 31 March 2013							
Revenue	4,324	5,206	3,937	(1)	13,466	(2.9)	4.3
Service revenue	4,292	4,420	3,634	(1)	12,345	(3.2)	3.9
EBITDA	1,240	1,891	1,047	—	4,178	1.5	10.3
Adjusted operating profit	221	1,196	261	—	1,678	14.0	26.7
EBITDA margin	28.7%	36.3%	26.6%		31.0%		
Year ended 31 March 2012							
Revenue	4,265	5,638	3,965	—	13,868	4.2	8.4
Service revenue	4,215	4,908	3,628	—	12,751	3.7	8.0
EBITDA	1,122	1,930	1,063	—	4,115	2.9	7.8
Adjusted operating profit	60	1,084	328	—	1,472	15.7	22.4
EBITDA margin	26.3%	34.2%	26.8%		29.7%		

Revenue declined by -2.9% including a -8.2 percentage point adverse impact from foreign exchange rate movements, particularly the Indian rupee and the South African rand. On an organic basis service revenue grew by 3.9%* driven by customer and data revenue growth, partially offset by the impact of MTR reductions, competitive and regulatory pressures, and a general weakening in macroeconomic conditions. Growth was led by robust performances in India, Vodacom, Egypt, Ghana and Qatar, offset by service revenue declines in Australia and New Zealand.

EBITDA increased by 1.5% after a -9.4 percentage point adverse impact from foreign exchange rate movements. On an organic basis, EBITDA grew by 10.3%* driven primarily by strong growth in India, Vodacom and Egypt as well as improved contributions from Ghana and Qatar, offset in part by declines in Australia and New Zealand.

	Organic change %	Other activity ¹ pps	Foreign exchange pps	Reported change %
Revenue – AMAP	4.3	1.0	(8.2)	(2.9)
Service revenue				
India	10.7	3.8	(12.7)	1.8
Vodacom	3.0	(3.2)	(9.7)	(9.9)
Other AMAP	(2.1)	3.8	(1.5)	0.2
AMAP	3.9	1.1	(8.2)	(3.2)
EBITDA				
India	24.0	(0.1)	(13.4)	10.5
Vodacom	10.3	—	(12.3)	(2.0)
Other AMAP	(2.6)	2.0	(0.9)	(1.5)
AMAP	10.3	0.6	(9.4)	1.5
Adjusted operating profit				
India	291.1	(3.4)	(19.4)	268.3
Vodacom	24.8	0.3	(14.8)	10.3
Other AMAP	(12.5)	(9.2)	1.3	(20.4)
AMAP	26.7	(2.1)	(10.6)	14.0

Note:

¹ "Other activity" includes the impact of M&A activity, the revision to intra-group roaming charges from 1 October 2011 and the impact of Indus Towers revising its accounting for energy cost recharges. Refer to "Organic growth" on page 188 for further detail.

India

Service revenue grew by 10.7%* driven by strong growth in mobile voice minutes and data revenue, partially offset by the impact of regulatory changes. Average customer growth slowed in Q4, as Q3 regulatory changes affecting subscriber verification continued to impact gross additions, however customer acquisition costs remained low.

For the year as a whole, growth was negatively impacted by the introduction of new consumer protection regulations on the charging of access fees and the marketing of integrated tariffs and value-added services. However, in Q4 the customer base returned to growth and usage increased. Data revenue grew by 19.8%* driven by increased data customers and higher smartphone penetration. At 31 March 2013 active data customers totalled 37.3 million including approximately 3.3 million 3G data customers.

There was a lower rate of growth at Indus Towers, our network infrastructure joint venture, with a slow down in tenancies from smaller entrants, some operators exiting sites following licence cancellations and a change in the pricing structure for some existing customers in the first half of the year.

EBITDA grew by 24.0%*, with a 3.3* percentage point increase in EBITDA margin, driven by the higher revenue, operating cost efficiencies and the impact of lower customer acquisition costs, partially offset by inflationary pressure.

Vodacom

Service revenue grew by 3.0%* mainly driven by growth in Tanzania, the Democratic Republic of Congo ("DRC") and Mozambique. In South Africa, service revenue decreased by -0.3%, with the growth in data revenue and the success of new prepaid offers being more than offset by MTR reductions, macroeconomic weakness leading to customer spend optimisation with lower out-of-bundle usage, and a weaker performance from independent service providers. Data revenue in South Africa grew by 16.1%*, with higher smartphone penetration and data bundles offsetting continued pricing pressure. Vodafone Smart and Vodafone Red, our new range of integrated contract price plans, were introduced in South Africa during March 2013.

On 10 October 2012, Vodacom announced the commercial launch of South Africa's first LTE network, with 601 LTE sites operational at 31 March 2013.

Vodacom's mobile operations outside South Africa delivered strong service revenue growth of 23.3%*, excluding Vodacom Business Africa, driven by a larger customer base and increasing data take-up. M-Pesa continues to perform well in Tanzania, with approximately 4.9 million active users, and was launched in DRC in November 2012. During the year Vodacom DRC became the first operator to launch 3G services in the DRC.

Operating results (continued)

EBITDA grew by 10.3%, with a 1.6 percentage point increase in EBITDA margin, primarily driven by revenue growth in Vodacom's mobile operations outside South Africa and savings in network costs in South Africa following investment in single RAN and transmission equipment.

Other AMAP

Organic service revenue decreased by -2.1%* with growth in Egypt, Ghana and Qatar more than offset by revenue declines in Australia and New Zealand. Australia continued to experience steep revenue declines on the back of ongoing service perception issues and a declining customer base. There has been a strong focus on network improvement and arresting the weakness in brand perception. In Egypt the launch of value management initiatives, take-up of data services and the increase in international incoming call volumes and rates drove service revenue growth of 3.7%, despite competitive pressures and the uncertain political environment. Data revenue continued to show strong growth of 29.6%* and fixed line revenue grew by 29.0%. In Qatar service revenue grew by 29.8%*, driven by the growth in the customer base, which is now over one million, supported by successful new propositions. In Ghana, continued strong growth in the customer base and the success of integrated tariffs led to service revenue growth of 24.2%*.

EBITDA declined by -2.6%*, with EBITDA margin remaining stable, with the impact of service revenue declines in Australia and New Zealand offsetting growth in Egypt, Qatar and Ghana.

Non-Controlled Interests

Verizon Wireless¹²³

	2013 £m	2012 £m	% change	
			£	Organic
Service revenue	19,697	18,039	9.2	8.1
Revenue	21,972	20,187	8.8	7.8
EBITDA	8,831	7,689	14.9	13.6
Interest	(25)	(212)	(88.2)	
Tax ²	13	(287)	(104.5)	
Group's share of result in VZW	6,422	4,867	31.9	30.5

In the US VZW reported 5.9 million net mobile retail connection additions in the year, bringing its closing mobile retail connection base to 98.9 million, up 6.4%.

Service revenue growth of 8.1%* continued to be driven by the expanding number of accounts and ARPA⁴ growth from increased smartphone penetration and a higher number of connections per account.

EBITDA margin improved, with efficiencies in operating expenses and direct costs partially offset by higher acquisition and retention costs reflecting the increased new connections and demand for smartphones.

VZW's net debt at 31 March 2013 totalled US\$6.2 billion⁵ (2012: US\$6.4 billion⁵). During the year VZW paid a US\$8.5 billion income dividend to its shareholders and completed the acquisition of spectrum licences for US\$3.7 billion (net).

Notes:

- 1 All amounts represent the Group's share based on its 45% equity interest, unless otherwise stated.
- 2 The Group's share of the tax attributable to VZW relates only to the corporate entities held by the VZW partnership and certain US state taxes which are levied on the partnership. The tax attributable to the Group's share of the partnership's pre-tax profit is included within the Group tax charge.
- 3 The definition of "connections" reported by VZW is the same as "customers" as reported by Vodafone.
- 4 Average monthly revenue per account.
- 5 Net debt excludes pending credit card receipts.

References to "Q2" are to the quarter ended 30 September 2012, references to the "Q3" or "previous quarter" are to the quarter ended 31 December 2013, and references to "Q4" and "fourth quarter" are to the quarter ended 31 March 2013 unless otherwise stated. References to the "first half of the year" are to the six months ended 30 September 2012 and references to "H2" or the "second half of the year" are to the six months ended 31 March 2013 unless otherwise stated. References to the "year" or "financial year" are to the financial year ended 31 March 2013, references to the "prior financial year" are to the financial year ended 31 March 2012, and references to the "new financial year" and "coming year" are to the financial year ended 31 March 2014 unless otherwise stated. References to the "2012 financial year", "2013 financial year", the "2014 financial year", the "2015 financial year", and the "2016 financial year" are to the financial years ended/ending 31 March 2012, 2013, 2014, 2015 and 2016, respectively.

Guidance

Please see page 179 for “Use of non-GAAP financial information”, page 187 for “Definition of terms” and page 185 for “Forward-looking statements”.

Performance against 2013 financial year guidance

Based on guidance foreign exchange rates¹, and excluding M&A and restructuring costs, our adjusted operating profit for the 2013 financial year was £12.3 billion, above the £11.1 billion to £11.9 billion range set in May 2012.

On the same basis our free cash flow was £5.8 billion, at the top of the range of £5.3 billion to £5.8 billion.

2014 financial year guidance²

	Adjusted operating profit £bn	Free cash flow £bn
2014 financial year guidance	12.0–12.8	Around 7.0

We expect adjusted operating profit to be in the range of £12.0 billion to £12.8 billion. We expect free cash flow to be around £7.0 billion, including the £2.1 billion VZW dividend due in June 2013. We expect capex to remain broadly steady on a constant currency basis.

We expect the Group EBITDA margin, excluding M&A and restructuring costs, to decline slightly year-on-year, reflecting the ongoing weak macroeconomic environment in Europe.

Dividend policy

After over 22% growth in the ordinary dividend per share over the last three years, the Board is focused on continuing to balance the long-term needs of the business with ongoing shareholder remuneration, and going forward aims at least to maintain the ordinary dividend per share at current levels.

Assumptions

We have based guidance for the 2014 financial year on our current assessment of the global macroeconomic outlook and assume foreign exchange rates of £1:€1.17 and £1:US\$1.52. It excludes the impact of licences and spectrum purchases, additional income dividends from VZW, material one-off tax-related payments, restructuring costs and any fundamental structural change to the eurozone. It also assumes no material change to the current structure of the Group.

Actual foreign exchange rates may vary from the foreign exchange rate assumptions used. A 1% change in the euro to sterling exchange rate would impact adjusted operating profit by £30 million and free cash flow by approximately £20 million. A 1% change in the dollar to sterling exchange rate would impact adjusted operating profit by approximately £70 million.

Notes:

¹ Guidance foreign exchange rates for the year ended 31 March 2013 were £1:€1.23 and £1:US\$1.62.

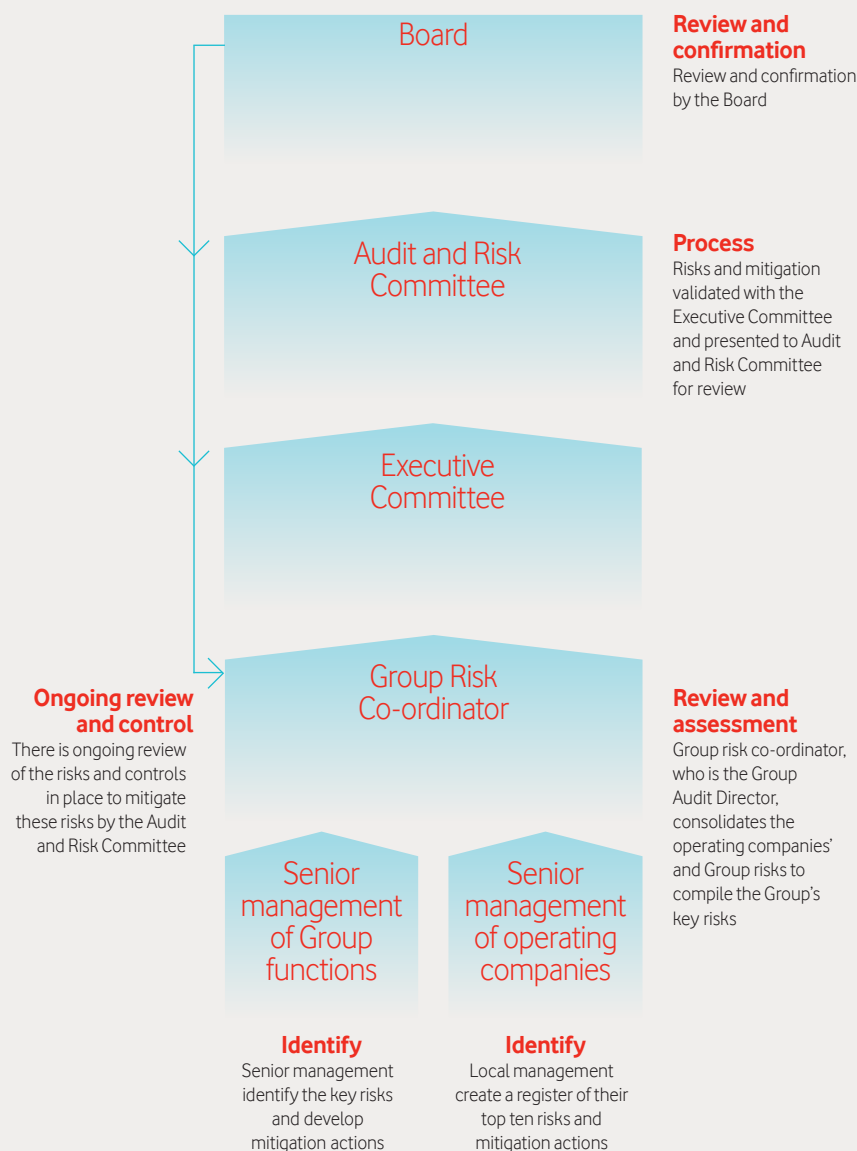
² For consistency with the basis of presentation of joint ventures in previous years, guidance does not take into account the impact on the Group's financial results of adopting IFRS 11, Joint Arrangements, for the year ending 31 March 2014.

Principal risk factors and uncertainties

Identifying and managing our risks

We have a clear framework for identifying and managing risk, both at an operational and strategic level. Our risk identification and mitigation processes have been designed to be responsive to the ever changing environments in which we operate.

Managing risk



The Group's key risks are outlined below:

1. Our business could be adversely affected by a failure or significant interruption to our telecommunications networks or IT systems.

Risk: We are dependent on the continued operation of telecommunications networks. As the importance of mobile and fixed communication in everyday life increases, as well as during times of crisis, organisations and individuals look to us to maintain service. Major failures in the network or our IT systems may result in service being interrupted resulting in serious damage to our reputation and consequential customer and revenue loss.

There is a risk that an attack on our infrastructure by a malicious individual or group could be successful and impact the availability of critical systems. Our network is also susceptible to interruption due to a physical attack and theft of our network components as the value and market for network components increases (for example copper, batteries, generators and fuel).

Mitigation: Specific back-up and resilience requirements are built into our networks. We monitor our ability to replace strategic equipment quickly in event of failure, and for high risk components, we maintain dedicated back-up equipment ready for use. Dedicated network equipment is installed on trucks ready to be moved on site if required.

Our critical infrastructure has been enhanced to prevent unauthorised access and reduce the likelihood and impact of a successful attack. Network contingency plans are linked with our business continuity and disaster recovery plans which are in place to cover the residual risks that cannot be mitigated. A crisis management team and escalation processes are in place both nationally and internationally, and crisis simulations are conducted annually.

We also manage the risk of malicious attacks on our infrastructure using our global security operations centre that provides 24/7 monitoring of our network in many countries.

2. We could suffer loss of consumer confidence and/or legal action due to a failure to protect our customer information.

Risk: Mobile networks carry and store large volumes of confidential personal and business voice traffic and data. We host increasing quantities and types of customer data in both enterprise and consumer segments. We need to ensure our service environments are sufficiently secure to protect us from loss or corruption of customer information. Failure to protect adequately customer information could have a material adverse effect on our reputation and may lead to legal action against the Group.

Mitigation: Both the hardware and software applications which hold or transmit confidential personal and business voice and data traffic include security features. Security related reviews are conducted according to our policies and security standards. Security governance and compliance is managed and monitored through software tools that are deployed to all local markets and selected partner markets. Our data centres are managed to international information security standards. Third party data security reviews are conducted jointly with our technology security and corporate security functions.

3. Increased competition may reduce our market share and profitability.

Risk: We face intensifying competition where all operators are looking to secure a share of the potential customer base. Competition could lead to a reduction in the rate at which we add new customers, a decrease in the size of our market share and a decline in our average revenue per customer, if customers choose to receive telecommunications services or other competing services from alternate providers. Competition can also lead to an increase in customer acquisition and retention costs. The focus of competition in many of our markets has shifted from acquiring new customers to retaining existing customers, as the market for mobile telecommunications has become increasingly mature.

Mitigation: We will continue to promote our differentiated propositions by focusing on our points of strength such as network quality, capacity and coverage, quality of customer service and the value of our products and services. We are enhancing distribution channels to get closer to customers and using targeted promotions where appropriate to attract and retain specific customers. We closely monitor and model competitor behaviour, network builds and product offerings to understand future intentions to be able to react in a timely manner.

4. Regulatory decisions and changes in the regulatory environment could adversely affect our business.

Risk: We have ventures in both emerging and mature markets, spanning a broad geographical area including Europe, Africa, Middle East, Asia Pacific and the US. We need to comply with an extensive range of requirements that regulate and supervise the licensing, construction and operation of our telecommunications networks and services. Pressure on political and regulatory institutions both to deliver direct consumer benefit and protect consumers' interests, particularly in recessionary periods, can lead to adverse impacts on our business. Financial pressures on smaller competitors can drive them to call for regulators to protect them. Increased financial pressures on governments may lead them to target foreign investors for further taxes or licence fees.

Mitigation: We monitor political developments in our existing and potential markets closely, identifying risks in our current and proposed commercial propositions. Regular reports are made to our Executive Committee on current political and regulatory risks. These risks are considered in our business planning process, including the importance of competitive commercial pricing and appropriate product strategies. Authoritative and timely intervention is made at both national and international level in respect of legislative, fiscal and regulatory proposals which we feel are not in the interests of the Group. We have regular dialogue with trade groups that represent network operators and other industry bodies to understand underlying political pressures.

5. Our existing service offerings could become disadvantaged as compared to those offered by converged competitors or other technology providers.

Risk: In a number of markets we face competition from providers who have the ability to sell converged services (combinations of fixed line, broadband, public Wi-Fi, TV and mobile) on their existing infrastructure which we cannot either replicate or provide at a similar price point. Additionally, the combination of services may allow competitors to subsidise the mobile component of their offering. This could lead to an erosion of our customer base and reduce the demand for our core services and impact our future profitability.

Advances in smartphone technology places more focus on applications, operating systems, and devices rather than the underlying services provided by mobile operators. The development of applications which make use of the internet as a substitute for some of our more traditional services, such as messaging and voice, could erode revenue. Reduced demand for our core services of voice, messaging and data and the development of services by application developers, operating system providers, and handset suppliers could significantly impact our future profitability.

Mitigation: In some markets we are already providing fixed-line telecommunication services (voice and broadband). In other existing markets we actively look for opportunities to provide services beyond mobile through acquisition, partnerships, or joint ventures.

We have also developed strategies which strengthen our relationships with customers by accelerating the introduction of integrated voice, messaging and data tariffs to avoid customers reducing their out-of-bundle usage through substitution.

Principal risk factors and uncertainties (continued)

6. Severely deteriorating economic conditions could impact one or more of our markets.

Risk: Economic conditions in many of the markets where we operate, especially in Europe, continue to deteriorate or stagnate. These conditions, combined with the impact of austerity measures, result in lower levels of disposable income and may result in significantly lower revenue as customers give up their mobile devices or move to cheaper tariffs.

There is also a possibility of one or more countries exiting the eurozone, causing currency devaluation in certain countries and possibly leading to a reduction in our revenue and impairment of our financial and non-financial assets. This may also lead to further adverse economic impacts elsewhere.

Mitigation: We are closely monitoring the eurozone situation. Executive Committee briefings have been provided with specific actions identified to reduce the impact of the risk. We have developed a detailed business continuity plan in the event of a country leaving the eurozone, which could lead to a banking system freeze and a need to transition to a “cash based” operating system for a number of months.

See page 49 for further details on the potential impact for Vodafone of a market leaving the eurozone.

7. Our business may be impacted by actual or perceived health risks associated with the transmission of radio waves from mobile telephones, transmitters and associated equipment.

Risk: Concerns have been expressed that the electromagnetic signals emitted by mobile telephone handsets and base stations may pose health risks. We are not aware that such health risks have been substantiated, however, in the event of a major scientific finding supporting this view this might result in prohibitive legislation being introduced by governments (or the European Union), a major reduction in mobile phone usage (especially by children), a requirement to move base station sites, significant difficulty renewing or acquiring site leases, and/or major litigation. An inadequate response to electromagnetic fields (EMF) issues may result in loss of confidence in the industry and Vodafone.

Mitigation: We have a global health and safety policy that includes standards for radio frequency fields that are mandated in all our operating companies. We have a Group EMF board that manages potential risks through cross sector initiatives and which oversees a coordinated global programme to address and reduce public concern. We have close engagement with European Union institutions, in coordination with an international policy team in Brussels, to ensure early warning and advocacy related to possible precautionary legislation. We are engaged with relevant bodies to ensure that the scientific research agenda set by the World Health Organization is fully funded and executed as fast as reasonably possible.

8. Failure to deliver enterprise service offerings may adversely affect our business.

Risk: By expanding our enterprise service offerings through the growth of Vodafone Global Enterprise, the acquisitions of CWW and TelstraClear, and the establishment of cloud, hosting and international carrier services, the Group increasingly provides fixed and mobile communication services to organisations that may provide vital national services. These organisations rely on our networks and systems 24 hours a day, 365 days a year to deliver their products and services to their customers. A failure to build and maintain our infrastructure to the required levels of resilience for enterprise customers and to deliver to our contracted service level agreements may result in a costly business impact and cause serious damage to our reputation.

Mitigation: Specific back-up and resilience requirements are built into our networks. We monitor our ability to replace strategic equipment quickly in event of failure, and for high risk components, we maintain dedicated back-up equipment ready for use. Network contingency plans are linked with our business continuity and disaster recovery plans which are in place to cover the residual risks that cannot be mitigated. A crisis management team and escalation processes are in place both

nationally and internationally, and crisis simulations are conducted annually. We also manage the risk of malicious attacks on our infrastructure using our global security operations centre that provides 24/7 monitoring of our network in many countries.

9. We depend on a number of key suppliers to operate our business.

Risk: We depend on a limited number of suppliers for strategically important network and IT infrastructure and associated support services to operate and upgrade our networks and provide key services to our customers. Our operations could be adversely impacted by the failure of a key supplier who could no longer support our existing infrastructure, by a key supplier commercially exploiting their position in a product area following the corporate failures of/the withdrawal from a specific market by competitors, or by major suppliers significantly increasing prices on long-term programmes where the cost or technical feasibility of switching supplier becomes a significant barrier.

Mitigation: We periodically review the performance of key suppliers, both operationally and financially, across individual markets and from a Group perspective. Other processes are in place to regularly identify and manage “suppliers at risk.” Most supplier categories have business continuity plans in place in the event of single supplier failure.

10. We may not satisfactorily resolve major tax disputes.

Risk: We operate in many jurisdictions around the world and from time to time have disputes on the amount of tax due. In particular, in spite of the positive India Supreme Court decision relating to an ongoing tax case in India, the Indian government has introduced retrospective tax legislation which would in effect overturn the court’s decision and has raised challenges around the pricing of capital transactions. Such or similar types of action in other jurisdictions, including changes in local or international tax rules or new challenges by tax authorities, may expose us to significant additional tax liabilities which would affect the results of the business.

Mitigation: We maintain constructive engagement with the tax authorities and relevant government representatives, as well as active engagement with a wide range of international companies and business organisations with similar issues. Where appropriate we engage advisors and legal counsel to obtain opinions on tax legislation and principles.

11. Changes in assumptions underlying the carrying value of certain Group assets could result in impairment.

Risk: Due to the substantial carrying value of goodwill under International Financial Reporting Standards, revisions to the assumptions used in assessing its recoverability, including discount rates, estimated future cash flows or anticipated changes in operations, could lead to the impairment of certain Group assets. While impairment does not impact reported cash flows, it does result in a non-cash charge in the consolidated income statement and thus no assurance can be given that any future impairments would not affect our reported distributable reserves and, therefore, our ability to make dividend distributions to our shareholders or repurchase our shares.

Mitigation: We review the carrying value of the Group’s property, plant and equipment, goodwill and other intangible assets at least annually, or more frequently where the circumstances require, to assess whether carrying values can be supported by the net present value of future cash flows derived from such assets. This review considers the continued appropriateness of the assumptions used in assessing for impairment, including an assessment of discount rates and long-term growth rates, future technological developments, and the timing and amount of future capital expenditure. Other factors which may affect revenue and profitability (for example intensifying competition, pricing pressures, regulatory changes and the timing for introducing new products or services) are also considered. Discount rates are in part derived from yields on government bonds, the level of which may change substantially period to period and which may be affected by political, economic and legal developments which are beyond our control. Further details are provided in “Critical accounting estimates” on page 87.

Eurozone

The Group continues to face currency, operational and financial risks as a result from the challenging economic conditions in the eurozone and the potential exit of one or more countries from the euro. We continue to keep our policies and procedures under review to endeavour to minimise the Group's economic exposure and to preserve our ability to operate in a range of potential conditions that may exist in the event of one or more of these future events.

Our ability to manage these risks needs to take appropriate account of our needs to deliver a high quality service to our customers, meet licence obligations and the significant capital investments we may have made and may need to continue to make in the markets most impacted.

Currency related risks

While our share price is denominated in sterling, the majority of our financial results are generated in other currencies. As a result the Group's operating profit is sensitive to either a relative strengthening or weakening of the major currencies in which we transact.

The "Operating results" section of the annual report on pages 40 to 44 sets out a discussion and analysis of the relative contributions from each of our three regions and the major geographical markets within each, to the Group's service revenue and EBITDA performance. Our markets in Greece, Ireland, Italy, Portugal and Spain continue to be the most directly impacted by the current market conditions and in order of contribution represent 14% (Italy), 7% (Spain), 3% (Portugal) and 3% (Ireland and Greece combined) of the Group's EBITDA for the year ended 31 March 2013. An average 3% decline in the sterling equivalent of these combined geographical markets due to currency revaluation would reduce the Group's EBITDA by approximately £0.1 billion. Our foreign currency earnings are diversified through our 45% equity interest in VZW, which operates in the US and generates its earnings in US dollars. VZW, which is equity accounted, contributed 54% of the Group's adjusted operating profit for the year ended 31 March 2013.

We employ a number of mechanisms to manage elements of exchange rate risk at a transaction, translation and economic level. At the transaction level our policies require foreign exchange risks on transactions denominated in other currencies above certain de minimis levels to be hedged. Further, since the Company's sterling share price represents the value of its future multi-currency cash flows, principally in euro, US dollars and sterling, we aim to align the currency of our debt and interest charges in proportion to our expected future principal multi-currency cash flows, thereby providing an economic hedge in terms of reduced volatility in the sterling equivalent value of the Group and a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies.

In the event of a country's exit from the eurozone, this may necessitate changes in one or more of our entities' functional currency and potentially higher volatility of those entities' trading results when translated into sterling, potentially adding further currency risk.

A summary of this sensitivity of our operating results and our foreign exchange risk management policies is set out within "Financial risk management – Market risk – Foreign exchange management" within note A6 to the consolidated financial statements.

Operational risk

The significant areas of operational risk for the Group are investment risk, particularly in relation to the management of the counterparties holding our cash and liquid investments; trading risks primarily in relation to procurement and related contractual matters; and business continuity risks focused on cash management in the event of disruption to banking systems.

Financial/investment risk: We remain focused on counterparty risk management and in particular the protection and availability of cash deposits and investments. We carefully manage counterparty limits with financial institutions holding the Group's liquid investments and maintain a significant proportion of liquid investments in sterling and US dollar denominated holdings. Our policies require cash sweep arrangements, to ensure no operating company has more than £5 million on deposit on any one day. Further, we have had collateral support agreements in place for a number of years, with a significant number of counterparties, to pass collateral to the Group under certain circumstances. We have a net £1,151 million of collateral assets in our statement of financial position at 31 March 2013. See "Financial risk management – Credit risk" in note A6 to the consolidated financial statements for further information.

Trading risks: We continue to monitor and assess the structure of certain procurement contracts to place the Group in a better position in the event of the exit of a country from the eurozone.

Business continuity risks: Key business continuity priorities are focused on planning to facilitate migration to a more cash-based business model in the event banking systems are frozen, developing dual currency capability in contract customer billing systems or ensuring the ability to move these contract customers to prepaid methods of billing, and the consequential impacts to tariff structures. We also have in place contingency plans with key suppliers that would assist us to continue to support our network infrastructure, retail operations and employees.

We continue to maintain appropriate levels of cash and short-term investments in many currencies, with a carefully controlled group of counterparties, to minimise the risks to the ongoing access to that liquidity and therefore our ability to settle debts as they become due. See "Financial risk management – Liquidity risk" in note A6 to the consolidated financial statements for more information.

Risk of change in carrying amount of assets and liabilities

The main potential short-term financial statement impact of the current economic uncertainties is the potential impairment of non-financial and financial assets.

We have significant amounts of goodwill, other intangible assets and plant, property and equipment allocated to, or held by, companies operating in the eurozone.

We have performed impairment testing for each country in Europe as at 31 March 2013 and identified aggregate impairment charges of £7.7 billion in relation to Vodafone Italy and Spain. See note 12 to the consolidated financial statements for further detail on this exercise, together with the sensitivity of the results to reasonably possible adverse assumptions.

Our operating companies in Italy, Ireland, Greece, Portugal and Spain have billed and unbilled trade receivables totalling £1.9 billion. IFRS contains specific requirements for impairment assessments of financial assets. We have a range of credit exposures and provisions for doubtful debts that are generally made by reference to consistently applied methodologies overlaid with judgements determined on a case-by-case basis reflecting the specific facts and circumstances of the receivable. See "Financial risk management – Credit risk" in note A6 to the consolidated financial statements for detailed disclosures on provisions against loans and receivables as well as disclosures about any loans and receivables that are past due at the end of the period, concentrations of risk and credit risk more generally.

Governance

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- 67 Directors' remuneration



Chairman's overview

“Effective corporate governance is an essential prerequisite to sustainable business performance. Companies that operate with integrity at all times will maintain the trust of their investors, customers and other important stakeholders.”



Dear Shareholder

At Vodafone, we seek to create a working culture in which honesty, openness and fairness are valued and reinforced at all levels of the organisation, underpinned by a simple, clear and consistently applied governance framework.

The Board has overall responsibility for the manner in which your Company runs its affairs. How Vodafone achieves its goals matters: stakeholders rightly expect the highest standards of corporate behaviour in all our activities. Everyone is expected to work in the Vodafone Way and to follow our Code of Conduct, the details of which we explain on page 66. Central to this is the Company's compliance function which is embedded within each of our local businesses and which has senior executive leadership at Group level and has regular and direct interaction with your Board.

To be effective, the Board must have a full understanding of the complexities of our sector, and in its composition it must also reflect the diversity of the societies within which Vodafone operates. The directors are drawn from seven different nationalities. Each director has extensive experience of emerging markets and international businesses and the majority of them have deep knowledge of the technology and data management sectors. The recent appointments of Omid Kordestani and, in 2011, Renee James, exemplify your Board's forward-looking approach to maintain a high level of informed scrutiny, challenge and guidance as Vodafone's strategy continues to evolve. My medium-term ambition for the composition of the Board is to bring in further marketing expertise. For further details, please see the directors' biographies on page 52.

Gender is an important aspect of boardroom diversity. Vodafone supports the principles outlined in Lord Davies' report, "Women on boards", in February 2011 and aspires to have a minimum of 25% female representation on your Board by 2015. With the departure of Sir John Buchanan and Michel Combes from the Board and the appointment of Omid Kordestani, that proportion currently stands at 15%. Over the coming year and as opportunities to appoint arise, we will continue to seek candidates who have both the appropriate skills and who will help achieve the Board's gender diversity aspiration.

No board can be effective over the long-term if it remains static in its thinking and passive in the face of rapid changes within both the Company and the wider industry. Your Board regularly seeks an external evaluation of its own effectiveness. In the spring of 2013, Ffion Hague of Independent Board Evaluation interviewed the directors and senior executives as part of a comprehensive review of the Board's performance. Mrs Hague's findings are summarised on page 58.

In common with many businesses, Vodafone is operating under tough economic conditions in most of our markets. Measures to preserve the value of the Company's core assets will be a critical priority for the Board, as will further development of strategies to deliver growth over the years ahead. Doing so will require a combination of careful stewardship – underpinned by rigorous risk management processes – and agile decision-making to capture opportunities to create value for shareholders. I am confident that your Board is well-equipped to deliver against that mandate.

Gerard Kleisterlee

Chairman

21 May 2013

Compliance with the UK Corporate Governance Code

Throughout the year ended 31 March 2013 and to the date of this document, we complied with the code provisions and applied the main principles of the UK Corporate Governance Code (the 'Code'). The FRC has issued a revised version of the Code which applies to financial years commencing on or after 1 October 2012. We will report on it for the first time in our 2014 financial year and intend to be in compliance. The Code can be found on the FRC website (frc.org.uk). We describe how we have applied those main principles in this section of the annual report which includes our statement of internal control and risk management, together with the "Directors' remuneration" section on pages 67 to 82.

Corporate governance statement

We comply with the corporate governance statement requirements pursuant to the FCA's Disclosure and Transparency Rules by virtue of the information included in this "Governance" section of the annual report together with information contained in the "Shareholder information" section on pages 166 to 173.

Board of directors and Group management

Directors and senior management

Our business is managed by our Board of directors ('the Board'). Biographical details of the directors and senior management as at 21 May 2013 are as follows (with further information available at vodafone.com/investor):



Gerard Kleisterlee
Chairman

Age: 66

Tenure: 2 years

Nationality: Dutch

Skills and experience:

- Deep knowledge of consumer electronics, technology, healthcare and lifestyle sectors
- Wealth of experience operating in developed and emerging markets
- Koninklijke Philips Electronics N.V. – President/Chief Executive Officer and Chairman of Board of Management (2001–2011)
- Career with Philips spanning over 30 years

Other current appointments:

- Daimler AG – Supervisory Board member
- Dell – Board member
- Royal Dutch Shell – Non-executive director and Audit Committee member

Board Committees:

- Nominations and Governance (Chairman)



Vittorio Colao
Chief Executive – Executive director

Age: 51

Tenure: 6 years

Nationality: Italian

Skills and experience:

- Over 20 years experience working in the telecoms sector
- Vodafone Group Plc – Chief Executive Europe (2006–2008)
- RCS MediaGroup – Chief Executive (2004–2006)
- Vodafone Group Plc – Regional Chief Executive Officer, Southern Europe (role later expanded to include Middle East and Africa regions) (2001–2004)
- Omnitel Pronto Italia S.p.A. (became Vodafone Italy) – appointed Chief Executive in 1999 (1996–2004)
- McKinsey & Company (1986–1996)

Other current appointments:

- Bocconi University, Italy – International Advisory Board member
- European Round Table of Industrialists – Steering Committee member
- McKinsey & Company – Advisory Board member
- Oxford Martin School – Advisory Council member

Board Committees:

- None



Andy Halford
Chief Financial Officer – Executive director

Age: 54

Tenure: 7 years

Nationality: British

Skills and experience:

- Extensive experience as a finance director of UK, US and multinational companies
- The Hundred Group of Finance Directors – Chairman (2010–2012)
- Verizon Wireless partnership – Chief Financial Officer (2002–2005)
- Vodafone Group Plc – Financial Director for Northern Europe, Middle East and Africa region (2001–2002)
- Vodafone Limited (UK operating company) – Financial Director (1999–2001)
- East Midlands Electricity Plc – Group Finance Director (1993–1998)

Other current appointments:

- Marks & Spencer Group plc – Non-executive director
- Verizon Wireless partnership – Board of Representatives member

Board Committees:

- None



Stephen Pusey
Chief Technology Officer – Executive director

Age: 51

Tenure: 3 years

Nationality: British

Skills and experience:

- Wealth of international experience across wireline and wireless industries
- Extensive understanding of business applications and solutions
- Nortel Networks Corporation – various positions over period of 23 years, including Executive Vice President and President of EMEA region (2001–2005)
- British Telecom (1977–1982)

Other current appointments:

- Verizon Wireless partnership – Board of Representatives member

Board Committees:

- None



Renee James
Non-executive director

Age: 48

Tenure: 2 years

Nationality: American

Skills and experience:

- Deep knowledge of the high-tech sector
- Wide ranging experience of international management
- Intel Corporation – Executive Vice President and General Manager of the Software and Services Group (2012–2013)
- Intel Corporation – Senior Vice President (2010–2012)
- Intel Corporation – Vice President (2005–2010)
- Intel Software and Services Group – General Manager (2005–2010)
- Intel's Microsoft Program Office – Vice President and General Manager (2000–2005)
- Intel Online Services (Intel's datacenter business) – Director and Chief Operating Officer (1998–2000)

Other current appointments:

- Intel Corporation – President
- Software subsidiaries of Intel Corporation: Havok Inc., Wind River Systems Inc. and McAfee, Inc. – Chairman
- VMware Inc – Independent director on Board of directors and Audit Committee member

Board Committees:

- Remuneration



Alan Jebson
Non-executive director

Age: 63

Tenure: 6 years

Nationality: British

Skills and experience:

- Senior leader in international business
- Knowledge of international IT systems
- MacDonald, Dettwiler and Associates (Canada) – Non-executive director (2006–2012)
- HSBC Holdings plc – Group Chief Operating Officer (2003–2006); Group Chief Information Officer (1997–2003)
- Saudi British Bank – Senior Manager, Planning and Operations (1984–1987)
- HSBC Holdings plc – Head of IT Audit (1978–1984)

Other current appointments:

- Experian plc – Non-executive director

Board Committees:

- Audit and Risk



Samuel Jonah
Non-executive director

Age: 63

Tenure: 4 years

Nationality: Ghanaian

Skills and experience:

- Widespread experience of business in Africa, particularly South Africa and Ghana
- Standard Bank of South Africa – Non executive Director (2006–2012)
- Advisor to the former Presidents of Ghana (2001–2009) and South Africa (1999–2008)
- Awarded a Lifetime Award by the Commonwealth Business Council and African Business Magazine (2006)
- Awarded the Companion of the Order of the Star (Ghana's highest national award) (2006)
- Honorary Knighthood awarded (2003)
- AngloGold Ashanti Ltd – Executive President (2002–2005)
- Lonmin Plc. – Director (1992–2004)
- Ashanti Goldfields Co Ltd – Chief Executive Officer (1986–2002)
- Advisory Council of the President of the African Development Bank – Member (1990–1992)

Other current appointments:

- Advisor to the Presidents of Togo and Nigeria
- Imara Energy Corp. – Chairman
- Iron Mineral Beneficiation Services – Non-executive Deputy Chairman
- Jonah Capital (Pty) Limited – Executive Chairman
- Range Resources Limited – Non-executive Chairman
- Metropolitan Insurance Company Limited – Chairman
- The Investment Climate Facility – Trustee/Member of Trustee Board

Board Committees:

- Remuneration



Omid Kordestani
Non-executive director

Age: 49

Tenure: <1 year

Nationality: American

Skills and experience:

- Innovator in the technology industry
- Commercial leader
- Google – Senior Vice President Sales and Business Development (1999–2009)
- Netscape Communications – Vice President of Business Development (1997–1999)
- Netscape Communications – Director of OEM Sales (1995–1997)
- The 3DO Company – Director of Product Management (1993–1995)
- GO Corporation – Director of Business Development (1991–1993)
- Hewlett-Packard – Product Marketing Manager (1984–1989)

Other current appointments:

- Google – Senior Advisor to the Office of CEO/Founders

Board Committees:

- None



Nick Land
Non-executive
director

Age: 65

Tenure: 6 years

Nationality: British

Skills and experience:

- Financial expert with extensive international experience
- Retired from Ernst & Young in 2006 after a career spanning 36 years
- Ernst & Young – Chairman (1995–2006); Managing Partner of North European, Middle East, India and Africa region (1999–2006)

Other current appointments:

- Alliance Boots GmbH – Non-executive director
- Alsbridge plc – Advisory Board member
- Ashmore Group plc – Non-executive director
- BBA Aviation plc – Non-executive director
- Farnham Castle – Chairman of the Board of Trustees
- Financial Reporting Council – Non-executive director
- SNR Denton UK LLP – Board advisor
- The National Gallery – Member of Finance and Audit Committees
- The Vodafone Foundation – Chairman of the Board of Trustees

Board Committees:

- Audit and Risk (Chairman)



Anne Lauvergeon
Non-executive
director

Age: 53

Tenure: 7 years

Nationality: French

Skills and experience:

- Wealth of international business knowledge
- GDF SUEZ – Non-executive director (2000–2012)
- AREVA group – Chief Executive Officer (2001–2011)
- Areva NC (formerly Cogema) – Chairman and Chief Executive Officer (1999–2011)
- Alcatel – Senior Executive Vice President; Executive Committee member (1997–1999)
- Lazard Frères & Cie – Partner (1995–1997)
- French Presidency – Deputy Chief of Staff (1991–1995); Advisor for Economic International Affairs (1990)

Other current appointments:

- A.L.P. SAS – Chief Executive Officer
- American Express Company – Non-executive director
- EADS N. V. – Non-executive director
- Efficiency Capital – Partner
- Total S.A. – Non-executive director

Board Committees:

- Audit and Risk



Luc Vandeveldt
Senior
Independent
Director

Age: 62

Tenure: 9 years

Nationality: Belgian

Skills and experience:

- Financial, management and marketing skills in international business
- Societe Generale – Director (2006–2012)
- Carrefour S.A. – Chairman (2005–2007)
- Marks and Spencer Group plc – Chairman (2000–2004)
- Promodès/Carrefour – Chief Executive Officer (1995–2000)
- Kraft General Foods (1971–1995)

Other current appointments:

- Change Capital Partners LLP – Founder and Chairman

Board Committees:

- Nominations and Governance
- Remuneration (Chairman)



**Anthony
Watson CBE**
Non-executive
director

Age: 68

Tenure: 7 years

Nationality: British

Skills and experience:

- Extensive experience in investment and asset management
- Queen's University, Belfast – Honorary degree of Doctor of Science (Economics) (2012)
- Awarded a CBE for his services to the economic redevelopment of Northern Ireland (2009)
- Norges Bank Investment Management – Advisory Board member (2007–2012)
- Marks and Spencer Pension Trust – Chairman (2005–2010)
- Financial Reporting Council – Member (2004–2007)
- Strategic Investment Board in Northern Ireland – Chairman (2003–2010)
- Hermes Pensions Management Ltd – Chief Executive (2002–2006); Chief Investment Officer (1998–2002)
- Asian Infrastructure Fund – Chairman (1999–2010)
- AMP Asset Management plc – Managing Director (1995–1998)
- Citicorp Investment Management – Chief International Investment Officer (1991–1998)

Other current appointments:

- Hammerson plc – Senior Independent Director
- Lloyds Banking Group plc – Non-executive director
- The Shareholder Executive – Board member
- Witan Investment Trust – Senior Independent Director

Board Committees:

- Audit and Risk
- Nominations and Governance



Philip Yea
Non-executive
director

Age: 58

Tenure: 7 years

Nationality: British

Skills and experience:

- Private equity investor with experience of business and financial turnaround
- 3i Group plc – Chief Executive (2005–2009)
- HBOS plc – Non-executive director (2001–2004)
- Manchester United plc – Non-executive director (2000–2004)
- Investcorp – Managing Director (1999–2004)
- Guinness PLC – Finance Director, becoming Finance Director of Diageo plc upon merger of Guinness and Grand Metropolitan PLC in 1997 (1993–1999)

Other current appointments:

- Advisor to HRH Duke of York
- Bridges Ventures LLP – Advisory Board member
- British Heart Foundation – Chairman of the Trustees
- PricewaterhouseCoopers – Advisory Board member in the UK
- The Francis Crick Institute – Independent director and trustee on the Board

Board Committees:

- Nominations and Governance
- Remuneration

Copies of the service agreements of the executive directors and letters of appointment of the non-executive directors are available for inspection at our registered office.

Board diversity

Your Board has due regard for the benefits of diversity in its membership, including gender, and strives to maintain the right balance. It comprises individuals with deep knowledge and experience in core and diverse business sectors within local, international and global markets bringing a wide range of perspectives to the business. Further information on our board diversity policy may be found in the Nominations and Governance Committee report on page 60.

Tenure

0–2 years	23%
3–6 years	38.5%
7–9 years	38.5%

Male/female

Male	85%
Female	15%

Executive/non-executive

Executive	23%
Non-executive	77%

Geographic representation



American



Belgian



British



Dutch



French



Ghanaian



Italian

Executive Committee

Chaired by Vittorio Colao, this Committee focuses on our strategy, financial structure and planning, financial and competitive performance, succession planning, organisational development and Group-wide policies. The Executive Committee includes the executive directors, details of whom are shown on page 52, and the senior managers who are listed below. Further information on the Executive Committee can be found on page 64.

Senior management

Members of the Executive Committee who are not also executive directors are regarded as senior managers of the Company.

Paolo Bertoluzzo
Chief Executive
Officer, Southern
Europe

Age: 47

Tenure: <1 year

Nationality: Italian

Career history:

- Vodafone Italy – Chief Executive Officer (2008–present); Chief Commercial Officer (2007); Chief Operating Officer (2006); Head of the Consumer Division (2005)
- Vodacom – Board member (2010–2012)
- Omnitel Pronto Italia S.p.A. (became Vodafone Italy) – various senior roles including Strategy Planning Director (1999–2005)
- Bain & Company – Manager (1995–1999)
- Monitor Company – Consultant (1991–1994)

Warren Finegold
Group Strategy
and Business
Development
Director

Age: 56

Tenure: 7 years

Nationality: British

Career history:

- UBS Investment Bank – Managing Director and Head of its Technology team in Europe (1995–2006)
- Goldman Sachs International – Executive Director, holding positions in New York and London (1985–1995)
- Hill Samuel & Co. Limited – Corporate Finance Executive (1981–1985)

Philipp Humm
Chief Executive
Officer, Northern
and Central Europe

Age: 53

Tenure: <1 year

Nationality: German

Career history:

- T-Mobile USA – President and Chief Executive Officer (2010–2012)
- T-Mobile International – Chief Regional Officer Europe; Executive Committee member (2009–2010)
- T-Mobile Germany – Chief Executive Officer; Chief Sales Officer (2005–2008)
- Entrepreneur (2002–2005)
- Amazon – Managing Director, Germany and France; Vice President Europe (2000–2002)
- Tengelmann (German grocery retailer) – Executive Board member; Chief Executive Officer of Plus (food-discounter) (1992–1999)
- McKinsey (1986–1992)

Nick Jeffery
Group Enterprise
Director

Age: 45

Tenure: <1 year

Nationality: British

Career history:

- Cable & Wireless Worldwide – Chief Executive (2012–2013)
- Vodafone Global Enterprise – Chief Executive (2006–2012)
- Vodafone Group Plc – Marketing Director for business (2004–2006)
- Ciena – Senior Vice President (2003–2004)
- Microfone – Founder (2002–2003)
- Cable & Wireless plc (Mercury Communications) – led UK and international markets' business units (1991–2002)

Matthew Kirk
Group External
Affairs Director

Age: 52

Tenure: 4 years

Nationality: British

Career history:

- Vodafone Group Plc – Group Director of External Relationships (2006–2009)
- British Ambassador to Finland (2002–2006)
- Member of the British Diplomatic Service for more than 20 years

Morten Lundal
Group Chief
Commercial
Officer

Age: 48

Tenure: 4 years

Nationality: Norwegian

Career history:

- Vodafone Group Plc – Chief Executive Officer of the Central Europe and Africa region (2008–2010)
- Telenor (Nordic mobile operator) – Chief Executive Officer of DiGi Telecommunications (Telenor's Malaysian subsidiary) (2004–2008); various senior positions at Telenor, including Chief Executive Officer for the Internet Division and Telenor Business Solutions; Executive Vice President for Corporate Strategy (1997–2004)

Rosemary Martin
Group General
Counsel and
Company
Secretary

Age: 53

Tenure: 3 years

Nationality: British

Career history:

- Practical Law Group – Chief Executive Officer (2008)
- Reuters Group Plc – Group General Counsel and Company Secretary (2003–2008), Company Secretary (1999–2003), Deputy Company Secretary (1997–1999)
- Mayer, Brown, Rowe & Maw – Partner (1990–1997)

Nick Read
Chief Executive
Officer, Africa,
Middle East and
Asia Pacific region

Age: 48

Tenure: 4 years

Nationality: British

Career history:

- Vodafone Limited (UK operating company) – various senior roles, including Chief Financial Officer, Chief Commercial Officer and Chief Executive Officer (2002–2008)
- United Business Media plc – Chief Financial Officer of subsidiary Miller Freeman Worldwide plc (1999–2001)
- Federal Express Worldwide Inc. – senior global finance positions (1989–1999)

Ronald Schellekens
Group Human
Resources Director

Age: 49

Tenure: 4 years

Nationality: Dutch

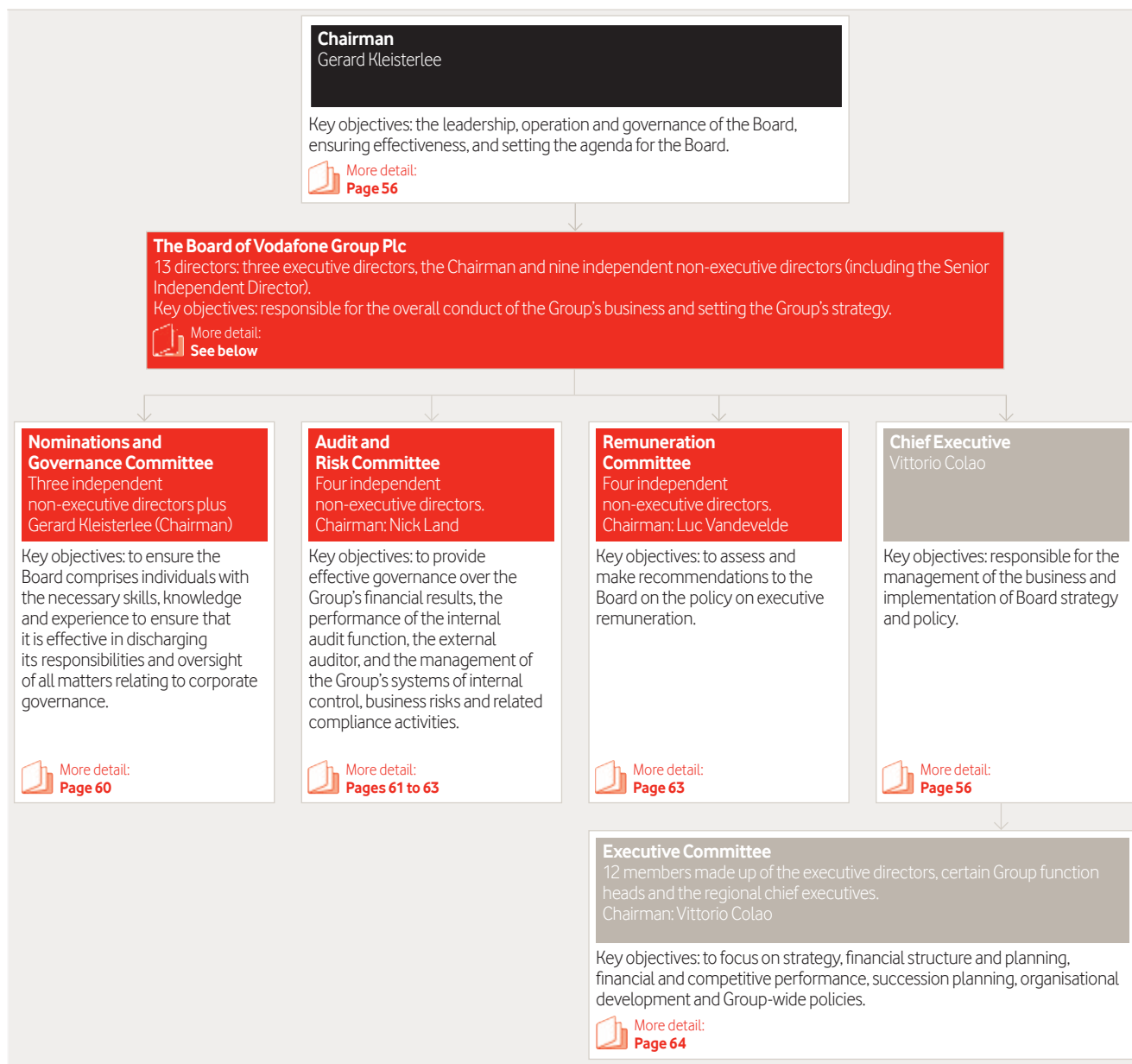
Career history:

- Royal Dutch Shell Plc – HR Executive Vice President for global downstream business (2003–2008)
- PepsiCo – various international senior human resources roles in England, South Africa, Switzerland and Spain (1994–2003)
- AT&T Network Systems – human resources roles in the Netherlands and Poland (1986–1994)

Corporate governance

Our governance framework

Responsibility for good governance lies with your Board. There is a strong and effective governance system in place throughout the Group.



How the Board operates

The role of the Board

The Board is responsible for the overall conduct of the Group's business and has the powers and duties set out in the relevant laws of England and Wales and our articles of association. The Board:

- is responsible for setting the Group strategy and for the management, direction and performance of our businesses;
- is accountable to shareholders for the proper conduct of the business;
- is responsible for the long-term success of the Company, having regard for the interests of all stakeholders; and
- is responsible for ensuring the effectiveness of and reporting on our system of corporate governance.

The Board has a formal schedule of matters reserved for its decision and these include:

- Group strategy and long-term plans;
- major capital projects, acquisitions or divestments;
- annual budget and operating plan;
- Group financial structure, including tax and treasury;
- annual and half-year financial results and shareholder communications; and
- system of internal control and risk management.

The schedule is reviewed annually. It was last reviewed in March 2013 when it was decided that no amendments were required.

Other specific responsibilities are delegated to Board committees, details of which are given on pages 60 to 63.

Corporate governance (continued)

Board composition

Our Board consists of 13 directors, 12 of whom served throughout the year. At 31 March 2013, in addition to the Chairman, Gerard Kleisterlee, there were three executive directors and nine non-executive directors. Omid Kordestani was appointed as a non-executive director with effect from 1 March 2013. Michel Combes and Sir John Buchanan were members of the Board until their respective retirements at the AGM on 24 July 2012.

The executive and non-executive directors are equal members of the Board and have collective responsibility for the Company's direction. In particular, non-executive directors are responsible for:

- bringing a wide range of skills and experience, including independent judgement on issues of strategy, performance, and risk management;
- constructively challenging the strategy proposed by the Chief Executive and executive directors;
- scrutinising and challenging performance across the Group's business;
- assessing risk and the integrity of the financial information and controls; and
- determining the Company's broad policy for executive remuneration, and the remuneration packages for the executive directors and the Chairman.

The balance and independence of our Board is kept under review by our Nominations and Governance Committee, details of which can be found on page 60.

Key roles and responsibilities

The Chairman

Gerard Kleisterlee

The role of the Chairman is set out in writing and agreed by the Board. He is responsible for:

- the effective operation, leadership and governance of the Board;
- ensuring effectiveness of the Board;
- setting the agenda, style and tone of Board discussions; and
- ensuring the directors receive accurate, timely and clear information.

The Senior Independent Director

Luc Vandeveld

The Senior Independent Director is responsible for:

- acting as a sounding board for the Chairman;
- serving as an intermediary for the other directors;
- being available to shareholders if they have concerns which they have not been able to resolve through the normal channels of the Chairman, Chief Executive or other executive directors or for which such contact is inappropriate; and
- conducting an annual review of the performance of the Chairman and, in the event it should be necessary, convening a meeting of the non-executive directors.

Tenure of non-executive directors

The Code suggests that length of tenure is a factor to consider when determining the independence of non-executive directors. The table below shows the tenure and independence of each of our non-executive directors. We consider all of our non-executive directors to be independent.

	Date first elected by shareholders	Years from first election to 2013 AGM	Considered to be independent by the Board
Gerard Kleisterlee	July 2011	2	See note ¹
Renee James	July 2011	2	Yes
Alan Jebson	July 2007	6	Yes
Samuel Jonah	July 2009	4	Yes
Omid Kordestani	To be put for election July 2013	n/a	Yes
Nick Land	July 2007	6	Yes
Anne Lauvergeon	July 2006	7	Yes
Luc Vandeveld	July 2004	9	Yes ²
Anthony Watson	July 2006	7	Yes
Philip Yea	July 2006	7	Yes

Notes:

- 1 Considered to be independent on appointment.
- 2 Considered to be independent for the reasons given on page 60.

The Chief Executive

Vittorio Colao

The role of the Chief Executive is set out in writing and agreed by the Board. He is responsible for:

- management of the Group's business;
- implementation of the Company's strategy and policies;
- maintaining a close working relationship with the Chairman; and
- chairing the Executive Committee.

The Company Secretary

Rosemary Martin

The Company Secretary acts as Secretary to the Board. In doing so she:

- assists the Chairman in ensuring that all directors have full and timely access to all relevant information;
- assists the Chairman by organising induction and training programmes;
- is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters; and
- administers the procedure under which directors can, where appropriate, obtain independent professional advice at the Company's expense.

Biographical details of the Chairman, Chief Executive and Senior Independent Director can be found on pages 52 and 53 or at vodafone.com/board. Biographical details of the Company Secretary can be found on page 54 or at vodafone.com/exco. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Conflicts of interest

The Board is aware of the other commitments of its directors and is satisfied that these do not conflict with their duties as directors of the Company. The process for monitoring conflicts is as follows:

- changes to the commitments of all directors are reported to the Board;
- the directors are required to complete a conflicts questionnaire initially on appointment and annually thereafter;
- any conflicts identified would be submitted to the Board (excluding the director to whom the potential conflict related) for consideration and, as appropriate, authorisation in accordance with the Companies Act 2006 and the articles of association;
- where authorisation is granted, it would be recorded in a register of potential conflicts and reviewed periodically; and
- directors are responsible for notifying the Company Secretary if they become aware of actual or potential conflict situations or a change in circumstances relating to an existing authorisation.

No conflicts of interest have been identified during the year.

Board meetings

Matters considered at all Board meetings include:

- the Chief Executive's report on strategic and business developments;
- the Chief Financial Officer's report which includes the latest available management accounts;
- an operations update (covering commercial, technology and operational matters);
- a report on potential changes to the Group's portfolio of corporate assets; and
- where applicable, reports from the Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee.

In addition to the standing agenda items, deep-dive topics covered by the Board during the year included brand performance, strategies for the Company's consumer and enterprise businesses, new services, spectrum auctions, privacy regulations, regional performance and strategies, health and safety, talent and the control environment.

Board activities in the 2013 financial year

Board activities are structured to assist the Board in achieving its goal to support and advise executive management on the delivery of the Group's strategy within a transparent governance framework.

The diagram below shows the key areas of focus for the Board which appear as items on the Board's agenda at relevant times throughout the year. Concentrated discussion of these items assists the Board in making the right decisions based on the long-term opportunities for the business and its stakeholders.

Key areas of focus for the Board



Corporate governance (continued)

Board effectiveness

Board effectiveness is reviewed every year. After the 2012 review, the Chairman introduced a few changes to Board procedure, including a non-executives only session before each Board meeting, as well as a session involving just the non-executive directors and the CEO. This has been a successful initiative, creating an additional platform for non-executives to discuss issues or concerns, without prejudicing the activities of the Board meeting itself

The Chairman is responsible for ensuring that each director receives an induction on joining the Board and receives the training he or she requires. The Company Secretary organises the induction.

Director induction

On appointment, directors receive a personalised induction programme covering amongst other things:

- the business of the Group;
- their legal and regulatory responsibilities as directors;
- briefings and presentations from relevant executives; and
- opportunities to visit business operations.

Information and professional development

Keeping up-to-date with key business developments is essential for the directors to maintain and enhance their effectiveness. This is achieved as follows:

- from time to time the Board receives presentations from executives in our business on matters of significance. This year the Chief Technology Officer and the regional chief executives delivered a presentation on the technology and business models of sectors adjacent to our own;
- financial plans, including budgets and forecasts, are regularly discussed at Board meetings;
- the directors have the opportunity to learn the views of major investors at planned events throughout the year (see "Shareholder engagement" on page 64);
- our directors periodically visit different parts of the Group. In September 2012 the Board met with senior management in Spain;
- the non-executive directors are provided with briefings and information to assist them in performing their duties;
- the directors are regularly updated on the Group's businesses and the regulatory and industry specific environments in which we operate. Updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

As part of their annual performance evaluation, directors are given the opportunity to discuss training and development needs. Directors are expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a director. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

Performance evaluation

Each year the performance of the Board, its committees and directors is evaluated. Every third year the evaluation is conducted by an external advisor. This year the performance evaluation was conducted by Ffion Hague of Independent Board Evaluation. Mrs Hague is an independent advisor and has no other connection with the Company.

The evaluation process took place in the spring of 2013 and involved interviews with the Chairman, each Board member, the Company Secretary, senior management, senior executives who frequently interact with the Board or its committees, and the auditor, Deloitte LLP. Reports on the effectiveness of the Board and its committees were prepared by Mrs Hague. She discussed these with the Chairman and with the chairmen of the committees. Mrs Hague also discussed individual directors' performance with the Chairman and the Chairman's performance with Luc Vandeveld, the senior independent director. The Board and the Board committees considered the reports of their effectiveness at their meetings in May 2013. Mr Vandeveld gave feedback to the Chairman on his performance.

Mrs Hague's reports were positive about the performance of the Board and each of its committees. In particular, she highlighted the Board's strengths with respect to the seriousness with which it takes its accountability to shareholders, its focus on governance and the smooth operation of the Board and its committees. In light of Mrs Hague's review, the Board considers the performance of each director to be effective and has concluded that the Board and its committees provide the effective leadership and control required.

As a result of recommendations made in this year's Board performance evaluation, the Board has agreed:

- to develop further its approach to strategic planning and involve all the directors earlier in the process of strategy development;
- to provide more opportunities for the directors to meet with executives to assist in succession planning; and
- to ensure that induction of new directors enables them rapidly to contribute fully to the Board.

The Board will continue to review its procedures, its effectiveness and development in the financial year ahead.

Re-election of directors

All the directors submit themselves for re-election at the AGM to be held on 23 July 2013 with the exception of Omid Kordestani who will seek election for the first time in accordance with the articles of association. The Nominations and Governance Committee confirmed to the Board that the contributions made by the directors offering themselves for re-election at the AGM in July 2013 continue to be effective and that the Company should support their re-election.

Independent advice

The Board recognises that there may be occasions when one or more of the directors feels it is necessary to take independent legal and/or financial advice at the Company's expense. There is an agreed procedure to enable them to do so which is managed by the Company Secretary.

Indemnification of directors

In accordance with our articles of association and to the extent permitted by the laws of England and Wales, directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office. In addition, we maintained a directors' and officers' liability insurance policy throughout the year. Neither our indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

Board committees

The Board has a Nominations and Governance Committee, an Audit and Risk Committee and a Remuneration Committee. Further details of these committees can be found in their reports on pages 60 to 63. The terms of reference of each of these committees can be found on our website at vodafone.com/governance.

The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner. The Company Secretary or her delegate acts as secretary to the committees. The minutes of committee meetings are circulated to all directors.

The calendar for meetings of the Board and its committees is shown below.

	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
Board (scheduled meetings)		•		•		•		•	•	•	•	•
Nominations and Governance Committee				•		•				•		•
Audit and Risk Committee	•					•		•				•
Remuneration Committee		•		•				•		•		•

Directors unable to attend a Board meeting because of another engagement are provided with the briefing materials and can discuss issues arising in the meeting with the Chairman or the Chief Executive. In addition to at least eight scheduled Board meetings, there may be a number of other meetings to deal with specific matters. Each scheduled Board meeting is preceded by a meeting of the Chairman and non-executive directors.

Attendance at scheduled meetings of the Board and its committees in the 2013 financial year

Director	Board	Nominations and Governance Committee	Audit and Risk Committee	Remuneration Committee
Chairman				
Gerard Kleisterlee ¹	8/8	4/4		
Senior Independent Director				
Luc Vandeveld ²	8/8	4/4		5/5
Sir John Buchanan ³	2/2	1/1	1/1	
Chief Executive				
Vittorio Colao	8/8			
Executive directors				
Michel Combes ⁴	2/2			
Andy Halford	8/8			
Stephen Pusey	8/8			
Non-executive directors				
Renee James	8/8			3/3
Alan Jebson	8/8		4/4	
Samuel Jonah	8/8			5/5
Omid Kordestani ⁵	1/1			
Nick Land ⁶	8/8		4/4	
Anne Lauvergeon	7/8		4/4	
Anthony Watson	8/8	4/4	3/3	2/2
Philip Yea	7/8	3/3		5/5

Notes:

- 1 Chairman of the Nominations and Governance Committee.
- 2 Senior Independent Director from the conclusion of the AGM on 24 July 2012; Chairman of the Remuneration Committee.
- 3 Deputy Chairman and Senior Independent Director until he retired on 24 July 2012.
- 4 Executive director until he retired on 24 July 2012.
- 5 Appointed to the Board with effect from 1 March 2013.
- 6 Chairman and financial expert of the Audit and Risk Committee.

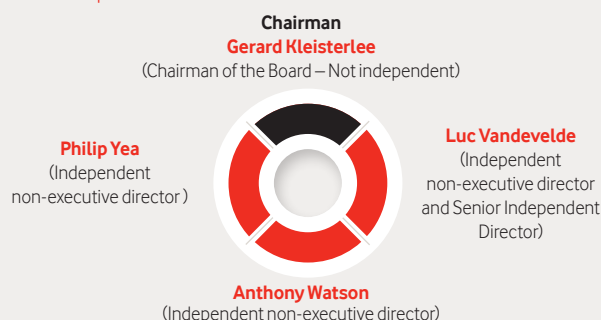
Corporate governance (continued)

Nominations and Governance Committee

“The Nominations and Governance Committee continues its work of ensuring the Board composition is right and that our governance is effective.”



Membership:



Key objective:

to ensure the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities and oversight of all matters relating to corporate governance.

Responsibilities:

- leads the process for identifying and making recommendations to the Board regarding candidates for appointment as directors, giving full consideration to succession planning and the leadership needs of the Group;
- makes recommendations to the Board on the composition of the Board's committees;
- regularly reviews and makes recommendations in relation to the structure, size and composition of the Board including the diversity and balance of skills, knowledge and experience, and the independence of the non-executive directors;
- oversees the performance evaluation of the Board, its committees and individual directors (see page 58);
- reviews the tenure of each of the non-executive directors; and
- is responsible for the oversight of all matters relating to corporate governance, bringing any issues to the attention of the Board.

Committee meetings

No one other than a member of the Committee is entitled to be present at its meetings; however, other non-executive directors, the Chief Executive and external advisors may be invited to attend. In the event of matters arising concerning my membership of the Board, I would absent myself from the meeting as required and the Board's Senior Independent Director would take the chair.

Main activities of the Committee during the year

The Committee met four times during the year and considered executive succession planning, replenishment of the Board and the Board effectiveness review.

The Committee leads the process for appointments to the Board. There is a formal, rigorous and transparent procedure for the appointment of new directors. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity

on the Board, including gender. During the year, an external search was commissioned, using an independent executive search firm, Korn Ferry, which has no other connection with the Company, to search for non-executive director candidates with relevant international experience in the high-tech sector. Omid Kordestani was identified as a potential candidate and subsequently recommended to the Board by the Nominations and Governance Committee on the basis that he met the desired criteria.

The Board acknowledges that diversity extends beyond the boardroom and supports management in their efforts to build a diverse organisation. It endorses the Company's policy to attract and develop a highly qualified and diverse workforce; to ensure that all selection decisions are based on merit and that all recruitment activities are fair and non-discriminatory. The boardroom diversity policy was introduced in February 2012 and reviewed by the Committee in March 2013. It acknowledges the importance of diversity, including gender, to the effective functioning of the Board and focuses on our aspiration to have a minimum of 25% female representation on the Board by 2015. Following the respective retirements of Sir John Buchanan and Michel Combes, together with the appointment of Omid Kordestani, at 21 May 2013 the Board has 15% female representation. Subject to securing suitable candidates, when making appointments we will seek directors who fit the skills criteria and gender balance that is in line with the Board's aspiration. We continue to focus on encouraging diversity of business skills and experience, recognising that directors with diverse skills sets, capabilities and experience gained from different geographic and cultural backgrounds enhance the Board. Further information, including the proportions of women in senior management, is shown in "Our people" on page 35, and within the organisation overall, is contained in our 2013 sustainability report, available at vodafone.com/sustainability.

This year, when reviewing the re-election of directors at the AGM in July, the Committee took account of the fact that Luc Vandeveld will have served ten years as of 31 August 2013. The Board has considered the matter carefully and believes that Luc Vandeveld continues to demonstrate the qualities of independence in carrying out his role, supporting the executive directors and senior management in an objective manner. His length of service and resulting experience and knowledge of the Company is of great benefit to the Board. We will continue to keep his independence under review.

In the year ahead the Committee will continue to assess what enhancements should be made to the Board's and committees' composition and will continue to monitor developments in corporate governance to ensure the Company remains at the forefront of good governance practices.

Gerard Kleisterlee

On behalf of the Nominations and Governance Committee

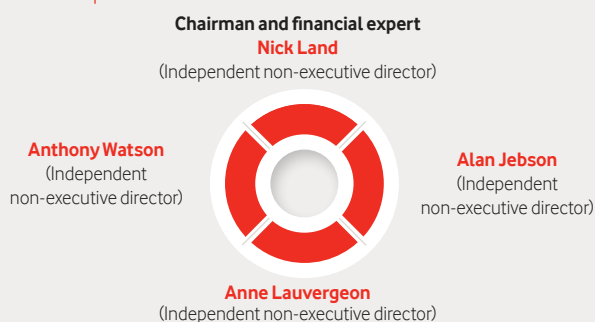
21 May 2013

Audit and Risk Committee

“Our activities continued to be focused on the integrity of the Group’s financial reporting, the quality of the external and internal audit processes, risk management, the appropriateness of the Group’s system of internal controls and governance of a range of compliance related matters. The Committee will continue to keep its activities under review in the light of regulatory and market developments.”



Membership:



Key objective:

the provision of effective governance over the appropriateness of the Group’s financial reporting including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor, and the management of the Group’s systems of internal control, business risks and related compliance activities.

Responsibilities:

- reviewing our financial results announcements and financial statements and monitoring compliance with relevant statutory and listing requirements;
- reporting to the Board on the appropriateness of our accounting policies and practices including critical accounting policies and practices;
- advising the Board on whether the Committee believes the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy;
- overseeing the relationship with the external auditor;
- reviewing the scope, resources, results and effectiveness of the activity of the Group internal audit department;
- monitoring our compliance efforts in respect of section 404 of the US Sarbanes-Oxley Act;
- considering and making recommendations to the Board on the nature and extent of the significant risks the Group is willing to take in achieving its strategic objectives;
- overseeing the Group’s compliance processes; and
- performing in-depth reviews of specific areas of financial reporting, risk and internal controls, as determined by the Committee.

The Committee members have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil the Committee’s duties. The Board considers that I have recent and relevant financial experience, as required by the Code, and has designated me as its financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act.

Committee meetings

The Committee meets at least four times during the year. Meetings are attended by the independent non-executive directors and, by invitation, the Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Group Financial Reporting Director and the Group Audit Director. Other relevant people from the business are also invited to attend certain meetings in order to provide a deeper level of insight into certain key issues and developments. I also invite our external auditor, Deloitte LLP, to each meeting. The Committee regularly meets separately with each of Deloitte LLP, the Chief Financial Officer and the Group Audit Director without others being present.

Main activities of the Committee during the year

The Committee assists the Board in carrying out its responsibilities in relation to financial reporting requirements, risk management and the assessment of internal controls. It also reviews the effectiveness of the Company’s internal audit function and manages the Company’s relationship with the external auditor.

As part of this process of working with the Board and to maximise effectiveness, meetings of the Committee generally take place just prior to a Company Board meeting. I report to the Board as part of a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of their work.

Following the publication of the revised version of the UK Corporate Governance Code, which applies to financial years commencing on or after 1 October 2012, the Board requested that the Committee advise them on whether we believe the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy.

The Committee’s terms of reference have been amended to reflect this and can be found on our website at vodafone.com/governance.

At its four meetings during the year, the Committee focused on:

Financial reporting

The primary role of the Committee in relation to financial reporting is to review with both management and the external auditor of the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor;
- whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy; and
- any correspondence from regulators in relation to our financial reporting.

To aid our review, the Committee considers reports from the Group Financial Controller and the Group Financial Reporting Director and also reports from the external auditor on the outcomes of their half-year review and annual audit. As a Committee we support Deloitte LLP in displaying the necessary professional scepticism their role requires.

Corporate governance (continued)

The primary areas of judgement considered by the Committee in relation to the 2013 accounts, and how these were addressed, were:

→ Goodwill impairment testing

The judgements in relation to asset impairment largely relate to the assumptions underlying the calculation of the value in use of the business being tested for impairment, primarily the achievability of the long-term business plan and macroeconomic assumptions underlying the valuation process. This is particularly challenging in relation to the Group's interests in Southern Europe given lower medium-term visibility of economic and business performance and material changes in other valuation assumptions. The Committee addresses these matters through receiving reports from management outlining the basis for the assumptions used. Business plans are Board approved. In addition, this area is a prime source of audit focus and accordingly Deloitte LLP provide detailed reporting to the Committee.

→ Taxation

Provisioning for potential current tax liabilities and the level of deferred tax asset recognition in relation to accumulated tax losses are underpinned by a range of judgements. The Committee addresses these issues through a range of reporting from senior management and a process of challenging the appropriateness of management's views including the degree to which these are supported by professional advice from external legal and other advisory firms. This is also an area of higher audit risk and accordingly the Committee receives detailed verbal and written reporting from Deloitte LLP on these matters.

→ Liability provisioning

The level of provisioning for contingent and other liabilities is an issue where management and legal judgements are important. These are addressed through the Committee discussing with management the key judgements made, including relevant legal advice that may have been received. Deloitte LLP also report on all material contingent liabilities.

Internal control

We reviewed the process by which the Group evaluated its control environment. Our work here was driven primarily by the Group Audit Director's reports on the effectiveness of internal controls, significant identified frauds and any identified fraud that involved management or employees with a significant role in internal controls. In addition we received updates from the Group's Compliance Director on compliance related activities. I meet privately with the Group's Internal Audit and Compliance Directors outside the formal committee process as necessary.

During the year the Committee also conducted in-depth reviews into the control environments and risk management processes in a number of our markets and also conducted a review of the internal audit function. This review included the scope of Internal Audit's activity and resourcing together with areas of focus and planning for the next three years.

Oversight of the Group's compliance activities in relation to section 404 of the Sarbanes-Oxley Act also fell within the Committee's remit.

Risk management

The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. Our work here was driven primarily by the Group's assessment of its principal risks and uncertainties, as set out on pages 46 to 49. We receive reports from the Group Audit Director on the Group's risk evaluation process and review changes to significant risks identified at both operating entity and Group levels.

Information security is another area of regular focus for the Committee. During the year we conducted a further in-depth review of the security around IT infrastructure and customer information.

In addition the Committee also conducted in-depth reviews into the Group's finance operations transformation programme and assessment of tax risks.

We view these reviews as being critical to the role of the Committee, as they allow us to meet key business leaders responsible for these areas and provide independent challenge to their activities.

Internal audit

Monitoring and review of the scope, extent and effectiveness of the activity of the Group Internal Audit department is an agenda item at each Committee meeting. Reports from the Group Audit Director usually include updates on audit activities, progress of the Group audit plan, the results of any unsatisfactory audits and the action plans to address these areas, and resource requirements of the Internal Audit department. Further we receive summaries of investigations into known or suspected fraudulent activities by both third parties and employees. We hold private discussions with the Group Audit Director as necessary throughout the year and I also meet with him regularly outside the formal committee process and play a major role in setting his annual objectives.

External audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. We receive from Deloitte LLP a detailed audit plan, identifying their assessment of these key risks. For the 2013 financial year the primary risks identified were in relation to goodwill impairment, provisioning for current tax liabilities and deferred tax asset recognition, due to the inherent management judgement required in these areas. These risks are tracked through the year and we challenged the work done by the auditors to test management's assumptions and estimates around these areas. We assess the effectiveness of the audit process in addressing these matters through the reporting we receive from Deloitte LLP at both the half-year and year end. In addition we also seek feedback from management on the effectiveness of the audit process. For the 2013 financial year, management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. The Audit and Risk Committee concurred with the view of management.

We hold private meetings with the external auditor at each Committee meeting to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, independence of their audit and how they have exercised professional scepticism. I also meet with the external lead audit partner outside the formal committee process throughout the year.

Appointment and independence

The Committee considers the reappointment of the external auditor, including the rotation of the audit partner, each year and also assesses their independence on an ongoing basis. The external auditor is required to rotate the audit partner responsible for the Group audit every five years. The current lead audit partner has been in place for four years.

Deloitte LLP has been the Company's external auditor since its stock market listing in 1988 (25 years). Whilst the Group has not formally tendered the audit since then, as part of the Committee's review of the objectivity and effectiveness of the audit process a detailed

assessment was undertaken in 2011 as to whether the Group should consider putting the audit engagement out to tender. This process included the re-proposal by Deloitte LLP of their audit approach. While a recommendation to retain Deloitte as auditor was made, it was decided to review this annually. Having considered the need to tender the position for the current year, the Committee has provided the Board with its recommendation to the shareholders on the reappointment of Deloitte LLP as external auditor for the year ending 31 March 2014. Accordingly a resolution proposing the reappointment of Deloitte LLP as our auditor will be put to the shareholders at the 2013 AGM. There are no contractual obligations restricting the Committee's choice of external auditor and we do not indemnify our external auditor. We continue to consider the audit tendering provisions outlined in the revised UK Corporate Governance Code, which we are very supportive of.

In its assessment of the independence of the auditor and in accordance with the US Public Company Accounting Oversight Board's standard on independence, the Committee receives details of any relationships between the Company and Deloitte LLP that may have a bearing on their independence and receives confirmation that they are independent of the Company within the meaning of the securities laws administered by the US Securities & Exchange Commission ('SEC').

During the year Deloitte LLP and member firms of Deloitte Touche Tohmatsu Limited charged the Group £9 million (2012: £8 million, 2011: £9 million) for audit and audit related services. The Committee approved the fees for audit services for 2013 after a review of the level and nature of work to be performed, including the impact of acquisitions, and after being satisfied by Deloitte LLP that the fees were appropriate for the scope of the work required.

Non-audit services

To further safeguard the objectivity and independence of the external auditor from becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. No material changes have been made to this policy during the year. This precludes Deloitte LLP from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that Deloitte should only be engaged for non-audit services where there is no legal or practical alternative supplier.

For certain specific permitted services the Committee has pre-approved that Deloitte LLP can be engaged by management, subject to the policies set out above, and subject to specified fee limits for individual engagements and fee limits for each type of specific service. For all other services, or those permitted services that exceed the specified fee limits, I as Chairman, or in my absence another member, can pre-approve permitted services.

In addition to the statutory audit fee, Deloitte LLP and member firms of Deloitte Touche Tohmatsu Limited charged the Group £1 million for audit-related assurance services in connection with statutory and regulatory filings and a further £0.4 million for taxation advisory services and other non-audit services, primarily debt issuance related. Further details of the fees paid, for both audit and non-audit services, can be found in note 3 to the consolidated financial statements.

Committee evaluation

The Committee's activities formed part of the external review of Board effectiveness performed in the year. Details of this process can be found under "Performance evaluation" on page 58.

Nick Land

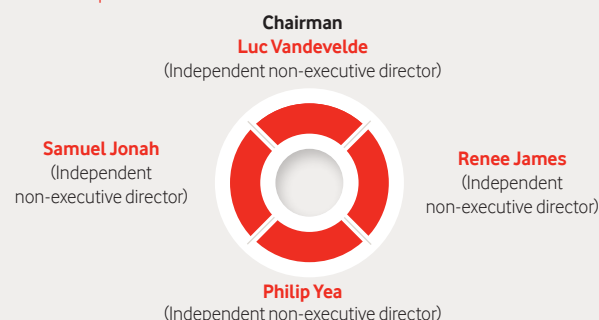
On behalf of the Audit and Risk Committee
21 May 2013

Remuneration Committee

"Our remuneration policies and executive pay packages are designed to be competitive and drive behaviour in order to achieve long-term strategic goals. When making decisions we are mindful of the wider economic conditions and shareholder feedback."



Membership:



Key objective:

to assess and make recommendations to the Board on the policies for executive remuneration and packages for the individual executive directors.

Responsibilities:

- determining, on behalf of the Board, the policy on the remuneration of the Chairman, the executive directors and the senior management team;
- determining the total remuneration packages for these individuals including any compensation on termination of office;
- operating within recognised principles of good governance; and
- preparing an annual report on directors' remuneration.

Committee meetings

The Chairman and Chief Executive may attend the Committee's meetings by invitation but they do not attend when their individual remuneration is discussed. No director is involved in deciding his or her own remuneration. The Committee met five times during the year.

Main activities of the Committee during the year

A detailed report to shareholders from the Committee on behalf of the Board in which, amongst other things, I have included a description of the Committee's activities during the year, is contained in "Directors' remuneration" on pages 67 to 82.

Luc Vandeveld

On behalf of the Remuneration Committee
21 May 2013

Corporate governance (continued)

Executive Committee

The Committee meets 11 times a year under the chairmanship of the Chief Executive. Topics covered by the Committee include:

- Chief Executive update on the business and business environment;
- regional chief executives' updates;
- Group function heads' updates;
- substantial business developments and projects;
- talent;
- presentations from various function heads, for example, the Group Financial Controller, Head of Internal Audit and the Group Compliance Director;
- competitor analysis; and
- strategy.

Annually, the Executive Committee, together with the chief executives of the major operating companies, conduct a strategy review to identify key strategic issues to be presented to the Board. The agreed strategy is then used as a basis for developing the upcoming budget and three year operating plans.

The Executive Committee members' biographical details are set out on pages 52 and 54 and at vodafone.com/exco.

Policy and Compliance Committee

This is a sub-committee of the Executive Committee comprising three Executive Committee members. It is appointed to assist the Executive Committee to fulfil its accountabilities with regard to policy compliance. In particular, the Committee approves changes to policies, does deep dives into particular policies to assess whether they are effective and maintains an overview of the status of compliance throughout Vodafone so clear and accurate reports can be made to the Audit and Risk Committee twice a year. Deep dives this year included health and safety, network resilience, anti-bribery and anti-money laundering.

Disclosure Committee

The Disclosure Committee, appointed by the Chief Executive and Chief Financial Officer to ensure the accuracy and timeliness of company disclosures, oversees and approves controls and procedures in relation to the public disclosure of financial information and other information material to shareholders. It is composed of the Group General Counsel and Company Secretary (the Chair), Regional Chief Financial Officers, the Group Financial Controller, the Group Investor Relations Director, the Group Strategy and Business Development Director, and the Group External Affairs Director.

Shareholder engagement

We are committed to communicating our strategy and activities clearly to our shareholders and, to that end, we maintain an active dialogue with investors through a planned programme of investor relations activities.

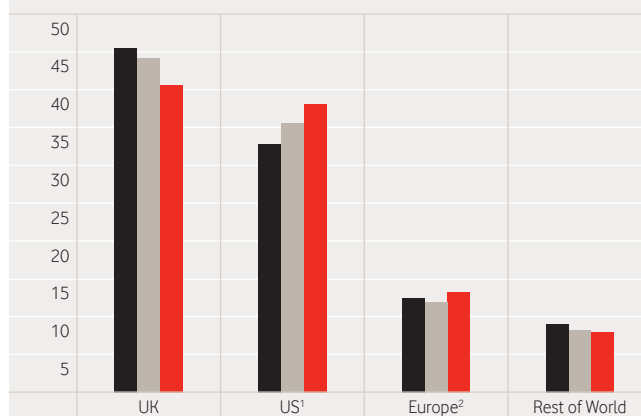
Investor relations programme

The programme includes:

- formal presentations of full year and half-year results, and interim management statements (see vodafone.com/investor for more information);
- briefing meetings with major institutional shareholders in the UK, the US and Europe after the full year and half-year results; a graph showing the geographical analysis of investors is shown below;
- regular meetings between institutional investors and analysts, and the Chief Executive and Chief Financial Officer, to discuss business performance, growth strategy and address any issues of concern;
- meetings between major shareholders and the Chairman on an ongoing basis including roadshows in London and Scotland to obtain feedback and consider corporate governance issues;
- dialogue between the Remuneration Committee and shareholders. Go to page 67 for more information;
- hosting investors and analysts sessions at which senior management from relevant operating companies are present;
- attendance by senior executives across the business at relevant meetings and conferences throughout the year;
- analysing and approaching new geographies to actively market the business to new investors;
- responding daily to enquiries from shareholders and analysts through our Investor Relations team;
- hosting investor and analyst meetings and webinars to highlight a variety of business areas and projects such as M-Pesa and money payment services, and holding an open office event focusing on our enterprise business; and
- a section dedicated to shareholders and analysts on our website at vodafone.com/investor.

Geographic shareholder movement over three years

% of share register



■ 31 March 2011 ■ 30 March 2012 ■ 28 March 2013

Notes:

1 We have included bearer warrants with the US shareholding as we understand the vast majority are US-based.

2 Excluding the UK.

The Chairman has overall responsibility for ensuring that there is effective communication with investors, and that the Board understands the views of major shareholders on matters such as governance and strategy, and he makes himself available to meet shareholders for this purpose. The Senior Independent Director and other members of the Board are also available to meet major investors on request. The Board receives a regular report from the Investor Relations team. Feedback from meetings held between executive management, or the Investor Relations team, and institutional shareholders is also communicated to the Board.

What happens at our AGM?

Who attends?

- All of our directors.
- Executive Committee members.
- Our shareholders.

What happens?

- A summary presentation of results is given before the Chairman deals with the formal business.
- All shareholders present can question the Chairman, the Chairmen of the Committees and the rest of the Board both during the meeting and informally afterwards.
- The Board encourages participation of investors, including individual investors, at the AGM.

AGM broadcast

- The AGM is broadcast live on our website at vodafone.com/agm.
- A recording can subsequently be viewed on our website.

Resolutions

- Voting on all resolutions at the AGM is on a poll. The proxy votes cast, including details of votes withheld, are disclosed to those in attendance at the meeting and the results are published on our website and announced via the Regulatory News Service.

A summary of our share and control structures is set out in "Shareholder information" on pages 166 to 173.

Internal control and risk management

The Board has overall responsibility for the system of internal control. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established procedures that implement in full the Turnbull Guidance "Internal Control: Revised Guidance for Directors on the Combined Code" for the year under review and to the date of this annual report. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks we face. See page 84 for management's report on internal control over financial reporting.

Monitoring and review activities

There are clear processes for monitoring the system of internal control and reporting any significant control failings or weaknesses together with details of corrective action. These include:

- the Chief Executive and Chief Financial Officer of each Group company formally certifying the operation of their control systems each year and highlighting any weaknesses. These results are reviewed by regional management, the Audit and Risk Committee, and the Board;

- regional chief executives certifying compliance with high risk policies in their companies, with Group Compliance reviewing evidence of compliance. Non-high risk policies are monitored on a self-assessment basis;
- the Group's Disclosure Committee reviewing the appropriateness of disclosures and providing an annual report to the Chief Executive and the Chief Financial Officer on the effectiveness of the Group's disclosure controls and procedures;
- maintaining "disclosure controls and procedures", as such term is defined in Rule 13a-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarised and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure; and
- the Group Internal Audit department periodically examining business processes on a risk basis throughout the Group and reporting to the Audit and Risk Committee.

In addition, the Board reviews any reports from the external auditor presented to the Audit and Risk Committee and management in relation to internal financial controls.

Any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. Management is required to apply judgement when:

- evaluating the risks we face in achieving our objectives;
- determining the risks that are considered acceptable to bear;
- assessing the likelihood of the risks concerned materialising;
- identifying our ability to reduce the incidence and impact on the business of risks that do materialise; and
- ensuring that the costs of operating particular controls are proportionate to the benefit.

Risk management

An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on page 46.

Review of effectiveness

The Board and the Audit and Risk Committee have reviewed the effectiveness of the internal control system including financial, operational and compliance controls, and risk management in accordance with the Code for the period from 1 April 2012 to 21 May 2013 (the date of this annual report). No significant failings or weaknesses were identified during this review. However, had there been any such failings or weaknesses, the Board confirms that necessary actions would have been taken to remedy them.

The directors, the Chief Executive and the Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures and, based on that evaluation, have concluded that the disclosure controls and procedures are effective at the end of the period covered by this report.

Corporate governance (continued)

Other governance matters

Group policy compliance

Each Group policy is owned by a member of the Executive Committee so that there is clear accountability and authority for ensuring the associated business risk is adequately managed. Regional chief executives and the senior leadership team member responsible for each Group function have primary accountability for ensuring compliance with all Group policies by all our markets and entities. Our Group Compliance team and policy champions support the policy owners and local markets in implementing policies and monitoring compliance.

All of the key Group policies have been consolidated into the Vodafone Code of Conduct. This is a central ethical and policy document applicable to all employees and those who work for or on behalf of Vodafone. It sets out the standards of behaviour expected in relation to areas such as insider dealing, bribery and raising concerns through the whistle blowing process (known internally as "Speak Up").

Going concern

The going concern statement required by the Listing Rules and the Code is set out in the "Directors' statement of responsibility" on page 84.

Political donations

No political donations under the Companies Act 2006 have been made during the year. It is our Group policy not to make political donations or incur political expenditure as those expressions are normally understood.

US listing requirements

As Vodafone's American depositary shares are listed on the NASDAQ Stock Market LLC ('NASDAQ'), we are required to disclose a summary of any material differences between the corporate governance practices we follow and those of US companies listed on NASDAQ. Vodafone's corporate governance practices are primarily based on UK requirements but substantially conform to those required of US companies listed on NASDAQ. The material differences are as follows:

Independence

Different tests of independence for Board members are applied under the Code and the NASDAQ rules. The Board is not required to take into consideration NASDAQ's detailed definitions of independence as set out in the NASDAQ rules.

In accordance with the Code, the Board has carried out an assessment based on the independence requirements of the Code and has determined that, in its judgement, all of Vodafone's non-executive directors (who make up the majority of the Board) are independent within the meaning of those requirements.

Committees

The NASDAQ rules require US companies to have a nominations committee, an audit committee and a compensation committee, each composed entirely of independent directors, with the nominations committee and the audit committee each required to have a written charter which addresses the committee's purpose and responsibilities, and the compensation committee having sole authority and adequate funding to engage compensation consultants, independent legal counsel and other compensation advisors.

Our Nominations and Governance Committee is chaired by the Chairman of the Board and its other members are independent non-executive directors. Our Remuneration Committee is composed entirely of independent non-executive directors.

The Audit and Risk Committee is composed entirely of non-executive directors, each of whom (i) the Board has determined to be independent based on the independence requirements of the Code and (ii) meets the independence requirements of the Exchange Act. We have terms of reference for our Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee, each of which complies with the requirements of the Code and is available for inspection on our website (vodafone.com/governance). These terms of reference are generally responsive to the relevant NASDAQ rules but may not address all aspects of these rules.

Code of Conduct

Under the NASDAQ rules, US companies must adopt a code of conduct applicable to all directors, officers and employees that complies with the definition of a "code of ethics" set out in section 406 of the Sarbanes-Oxley Act. We have adopted a Code of Ethics that complies with section 406 which is applicable only to the senior financial and principal executive officers, and which is available on our website (vodafone.com/governance). We have also adopted a separate Code of Conduct which applies to all employees.

Quorum

The quorum required for shareholder meetings, in accordance with our articles of association, is two shareholders, regardless of the level of their aggregate share ownership, while US companies listed on NASDAQ are required by the NASDAQ rules to have a minimum quorum of 33.33% of the shareholders of ordinary shares for shareholder meetings.

Related party transactions

In lieu of obtaining an independent review of related party transactions for conflicts of interests in accordance with the NASDAQ rules, we seek shareholder approval for related party transactions that (i) meet certain financial thresholds or (ii) have unusual features in accordance with the Listing Rules issued by the FCA in the United Kingdom (the 'Listing Rules'), the Companies Act 2006 and our articles of association.

Further, we use the definition of a "transaction with a related party" as set out in the Listing Rules, which differs in certain respects from the definition of "related party transaction" in the NASDAQ rules.

Shareholder approval

We comply with the NASDAQ rules and the Listing Rules, when determining whether shareholder approval is required for a proposed transaction.

Under the NASDAQ rules, whether shareholder approval is required for a transaction depends on, among other things, the percentage of shares to be issued or sold in connection with the transaction. Under the Listing Rules, whether shareholder approval is required for a transaction depends on, among other things, whether the size of a transaction exceeds a certain percentage of the size of the listed company undertaking the transaction.

Directors' remuneration

Letter from the Remuneration Committee

Dear shareholder

This has been a demanding yet effective year for the Committee. As always we have tried to ensure that the compensation policies and practices at Vodafone drive behaviours that are in the long-term interests of the Company and its shareholders. The Committee is of course mindful of the considerable interest that exists in executive compensation. At Vodafone we are very conscious of the many and varied concerns, we recognise the need for change, we have engaged in the debate and strive to demonstrate best practice in this area, particularly highlighted by:

Clarity and openness in disclosure

Last year we incorporated some elements of the new reporting requirements into our report. Whilst the requirements are still not finalised they are now considerably clearer and so this year we have made further modifications which enable us to be as transparent as possible without disclosing sensitive information and at the same time displaying data in a way that we believe to be most helpful to shareholders, including:

- dividing the remuneration report into two parts showing achievement during the year as well as our policies and approach for the year ahead, both for executives and non-executive directors;
- a single table for remuneration (page 70);
- a graphical display of the spend on pay relative to tax, retained profit and dividends (page 71);
- a comparison of total rewards paid to the CEO over the last five years with the total shareholder return ('TSR') over the same period (page 71);
- a description of each element of the reward package as well as how they link to our strategy (pages 74 and 75); and
- scenarios that show how each of the executive directors will be rewarded under varying performance scenarios (page 77).

Pay for performance

Pay for performance continues to be an important principle for Vodafone when setting remuneration policy. This ensures our incentive plans only deliver significant rewards if and when they are justified by performance. For the Remuneration Committee this means two things:

- ensuring the targets we set for incentive plans are suitably challenging (as can be seen by the historic levels of achievement for both short- and long-term incentive plans shown on page 71); and
- if needed, exercising discretion. The Committee reviews all incentive plans before any payments are made to executives and has full discretion to adjust payments downwards if they believe circumstances warrant it.

Exercising restraint

We awarded no base pay increases during the 2013 financial year to any of the executive directors. Furthermore no increases will be awarded in the 2014 financial year. With all but one or two exceptions a similar pay freeze has also been in place for all members of the Executive Committee over both years. When considering all what, if any, pay increases to award, the Committee is always mindful of both wider conditions as well as what is happening elsewhere within Vodafone. For reference the salary increase budget for Vodafone in the UK was 3% last year and will be 1.75% this year.

Share ownership

For many years Vodafone has had demanding share ownership goals both for the executive directors and for all other senior executives. These goals, and our achievement against the goals, are set out on page 72. We are delighted that, collectively, this group of managers now own shares with a value of over £81.5 million. Owning shares is part of our culture and each year we expect this number to continue to grow. This level of ownership by management clearly shows their alignment with shareholders but also indicates their belief in the long-term value creation opportunities of our shares.

Consultation with shareholders

The Remuneration Committee continues to have dialogue with our shareholders. The views of all shareholders are taken seriously, and letters and emails are replied to promptly. In addition the largest shareholders are invited to meet with me in person. We were delighted that last year the remuneration report received a 96.44% vote in favour. This compares with 96.12% support in the prior year. We sincerely hope to receive your continued support at the AGM on 23 July 2013.

Luc Vandeveld

Chairman of the Remuneration Committee

21 May 2013

Directors' remuneration (continued)

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken over the past year.

The Remuneration Committee is comprised to exercise independent judgement and consists only of the following independent non-executive directors:

Chairman	Luc Vandeveld
Committee members	Renee James (from 24 July 2012)
	Samuel Jonah
	Anthony Watson (until 24 July 2012)
	Philip Yea

The Remuneration Committee regularly consults with the Chief Executive and the Group HR Director on various matters relating to the appropriateness of awards for executive directors and senior executives, though they are not present when their own compensation is discussed. In addition, the Group Reward and Policy Director provides a perspective on information provided to the Committee, and requests information and analyses from external advisors as required. In the past, the Deputy Group Company Secretary advised the Committee on corporate governance guidelines and acted as secretary to the Committee. From March 2013 the Group General Counsel and Company Secretary has taken on this role and will continue to advise the Committee on corporate governance guidelines and act as secretary to the Committee.

External advisors

The Remuneration Committee seeks and considers advice from independent remuneration advisors where appropriate. The two appointed advisors were selected through a thorough process led by the Chairman of the Remuneration Committee and were appointed by the Remuneration Committee. We choose to use two advisors both to enable access to the best expertise and also to provide an alternative view or second opinion where required. The Chairman of the Remuneration Committee has direct access to the advisors as and when required, and the Committee determines the protocols by which the advisors interact with management in support of the Remuneration Committee. The advice and recommendations of the external advisors are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisors attend Remuneration Committee meetings occasionally as and when required by the Committee.

Pwc and Towers Watson are both members of the Remuneration Consultants' Group and, as such, voluntarily operate under the Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. Pwc and Towers Watson have confirmed that they adhered to the Code throughout the year for all remuneration services provided to Vodafone. The code is available at remunerationconsultantsgroup.com.

Advisor	Appointed by	Services provided to the committee	Other services provided to the company
PricewaterhouseCoopers LLP ('pwc')	Remuneration Committee in 2007	Advice on market practice Governance Performance analysis Plan design	International mobility Tax Technology Finance Operations Compliance
Towers Watson	Remuneration Committee in 2007	Advice on market practice Provide market data on executive rewards Reward consultancy	Pension and benefit administration Reward consultancy

As noted in his biographical details on page 53 of this annual report, Philip Yea sits on an advisory board for pwc. In light of pwc's role as advisor to the Remuneration Committee on remuneration matters, the Committee continue to consider his position and have determined that there is no conflict or potential conflict arising.

Meetings

The Remuneration Committee had five formal meetings during the year. Outside these meetings there are frequent discussions usually by phone. The principal agenda items at the formal meetings were as follows:

Meeting	Standing agenda items	Other agenda items
May 2012	Annual bonus short-term incentive ('GSTIP'): Approval of 2012 achievement. Approval of 2013 targets and ranges. Long-term incentives ('GLTI'): Approval of 2009 GLTI vesting. Approval of performance targets and ranges for the 2012 GLTI grant. Approval of expected share awards and impact on dilution. Approval of 2012 Sharesave. Approval of 2012 directors' remuneration report.	Review and approval of revised terms of reference for non-executive directors.
July 2012	Long-term incentives: Review of actual share awards, accounting costs for 2012 awards and dilution levels. Sharesave invitation and option price. Review of large local market CEO rewards.	Consideration of remuneration governance changes proposed by the Secretary of State for the Department of Business Innovation and Skills ('BIS').
November 2012	Approval of the 2014 reward strategy. Long-term incentives: Approval of share ownership GLTI awards made to senior leadership team members. Approval of interim share awards.	Approval of revised dividend policy on employee share awards. Approval to reduce maximum leverage on GLTI awards made to Executive Committee members from 2013. Consideration of published shareholder views with respect to executive remuneration.
January 2013	Approval of the 2014 GSTIP framework. Long-term incentives: Approval of interim share awards.	Consideration of published and circulated voting guidelines from shareholder advisory services including ABI, ISS and NAPF.
March 2013	Approval of Executive Committee 2014 reward packages. Review of non-executive director fee levels. Review of preliminary 2014 GSTIP targets and ranges. Review of risk assessment. Approval of shareholder consultation packs.	Review of the revised draft of the new remuneration reporting regulations released by BIS, as well as consideration of guidance on executive remuneration from PIRC and more prescriptive broader themes on remuneration emerging from across Europe.

The Committee's effectiveness is reviewed on an annual basis as part of the evaluation of the Board.

Assessment of risk

One of the primary activities of the Remuneration Committee is to be aware and mindful of any potential risk. Vodafone seeks to provide a structure of rewards that encourages acceptable risk taking and high performance through optimal pay mix, performance metrics and calibration, and timing. With that said, it is prudent practice to ensure that our reward programmes achieve this and do not encourage excessive or inappropriate risk taking. On a regular basis, the Remuneration Committee has considered the risk involved in the incentive schemes and is satisfied that the following design elements and governance procedures mitigate the principal risks:

- the heavy weighting on long-term incentives with overlapping performance periods which reward sustained performance;
- the proportionately higher incentive opportunity paid in shares rather than in cash;
- the need for a significant annual investment and holding in company shares in order to fully participate in the long-term arrangements;
- the short-term plan contains four performance measures (financial and non-financial) and the long-term plan contains two measures (internal absolute and external relative targets) thus ensuring executives are focused on all the key drivers of business success and are not overly rewarded for success in just one area;
- the inclusion of non-financial measures in the short-term plan which provides an external perspective on our performance by focusing on customer satisfaction and performance relative to our competitors;
- the fact that executives do not participate in sales commission or uncapped incentive schemes; and
- the fact that the Committee has the ability to exercise discretion to adjust payments and vesting levels downwards if they believe circumstances warrant it.

The Remuneration Committee will continue to consider the risks involved in the incentive plans on an ongoing basis.

Directors' remuneration (continued)

Summary of remuneration for the 2013 financial year

In this section we summarise the pay packages awarded to our executive directors for performance in the 2013 financial year versus 2012. Specifically we have provided a table that shows all remuneration that was earned by each individual during the year and computed a single total remuneration figure for the year. The value of the GSTIP was earned during the year but paid out in the following year and the value of the GLTI shows that which will vest in June 2013 as a result of the performance through the three year period ended at the completion of our financial year on 31 March 2013.

The Committee reviews all incentive awards prior to payment and has full discretion to reduce awards if it believes this is appropriate. The decision need not be on objective grounds. It should be noted that the Committee did not exercise discretion in determining the GSTIP payout for this year, or in deciding the final vesting level of the GLTI.

The only instance where the Committee exercised discretion is with respect to the GSTIP paid to Michel Combes on his departure. It was agreed that Vodafone would pay him a pro-rata bonus, assuming target level of achievement, for the seven months he continued to work for the company in the financial year.

Total remuneration for the 2013 financial year

	Vittorio Colao		Andy Halford		Michel Combes ¹		Stephen Pusey	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Salary/fees	1,110	1,099	700	700	461	785	575	569
Benefits/other ²	30	24	35	30	16	25	21	21
Cash in lieu of pension	333	330	210	210	138	236	173	171
GSTIP (see below for further detail)	731	1,037	461	654	461	728	379	537
GLTI vesting during the year ³ (see below for further detail)	7,515	11,316	4,368	7,450	—	5,861	2,404	4,227
Cash in lieu of GLTI dividends ⁴	1,313	1,961	763	1,291	—	1,016	420	733
Total	11,032	15,767	6,537	10,335	1,076	8,651	3,972	6,258

Notes:

- 1 Michel Combes was employed until 31 October 2012.
- 2 Includes amounts in respect of private healthcare and car allowance.
- 3 The value shown in the 2012 column is the award which vested on 30 June 2012 and is valued using the execution share price on 2 July 2012 of 177.29 pence. The value shown in the 2013 column is the award which vests on 28 June 2013 and is valued using the closing share price on 31 March 2013 of 186.60 pence. Includes the vesting of an All Share award in 2012.
- 4 Participants also receive a cash award, equivalent in value to the dividends that would have been paid during the vesting period on any shares that vest. The cash in lieu of dividend value shown in 2012 relates to the award which vested on 30 June 2012, and the value for 2013 relates to the award which vests on 28 June 2013. We believe this is in line with the future government guidelines issued for reporting a single figure of remuneration per director. However, it is worth noting that this differs from how the values are reported in the audited tables on page 79, which show the values in the columns in the year they were paid.

Details of the GSTIP payout

In the table below we describe our achievement against each of the performance measures in our GSTIP and the resulting total incentive payout level for the year ended 31 March 2013 of 65.9%.

Performance measure	Payout at target performance 100%	Payout at maximum performance 200%	Actual payout %	Target performance level £bn	Actual performance level ¹ £bn	Commentary
Service revenue	25%	50%	14.4%	41.1	40.3	Below target performance in Europe.
EBITDA	25%	50%	7.7%	14.0	13.3	Below target performance in Europe.
Adjusted free cash flow	20%	40%	18.4%	5.7	5.7	Close to target performance.
Competitive performance assessment	30%	60%	25.4%	Compilation of market by market assessment		Varies by market but overall on track for market share with more to do for NPS.
Total incentive payout level	100%	200%	65.9%			

Note:

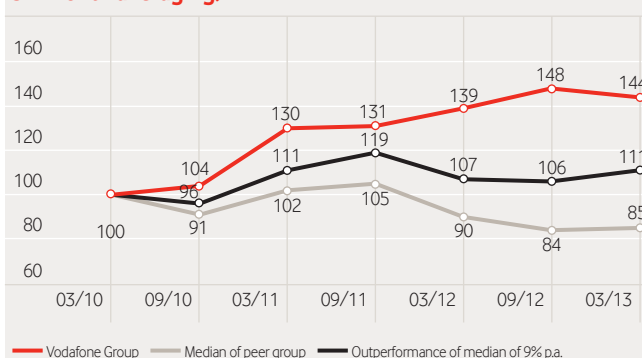
- 1 These figures are adjusted to include the removal of the impact of M&A, foreign exchange movements and any changes in accounting treatment.

Details of the GLTI vesting in June 2013

Adjusted free cash flow for the three-year period ended on 31 March 2013 was £20.8 billion which compares with a target of £20.5 billion and a maximum of £23.0 billion. The graph to the right shows that our TSR performance against our peer group for the same period resulted in an outperformance of the median by 18.3% a year. Using our combined payout matrix, this performance resulted in a payout of 56.9% of the maximum.

These shares will vest on 28 June 2013. The adjusted free cash flow performance is audited by Deloitte and approved by the Remuneration Committee. The performance assessment in respect of the TSR outperformance of a peer group median is undertaken by pwc. Details of how the plan works can be found on page 76.

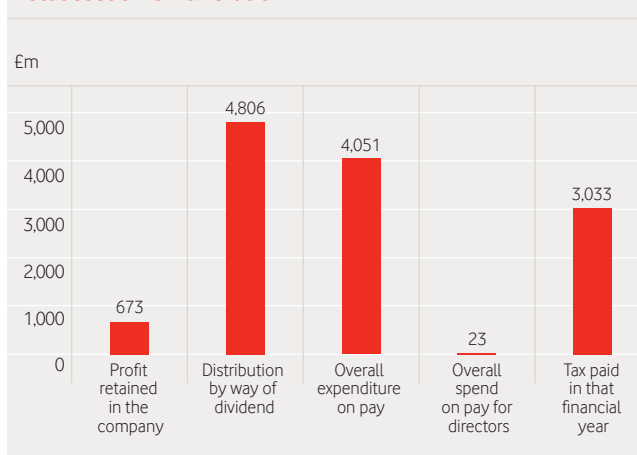
2010 GLTI award: TSR performance (growth in the value of a hypothetical US\$100 holding over the performance period, six month averaging)



Relative spend on pay

The chart on the right shows both the total cost of remuneration in the Group as shown on page 102 as well as the total cost of remuneration for executive directors as shown on page 70 as well as with dividends distributed, tax paid and profit retained in the year.

Total cost of remuneration



Assessing pay and performance

In the table below we summarise the CEO's single figure remuneration over the past five years, as well as how our variable pay plans have paid out in relation to the maximum opportunity. This can be compared with the historic TSR performance over the same period.

Financial	CEO	Single figure of total remuneration £'000	Annual variable element (actual award versus maximum opportunity)	Long-term incentive (vesting versus maximum opportunity)
2013	Vittorio Colao	11,032	33%	57%
2012	Vittorio Colao	15,767	47%	100%
2011	Vittorio Colao	7,022	62%	31%
2010 ¹	Vittorio Colao	3,350	64%	25%
2009 ¹	Vittorio Colao	2,574	49%	0%

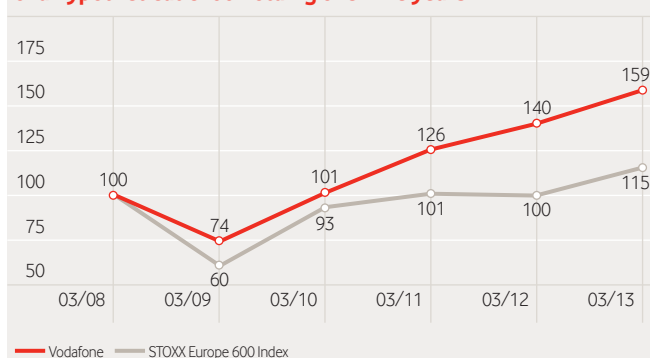
Note:

¹ The single figure reflects share awards which were granted in 2006 and 2007, prior to his appointment to CEO in 2008.

As shown in the table above, the CEO's total remuneration decreased by 30% between the 2012 and 2013 financial years, reflecting the lower level of incentive payouts year-on-year. Additionally, his salary has been frozen for two years, which compares with the overall salary increase budget of 1.75% in the UK for the 2014 financial year (3.0% for the 2013 financial year).

The chart on the right shows the performance of the Company relative to the STOXX Europe 600 Index over a five year period. The STOXX Europe 600 Index was selected as this is a broad based index that includes many of our closest competitors. It should be noted that the payout from the long-term incentive plan is based on the TSR performance shown in the graph on page 70 and not this graph.

Five year historical TSR performance growth in the value of a hypothetical €100 holding over five years



Directors' remuneration (continued)

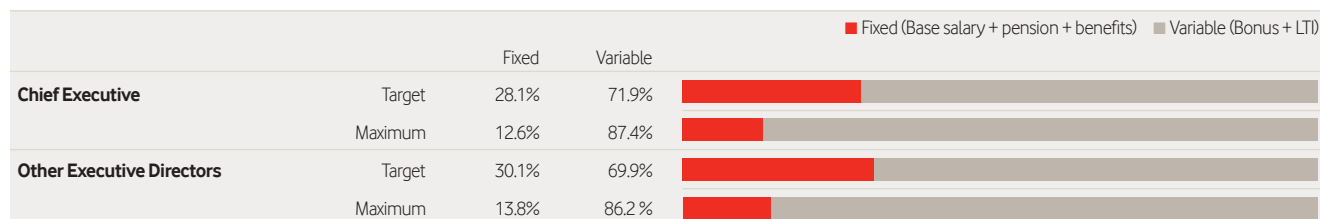
Summary of our compensation policies and approach for the 2014 financial year

In this forward-looking section we describe our principal reward policies along with a description of the elements of the reward package and an indication of the potential future value of this package for each of the executive directors. In addition we describe our policy applied to the non-executive directors.

These policies, as well as the individual elements of the reward package, are reviewed each year to ensure that they continue to support our Company strategy.

Pay for performance

A high proportion of total reward will be awarded through short-term and long-term performance related remuneration. This is demonstrated in the charts below where we see that at target payout 70% of the package is delivered in the form of variable pay, which rises to over 86% if maximum payout is achieved. Fixed pay comprises base salary, benefits and pension contributions, while variable pay comprises the annual bonus and the long-term incentive opportunity assuming maximum co-investment and no movement in current share price. Cash in lieu of GLTI dividends is not included in the charts below.



Alignment to shareholder interests

Share ownership is a key cornerstone of our reward policy and is designed to help maintain commitment over the long-term, and to ensure that the interests of our senior management team are aligned with those of shareholders. Executives are expected to build and maintain a significant shareholding in Vodafone shares as follows:

- Chief Executive – four times base salary;
- other executive directors – three times base salary;
- other Executive Committee members and the large market CEOs – two times base salary;
- other market CEOs – one times base salary; and
- other senior leaders (approximately 220 members) – one-half of base salary.

The CEO, other executive directors, Executive Committee members and the CEO's of our largest markets have been given five years to achieve their goals; others were given up to six years to achieve their goals.

Current levels of ownership by the executive directors, and the date by which the goal should be or should have been achieved, are shown below and include the post-tax value of any vested but unexercised options. The values are calculated using a share price at 31 March 2013 of 186.60 pence. These values do not include the value of the shares that will vest in June.

	Goal as a % of salary	Current % of salary held	% of goal achieved	Number of equivalent shares	Value of shareholding (£m)	Date for goal to be achieved
Vittorio Colao	400%	1,170%	292%	6,959,472	13.0	July 2012
Andy Halford	300%	609%	203%	2,285,440	4.3	July 2010
Stephen Pusey	300%	445%	148%	1,372,594	2.6	June 2014

Collectively the Executive Committee including the executive directors own 17.8 million Vodafone shares, with a value of £33.3 million, whilst the full senior leadership team own approximately 43.7 million Vodafone shares with a value of £81.5 million at 31 March 2013.

Service contracts of executive directors

The Remuneration Committee has determined that after an initial term of up to two years executive directors' contracts should thereafter have rolling terms and be terminable on no more than 12 months notice.

The table below summarises the key elements of their service contract:

Provision	Detailed items
Notice period	12 months
Remuneration	Salary, pension and benefits Company car or cash allowance Participation in the GSTIP, GLTI and the employee share schemes
Termination payment	Up to 12 months salary Entitlements under incentive plans and benefits that are consistent with the terms of such plans
Non-competition	During employment and for 12 months thereafter

	Date of service agreement
Vittorio Colao	27 May 2008
Andy Halford	20 May 2005
Stephen Pusey	1 June 2009

Additionally, all of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control to the extent that any performance condition has been satisfied. The Remuneration Committee may also decide that the extent to which an award will vest will be further reduced pro-rata to reflect the acceleration of vesting.

Fees retained for external non-executive directorships

Executive directors may hold positions in other companies as non-executive directors and retain the fees. Andy Halford is a non-executive director of Marks and Spencer Group plc and in accordance with Group policy he retained fees for the year of £17,500. Michel Combes also held positions at Assystem SA and ISS Group and, in accordance with Group policy, he retained fees for his services until he left Vodafone on 31 October 2012 of €14,315 from Assystem SA and DKK 233,333 from ISS Group (£38,474 in total).

Cascade to senior management

The principles of the reward policy for executive directors are cascaded where appropriate throughout the organisation. Principles for the other members of the Executive Committee and large market CEOs, and members of the senior leadership team are set out below.

Executive Committee and large market CEOs

→ Total remuneration and base salary

Methodology consistent with that of the executive directors.

→ Annual bonus

The annual bonus is based on the same metrics. For those executives leading a region, performance on these metrics is measured at region level as well as Group level.

→ Long-term incentive

The long-term incentive is consistent with that which is offered to the executive directors including the performance metrics and the opportunity to invest in the GLTI to receive matching share awards.

Senior leadership

→ Total remuneration and base salary

Methodology consistent with that of the executive directors.

→ Annual bonus

The annual bonus is based on the same metrics. For those senior leadership team members leading a local market, performance on these metrics is measured at local market level as well as Group level.

→ Long-term incentive

The long-term incentive is delivered partly in performance shares and partly in restricted shares. The performance shares vest based solely on Vodafone's adjusted free cash flow performance over a three-year period. This is the same metric which governs vesting of the LTI offered to executive directors and executive committee members.

Directors' remuneration (continued)

The remuneration package for the 2014 financial year

The table below summarises the main components of the reward package for executive directors.

	Purpose and link to strategy	Operation	
Base salary	<ul style="list-style-type: none"> → To attract and retain the best talent. 	<ul style="list-style-type: none"> → Salaries are reviewed annually and fixed for 12 months commencing 1 July. Decision is influenced by: <ul style="list-style-type: none"> → level of skill, experience and scope of responsibilities of individual and business performance, economic climate and market conditions; → increases elsewhere within the Group; and → an external comparator group (which is used for reference purposes only) made up of companies of similar size and complexity to Vodafone, and is principally representative of the European top 25 companies and a few other select companies relevant to the sector. The comparator group excludes any financial services companies. 	
Benefits	<ul style="list-style-type: none"> → To aid retention and remain competitive within the market place. 	<ul style="list-style-type: none"> → Executive directors may choose to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of pension. → Company car or cash allowance. → Private medical insurance. → Chauffeur services, where appropriate, to assist with their role. 	
Global Short-Term Incentive Plan ('GSTIP')	<ul style="list-style-type: none"> → To drive behaviour and communicate the key priorities for the year. → To motivate employees and incentivise delivery of performance over the one-year operating cycle. → The three financial metrics are designed to both drive our growth strategies whilst also focusing on improving operating efficiencies. Measuring competitive performance with its heavy reliance on net promoter score means providing a great customer experience remains at the heart of what we do. 	<ul style="list-style-type: none"> → Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure they continue to support our strategy. → Performance over the financial year is measured against stretching financial and non-financial performance targets set at the start of the financial year. → The annual bonus is paid in cash in June each year for performance over the previous financial year. 	
Global Long-Term Incentive Plan ('GLTI') base awards and co-investment awards (further details can be found on page 76).	<ul style="list-style-type: none"> → To motivate and incentivise delivery of sustained performance over the long-term. → To support and encourage greater shareholder alignment through a high level of personal financial commitment. → The use of free cash flow as the principal performance measure ensures we apply prudent cash management and rigorous capital discipline to our investment decisions, whilst the use of TSR along with the three year performance period and the subsequent holding of vested shares means that we are focused on ensuring these decisions are value enhancing for our shareholders. 	<ul style="list-style-type: none"> → Award levels and the framework for determining vesting are reviewed annually to ensure they continue to support our strategy. → Long-term incentive base awards consist of performance shares which are granted each year in June/July. → Individuals must co-invest Vodafone shares and hold them in trust for three years in order to receive the full target award. → Dividend equivalents are paid in cash after the vesting date. → All awards vest three years later based on Group operational and external performance. 	

Opportunity	Performance metrics	Changes in year
<p>There are no proposed salary increases for any executive directors during the 2014 financial year compared to a salary increase budget in the UK of 1.75%.</p> <ul style="list-style-type: none"> → Vittorio Colao £1,110,000 → Andy Halford £700,000 → Stephen Pusey £575,000 	None.	No change during the year.
<p>The cash payment or pension contribution is equal to 30% of annual gross salary. From 6 April 2011 contributions into the defined contribution pension scheme were restricted to £50,000 per annum. Any residual of the 30% pension benefit is delivered as a cash allowance.</p> <ul style="list-style-type: none"> → £19,200 per annum. → £1,500 per annum 	None.	No change during the year.
<ul style="list-style-type: none"> → Bonuses can range from 0–200% of base salary, with 100% paid for on-target performance. Maximum is only paid out for exceptional performance. 	<ul style="list-style-type: none"> → Service revenue (25%); → EBITDA (25%); → adjusted free cash flow (25%); and → competitive performance assessment (25%). This is an assessment encompassing both net promoter score and market share against the competitors in each of our markets. 	Weighting changed for adjusted free cash flow (20% to 25%) and competitive performance assessment (30% to 25%)
<ul style="list-style-type: none"> → The Chief Executive's full award will have a target face value of 237.5% of base salary. The award for the other executive directors will have a target face value of 210% of base salary. → Minimum vesting is zero times and maximum vesting is three times the target award level. → To receive the full target award, executive directors must co-invest up to their annual gross salary. If they are unable to commit up to their annual gross salary, awards will be reduced accordingly, to a target base award of 137.5% (CEO) and 110% (other executive directors). → The awards that vest accrue cash dividend equivalents over the three year vesting period. → Awards vest to the extent performance conditions are satisfied over the three year period. 	<ul style="list-style-type: none"> → Performance over three financial years is measured against stretching targets set at the beginning of the performance period. → Vesting is determined based on a matrix of two measures: <ul style="list-style-type: none"> → adjusted free cash flow as our operational performance measure; and → relative TSR against a peer group of companies as our external performance measure. 	The peer group has been expanded to include AT&T.

Directors' remuneration (continued)

GLTI

The extent to which awards vest will continue to depend on two performance conditions:

- underlying operational performance as measured by adjusted free cash flow; and
- relative TSR against a peer group median.

Adjusted free cash flow

The free cash flow performance is based on a three year cumulative adjusted free cash flow figure. The definition of adjusted free cash flow is free cash flow excluding:

- VZW income dividends;
- the impact of any mergers, acquisitions and disposals;
- certain material one-off tax settlements; and
- foreign exchange rate movements over the performance period.

The cumulative adjusted free cash flow target and range for awards in the 2014, 2013, 2012 and 2011 financial years are shown in the table below:

Performance	2014 £bn	2013 £bn	Vesting percentage 2013–2014 awards	2012 £bn	2011 £bn	Vesting percentage 2011–2012 awards
Below threshold	<12.4	<15.4	0%	<16.7	<18.0	0%
Threshold	12.4	15.4	50%	16.7	18.0	50%
Target	14.4	17.9	100%	19.2	20.5	100%
Maximum	16.4	20.4	150%	21.7	23.0	200%

The target adjusted free cash flow level is set by reference to the Company's three year plan and market expectations. The Remuneration Committee considers the targets to be critical to the Company's long-term success and its ability to maximise shareholder value, and to be in line with the strategic goals of the Company. The Remuneration Committee also considers these targets to be sufficiently demanding with significant stretch where only outstanding performance will be rewarded with a maximum payout.

TSR outperformance of a peer group median

We have a limited number of appropriate peers and this makes the measurement of a relative ranking system volatile. As such, the outperformance of the median of a peer group is felt to be the most appropriate TSR measure. The peer group for the performance condition for the 2014 financial year is:

- AT&T
- BT Group;
- Deutsche Telekom;
- France Telecom;
- Telecom Italia;
- Telefónica; and
- Emerging market composite (consists of the average TSR performance of Bharti, MTN and Turkcell).

For awards made in the 2013, 2012 and 2011 financial years the peer group was the same other than for the inclusion of AT&T.

For awards made in the 2014, 2013, 2012 and 2011 financial years the relative TSR position will determine the performance multiplier. This will be applied to the adjusted free cash flow vesting percentage. There will be no multiplier until TSR performance exceeds median. Above median, the following table will apply (with linear interpolation between points):

	Outperformance of peer group median	Multiplier
Median	0.0% p.a.	No increase
65th percentile	4.5% p.a.	1.5 times
80th percentile (upper quintile)	9.0% p.a.	2.0 times

Combined vesting matrix

The combination of the two performance measures for the award granted in the 2014 financial year gives a combined vesting matrix as follows:

Adjusted free cash flow measure	TSR performance		
	Up to median	65th	80th
Below threshold	0%	0%	0%
Threshold	50%	75%	100%
Target	100%	150%	200%
Maximum	150%	225%	300%

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

Estimates of total future potential remuneration from 2014 pay packages

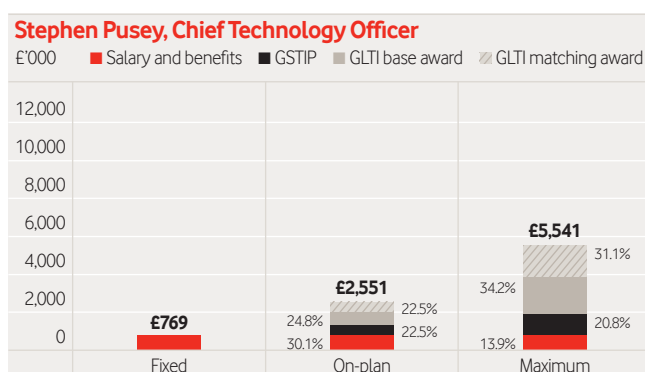
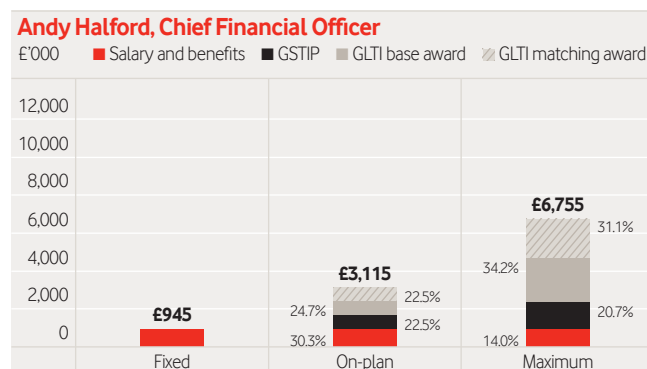
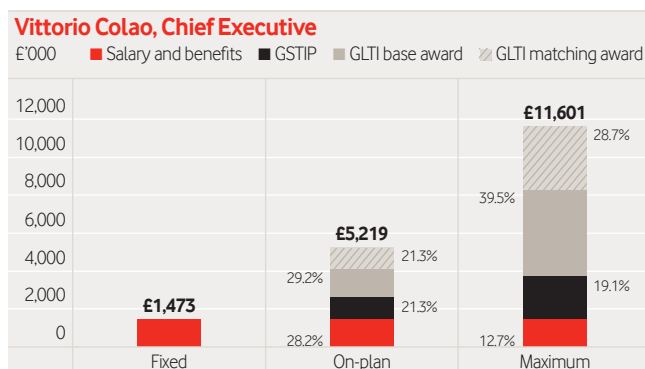
The tables below provide estimates of the potential future remuneration for each of the executive directors based on the remuneration opportunity granted in the 2014 financial year. Potential outcomes based on different performance scenarios are provided for each executive director.

The assumptions underlying each scenario are described below.

Fixed	Consists of base salary, benefits and pension.				
	Base salary is latest known salary.				
	Benefits measured at benefits figure in single figure table on page 70.				
	Pension measured by applying cash in lieu rate of 30% of base salary against the latest known salary.				
		Base (£'000)	Benefits (£'000)	Pension (£'000)	Total fixed (£'000)
	Chief Executive	1,110	30	333	1,473
	Chief Financial Officer	700	35	210	945
	Chief Technology Officer	575	21	173	769
On plan	Based on what a Director would receive if performance was in line with plan.				
	The target award opportunity for the GSTIP is 100% of base salary.				
	The target levels of performance for the GLTI are discussed in detail on page 76. We assumed that TSR performance was at median.				
Maximum	Two times the target award opportunity is payable under the GSTIP.				
	The maximum levels of performance for the GLTI are discussed in detail on page 76. We assumed that TSR performance was at or above the 80th percentile.				

All scenarios

→ Each executive is assumed to co-invest the maximum allowed under the GLTI, 100% of salary, and the GLTI award reflects this.



Directors' remuneration (continued)

Policy on non-executive directors

The remuneration of non-executive directors is reviewed annually by the Chairman following consultation with the Remuneration Committee Chairman. Our policy is to pay competitively for the role including consideration of the time commitment required. In this regard, the fees are benchmarked against a comparator group of the FTSE 15 companies. Following the 2013 review there will be no increases to the fees of non-executive directors.

Position/role	Fee payable (£'000) From 1 April 2013
Chairman ¹	600
Senior Independent Director	160
Non-executive director	115
Chairmanship of Audit and Risk Committee	25
Chairmanship of Remuneration Committee	25

Note:

¹ The Chairman's fee also includes the fee for the Chairmanship of the Nominations and Governance Committee.

In addition, an allowance of £6,000 is payable each time a non-Europe based non-executive director is required to travel to attend Board and committee meetings to reflect the additional time commitment involved.

Details of each non-executive director's remuneration for the 2013 financial year are included in the table on page 81.

Non-executive directors do not participate in any incentive or benefit plans. The Company does not provide any contribution to their pension arrangements. The Chairman is entitled to the use of a car and a driver whenever and wherever he is providing his services to or representing the Company.

Chairman and non-executive director service contracts

Non-executive directors are engaged on letters of appointment that set out their duties and responsibilities. The appointment of non-executive directors may be terminated without compensation. Non-executive directors are generally not expected to serve for a period exceeding nine years. For further information refer to "Nomination and Governance Committee" on page 60.

The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

	Date of letter of appointment	Date of election/ re-election
Renee James	1 January 2011	AGM 2013
Alan Jebson	7 November 2006	AGM 2013
Samuel Jonah	9 March 2009	AGM 2013
Gerard Kleisterlee	1 April 2011	AGM 2013
Omid Kordestani	27 February 2013	AGM 2013
Nick Land	7 November 2006	AGM 2013
Anne Lauvergeon	20 September 2005	AGM 2013
Luc Vandeveld	24 June 2003	AGM 2013
Anthony Watson	6 February 2006	AGM 2013
Philip Yea	14 July 2005	AGM 2013

Other considerations

In this section we include all other disclosures that are currently required by statute or good practice guidelines.

All-employee share plans

The executive directors are also eligible to participate in the all-employee plans.

Summary of plans

Sharesave

The Vodafone Group 2008 Sharesave Plan is an HM Revenue & Customs ('HMRC') approved scheme open to all staff permanently employed by a Vodafone Company in the UK as of the eligibility date. Options under the plan are granted at up to a 20% discount to market value. Executive directors' participation is included in the option table on page 81.

Share Incentive Plan

The Vodafone Share Incentive Plan is an HMRC approved plan open to all staff permanently employed by a Vodafone Company in the UK. Participants may contribute up to a maximum of £125 per month (or 5% of salary if less) which the trustee of the plan uses to buy shares on their behalf. An equivalent number of shares are purchased with contributions from the employing company. UK-based executive directors are eligible to participate.

Dilution

All awards are made under plans that incorporate dilution limits as set out in the guidelines for share incentive schemes published by the Association of British Insurers. The current estimated dilution from subsisting executive awards is approximately 2.0% of the Company's share capital at 31 March 2013 (3.1% at 31 March 2012), whilst from all employee share awards it is approximately 0.3% (0.3% at 31 March 2012). This gives a total dilution of 2.3% (3.4% at 31 March 2012).

Funding

A mixture of newly issued shares, treasury shares and shares purchased in the market by the employee benefit trust are used to satisfy share-based awards. This policy is kept under review.

Audited information for executive directors

Remuneration for the year ended 31 March 2013

This table¹ shows the remuneration of the executive directors during the year in the currently prescribed format. The table on page 70 includes a value for GLTI payments.

	Vittorio Colao		Andy Halford		Michel Combes		Stephen Pusey	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 ² £'000	2012 £'000	2013 £'000	2012 £'000
Salary/fees	1,110	1,099	700	700	461	785	575	569
GSTIP ³	731	1,037	461	654	461	728	379	537
Cash in lieu of GLTI dividends	1,961	545	1,291	333	1,016	326	733	110
Cash in lieu of pension	333	330	210	210	138	236	173	171
Benefits /other ⁴	30	24	35	30	16	25	21	21
Total	4,165	3,035	2,697	1,927	2,092	2,100	1,881	1,408

Notes:

- 1 The information in this table is audited.
- 2 Michel Combes' payments for the 2013 financial year are based on his employment which ended 31 October 2012.
- 3 Payments are made in June following the end of the financial year.
- 4 Includes amounts in respect of cost of living allowance, private healthcare and car allowance.

The aggregate remuneration we paid to our Executive Committee (other than our executive directors) for services for the year ended 31 March 2013 is set out below. The number of Executive Committee members increased by two during the year.

	2013 £'000	2012 £'000
Salaries/fees	3,916	2,822
GSTIP ¹	2,987	2,758
Cash in lieu of GLTI dividends	3,037	490
Cash in lieu of pension	871	747
Benefits/other	1,096	169
Total	11,907	6,986

Note:

- 1 The GSTIP figure comprises the incentive scheme information for the Executive Committee members on an equivalent basis to that disclosed for executive directors at the beginning of the report. Details of share incentives awarded to directors and other members of the Executive Committee are included in footnotes to "Directors' interests in the shares of the Company – Long-term incentives" on page 80.

Pensions

Vittorio Colao, Andy Halford and Stephen Pusey take a cash allowance of 30% of base salary in lieu of pension contributions.

The Executive Committee, including the executive directors, are provided benefits in the event of death in service. They also have an entitlement under a long-term disability plan from which two-thirds of base salary, up to a maximum benefit determined by the insurer, would be provided until normal retirement date.

Pension benefits earned by the director in the year ended 31 March 2013 were:

	Total accrued benefit at 31 March 2013 ¹ £'000	Change in accrued benefit over the year ¹ £'000	Transfer value at 31 March 2012 ² £'000	Transfer value at 31 March 2013 ³ £'000	Change in transfer value over year less member contributions £'000	Change in accrued benefit in excess of inflation ⁴ £'000	Transfer value of change in accrued benefit net of member contributions £'000	Employer allocation/ contribution to defined contribution plans £'000
Andy Halford	19.6	0.9	846.9	907.6	60.7	0.4	20.8	—

Notes:

- 1 Andy Halford took the opportunity to take early retirement from the pension scheme due to the closure of the scheme on 31 March 2010 (aged 51 years). In accordance with the scheme rules, his accrued pension at this date was reduced with an early retirement factor for four years to reflect the fact that his pension is being paid before age 55 and is therefore expected to be paid out for a longer period of time. In addition, Andy Halford exchanged part of his early retirement pension at 31 March 2010 for a tax-free cash lump sum of £118,660. The pension in payment at 31 March 2010 was £17,800 per year. The pension increased on 1 April 2011 and 1 April 2012 by 5%, in line with the scheme rules, to £19,624 per year from 1 April 2012 as shown above. No member contributions are payable as Andy Halford is in receipt of his pension.
- 2 The transfer value at 31 March 2013 has been calculated on the basis and methodology set by the trustees after taking actuarial advice, as set out in the papers entitled "Calculation of cash equivalent transfer values" dated January 2011 and "Sex-specific actuarial factor" dated March 2011. No director elected to pay additional voluntary contributions. The transfer value disclosed above does not represent a sum paid or payable to the individual director. Instead it represents a potential liability of the pension scheme.
- 3 Inflation has been taken as the increase in the retail price index over the year to 30 September 2012 of 2.6%.

In respect of the Executive Committee, the Group has made aggregate contributions of £99,000 (2012: £100,000) into defined contribution pension schemes.

Directors' remuneration (continued)

Directors' interests in the shares of the Company – long-term incentives

Performance shares

GLTI conditional share awards granted to executive directors for the relevant financial years are shown below. It is important to note that the figures shown in the first two columns represent the maximum amount which could vest at the end of the relevant three year performance period. In order to participate in these plans, executives have had to invest personal shares with a combined value of: £3,853,074 (Vittorio Colao); £1,298,585 (Andy Halford); and £1,181,654 (Stephen Pusey). The total value is calculated using the closing trade share price on 31 March 2013 of 186.6 pence.

	Total interest in performance shares at 1 April 2012 or date of appointment	Shares conditionally awarded during the 2013 financial year ¹	Shares forfeited during the 2013 financial year ²	Shares vested during the 2013 financial year ²	Total interest in performance shares at 31 March 2013	Total value	Market price at date awards granted	Vesting date
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	£'000	Pence	
Vittorio Colao								
2009 – Base award	4,564,995	–	–	(4,564,995)	–	–	117.47	Jun 2012
2009 – Co-investment award	1,817,866	–	–	(1,817,866)	–	–	117.47	Jun 2012
2010 – Base award	4,097,873	–	–	–	4,097,873	7,646,631	142.94	Jun 2013
2010 – Co-investment award	2,980,271	–	–	–	2,980,271	5,561,186	142.94	Jun 2013
2011 – Base award	3,740,808	–	–	–	3,740,808	6,980,348	163.20	Jun 2014
2011 – Co-investment award	2,720,588	–	–	–	2,720,588	5,076,617	163.20	Jun 2014
2012 – Base award	–	2,552,257	–	–	2,552,257	4,762,512	179.40	Jul 2015
2012 – Co-investment award	–	1,958,823	–	–	1,958,823	3,655,164	179.40	Jul 2015
Total	19,922,401	4,511,080	–	(6,382,861)	18,050,620	33,682,458		
Andy Halford								
2009 – Base award	2,524,934	–	–	(2,524,934)	–	–	117.47	Jun 2012
2009 – Co-investment award	1,676,756	–	–	(1,676,756)	–	–	117.47	Jun 2012
2010 – Base award	2,154,750	–	–	–	2,154,750	4,020,764	142.94	Jun 2013
2010 – Co-investment award	1,958,863	–	–	–	1,958,863	3,655,238	142.94	Jun 2013
2011 – Base award	1,887,254	–	–	–	1,887,254	3,521,616	163.20	Jun 2014
2011 – Co-investment award	756,036	–	–	–	756,036	1,410,763	163.20	Jun 2014
2012 – Base award	–	1,287,625	–	–	1,287,625	2,402,708	179.40	Jul 2015
Total	10,958,593	1,287,625	–	(4,201,690)	8,044,528	15,011,089		
Michel Combes³								
2009 – Base award	2,771,771	–	–	(2,771,771)	–	–	117.47	Jun 2012
2009 – Co-investment award	533,854	–	–	(533,854)	–	–	117.47	Jun 2012
2010 – Base award	2,370,225	–	(2,370,225)	–	–	–	142.94	Jun 2013
2010 – Co-investment award	1,144,116	–	(1,144,116)	–	–	–	142.94	Jun 2013
2011 – Base award	2,129,901	–	(2,129,901)	–	–	–	163.20	Jun 2014
2011 – Co-investment award	876,531	–	(876,531)	–	–	–	163.20	Jun 2014
Total	9,826,398	–	(6,520,773)	(3,305,625)	–	–		
Stephen Pusey								
2009 – Base award	1,872,818	–	–	(1,872,818)	–	–	117.47	Jun 2012
2009 – Co-investment award	510,879	–	–	(510,879)	–	–	117.47	Jun 2012
2010 – Base award	1,693,018	–	–	–	1,693,018	3,159,172	142.94	Jun 2013
2010 – Co-investment award	571,097	–	–	–	571,097	1,065,667	142.94	Jun 2013
2011 – Base award	1,550,245	–	–	–	1,550,245	2,892,757	163.20	Jun 2014
2011 – Co-investment award	612,745	–	–	–	612,745	1,143,382	163.20	Jun 2014
2012 – Base award	–	1,057,692	–	–	1,057,692	1,973,653	179.40	Jul 2015
2012 – Co-investment award	–	1,014,705	–	–	1,014,705	1,893,440	179.40	Jul 2015
Total	6,810,802	2,072,397	–	(2,383,697)	6,499,502	12,128,071		

Notes:

1 The awards were granted during the year under the Vodafone Global Incentive Plan ('GIP') using the closing share price on the day before the grant which was 179.40 pence. These awards have a performance period running from 1 April 2012 to 31 March 2015. The performance conditions are a matrix of adjusted free cash flow performance and relative TSR. The vesting date will be in June 2015.

2 Shares granted on 30 June 2009 vested on 30 June 2012. The performance conditions on these awards were a matrix of adjusted free cash flow performance and relative TSR, and the resulting vesting was 100% of maximum. The share price on the vesting date was 179.25 pence.

3 Michel Combes was employed until 31 October 2012.

The aggregate number of shares conditionally awarded during the year to the Executive Committee, other than the executive directors, was 13,360,023 shares. The performance and vesting conditions on the shares awarded in the year are based on a matrix of adjusted free cash flow performance and relative TSR.

Share options

No share options have been granted to directors during the year. The following information summarises the executive directors' options under the Vodafone Group 2008 Sharesave Plan ('SAYE'), the Vodafone Group Plc 1999 Long-Term Stock Incentive Plan ('LTSIP') and the Vodafone GIP. HMRC approved awards may be made under all of the schemes mentioned. No other directors have options under any of these schemes.

Options under the Vodafone Group 2008 Sharesave Plan were granted at a discount of 20% to the market value of the shares at the time of the grant. No other options may be granted at a discount.

		At 1 April 2012 or date of appointment	Options granted during the 2013 financial year	Options exercised during the 2013 financial year	Options lapsed during the 2013 financial year	Options held at 31 March 2013	Option price	Date from which exercisable	Expiry date	Market price on exercise
	Grant date	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Pence ¹			Pence
Vittorio Colao										
GIP	Nov 2006	3,472,975	—	(3,472,975)	—	—	135.50	Nov 2009	Nov 2016	177.53
GIP ²	Jul 2007	3,003,575	—	—	—	3,003,575	167.80	Jul 2010	Jul 2017	—
SAYE	Jul 2009	16,568	—	—	—	16,568	93.85	Sep 2014	Feb 2015	—
Total		6,493,118	—	(3,472,975)	—	3,020,143				
Andy Halford										
LTSIP	Jul 2005	1,291,326	—	(1,291,326)	—	—	145.25	Jul 2008	Jul 2015	177.41
GIP ²	Jul 2007	2,295,589	—	—	—	2,295,589	167.80	Jul 2010	Jul 2017	—
SAYE	Jul 2009	9,669	—	(9,669)	—	—	93.85	Sep 2012	Feb 2013	161.15
SAYE	Jul 2012	—	6,233	—	—	6,233	144.37	Sep 2015	Feb 2016	—
Total		3,596,584	6,233	(1,300,995)	—	2,301,822				
Michel Combes³										
SAYE	Jul 2009	9,669	—	(9,669)	—	—	93.85	Sep 2012	Feb 2013	167.60
Total		9,669	—	(9,669)	—	—				
Stephen Pusey										
GIP	Sep 2006	1,034,259	—	—	—	1,034,259	113.75	Sep 2009	Aug 2016	—
GIP ²	Jul 2007	947,556	—	—	—	947,556	167.80	Jul 2010	Jul 2017	—
SAYE	Jul 2009	9,669	—	(9,669)	—	—	93.85	Sep 2012	Feb 2013	170.35
Total		1,991,484	—	(9,669)	—	1,981,815				

Notes:

1 The closing trade share price on 31 March 2013 was 186.60 pence. The highest trade share price during the year was 191.75 pence and the lowest price was 154.20 pence.

2 The performance condition on these options is a three year cumulative growth in adjusted earnings per share. The options vested at 100% on 24 July 2010.

3 Michel Combes was employed until 31 October 2012.

Audited information for non-executive directors serving during the year ended 31 March 2013

	Salary/fees		Benefits ¹		Total	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Chairman						
Gerard Kleisterlee ²	600	438	56	46	656	484
Senior Independent Director						
Luc Vandavelde	154	140	12	20	166	160
Non-executive directors						
Renee James ³	151	139	83	56	234	195
Alan Jebson ³	151	145	55	35	206	180
Samuel Jonah ³	157	139	52	23	209	162
Omid Kordestani	10	—	—	—	10	—
Nick Land	140	140	—	—	140	140
Anne Lauvergeon	115	115	7	4	122	119
Anthony Watson	115	115	—	—	115	115
Philip Yea	115	115	—	—	115	115
Former non-executive directors						
Sir John Bond (retired 26 July 2011)	—	200	—	1	—	201
Sir John Buchanan (retired 24 July 2012)	58	175	—	—	58	175
Total	1,766	1,861	265	185	2,031	2,046

Notes:

1 An explanation of these benefits can be found on page 82.

2 The figure shown in 2012 is comprised of his part-year compensation as a non-executive director and part-year compensation as Chairman.

3 Salary/fees include an additional allowance of £6,000 per meeting for directors based outside of Europe.

Directors' remuneration (continued)

Vodafone has been advised that for non-executive directors who are based overseas, any travel expenses in relation to attending board meetings should be included as a benefit. The table on page 81 now includes these travel expenses for both the 2012 and 2013 financial years.

Beneficial interests

The beneficial interests of directors and their connected persons in the ordinary shares of the Company, which includes interests in the Vodafone Share Incentive Plan, but which excludes interests in the Vodafone Group share option schemes, and the Vodafone Group short-term or long-term incentives, are shown below:

	20 May 2013	31 March 2013	1 April 2012 or date of appointment
Vittorio Colao	6,813,283	6,813,283	3,354,896
Andy Halford	2,174,686	2,174,426	2,527,649
Stephen Pusey	1,132,019	1,132,019	698,264
Renee James	50,000	50,000	50,000
Alan Jebson	82,340	82,340	82,340
Samuel Jonah	55,350	55,350	55,350
Gerard Kleisterlee	109,552	109,552	100,000
Omid Kordestani ¹	—	—	—
Nick Land	35,000	35,000	35,000
Anne Lauvergeon	29,922	29,922	28,936
Luc Vandeveld	91,563	91,563	90,478
Anthony Watson	115,000	115,000	115,000
Philip Yea	61,249	61,249	61,249

Note:

¹ Omid Kordestani was appointed to the Board on 1 March 2013.

At 31 March 2013 and during the period from 1 April 2013 to 20 May 2013, no director had any interest in the shares of any subsidiary company. Other than those individuals included in the table above who were Board members at 31 March 2013, members of the Group's Executive Committee at 31 March 2013 had an aggregate beneficial interest in 7,728,527 ordinary shares of the Company. At 20 May 2013 the directors had an aggregate beneficial interest in 10,749,964 ordinary shares of the Company and the Executive Committee members had an aggregate beneficial interest in 7,925,243 ordinary shares of the Company, which includes the addition of a new Executive Committee member appointed after 31 March 2013. None of the directors or the Executive Committee members had an individual beneficial interest amounting to greater than 1% of the Company's ordinary shares.

Interests in share options of the Company

At 20 May 2013 there had been no change to the directors' interests in share options from 31 March 2013 (see page 81).

Other than those individuals included in the table above, at 20 May 2013 members of the Group's Executive Committee held options for 2,592,271 ordinary shares at prices ranging from 115.3 pence to 167.8 pence per ordinary share, with a weighted average exercise price of 162.2 pence per ordinary share exercisable at dates ranging from July 2008 to July 2017.

Renee James, Alan Jebson, Samuel Jonah, Gerard Kleisterlee, Omid Kordestani, Nick Land, Anne Lauvergeon, Luc Vandeveld, Anthony Watson and Philip Yea held no options at 20 May 2013.

Directors' interests in contracts

None of the current directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the financial year.

Luc Vandeveld

On behalf of the Board

21 May 2013

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Reporting our financial performance

This year we have changed the format of our consolidated financial statements, with the aim of making them clear and easier to follow.

On pages 90 to 97 we have created an integrated financial review, combining a commentary on items within the primary financial statements.

We have changed the order of the footnotes to help with the flow of information, focusing on areas that we feel are key to understanding our business. Additional information that we are required to disclose by accounting standard or regulation has been moved to appendices. In addition, each footnote now begins with a simple introduction outlining the purpose of the note.

We hope this format makes it easier for you to navigate to the information that is important to you.

[†] The financial commentary on pages 91, 93, 95 and 97 form part of the business review and are unaudited.

Directors' statement of responsibility

Financial statements and accounting records

Company law of England and Wales requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), in accordance with IFRS as adopted for use in the EU and Article 4 of the EU IAS Regulations;
- state for the Company financial statements whether applicable UK accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the EU IAS Regulation. They are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement

The Board confirms to the best of its knowledge:

- the consolidated financial statements, prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit and Risk Committee, the Board considers the report and accounts, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Neither the Company nor the directors accept any liability to any person in relation to the annual report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

Disclosure of information to auditor

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

After reviewing the Group's and Company's budget for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. Further detail is included within "Commentary on the consolidated statement of cash flows" on page 97, notes 24 and A6 to the consolidated financial statements, and "Liquidity and capital resources" on pages 155 to 158 which include disclosure in relation to the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Management's report on internal control over financial reporting

As required by section 404 of the Sarbanes-Oxley Act management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. The Group's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS, as adopted by the EU and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorisation of management and the directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the financial statements.

Any internal control framework, no matter how well designed, has inherent limitations including the possibility of human error and the circumvention or overriding of the controls and procedures, and may not prevent or detect misstatements. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the internal control over financial reporting at 31 March 2013 based on the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO'). Based on management's assessment management has concluded that the internal control over financial reporting was effective at 31 March 2013.

The assessment excluded the internal controls over financial reporting relating to Cable & Wireless Worldwide plc ('CWW') because it became a subsidiary during the year as described in note 11 to the consolidated financial statements. CWW will be included in the Group's assessment at 31 March 2014.

Key sub-totals that result from the consolidation of CWW, whose internal controls have not been assessed, are total assets of £2,877 million, net assets of £1,315 million, revenue of £1,234 million and loss for the financial year of £151 million.

Management has also excluded from its assessment the internal control over financial reporting of entities which are accounted for under the equity method, including Verizon Wireless ('VZW'), because the Group does not have the ability to dictate or modify the controls at these entities and does not have the ability to assess, in practice, the controls at these entities. Accordingly, the internal controls of these entities, which contributed a net profit of £6,477 million (2012: £4,963 million) to the profit for the financial year, have not been assessed, except relating to controls over the recording of amounts relating to the investments that are recorded in the Group's consolidated financial statements.

During the period covered by this document there were no changes in the Group's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over financial reporting.

The Group's internal control over financial reporting at 31 March 2013 has been audited by Deloitte LLP, an independent registered public accounting firm who also audit the Group's consolidated financial statements. Their audit report on internal control over financial reporting is on page 85.

By Order of the Board

Rosemary Martin
Company Secretary
21 May 2013

Audit report on internal control over financial reporting

Report of independent registered public accounting firm to the members of Vodafone Group Plc

We have audited the internal control over financial reporting of Vodafone Group Plc and subsidiaries and applicable joint ventures (the "Group") as of 31 March 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in management's report on internal control over financial reporting, management excluded from its assessment the internal control over financial reporting at Cable & Wireless Worldwide plc, which became a subsidiary during the year and which accounted for £2,877 million of total assets, £1,315 million of net assets, £1,234 million of revenue and £151 million of loss for the financial year of the consolidated financial statements amounts as of and for the year ended 31 March 2013. Accordingly our audit did not include the internal control over financial reporting at Cable & Wireless Worldwide plc. Additionally management is not required to evaluate the internal control over financial reporting of those entities that are accounted for under the equity method, including Verizon Wireless, because the Group does not have the ability to dictate or modify controls at these entities and does not have the ability to assess, in practice, the controls at these entities. Accordingly, the internal control over financial reporting of these entities, which contributed a net profit of £6,477 million to the profit for the financial year has not been assessed, except relating to the Group's controls over the recording and related disclosures of amounts relating to investments that are recorded in the consolidated financial statements.

The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of 31 March 2013, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Group as of and for the year ended 31 March 2013 prepared in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS as issued by the International Accounting Standards Board. Our report dated 21 May 2013 expressed an unqualified opinion on those financial statements.

Deloitte LLP
London
United Kingdom

21 May 2013

Please refer to our Form 20-F to be filed with the Securities and Exchange Commission in June 2013 for the audit opinion over the consolidated financial statements of the Group as of 31 March 2013 and 2012 and for each of the three years in the period ended 31 March 2013 issued in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Critical accounting estimates

The Group prepares its consolidated financial statements in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, the application of which often requires judgements to be made by management when formulating the Group's financial position and results. Under IFRS, the directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group; it may later be determined that a different choice would have been more appropriate.

Management considers that certain accounting estimates and assumptions relating to revenue, taxation, business combinations, intangible assets (goodwill and finite lived assets), property, plant and equipment, provisions and contingent liabilities, and impairment are its critical accounting estimates.

A discussion of these critical accounting estimates is provided below and should be read in conjunction with the disclosure of the Group's significant IFRS accounting policies provided in note A2 to the consolidated financial statements.

Management has discussed its critical accounting estimates and associated disclosures with the Company's Audit and Risk Committee.

Revenue recognition

Arrangements with multiple deliverables

In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate units of accounting and the arrangement consideration is allocated to each unit of accounting based on its relative fair value.

Determining the fair value of each deliverable can require complex estimates due to the nature of the goods and services provided. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis after considering volume discounts where appropriate.

Gross versus net presentation

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost.

Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis with revenue representing the margin earned.

Taxation

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of the Group's structure makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period are made by payments on account and on the final resolution of open items. As a result there can be substantial differences between the tax charge in the consolidated income statement and tax payments.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting judgement include recognition of deferred tax assets in respect of losses in Germany and Luxembourg and the recognition of a deferred tax asset in respect of capital allowances in the United Kingdom. The amounts recognised in the consolidated financial statements in respect of each matter are derived from the Group's best estimation and judgement as described above. See note 7 to the consolidated financial statements.

Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

Historical differences between forecast and actual taxable profits have not resulted in material adjustments to the recognition of deferred tax assets.

Business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the income statement.

Goodwill

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

On transition to IFRS the Group elected not to apply IFRS 3, "Business combinations", retrospectively as the difficulty in applying these requirements to the large number of business combinations completed by the Group from incorporation through to 1 April 2004 exceeded any potential benefits. Goodwill arising before the date of transition to IFRS, after adjusting for items including the impact of proportionate consolidation of joint ventures, amounted to £78,753 million.

If the Group had elected to apply the accounting for business combinations retrospectively it may have led to an increase or decrease in goodwill and increase in licences, customer bases, brands and related deferred tax liabilities recognised on acquisition.

Finite lived intangible assets

Other intangible assets include the Group's aggregate amounts spent on the acquisition of licences and spectrum, computer software, customer bases, brands and development costs. These assets arise from both separate purchases and from acquisition as part of business combinations.

On the acquisition of mobile network operators the identifiable intangible assets may include licences, customer bases and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

The relative size of the Group's intangible assets, excluding goodwill, makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance.

At 31 March 2013 intangible assets, excluding goodwill, amounted to £22,025 million (2012: £21,164 million) and represented 15.4% (2012: 15.2%) of the Group's total assets.

Estimation of useful life

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset. The basis for determining the useful life for the most significant categories of intangible assets is as follows:

Licences and spectrum fees

The estimated useful life is generally the term of the licence unless there is a presumption of renewal at negligible cost. Using the licence term reflects the period over which the Group will receive economic benefit. For technology-specific licences with a presumption of renewal at negligible cost, the estimated useful economic life reflects the Group's expectation of the period over which the Group will continue to receive economic benefit from the licence. The economic lives are periodically reviewed taking into consideration such factors as changes in technology. Historically any changes to economic lives have not been material following these reviews.

Customer bases

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge. Historically changes to the estimated useful lives have not had a significant impact on the Group's results and financial position.

Capitalised software

The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected term over which the Group will receive benefits from the software, but not exceeding the licence term. For unique software products controlled by the Group, the life is based on historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. Historically changes in useful lives have not resulted in material changes to the Group's amortisation charge.

Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the asset base of the Group being 14.2% (2012: 13.4%) of the Group's total assets. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance.

Estimation of useful life

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated income statement.

The useful lives and residual values of the Group's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology. Furthermore, network infrastructure is only depreciated over a period that extends beyond the expiry of the associated licence under which the operator provides telecommunications services if there is a reasonable expectation of renewal or an alternative future use for the asset.

Historically changes in useful lives and residual values have not resulted in material changes to the Group's depreciation charge.

Provisions and contingent liabilities

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 21 to the consolidated financial statements). Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Group prepares and approves formal five year management plans for its operations, which are used in the value in use calculations. In certain developing markets the fifth year of the management plan may not be indicative of the long-term future performance as operations may not have reached maturity. For these operations, the Group extends the plan data for an additional five year period.

For businesses where the five year management plans are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:

- the nominal GDP growth rates for the country of operation; and
- the long-term compound annual growth rate in EBITDA in years six to ten estimated by management.

For businesses where the plan data is extended for an additional five years for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:

- the nominal GDP growth rates for the country of operation; and
- the compound annual growth rate in EBITDA in years nine to ten of the management plan.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in note 12 to the consolidated financial statements.

Audit report on the consolidated financial statements

Independent auditor's report to the members of Vodafone Group Plc

Opinion

In our opinion the consolidated financial statements of Vodafone Group Plc:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

The consolidated financial statements comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the related notes 1 to 26 and A1 to A9. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the consolidated financial statements, the Group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the consolidated financial statements comply with IFRSs as issued by the IASB.

Basis for opinions

We have audited the consolidated financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described below under Respective Responsibilities of Directors and Auditor. In performing our audit, as required by those standards, we complied with the Financial Reporting Council's Ethical Standards for Auditors including those requiring us to be independent and objective.

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 84 that the business is a going concern. We confirm that:

- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern which we believe would need to be disclosed in accordance with IFRSs as adopted by the European Union; and
- we have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements to be appropriate.

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

Auditor commentary

Without modifying our opinion, we highlight the following matters that are, in our judgment, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures.

Our assessment of risks significant to our audit

We identified the following risks that we believe to have had the greatest impact on our audit strategy and scope:

- the assessment of the carrying value of goodwill and intangible assets;
- the accounting for the legal claim in respect of withholding tax on the acquisition of Hutchison Essar Limited;

→ the recognition and measurement of deferred tax assets in Germany and Luxembourg;

→ revenue recognition, including the timing of revenue recognition, the recognition of revenue on a gross or net basis, the treatment of discounts, incentives and commissions and the accounting for multiple element arrangements; and

→ the risk of management override of internal control. International Standards on Auditing (UK and Ireland) state that this risk must always be treated as significant.

Our assessment of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined planning materiality for the Group to be €500 million, which is approximately 5% of adjusted pre-tax profit, and below 1% of equity. We use adjusted pre-tax profit to exclude the effect of volatility (for example, separately disclosed adjusting items) from our determination. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality for the Group should be 70% of planning materiality, namely €350 million. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our planning materiality of €500 million for the financial statements as whole.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of €10 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

The scope of our audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our Group audit scope focused on seven operating locations, of which six were subsidiaries or joint ventures subject to a full scope audit for the year ended 31 March 2013. The remaining operating location was Verizon Wireless, a material associate which is not controlled by the Group, which was subject to a full scope audit for the year ended 31 December 2012 and review procedures for the quarters ended 31 March 2012 and 2013. Together with the Group Functions, which were also subject to a full scope audit for the year ended 31 March 2013, these locations

represent the principal business units of the Group and account for 83% of the Group's total assets, 70% of the Group's revenue and 78% of the Group's operating profit. Audits of these locations are performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned. In addition, audits are performed for local statutory purposes at a further 18 locations, which represent a further 12% of the Group's total assets, 29% of the Group's revenue and 21% of the Group's operating profit. Audits of these locations are performed at a local materiality level calculated by reference to the scale of the business concerned.

The Group audit team follows a programme of planned site visits that is designed to ensure that the Senior Statutory Auditor or his designate visits each of the seven full scope locations at least once a year. This year, the Group audit team visited all seven of the full scope locations.

The way in which we scoped our response to the significant risks identified above was as follows:

- we challenged management's assumptions used in the impairment model for goodwill and intangible assets, described in note 12 to the financial statements, including specifically the cash flow projections, discount rates, perpetuity rates and sensitivities used, particularly in respect of the Group's interests in southern Europe;
- we considered the legal advice in connection with management's disclosure in note 21 of contingent liabilities, including the impact of the introduction by the Indian government of legislation which amends Indian tax law with retrospective effect to overturn a judgement in the Group's favour;
- we considered the appropriateness of management's assumptions and estimates in relation to the likelihood of generating suitable future taxable profits to support the recognition of deferred tax assets described in note 7, challenging those assumptions and considering supporting forecasts and estimates;
- we carried out testing relating to controls over revenue recognition, including the timing of revenue recognition, the recognition of revenue on a gross or net basis, the treatment of discounts, incentives and commissions and the accounting for multiple element arrangements, as well as substantive testing, analytical procedures and assessing whether the revenue recognition policies adopted complied with IFRS; and
- we carried out analytical procedures and journal entry testing in order to identify and test the risk of fraud arising from management override of control.

The Audit and Risk Committee's consideration of these judgements is set out on page 62.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have nothing to report in respect of this matter.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. Under the

Listing Rules we are required to review certain elements of the Directors' Remuneration Report. We have nothing to report arising from these matters or our review.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

We have been asked by the Board to report the results of our having read the entire annual report, for the purposes of identifying any material inconsistencies with the audited financial statements or information that is apparently incorrect based on, or materially inconsistent with, the knowledge of the Group we acquired in the course of performing the audit. Such inconsistencies would include any that we may have identified in relation to the directors' statement that the annual report is fair, balanced and understandable and provides the information necessary for users to assess the entity's performance, business model and strategy and any that we may have identified because the section of the annual report describing the work of the Audit and Risk Committee does not, in our judgment, appropriately disclose matters that we communicated to the Audit and Risk Committee.

We confirm that we have not identified information in the annual report that is materially inconsistent with the audited financial statements or that is apparently incorrect based on, or materially inconsistent with, the knowledge of the Group we acquired in the course of performing the audit. However, we have not audited this other information and accordingly do not express an audit opinion on it.

Respective responsibilities of directors and auditor

Responsibility of directors for the financial statements

As explained more fully in the Directors' statement of responsibility set out on page 84 the directors are responsible for the adequacy of the accounting records, the preparation of the financial statements from those records and for being satisfied that the financial statements give a true and fair view.

Auditor's responsibility

Our responsibility is to audit and express an opinion on the financial statements, and to provide other reports and communications arising from our audit, in accordance with applicable law and International Standards on Auditing (UK and Ireland).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are either required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Other matter

We have reported separately on the parent company financial statements of Vodafone Group Plc for the year ended 31 March 2013.

Panos Kakoullis FCA (Senior Statutory Auditor) for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London
United Kingdom

21 May 2013

Consolidated income statement

for the years ended 31 March

	Note	2013 £m	2012 £m	2011 £m
Revenue	A2	44,445	46,417	45,884
Cost of sales		(30,505)	(31,546)	(30,814)
Gross profit		13,940	14,871	15,070
Selling and distribution expenses		(3,258)	(3,227)	(3,067)
Administrative expenses		(5,199)	(5,075)	(5,300)
Share of result in associates	15	6,477	4,963	5,059
Impairment losses	12	(7,700)	(4,050)	(6,150)
Other income and expense	11	468	3,705	(16)
Operating profit	3	4,728	11,187	5,596
Non-operating income and expense	11	10	(162)	3,022
Investment income	6	305	456	1,309
Financing costs	6	(1,788)	(1,932)	(429)
Profit before taxation		3,255	9,549	9,498
Income tax expense	7	(2,582)	(2,546)	(1,628)
Profit for the financial year		673	7,003	7,870
Attributable to:				
– Equity shareholders		429	6,957	7,968
– Non-controlling interests		244	46	(98)
		673	7,003	7,870
Basic earnings per share	8	0.87p	13.74p	15.20p
Diluted earnings per share	8	0.87p	13.65p	15.11p

Consolidated statement of comprehensive income

for the years ended 31 March

	2013 £m	2012 £m	2011 £m
(Losses)/gains on revaluation of available-for-sale investments, net of tax	(73)	(17)	310
Foreign exchange translation differences, net of tax	362	(3,673)	(2,132)
Net actuarial (losses)/gains on defined benefit pension schemes, net of tax	(198)	(272)	136
Foreign exchange losses/(gains) transferred to the income statement	1	(681)	(630)
Fair value gains transferred to the income statement	(12)	–	(2,192)
Other, net of tax	(4)	(10)	19
Other comprehensive income/(loss)	76	(4,653)	(4,489)
Profit for the financial year	673	7,003	7,870
Total comprehensive income for the year	749	2,350	3,381
Attributable to:			
– Equity shareholders	604	2,383	3,567
– Non-controlling interests	145	(33)	(186)
	749	2,350	3,381

The accompanying notes are an integral part of these consolidated financial statements.

Commentary on the consolidated income statement and statement of comprehensive income

The consolidated income statement includes the majority of our income and expenses for the year with the remainder recorded in the statement of comprehensive income.

Further details on the major movements in the year are set out below:

Revenue

Revenue fell by 4.2% to £44.4 billion. The decrease was primarily due to the negative impact of adverse foreign exchange rate movements, as much of the Group's revenue is generated in currencies other than sterling, and the challenging economic conditions in southern Europe. Our operating results on pages 40 to 44 explain in more detail the geographical split of our revenue.

Share of result in associates

Share of results in associates increased 30.5% to £6.5 billion. This is primarily due to the strong performance of VZW, in which we have a 45% interest. For more information on what has driven the growth at VZW, see page 44.

Impairment losses

An impairment loss of £7.7 billion was recorded in relation to Italy and Spain, primarily driven by adverse performance against previous plans and adverse movements in discount rates. Note 12 provides more information on how we test for impairment.

Other income and expense

Other income and expense has decreased from a gain of £3.7 billion in the prior year to a gain of £0.5 billion this year. The decrease is primarily due to the £3.7 billion gain on disposal of the Group's 44% interest in SFR and 24.4% interest in Polkomtel recognised in the prior year, whereas in the current year we recognised a gain on acquisition of CWW of £0.5 billion. Note 11 provides more information on our acquisitions and disposals.

Income tax expense

Our income tax expense was stable at £2.6 billion. Our adjusted effective tax rate, a non-GAAP measure used by management to measure the rate of tax on our adjusted profit before tax, continued to be in the mid-twenties range and is calculated as set out below.

	2013 £m	2012 £m
Income tax expense	2,582	2,546
Tax on adjustments to derive adjusted profit before tax	12	(242)
Adjusted income tax expense	2,594	2,304
Share of associates' tax	11	302
Adjusted income tax expense for calculating adjusted tax rate	2,605	2,606
Profit before tax	3,255	9,549
Adjustments to derive adjusted profit before tax ¹	7,273	369
Adjusted profit before tax	10,528	9,918
Add: Share of associates' tax and non-controlling interest	105	382
Adjusted profit before tax for calculating adjusted effective tax rate	10,633	10,300
Adjusted effective tax rate	24.5%	25.3%

Note:

¹ See "Earnings per share" opposite.

The Group's share of associates' tax has fallen as a result of a greater share of the VZW profits being taxed at the partnership level.

Earnings per share

Basic earnings per share was 0.87 pence, a reduction of 12.87 pence from the prior year. This was driven by higher impairment losses in the current year, whilst the prior year benefited from a gain on disposal of our 44% interest in SFR and 24.4% interest in Polkomtel.

Adjusted earnings per share, which is a non-GAAP measure used by management and which excludes the one-off items noted above together with items that we do not view as being reflective of our performance, was 15.65 pence, an increase of 5.0% compared to the prior year. The increase was primarily due to an increase in earnings on higher adjusted operating profit. Our calculation of the adjusted earnings on which we base our adjusted earnings per share calculation is set out below. Note 8 provides information on the number of shares.

	2013 £m	2012 £m
Profit attributable to equity shareholders	429	6,957
Pre-tax adjustments:		
Impairment loss	7,700	4,050
Other income and expense ¹	(468)	(3,705)
Non-operating income and expense	(10)	162
Investment income and financing costs	51	(138)
	7,273	369
Taxation ²	(12)	242
Non-controlling interests	6	(18)
Adjusted profit attributable to equity shareholders	7,696	7,550

Notes:

- Other income and expense for the year ended 31 March 2013 included a £473 million gain on acquisition of CWW. The year ended 31 March 2012 included a £3,419 million gain on disposal of the Group's 44% interest in SFR and a £296 million gain on disposal of the Group's 24.4% interest in Polkomtel.
- Taxation for the year ended 31 March 2012 included a £206 million charge in respect of the disposal of the Group's 24.4% interest in Polkomtel. The gain arising on our acquisition of CWW in the year ended 31 March 2013 and the disposal of our 44% interest in SFR in the 2012 financial year did not give rise to a tax charge. The impairment charges of £7,700 million and £4,050 million in the years ended 31 March 2013 and 2012 respectively did not result in any tax consequences.

The consolidated statement of comprehensive income records all of the income and losses generated for the year. Total comprehensive income was over £0.7 billion, comprising a profit of £0.7 billion and other comprehensive income of £0.1 billion.

Further details on the major movements in the year are set out below:

Foreign exchange differences, net of tax

Foreign exchange translation differences arise when we translate the results and net assets of our operating companies and associates, which transact their operations in foreign currencies including the euro, South African rand and Indian rupee, as well as US dollars for VZW, into our presentation currency of sterling. The net movement in foreign exchange rates resulted in a gain of £0.4 billion for the year. In the prior year there was a loss of £3.7 billion.

Net actuarial (losses)/gains on defined benefit schemes

We incurred a loss of £0.2 billion from the revaluation of the Group's defined benefit pension schemes after comparing the outcomes to those anticipated by the Group's actuary. In the prior year there was a loss of £0.3 billion.

Foreign exchange losses/(gains) transferred to the income statement

The prior year gains were a result of the recycling of foreign exchange losses on the disposal of our investments in SFR and Polkomtel.

Profit for the financial year

The reasons underlying the £6.3 billion decrease in profit for the financial year are provided above.

Consolidated statement of financial position

at 31 March

	Note	2013 £m	2012 £m
Non-current assets			
Goodwill	10	30,372	38,350
Other intangible assets	10	22,025	21,164
Property, plant and equipment	13	20,331	18,655
Investments in associates	15	38,635	35,108
Other investments	16	774	791
Deferred tax assets	7	2,920	1,970
Post employment benefits	A5	52	31
Trade and other receivables	17	4,302	3,482
		119,411	119,551
Current assets			
Inventory	A3	450	486
Taxation recoverable		452	334
Trade and other receivables	17	9,412	10,744
Other investments	16	5,350	1,323
Cash and cash equivalents	23	7,623	7,138
		23,287	20,025
Total assets		142,698	139,576
Equity			
Called up share capital	25	3,866	3,866
Additional paid-in capital		154,279	154,123
Treasury shares		(9,029)	(7,841)
Retained losses		(88,785)	(84,184)
Accumulated other comprehensive income		11,146	10,971
Total equity shareholders' funds		71,477	76,935
Non-controlling interests		1,890	2,090
Put options over non-controlling interests		(879)	(823)
Total non-controlling interests		1,011	1,267
Total equity		72,488	78,202
Non-current liabilities			
Long-term borrowings	24	29,108	28,362
Taxation liabilities		150	250
Deferred tax liabilities	7	6,698	6,597
Post employment benefits	A5	629	337
Provisions	19	907	479
Trade and other payables	18	1,494	1,324
		38,986	37,349
Current liabilities			
Short-term borrowings	24	12,289	6,258
Taxation liabilities		1,919	1,898
Provisions	19	818	633
Trade and other payables	18	16,198	15,236
		31,224	24,025
Total equity and liabilities		142,698	139,576

The consolidated financial statements were approved by the Board of directors and authorised for issue on 21 May 2013 and were signed on its behalf by:

Vittorio Colao
Chief Executive

Andy Halford
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

Commentary on the consolidated statement of financial position

The consolidated statement of financial position shows all of our assets and liabilities at 31 March. Total assets increased by 2.2% to £142.7 billion driven by the increase in the carrying value of our 45% interest in VZW and higher cash and investment balances following our bond issues during the year, partially offset by the goodwill impairments recorded for Italy and Spain. Total liabilities increased by 14.4% to £70.2 billion driven by the £5.4 billion of long-term debt issued.

Further details on the major movements in the year are set out below:

Assets

Goodwill and other intangible assets

Our intangible assets decreased to £52.4 billion (2012: £59.5 billion) with goodwill comprising the largest element at £30.4 billion (2012: £38.4 billion). The decrease primarily resulted from impairment losses of £7.7 billion, amortisation of £3.4 billion and unfavourable foreign exchange rate movements of £0.4 billion, partially offset by £4.0 billion of additions and £0.5 billion arising on acquisitions. Further details of the impairment loss are provided in note 12.

Property, plant and equipment

Property, plant and equipment increased to £20.3 billion (2012: £18.7 billion) predominantly as a result of £4.7 billion of additions and £1.6 billion arising from the acquisition of businesses, partially offset by £4.3 billion of depreciation charges.

Investments in associates

Investments in associates increased to £38.6 billion (2012: £35.1 billion), with VZW being our largest investment. The increase was driven by our share of VZW's results of £6.4 billion and £1.9 billion of favourable exchange rate movements, partially offset by £4.8 billion of dividends received from associates (see page 97).

Other non-current assets

Other non-current assets increased to £8.0 billion (2012: £6.3 billion) mainly due to a £1.0 billion increase in our deferred tax asset and an increase of £0.8 billion in trade and other receivables, both driven by acquisitions during the year.

Current assets

Current assets increased to £23.3 billion (2012: £20.0 billion) primarily due to a £4.5 billion increase in cash and short-term investments driven by the £2.4 billion income dividend received from VZW in December 2012 and the £3.9 billion of bonds issued in February 2013.

Total equity and liabilities

Total equity

Total equity decreased to £72.5 billion (2012: £78.2 billion). The profit for the year of £0.7 billion was more than offset by dividends paid to equity shareholders and non-controlling interests of £5.2 billion and share buybacks of £1.5 billion.

Borrowings

Borrowings increased to £41.4 billion (2012: £34.6 billion) mainly as a result of issuing bonds, in September 2012 and February 2013, and commercial paper. This was partially offset by the repayment of certain borrowings which had reached maturity.

Taxation liabilities

Total tax liabilities were stable at £2.1 billion (2012: £2.1 billion).

Other current liabilities

Other current liabilities increased to £17.0 billion (2012: £15.9 billion). Trade payables at 31 March 2013 were equivalent to 37 days (2012: 43 days) outstanding, calculated by reference to the amount owed to suppliers as a proportion of the amounts invoiced by suppliers during the year. It is our policy to agree terms of transactions, including payment terms, with suppliers and it is our normal practice that payment is made accordingly.

Contractual obligations and contingencies

A summary of our principal contractual financial obligations is shown below and details of the Group's contingent liabilities are included in note 21.

Contractual obligations ¹	Payments due by period £m				
	Total	< 1 year	1–3 years	3–5 years	>5 years
Borrowings ²	50,308	13,002	11,627	8,679	17,000
Operating lease commitments ³	6,640	1,238	1,732	1,194	2,476
Capital commitments ^{3,4}	1,959	1,785	159	15	—
Purchase commitments	4,808	3,149	869	500	290
Total	63,715	19,174	14,387	10,388	19,766

Notes:

1 This table includes commitments in respect of options over interests in Group businesses held by non-controlling shareholders (see "Potential cash outflows from option agreements and similar arrangements" on page 158) and obligations to pay dividends to non-controlling shareholders (see "Dividends from associates and to non-controlling shareholders" on page 158). The table excludes current and deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 7 and A5 respectively. The table also excludes the contractual obligations of associates.

2 See note 24.

3 See note 20.

4 Primarily related to network infrastructure.

Consolidated statement of changes in equity

for the years ended 31 March

	Share capital £m	Additional paid-in capital ¹ £m	Treasury shares £m	Retained losses £m	Currency reserve £m	Pensions reserve £m	Investment reserve £m	Revaluation surplus £m	Other comprehensive income Other £m	Equity share-holders' funds £m	Non-controlling interests £m	Total £m
1 April 2010	4,153	153,509	(7,810)	(79,655)	17,086	(363)	2,357	1,040	64	90,381	429	90,810
Issue or reissue of shares	—	—	232	(125)	—	—	—	—	—	107	—	107
Redemption or cancellation of shares	(71)	71	1,532	(1,532)	—	—	—	—	—	—	—	—
Purchase of own shares	—	—	(2,125)	—	—	—	—	—	—	(2,125)	—	(2,125)
Share-based payment	—	180 ²	—	—	—	—	—	—	—	180	—	180
Transactions with non-controlling interests in subsidiaries	—	—	—	(120)	—	—	—	—	—	(120)	35	(85)
Comprehensive income	—	—	—	7,968	(2,669)	136	(1,882)	—	14	3,567	(186)	3,381
Profit/(loss)	—	—	—	7,968	—	—	—	—	—	7,968	(98)	7,870
OCI – before tax	—	—	—	—	(2,053)	190	347	—	14	(1,502)	(88)	(1,590)
OCI – taxes	—	—	—	—	14	(54)	(37)	—	—	(77)	—	(77)
Transfer to the income statement	—	—	—	—	(630)	—	(2,192) ³	—	—	(2,822)	—	(2,822)
Dividends	—	—	—	(4,468)	—	—	—	—	—	(4,468)	(328)	(4,796)
Other	—	—	—	271	—	—	(238)	—	—	33	56	89
31 March 2011	4,082	153,760	(8,171)	(77,661)	14,417	(227)	237	1,040	78	87,555	6	87,561
Issue or reissue of shares	—	2	277	(208)	—	—	—	—	—	71	—	71
Redemption or cancellation of shares	(216)	216	4,724	(4,724)	—	—	—	—	—	—	—	—
Purchase of own shares	—	—	(4,671) ⁴	—	—	—	—	—	—	(4,671)	—	(4,671)
Share-based payment	—	145 ²	—	—	—	—	—	—	—	145	—	145
Transactions with non-controlling interests in subsidiaries	—	—	—	(1,908)	—	—	—	—	—	(1,908)	1,599	(309)
Comprehensive income	—	—	—	6,957	(4,279)	(272)	(17)	—	(6)	2,383	(33)	2,350
Profit	—	—	—	6,957	—	—	—	—	—	6,957	46	7,003
OCI – before tax	—	—	—	—	(3,629)	(365)	(17)	—	(14)	(4,025)	(71)	(4,096)
OCI – taxes	—	—	—	—	31	93	—	—	8	132	(8)	124
Transfer to the income statement	—	—	—	—	(681)	—	—	—	—	(681)	—	(681)
Dividends	—	—	—	(6,654)	—	—	—	—	—	(6,654)	(305)	(6,959)
Other	—	—	—	14	—	—	—	—	—	14	—	14
31 March 2012	3,866	154,123	(7,841)	(84,184)	10,138	(499)	220	1,040	72	76,935	1,267	78,202
Issue or reissue of shares	—	2	287	(237)	—	—	—	—	—	52	—	52
Purchase of own shares	—	—	(1,475) ⁴	—	—	—	—	—	—	(1,475)	—	(1,475)
Share-based payment	—	152 ²	—	—	—	—	—	—	—	152	—	152
Transactions with non-controlling interests in subsidiaries	—	—	—	(7)	—	—	—	—	—	(7)	(17)	(24)
Comprehensive income	—	—	—	429	462	(198)	(85)	—	(4)	604	145	749
Profit	—	—	—	429	—	—	—	—	—	429	244	673
OCI – before tax	—	—	—	—	482	(259)	(73)	—	(6)	144	(95)	49
OCI – taxes	—	—	—	—	(21)	61	—	—	2	42	(4)	38
Transfer to the income statement	—	—	—	—	1	—	(12)	—	—	(11)	—	(11)
Dividends	—	—	—	(4,801)	—	—	—	—	—	(4,801)	(384)	(5,185)
Other	—	2	—	15	—	—	—	—	—	17	—	17
31 March 2013	3,866	154,279	(9,029)	(88,785)	10,600	(697)	135	1,040	68	71,477	1,011	72,488

Notes:

¹ Includes share premium, capital redemption reserve and merger reserve. The merger reserve was derived from acquisitions made prior to 31 March 2004 and subsequently allocated to additional paid-in capital on adoption of IFRS.

² Includes £18 million tax credit (2012: £2 million; 2011: £24 million).

³ Amounts for 2011 include a £208 million tax credit.

⁴ Amount for 2013 includes a commitment for the purchase of own shares of £1,026 million (2012: £1,091 million; 2011: £nil).

Commentary on the consolidated statement of changes in equity

The consolidated statement of changes in equity shows the movements in equity shareholders' funds and non-controlling interests. Equity shareholders funds decreased by -7.1% to £71.5 billion as the profit for the year was more than offset by the purchase of our own shares under the share buyback programmes and equity dividends paid.

Further details on the major movements in the year are set out below:

Acquisition of non-controlling interest

We did not acquire any significant non-controlling interests in the current year. In the year ended 31 March 2012 we acquired an additional stake in Vodafone India.

Purchase of own shares

We acquired 894 million of our own shares at a cost of £1.5 billion in the year. These arose from the two share buyback programmes that were in place.

- We initiated a £4.0 billion share buyback programme following the disposal of our entire 44% interest in SFR to Vivendi on 16 June 2011. Under this programme, which was completed in August 2012, we purchased a total of 2,330,039,575 shares at an average price per share, including transaction costs, of 171.67 pence.
- Following the receipt of a US\$3.8 billion (£2.4 billion) income dividend from VZW in December 2012, we initiated a £1.5 billion share buyback programme. The Group placed irrevocable purchase instructions with a third party to enable shares to be repurchased on our behalf when we may otherwise have been prohibited from buying in the market.

The aggregate number of shares and the amount of consideration paid by the Company in relation to the £1.5 billion buyback programme at 20 May 2013 was 406 million and £0.7 billion respectively. The maximum value of shares that may yet be purchased under the programme at 20 May 2013 is £0.8 billion.

The movement in treasury shares during the year is shown below:

	Number Million	£m
1 April 2012	4,169	7,841
Reissue of shares	(161)	(287)
Purchase of shares	894	1,475
31 March 2013	4,902	9,029

The reissue of shares in the year was to satisfy obligations under employee share schemes.

Comprehensive income

The Group generated over £0.7 billion of comprehensive income in the year, primarily a result of the profit for the year attributable to equity shareholders of £0.4 billion. The reasons underlying the £0.1 billion increase (2012: £4.7 billion decrease) in comprehensive income are provided on page 91.

Dividends

We provide returns to shareholders through dividends and have historically generally paid dividends twice a year in February and August. The directors expect that we will continue to pay dividends semi-annually.

The £4.8 billion equity dividend reduction in the current year comprises £3.2 billion in relation to the final dividend for the year ended 31 March 2012 and £1.6 billion for the interim dividend for the year ended 31 March 2013. This is reduced from the total £6.7 billion charge in the prior year primarily due to the special dividend of £2.0 billion paid in relation to a VZW income dividend received in the prior year.

The interim dividend of 3.27 pence per share announced by the directors in November 2012 represented a 7.2% increase over last year's interim dividend. The directors are proposing a final dividend of 6.92 pence per share. Total dividends for the year, excluding the second interim dividend paid in the prior year, increased by 7.0% to 10.19 pence per share, in line with our dividend per share growth target of at least 7% per annum for each of the financial years in the period ending 31 March 2013, issued in May 2010.

Consolidated statement of cash flows

for the years ended 31 March

	Note	2013 £m	2012 £m	2011 £m
Net cash flow from operating activities	22	10,694	12,755	11,995
Cash flows from investing activities				
Purchase of interests in subsidiaries and joint ventures, net of cash acquired		(1,432)	(149)	(46)
Other investing activities in relation to purchase of subsidiaries		—	310	(356)
Purchase of interests in associates		(6)	(5)	—
Purchase of intangible assets		(4,036)	(3,090)	(4,290)
Purchase of property, plant and equipment		(4,666)	(4,762)	(4,350)
Purchase of investments		(4,249)	(417)	(318)
Disposal of interests in subsidiaries and joint ventures, net of cash disposed		27	832	—
Disposal of interests in associates		—	6,799	—
Disposal of property, plant and equipment		153	117	51
Disposal of investments		1,523	66	4,467
Dividends received from associates		4,827	4,023	1,424
Dividends received from investments		2	3	85
Interest received		459	322	1,659
Taxation on investing activities		—	(206)	(208)
Net cash flow from investing activities		(7,398)	3,843	(1,882)
Cash flows from financing activities				
Issue of ordinary share capital and reissue of treasury shares		52	71	107
Net movement in short-term borrowings		1,672	1,206	(573)
Proceeds from issue of long-term borrowings		5,422	1,642	4,861
Repayment of borrowings		(1,720)	(3,520)	(4,064)
Purchase of treasury shares		(1,568)	(3,583)	(2,087)
Equity dividends paid		(4,806)	(6,643)	(4,468)
Dividends paid to non-controlling shareholders in subsidiaries		(379)	(304)	(320)
Other transactions with non-controlling shareholders in subsidiaries		15	(2,605)	(137)
Interest paid		(1,644)	(1,633)	(1,578)
Net cash flow from financing activities		(2,956)	(15,369)	(8,259)
Net cash flow		340	1,229	1,854
Cash and cash equivalents at beginning of the financial year	23	7,088	6,205	4,363
Exchange (gain)/loss on cash and cash equivalents		170	(346)	(12)
Cash and cash equivalents at end of the financial year	23	7,598	7,088	6,205

The accompanying notes are an integral part of these consolidated financial statements.

Commentary on the consolidated statement of cash flows

The consolidated statement of cash flows shows the cash flows from operating, investing and financing activities for the year. Cash and cash equivalents at the end of the financial year increased 7.2% to £7.6 billion. We have maintained a robust liquidity position throughout the year enabling us to service shareholder returns, debt and expansion through capital investment. This position has been achieved through cash generated from operations, dividends from associates, and borrowings through short-term and long-term debt issued through the capital markets. We expect these to be our key sources of liquidity for the foreseeable future. We also have access to the committed facilities detailed on page 157.

Our liquidity and working capital may be affected by a material decrease in cash flow due to a number of factors as outlined in "Principal risk factors and uncertainties" on pages 46 to 49. We do not use non-consolidated special purpose entities as a source of liquidity or for other financing purposes.

Purchase of interest in subsidiaries and joint ventures, net of cash acquired

During the year we acquired CWW and TelstraClear for cash consideration of £1.1 billion and £0.4 billion respectively. Further details on the assets and liabilities acquired are outlined in note 11.

Purchase of intangible assets

The purchase of intangible assets was primarily in relation to spectrum. We acquired spectrum in the UK, the Netherlands, Romania, Egypt and India, totalling £2.5 billion during the year.

Disposal of interests in associates and joint ventures

In the prior year we disposed of our 44% interest in SFR and our 24.4% interest in Polkomtel for proceeds of £6.8 billion and £0.8 billion respectively. There were no significant disposals in the current year.

Disposal of investments

In April 2012 we received the remaining consideration of £1.5 billion from the disposal of our interests in SoftBank Mobile Corp.

Purchase of investments

The Group purchases short-term investments as part of its treasury strategy. See note 16.

Dividends received from associates

Dividends received from associates increased by 20.0% to £4.8 billion, primarily due to dividends received from VZW. The Group received an income dividend of £2.4 billion (2012: £2.9 billion) and also tax distributions totalling £2.4 billion (2012: £1.0 billion) during the year.

Proceeds from issues of long-term debt

The Group issued bonds, under its US shelf programme, in September 2012 and February 2013 of US\$2.0 billion (£1.2 billion) and US\$6.0 billion (£3.9 billion) respectively.

Purchase of treasury shares

During the year the Group completed the £4.0 billion share buyback programme announced in 2011 and also initiated a £1.5 billion programme on receipt of the income dividend from VZW in December 2012.

Equity dividends paid

Equity dividends paid during the year decreased by -27.7%, primarily due to the payment of a special dividend in the prior year. The special dividend was paid following the receipt of an income dividend from VZW.

Other transactions with non-controlling shareholders in subsidiaries

In the year ended 31 March 2012 we acquired an additional stake in Vodafone India.

Cash flow reconciliation

A reconciliation of cash generated by operations to free cash flow and net debt, two non-GAAP measures used by management, is shown below. Cash generated by operations decreased by -7.4% to £13.7 billion, primarily driven by lower EBITDA (see page 40). Free cash flow decreased by -8.1% to £5.6 billion primarily due to lower EBITDA and higher payments for taxation, partially offset by lower cash capital expenditure, working capital movements and higher dividends received from associates and investments.

	2013 £m	2012 £m	%
EBITDA	13,275	14,475	(8.3)
Working capital	318	206	
Other	134	143	
Cash generated by operations	13,727	14,824	(7.4)
Cash capital expenditure ¹	(6,195)	(6,423)	
Capital expenditure	(6,266)	(6,365)	
Working capital movement in respect of capital expenditure	71	(58)	
Disposal of property, plant and equipment	153	117	
Operating free cash flow	7,685	8,518	(9.8)
Taxation	(2,933)	(1,969)	
Dividends received from associates and investments ²	2,420	1,171	
Dividends paid to non-controlling shareholders in subsidiaries	(379)	(304)	
Interest received and paid	(1,185)	(1,311)	
Free cash flow	5,608	6,105	(8.1)
Tax settlement ³	(100)	(100)	
Licence and spectrum payments	(2,507)	(1,429)	
Acquisitions and disposals ⁴	(1,723)	4,872	
Equity dividends paid	(4,806)	(6,643)	
Purchase of treasury shares	(1,568)	(3,583)	
Foreign exchange	(828)	1,283	
Income dividend from VZW	2,409	2,855	
Other ⁵	982	2,073	
Net debt (increase)/decrease	(2,533)	5,433	
Opening net debt	(24,425)	(29,858)	
Closing net debt	(26,958)	(24,425)	10.4

Notes:

- Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, during the year.
- Dividends received from associates and investments for the year ended 31 March 2013 includes a £2,389 million (2012: £965 million) tax distribution from our 45% interest in VZW. In the year ended 31 March 2012 a final dividend of £178 million was received from SFR prior to completion of the disposal of the Group's 44% interest. It does not include the £2,409 million income dividend from VZW received in December 2012 and the £2,855 million income dividend received from VZW in January 2012.
- Related to a tax settlement in the year ended 31 March 2011.
- Acquisitions and disposals for the year ended 31 March 2013 primarily includes the £1,050 million payment in relation to the acquisition of the entire share capital of CWW and £243 million in respect of convertible bonds acquired as part of the CWW acquisition, and £440 million in relation to the acquisition of TelstraClear. The year ended 31 March 2012 primarily included £6,805 million proceeds from the sale of the Group's 44% interest in SFR, £784 million proceeds from the sale of the Group's 24.4% interest in Polkomtel and £2,592 million payment in relation to the purchase of non-controlling interests in Vodafone India Limited.
- Other for the year ended 31 March 2013 primarily includes the remaining £1,499 million consideration for the disposal of SoftBank Mobile Corp. interests in November 2010, received in April 2012, partially offset by £322 million in relation to fair value and interest accrual movements on financial instruments. The year ended 31 March 2012 primarily included £2,301 million movement in the written put options in relation to India and the return of a court deposit made in respect of the India tax case (£310 million).

Net debt

Net debt increased by £2.5 billion to £27.0 billion primarily due to the purchase of CWW and TelstraClear, share buybacks, payments to acquire spectrum, foreign exchange movements and dividend payments to equity holders, partially offset by cash generated by operations, the remaining consideration from the Group's disposal of SoftBank Mobile Corp. and the £2.4 billion income dividend from VZW.

Notes to the consolidated financial statements

1. Basis of preparation

The consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board and are also prepared in accordance with IFRS adopted by the European Union ('EU'), the Companies Act 2006 and Article 4 of the EU IAS Regulations. The consolidated financial statements are prepared on a going concern basis.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. For a discussion on the Group's critical accounting estimates see "Critical accounting estimates" on pages 86 and 87. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Amounts in the consolidated financial statements are stated in pounds sterling.

Vodafone Group Plc is registered in England (No. 1833679).

2. Significant accounting policies

Detailed below are new accounting pronouncements that we will adopt in future years and our current view of the impacts they will have on our financial reporting. There have been no significant changes to the significant accounting policies that we applied in the year; for full details refer to note A1. This note should be read in conjunction with "Critical accounting estimates" on pages 86 and 87.

New accounting pronouncements to be adopted on 1 April 2013

The following pronouncements have been issued by the IASB or the IFRIC, are effective for annual periods beginning on or after 1 January 2013 and have been endorsed for use in the EU unless otherwise stated:

- Amendments to IAS 1, "Presentation of items of other comprehensive income", effective for annual periods beginning on or after 1 July 2012.
- Amendments to IAS 19, "Employee benefits", requires revised accounting and disclosures for defined benefit pension schemes, including a different measurement basis for asset returns, replacing the expected return on plan assets and interest cost currently recorded in the consolidated income statement with net interest. This results in a revised allocation of costs between the income statement and other comprehensive income. The "corridor approach" method of spreading the recognition of actuarial gains and losses, which is not used by the Group, is prohibited. The amendments also include a revised definition of short- and long-term benefits to employees and revised criteria for the recognition of termination benefits.
- Amendment to IFRS 1, "Government loans", effective for annual periods beginning on or after 1 January 2013.
- Amendments to IFRS 7, "Disclosures – offsetting financial assets and financial liabilities", effective for annual periods beginning on or after 1 January 2013.
- IFRS 10, "Consolidated Financial Statements", which replaces parts of IAS 27, "Consolidated and Separate Financial Statements" and all of SIC-12, "Consolidation – Special Purpose Entities", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group's principal subsidiaries (see note A8) will continue to be consolidated upon adoption of IFRS 10.
- IAS 27, "Separate Financial Statements", now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable in the Group's consolidated financial statements.
- IFRS 11, "Joint Arrangements", which replaces IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers", requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. Under IFRS 11, the Group's principal joint ventures, excluding Cornerstone Telecommunications Infrastructure Limited (see note 14), will be incorporated into the consolidated financial statements using the equity method of accounting.
- IAS 28, "Investments in Associates and Joint Ventures", was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment.
- IFRS 12, "Disclosure of Interest in Other Entities", is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities within the scope of IFRS 10 and IFRS 11.
- Amendments to IFRS 10, IFRS 11 and IFRS 12, "Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance", clarifies the disclosures required on adoption of these standards.
- "Investment Entities", amendments to IFRS 10, IFRS 12 and IAS 27, effective for annual periods beginning on or after 1 January 2014, but will be early-adopted by the Group on 1 January 2013. This standard has not yet been endorsed for use in the EU.
- IFRS 13, "Fair Value Measurement", effective for annual periods beginning on or after 1 January 2013.
- "Improvements to IFRS 2009–2011 Cycle", effective for annual periods beginning on or after 1 January 2013.
- IFRIC 20, "Stripping costs in the production phase of a surface mine", effective for annual periods beginning on or after 1 January 2013.

For periods commencing on or after 1 April 2013, the Group's financial reporting will be presented in accordance with the new standards above. Except for IFRS 11 and the amendments to IAS 19, these pronouncements are not expected to have a material impact on the consolidated results, financial position or cash flows of the Group. The impact of restating key financial information for the impact of IFRS 11 and the amendments to IAS 19 for the year to 31 March 2013 is described below:

Consolidated income statement and statement of comprehensive income for the years ended:

	2013			2012		
	As reported £m	Adjustments £m	New basis £m	As reported £m	Adjustments £m	New basis £m
Revenue	44,445	(6,404)	38,041	46,417	(7,596)	38,821
Gross profit	13,940	(2,466)	11,474	14,871	(3,251)	11,620
Share of results of equity accounted associates and joint ventures	6,477	520	6,997	4,963	1,033	5,996
Operating profit	4,728	(508)	4,220	11,187	(702)	10,485
Profit before tax	3,255	(372)	2,883	9,549	(561)	8,988
Profit for the financial year	673	(16)	657	7,003	(9)	6,994
Other comprehensive income	76	16	92	(4,653)	9	(4,644)
Total comprehensive income	749	—	749	2,350	—	2,350

Consolidated statement of financial position at:

	2013			2012		
	As reported £m	Adjustments £m	New basis £m	As reported £m	Adjustments £m	New basis £m
Non-current assets	119,411	(2,736)	116,675	119,551	(3,132)	116,419
Current assets	23,287	(1,672)	21,615	20,025	(994)	19,031
Total assets	142,698	(4,408)	138,290	139,576	(4,126)	135,450
Total equity	72,488	—	72,488	78,202	—	78,202
Non-current liabilities	38,986	(1,519)	37,467	37,349	(1,724)	35,625
Current liabilities	31,224	(2,889)	28,335	24,025	(2,402)	21,623
Total equity and liabilities	142,698	(4,408)	138,290	139,576	(4,126)	135,450

Consolidated statement of cash flows for the year ended:

	2013			2012		
	As reported £m	Adjustments £m	New basis £m	As reported £m	Adjustments £m	New basis £m
Net cash flow from operating activities	10,694	(1,870)	8,824	12,755	(2,458)	10,297
Net cash flow from investing activities	(7,398)	1,652	(5,746)	3,843	2,738	6,581
Net cash flow from financing activities	(2,956)	213	(2,743)	(15,369)	(300)	(15,669)
Net cash flow	340	(5)	335	1,229	(20)	1,209

New accounting pronouncements to be adopted on or after 1 April 2014

The Group will adopt Amendments to IAS 32, "Offsetting financial assets and financial liabilities", which is effective for annual periods beginning on or after 1 January 2014 and has been endorsed for use in the EU, on 1 April 2014. In addition, the Group will adopt IFRIC 21, "Leases", which is effective for annual periods beginning on or after 1 January 2014 and has not been endorsed for use by the EU, on 1 April 2014.

Phase I of IFRS 9 "Financial Instruments" was issued in November 2009 and has subsequently been updated and amended. The standard is effective for annual periods beginning on or after 1 January 2015 and has not yet been endorsed for use in the EU. The standard introduces changes to the classification and measurement of financial assets, removes the restriction on electing to measure certain financial liabilities at fair value through the income statement from initial recognition and requires changes to the presentation of gains and losses relating to fair value changes.

The Group is currently assessing the impact of the above new pronouncements on its results, financial position and cash flows.

Notes to the consolidated financial statements (continued)

3. Operating profit

Detailed below are the key items charged/(credited) in arriving at our operating profit.

	2013 £m	2012 £m	2011 £m
Net foreign exchange losses	22	34	14
Depreciation of property, plant and equipment (note 13):			
Owned assets	4,209	4,284	4,318
Leased assets	44	79	54
Amortisation of intangible assets (note 10)	3,447	3,496	3,504
Impairment of goodwill in subsidiaries, joint ventures and associates (note 12)	7,700	3,848	6,150
Impairment of licences and spectrum (note 12)	—	121	—
Impairment of property, plant and equipment (note 12)	—	81	—
Negative goodwill (note 11)	(473)	—	—
Research and development expenditure	307	304	287
Staff costs (note 5)	4,051	3,843	3,642
Operating lease rentals payable:			
Plant and machinery	159	173	127
Other assets including fixed line rentals	1,661	1,672	1,761
Loss on disposal of property, plant and equipment	92	47	91
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(418)	(374)	(331)

The total remuneration of the Group's auditor, Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited for services provided to the Group is analysed below:

	2013 £m	2012 £m	2011 £m
Audit fees:			
Parent company	1	1	1
Subsidiaries	7	6	7
	8	7	8
Audit-related assurance services ¹	1	1	1
Audit and audit-related fees:	9	8	9
Taxation advisory services ²	—	—	1
Other non-audit services ²	—	1	—
Total fees	9	9	10

Notes:

1 Relates to fees for statutory and regulatory filings.

2 Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited were engaged during the year to provide a number of taxation advisory and other non-audit services. In aggregate, fees for these services amounted to £0.4 million.

In addition to the above, the Group's joint ventures and associates paid fees totalling £1 million (2012: £2 million; 2011: £1 million) and £4 million (2012: £5 million; 2011: £5 million) respectively to Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited during the year.

Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited have also received fees in each of the last three years in respect of audits of charitable foundations associated to the Group.

A description of the work performed by the Audit and Risk Committee in order to safeguard auditor independence when non-audit services are provided is set out in "Corporate governance" on page 62 and 63.

4. Directors and key management compensation

This note details the total amounts earned by the Company's directors and members of the Executive Committee. Further details can be found in "Directors' remuneration" on pages 79 to 82.

Directors

Aggregate emoluments of the directors of the Company were as follows:

	2013 £m	2012 £m	2011 £m
Salaries and fees	5	5	5
Incentive schemes ¹	7	4	3
Other benefits ²	1	1	1
	13	10	9

Notes:

1 Includes the value of the cash in lieu of global long-term incentive plan dividends.

2 Includes the value of the cash allowance taken by some individuals in lieu of pension contributions.

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 31 March 2013 by directors who served during the year was £2 million (2012: £nil; 2011: £nil).

Key management compensation

Aggregate compensation for key management, being the directors and members of the Executive Committee, was as follows:

	2013 £m	2012 £m	2011 £m
Short-term employee benefits	25	17	18
Post employment benefits – defined contribution schemes	—	—	1
Share-based payments	23	26	22
	48	43	41

Notes to the consolidated financial statements (continued)

5. Employees

This note shows the average number of people employed by the Group during the year, in which areas of our business our employees work and where they are based. It also shows total employment costs.

During the year the Group changed its organisation structure. The information on employees by segment is presented on the revised basis, with prior years amended to conform to the current year presentation.

	2013 Employees	2012 Employees	2011 Employees
By activity:			
Operations	15,422	14,522	14,171
Selling and distribution	32,162	30,286	28,311
Customer care and administration	43,688	41,565	41,380
	91,272	86,373	83,862
By segment:			
Germany	11,088	12,115	12,594
UK	7,850	8,151	8,174
Other Northern and Central Europe	19,679	15,500	14,215
Northern and Central Europe	38,617	35,766	34,983
Italy	5,750	5,838	6,121
Spain	4,223	4,379	4,389
Other Southern Europe	4,219	4,480	4,738
Southern Europe	14,192	14,697	15,248
India	11,996	11,234	10,743
Vodacom	7,311	7,437	7,320
Other Africa, Middle East and Asia Pacific	11,500	10,886	10,896
Africa, Middle East and Asia Pacific	30,807	29,557	28,959
Non-Controlled Interests and Common Functions	7,656	6,353	4,672
Total	91,272	86,373	83,862

The cost incurred in respect of these employees (including directors) was:

	2013 £m	2012 £m	2011 £m
Wages and salaries	3,331	3,158	2,960
Social security costs	419	399	392
Share-based payments (note A4)	134	143	156
Other pension costs (note A5)	167	143	134
	4,051	3,843	3,642

6. Investment income and financing costs

Investment income is mainly comprised of interest received from short-term investments in money market funds, external bank deposits and government bonds and gains from foreign exchange contracts used to mitigate the impact of exchange rate movements on our net debt. Financing costs mainly arise from interest due on bonds and commercial paper issued, external bank loans and the results of hedging transactions used to manage the impact on the Group of foreign exchange and interest rate movements.

	2013 £m	2012 £m	2011 £m
Investment income:			
Available-for-sale investments:			
Dividends received	2	2	83
Loans and receivables at amortised cost	124	168	339
Gain on settlement of loans and receivables ¹	–	–	472
Fair value through the income statement (held for trading):			
Derivatives – foreign exchange contracts	115	121	38
Other ²	64	165	263
Equity put rights and similar arrangements ³	–	–	114
	305	456	1,309
Financing costs:			
Items in hedge relationships:			
Other loans	228	211	746
Interest rate swaps	(184)	(178)	(338)
Dividends on redeemable preference shares	57	56	58
Fair value hedging instrument	(81)	(539)	(47)
Fair value of hedged item	112	511	40
Cash flow hedges transferred from equity	–	–	17
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts ⁴	720	769	629
Other loans ²	736	785	121
Interest credit on settlement of tax issues ⁵	(92)	(9)	(826)
Equity put rights and similar arrangements ³	136	81	19
Finance leases	–	1	9
Fair value through the income statement (held for trading):			
Derivatives – forward starting swaps and futures	105	244	1
Other ²	51	–	–
	1,788	1,932	429
Net financing costs/(investment income)	1,483	1,476	(880)

Notes:

1 Gain on settlement of loans and receivables issued by SoftBank Mobile Corp.

2 Amounts for 2013 include net foreign exchange losses of £91 million (2012: £55 million gain; 2011: £405 million gain) arising from net foreign exchange movements on certain intercompany balances. Amounts for 2012 and 2011 include foreign exchange gains arising on investments held following the disposal of Vodafone Japan to SoftBank Corp.

3 Includes amounts in relation to the Group's arrangements with its non-controlling interest partners in India.

4 The Group capitalised £8 million of interest expense in the year (2012: £25 million; 2011: £38 million). The interest rate used to determine the amount of borrowing costs eligible for capitalisation was 5.6%.

5 Amounts for 2013, 2012 and 2011 include a reduction of the provision for potential interest on tax issues.

Notes to the consolidated financial statements (continued)

7. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note also provides information on our expected future tax charges and sets out the tax assets held across the Group together with our view on whether or not we expect to be able to make use of these in the future.

Income tax expense

	2013 £m	2012 £m	2011 £m
United Kingdom corporation tax expense/(income):			
Current year	—	—	141
Adjustments in respect of prior years	24	(4)	(5)
	24	(4)	136
Overseas current tax expense/(income):			
Current year	3,070	2,440	2,152
Adjustments in respect of prior years	(297)	(231)	(477)
	2,773	2,209	1,675
Total current tax expense	2,797	2,205	1,811
Deferred tax on origination and reversal of temporary differences:			
United Kingdom deferred tax	(52)	(8)	(275)
Overseas deferred tax	(163)	349	92
Total deferred tax (income)/expense	(215)	341	(183)
Total income tax expense	2,582	2,546	1,628

UK operating profits are more than offset by statutory allowances for capital investment in the UK network and systems plus ongoing interest costs including those arising from the £6 billion of spectrum payments to the UK government in 2000.

Tax credited directly to other comprehensive income

	2013 £m	2012 £m	2011 £m
Current tax charge/(credit)	2	(5)	(14)
Deferred tax credit	(40)	(119)	(117)
Total tax credited directly to other comprehensive income	(38)	(124)	(131)

Tax credited directly to equity

	2013 £m	2012 £m	2011 £m
Current tax credit	(17)	(1)	(5)
Deferred tax credit	(1)	(1)	(19)
Total tax credited directly to equity	(18)	(2)	(24)

Factors affecting tax expense for the year

The table below explains the differences between the expected tax expense, at the UK statutory tax rate of 24% (2012: 26%; 2011: 28%), and the Group's total tax expense for each year. Further discussion of the current year tax expense can be found in the section titled "Commentary on the consolidated income statement and statement of comprehensive income" on page 91.

	2013 £m	2012 £m ¹	2011 £m ¹
Profit before tax as shown in the consolidated income statement	3,255	9,549	9,498
Expected income tax expense at UK statutory tax rate	781	2,483	2,659
Effect of different statutory tax rates of overseas jurisdictions	210	616	231
Impairment losses with no tax effect	2,664	1,372	1,993
Disposal of Group investments ²	(10)	(998)	(917)
Effect of taxation of associates, reported within operating profit	4	102	168
Deferred tax impact of previously unrecognised temporary differences including losses ³	(625)	(634)	(1,247)
Current tax impact of previously unrecognised temporary differences including losses	(74)	—	(734)
Effect of unrecognised temporary differences	(184)	(285)	366
Adjustments in respect of prior years	(273)	(210)	(1,088)
Gain on acquisition of CWW with no tax effect	(164)	—	—
Effect of secondary and irrecoverable taxes	117	159	91
Deferred tax on overseas earnings	(75)	15	143
Effect of current year changes in statutory tax rates	(2)	(3)	29
Assets revalued for tax purposes	—	—	121
Expenses not deductible for tax purposes and other items	224	231	332
Exclude taxation of associates	(11)	(302)	(519)
Income tax expense	2,582	2,546	1,628

Notes:

- 1 Comparatives have been restated to align with the current year presentation.
- 2 2012 relates to the disposal of SFR and Polkomtel. 2011 relates to the disposal of China Mobile Limited and SoftBank.
- 3 See commentary regarding deferred tax asset recognition on page 106.

Deferred tax

Analysis of movements in the net deferred tax liability during the year:

	£m
1 April 2012	(4,627)
Exchange movements	(184)
Credited to the income statement	215
Credited directly to other comprehensive income	40
Credited directly to equity	1
Reclassifications	1
Arising on acquisition and disposals	776
31 March 2013	(3,778)

Deferred tax assets and liabilities, before offset of balances within countries, are as follows:

	Amount (charged)/ credited in income statement £m	Gross deferred tax asset £m	Gross deferred tax liability £m	Less amounts unrecognised £m	Net recognised deferred tax (liability)/ asset £m
Accelerated tax depreciation	(197)	1,097	(5,097)	—	(4,000)
Intangible assets	85	238	(1,455)	(80)	(1,297)
Tax losses	164	28,248	—	(26,148)	2,100
Deferred tax on overseas earnings	75	—	(1,812)	—	(1,812)
Other temporary differences	88	3,058	(194)	(1,633)	1,231
31 March 2013	215	32,641	(8,558)	(27,861)	(3,778)

Notes to the consolidated financial statements (continued)

7. Taxation (continued)

Deferred tax assets and liabilities are analysed in the statement of financial position, after offset of balances within countries, as:

	£m
Deferred tax asset	2,920
Deferred tax liability	(6,698)
31 March 2013	(3,778)

At 31 March 2012 deferred tax assets and liabilities, before offset of balances within countries, were as follows:

	Amount (charged)/ credited in income statement £m	Gross deferred tax asset £m	Gross deferred tax liability £m	Less amounts unrecognised £m	Net recognised deferred tax (liability)/ asset £m
Accelerated tax depreciation	(792)	198	(4,595)	—	(4,397)
Intangible assets	178	620	(2,061)	(275)	(1,716)
Tax losses	254	24,742	—	(22,515)	2,227
Deferred tax on overseas earnings	(13)	—	(1,796)	—	(1,796)
Other temporary differences	32	3,254	(877)	(1,322)	1,055
31 March 2012	(341)	28,814	(9,329)	(24,112)	(4,627)

At 31 March 2012 deferred tax assets and liabilities were analysed in the statement of financial position, after offset of balances within countries, as:

	£m
Deferred tax asset	1,970
Deferred tax liability	(6,597)
31 March 2012	(4,627)

Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the impact of corporate restructurings, the resolution of open issues, future planning, corporate acquisitions and disposals, the use of brought forward tax losses and changes in tax legislation and tax rates.

The Group is routinely subject to audit by tax authorities in the territories in which it operates, and specifically, in India these are usually resolved through the Indian legal system. The Group considers each issue on its merits and, where appropriate, holds provisions in respect of the potential tax liability that may arise. However, the amount ultimately paid may differ materially from the amount accrued and could therefore affect the Group's overall profitability and cash flows in future periods.

At 31 March 2013 the gross amount and expiry dates of losses available for carry forward are as follows:

	Expiring within 5 years £m	Expiring within 6–10 years £m	Unlimited £m	Total £m
Losses for which a deferred tax asset is recognised	343	—	8,423	8,766
Losses for which no deferred tax is recognised	1,845	691	94,705	97,241
	2,188	691	103,128	106,007

At 31 March 2012 the gross amount and expiry dates of losses available for carry forward are as follows:

	Expiring within 5 years £m	Expiring within 6–10 years £m	Unlimited £m	Total £m
Losses for which a deferred tax asset is recognised	68	31	8,317	8,416
Losses for which no deferred tax is recognised	1,838	670	82,912	85,420
	1,906	701	91,229	93,836

The losses arising on the write down of investments in Germany are available to use against both German federal and trade tax liabilities. Losses of £3,236 million (2012: £3,804 million) are included in the above table on which a deferred tax asset has been recognised. The Group has not recognised a deferred tax asset on £12,346 million (2012: £11,547 million) of the losses as it is uncertain that these losses will be utilised.

Included above are losses amounting to £7,104 million (2012: £1,907 million) in respect of UK subsidiaries which are only available for offset against future capital gains and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised. The losses have increased since the prior year, following the acquisition of CWW.

The losses above also include £70,644 million (2012: £72,696 million) that have arisen in overseas holding companies as a result of revaluations of those companies' investments for local GAAP purposes. No deferred tax asset is recognised in respect of £66,110 million of these losses as it is uncertain whether these losses will be utilised. A deferred tax asset of £1,325 million (2012: £1,164 million) has been recognised for the remainder of these losses which relate to a fiscal unity in Luxembourg as we expect the members of this fiscal unity to generate taxable profits against which these losses will be used.

In addition to the above, we have an acquired £7,642 million of losses in overseas holding companies following our purchase of CWW, for which no deferred tax asset has been recognised.

The remaining losses relate to a number of other jurisdictions across the Group. There are also £5,918 million (2012: £7,283 million) of unrecognised other temporary differences.

The Group holds provisions of £1,812 million (2012: £1,796 million) in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint ventures were to be realised after the end of the reporting period (see table above). No deferred tax liability has been recognised in respect of a further £47,978 million (2012: £51,267 million) of unremitted earnings of subsidiaries, associates and joint ventures because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.

8. Earnings per share

Basic earnings per share is the amount of profit generated for the financial year divided by the number of shares in issue. The calculation is based on the weighted average number of shares in issue during the year. The total number of shares used to calculate diluted earnings per share includes the impact of restricted shares and share options, if dilutive, as if these were also issued.

	2013 Millions	2012 Millions	2011 Millions
Weighted average number of shares for basic earnings per share	49,190	50,644	52,408
Effect of dilutive potential shares: restricted shares and share options	244	314	340
Weighted average number of shares for diluted earnings per share	49,434	50,958	52,748

	£m	£m	£m
Earnings for basic and diluted earnings per share	429	6,957	7,968

9. Equity dividends

Dividends are one type of shareholder return, historically paid to our shareholders twice a year in February and August. For information on shareholder returns in the form of share buybacks, refer to "Purchase of own shares" on page 95.

	2013 £m	2012 £m	2011 £m
Declared during the financial year:			
Final dividend for the year ended 31 March 2012: 6.47 pence per share (2011: 6.05 pence per share, 2010: 5.65 pence per share)	3,193	3,102	2,976
Interim dividend for the year ended 31 March 2013: 3.27 pence per share (2012: 3.05 pence per share, 2011: 2.85 pence per share)	1,608	1,536	1,492
Second interim dividend share for the year ended 31 March 2013: nil (2012: 4.00 pence per share, 2011: nil)	—	2,016	—
	4,801	6,654	4,468
Proposed after the end of the reporting period and not recognised as a liability:			
Final dividend for the year ended 31 March 2013: 6.92 pence per share (2012: 6.47 pence per share, 2011: 6.05 pence per share)	3,377	3,195	3,106

Notes to the consolidated financial statements (continued)

10. Intangible assets

Our statement of financial position contains significant intangible assets, mainly in relation to goodwill. Goodwill arises when we acquire a business and pay a higher amount than the fair value of the net assets of that business primarily due to the synergies we expect to gain from the acquisition. Goodwill is not amortised but is subject to annual impairment reviews. We also spend a significant amount on licences and spectrum which is usually amortised over the life of the licence. Refer to “Critical accounting estimates” on pages 86 and 87 for further information on how we calculate the carrying value of our goodwill and intangible assets and our processes for impairment testing.

	Goodwill £m	Licences and spectrum £m	Computer software £m	Other £m	Total £m
Cost:					
1 April 2011	103,900	30,159	9,949	3,269	147,277
Exchange movements	(6,398)	(1,804)	(539)	(306)	(9,047)
Arising on acquisition	87	—	19	33	139
Additions	—	1,263	1,653	10	2,926
Disposals	—	—	(653)	(18)	(671)
Disposals of subsidiaries and joint ventures	(358)	(139)	(52)	(24)	(573)
Other	—	—	81	32	113
31 March 2012	97,231	29,479	10,458	2,996	140,164
Exchange movements	712	(15)	100	(207)	590
Arising on acquisition	59	28	63	335	485
Additions	—	2,440	1,578	—	4,018
Disposals	—	(9)	(603)	—	(612)
Disposals of subsidiaries and joint ventures	—	—	(4)	—	(4)
Other	(25)	(5)	—	(11)	(41)
31 March 2013	97,977	31,918	11,592	3,113	144,600
Accumulated impairment losses and amortisation:					
1 April 2011	58,664	10,623	7,135	2,297	78,719
Exchange movements	(3,601)	(645)	(371)	(220)	(4,837)
Amortisation charge for the year	—	1,891	1,298	307	3,496
Impairment losses	3,818	121	—	—	3,939
Disposals	—	—	(634)	(16)	(650)
Disposals of subsidiaries and joint ventures	—	(34)	(23)	(20)	(77)
Other	—	—	55	5	60
31 March 2012	58,881	11,956	7,460	2,353	80,650
Exchange movements	1,024	53	81	(145)	1,013
Amortisation charge for the year	—	1,782	1,399	266	3,447
Impairment losses	7,700	—	—	—	7,700
Disposals	—	(5)	(589)	—	(594)
Disposals of subsidiaries and joint ventures	—	—	(3)	—	(3)
Other	—	—	—	(10)	(10)
31 March 2013	67,605	13,786	8,348	2,464	92,203
Net book value:					
31 March 2012	38,350	17,523	2,998	643	59,514
31 March 2013	30,372	18,132	3,244	649	52,397

For licences and spectrum and other intangible assets, amortisation is included within the cost of sales line within the consolidated income statement. Licences and spectrum with a net book value of £2,702 million (2012: £2,991 million) have been pledged as security against borrowings.

The net book value and expiry dates of the most significant licences are as follows:

	Expiry date	2013 £m	2012 £m
Germany	December 2020/2025	4,329	4,778
UK	December 2021/March 2033	3,782	3,250
India	December 2026/September 2030	1,493	1,455
Qatar	June 2028	1,111	1,125
Italy	December 2021/2029	1,717	1,771
Netherlands	December 2016/February 2030/May 2030	1,329	234

The remaining amortisation period for each of the licences in the table above corresponds to the expiry date of the respective licence. A summary of the Group's most significant mobile licences can be found on page 178.

11. Acquisitions and disposals

We made a number of business acquisitions during the year, the two largest being Cable & Wireless Worldwide plc and TelstraClear Limited. See below for further details of the net assets acquired and the goodwill arising. The note also provides details of our disposals of our interests in SFR and Polkomtel in the prior year.

The aggregate cash consideration in respect of purchases of interests in subsidiaries and joint ventures, net of cash acquired, is as follows:

	£m
Cash consideration paid:	
Cable & Wireless Worldwide plc	1,050
TelstraClear Limited	440
Other acquisitions completed during the year	25
	1,515
Net overdrafts acquired	(83)
	1,432

Total goodwill acquired was £59 million and included £44 million in relation to TelstraClear and £15 million in relation to other acquisitions completed during the year.

Cable & Wireless Worldwide plc ('CWW')

On 27 July 2012 the Group acquired the entire share capital of CWW for cash consideration of approximately £1,050 million before tax and transaction costs. CWW de-listed from the London Stock Exchange on 30 July 2012. CWW provides a wide range of managed voice, data, hosting and IP-based services and applications. The primary reasons for acquiring the business were to strengthen the enterprise business of Vodafone Group in the UK and internationally, and the attractive network and other cost saving opportunities for the Vodafone Group.

The results of the acquired entity have been consolidated in the Group's income statement from 27 July 2012 and contributed £1,234 million of revenue and a loss of £151 million to the profit attributable to equity shareholders of the Group during the year.

The purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Identifiable intangible assets ¹	325
Property, plant and equipment	1,207
Inventory	34
Trade and other receivables	452
Cash and cash equivalents	78
Current and deferred taxation	788
Short and long-term borrowings	(306)
Trade and other payables	(754)
Provisions	(249)
Post employment benefits	(47)
Net identifiable assets acquired	1,528
Non-controlling interests	(5)
Negative goodwill ²	(473)
Total consideration	1,050

Notes:

¹ Identifiable intangible assets of £325 million consisted of customer relationships of £225 million, CWW brand of £54 million and software of £46 million and are amortised in line with Group accounting policies.

² Transaction costs of £11 million were charged in the Group's consolidated income statement in the year ended 31 March 2013.

The negative goodwill primarily arose from an upward fair value adjustment in relation to acquired property, plant and equipment, the recognition of acquired identifiable intangible assets not previously recognised by CWW together with the recognition of a deferred tax asset resulting from previously unclaimed UK capital allowances. The change in the purchase price allocation from that previously disclosed relates to further deferred tax asset recognition following the completion of new long-term business plans. No deferred tax assets have been recognised in respect of the losses of CWW (see "Factors affecting the tax charge in future years" on page 106). The income statement credit in respect of the negative goodwill is reported within "Other income and expense" on the face of the consolidated income statement.

On 27 July 2012 the Group acquired convertible bonds issued by CWW amounting to £245 million which resulted in £6 million of interest being charged to the Group's consolidated income statement in the year ended 31 March 2013.

Notes to the consolidated financial statements (continued)

11. Acquisitions and disposals (continued)

TelstraClear Limited ('TelstraClear')

On 31 October 2012 the Group acquired the entire share capital of TelstraClear for cash consideration of NZ\$863 million (£440 million). The primary reasons for acquiring the business were to strengthen Vodafone New Zealand's portfolio of fixed communications solutions and to create a leading total communications company in New Zealand.

The results of the acquired entity which have been consolidated in the income statement from 31 October 2012 contributed £136 million of revenues and a loss of £23 million to the profit attributable to equity shareholders of the Group during the period.

The provisional purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Identifiable intangible assets ¹	84
Property, plant and equipment	345
Trade and other receivables	55
Cash and cash equivalents	5
Current and deferred taxation liabilities	(19)
Trade and other payables	(59)
Provisions	(15)
Net identifiable assets acquired	396
Goodwill ²	44
Total consideration	440

Notes:

1 Identifiable intangible assets of £84 million consist of licences and spectrum fees of £27 million, TelstraClear brand of £3 million and customer relationships of £54 million.

2 The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group's acquisition of TelstraClear. None of the goodwill is expected to be deductible for tax purposes.

Pro-forma full year information

The following unaudited pro-forma summary presents the Group as if the acquisitions of CWW and TelstraClear had been completed on 1 April 2012. The pro-forma amounts include the results of CWW and TelstraClear, amortisation of the acquired intangible assets recognised on acquisition and interest expense on the increase in net debt as a result of the acquisitions. The pro-forma information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

	2013 £m
Revenue	45,289
Profit for the financial year	601
Profit attributable to equity shareholders	355

	Pence
Basic earnings per share	0.72
Diluted earnings per share	0.72

Other acquisitions

During the 2013 financial year the Group completed a number of other acquisitions for an aggregate net cash consideration of £25 million, all of which was paid during the year. The aggregate fair values of goodwill, identifiable assets, and liabilities of the acquired operations were £15 million, £16 million and £6 million, respectively. In addition, the Group completed the acquisition of certain non-controlling interests for a net cash consideration of £7 million.

Disposals

France – Société Française du Radiotéléphone S.A. ('SFR')

On 16 June 2011 the Group sold its entire 44% shareholding in SFR to Vivendi for a cash consideration of €7,750 million (£6,805 million) before tax and transaction costs and also received a final dividend of €200 million (£178 million) on completion of the transaction. The Group recognised a net gain on disposal of £3,419 million, reported in other income and expense.

	SFR £m
Net assets disposed	(3,953)
Total cash consideration	6,805
Other effects ¹	567
Net gain on disposal²	3,419

Notes:

1 Other effects include foreign exchange gains and losses transferred to the income statement and professional fees related to the disposal.

2 Reported in other income and expense in the consolidated income statement.

Poland – Polkomtel S.A.

On 9 November 2011 the Group sold its entire 24.4% interest in Polkomtel S.A. to Spartan Capital Holdings SP. z o.o for a cash consideration of €918 million (£784 million) before tax and transaction costs. The Group recognised a net gain on disposal of £296 million, reported in other income and expense.

	Polkomtel £m
Net assets disposed	(579)
Total cash consideration	784
Other effects ¹	91
Net gain on disposal ²	296

Notes:

1 Other effects include foreign exchange gains and losses transferred to the income statement and professional fees related to the disposal.

2 Reported in other income and expense in the consolidated income statement.

China – China Mobile Limited

In the year ended 31 March 2011 the Group sold its 3.2% interest in China Mobile for £4,264 million generating a £3,019 million income statement gain, including income statement recognition of foreign exchange rate gains previously recognised in equity.

12. Impairment review

Impairment occurs when the carrying value of an asset or group of assets is greater than the present value of the cash they are expected to generate. We review the carrying value of the assets in each country in which we operate at least annually. For further details on our impairment review process see “Critical accounting estimates” on page 87 and “Impairment of assets” under our significant accounting policies on page 131.

Impairment losses

Following our annual impairment review, the net impairment losses recognised in the consolidated income statement, as a separate line item within operating profit, in respect of goodwill, licences and spectrum fees, and property, plant and equipment are as below. The impairment losses were based on value in use calculations.

Cash generating unit	Reportable segment	2013 £m	2012 £m	2011 ¹ £m
Italy	Italy	4,500	2,450	1,050
Spain	Spain	3,200	900	2,950
Greece	Other Southern Europe ¹	—	450	800
Portugal	Other Southern Europe ¹	—	250	350
Ireland	Other Northern and Central Europe ¹	—	—	1,000
		7,700	4,050	6,150

Note:

1 Total impairment losses in the Other Southern Europe segment were £nil in the year ended 31 March 2013 (2012: £700 million; 2011: £1,150 million).

Goodwill

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

	2013 £m	2012 £m
Germany	11,703	11,566
Italy	5,867	10,400
Spain	2,515	5,833
	20,085	27,799
Other	10,287	10,551
	30,372	38,350

Notes to the consolidated financial statements (continued)

12. Impairment review (continued)

Key assumptions used in the value in use calculations

The key assumptions used in determining the value in use are:

Assumption	How determined
Budgeted EBITDA	<p>Budgeted EBITDA has been based on past experience adjusted for the following:</p> <ul style="list-style-type: none"> → voice and messaging revenue is expected to benefit from increased usage from new customers, especially in emerging markets, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be offset by increased competitor activity, which may result in price declines, and the trend of falling termination and other regulated rates; → non-messaging data revenue is expected to continue to grow as the penetration of 3G (plus 4G where available) enabled devices and smartphones rise along with higher data bundle attachment rates, and new products and services are introduced; and → margins are expected to be impacted by negative factors such as the cost of acquiring and retaining customers in increasingly competitive markets and the expectation of further termination rate cuts by regulators and by positive factors such as the efficiencies expected from the implementation of Group initiatives.
Budgeted capital expenditure	The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to roll out networks in emerging markets, to provide enhanced voice and data products and services and to meet the population coverage requirements of certain of the Group's licences. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Long-term growth rate	<p>For businesses where the five year management plans are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:</p> <ul style="list-style-type: none"> → the nominal GDP rates for the country of operation; and → the long-term compound annual growth rate in EBITDA in years six to ten estimated by management.
Pre-tax risk adjusted discount rate	<p>The discount rate applied to the cash flows of each of the Group's operations is generally based on the risk free rate for ten year bonds issued by the government in the respective market. Where government bond rates contain a material component of credit risk, high quality local corporate bond rates may be used.</p> <p>These rates are adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole.</p> <p>In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the Group's operations determined using an average of the betas of comparable listed mobile telecommunications companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration both studies by independent economists, the average equity market risk premium over the past ten years and the market risk premiums typically used by investment banks in evaluating acquisition proposals.</p>

Year ended 31 March 2013

During the year ended 31 March 2013 impairment charges of £4,500 million and £3,200 million were recorded in respect of the Group's investments in Italy and Spain respectively. The impairment charges relate solely to goodwill.

The impairment charges were driven by a combination of lower projected cash flows within business plans, resulting from our reassessment of expected future business performance in light of current trading and economic conditions and adverse movements in discount rates driven by the credit rating and yields on ten year government bonds.

The table below shows the key assumptions used in the value in use calculations.

	Assumptions used in value in use calculation					
	Italy %	Spain %	Germany %	Greece %	Portugal %	Romania %
Pre-tax risk adjusted discount rate	11.3	12.2	9.6	23.9	11.2	11.2
Long-term growth rate	0.5	1.9	1.4	1.0	0.4	3.0
Budgeted EBITDA ¹	(0.2)	1.7	2.5	0.4	(1.5)	0.8
Budgeted capital expenditure ²	9.9–15.2	11.2–15.2	11.3–12.6	7.8–11.0	10.0–18.9	10.1–15.5

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash generating units of the plans used for impairment testing.

Sensitivity analysis

Other than as disclosed below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash generating unit to exceed its recoverable amount.

The carrying values of the Group's operations in Italy, Spain, Portugal and Greece are equal to, or not materially greater than, their estimated recoverable amounts; consequently, any adverse change in key assumptions would, in isolation, cause a further impairment loss to be recognised. The estimated recoverable amounts of the Group's operations in Germany and Romania exceeded their carrying values by approximately £1,034 million and £184 million respectively.

	Change required for carrying value to equal the recoverable amount	
	Germany pps	Romania pps
Pre-tax risk adjusted discount rate	0.4	1.0
Long-term growth rate	(0.5)	(1.2)
Budgeted EBITDA ¹	(0.7)	(1.7)
Budgeted capital expenditure ²	1.1	2.8

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all the cash generating units of the plans used for impairment testing.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the aggregate impairment loss recognised in the year ended 31 March 2013:

	Italy		Spain		Portugal	
	Increase by 2pps Ebn	Decrease by 2pps Ebn	Increase by 2pps Ebn	Decrease by 2pps Ebn	Increase by 2pps Ebn	Decrease by 2pps Ebn
Pre-tax risk adjusted discount rate	(1.4)	1.8	(0.7)	—	(0.3)	—
Long-term growth rate	1.8	(1.3)	—	(0.7)	—	(0.3)
Budgeted EBITDA ¹	0.5	(0.5)	—	(0.1)	—	(0.1)
Budgeted capital expenditure ²	(0.9)	0.9	(0.6)	—	(0.2)	—

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as a percentage of revenue in the initial five years for all the cash generating units of the plans used for impairment testing.

Year ended 31 March 2012

During the year ended 31 March 2012 impairment charges of £2,450 million, £900 million, £450 million and £250 million were recorded in respect of the Group's investments in Italy, Spain, Greece and Portugal, respectively. Of the total charge, £3,848 million related to goodwill and £202 million was allocated to licence intangible assets and property, plant and equipment in Greece.

The impairment charges were primarily driven by increased discount rates as a result of increases in bond rates, with the exception of Spain where rates reduced marginally compared to 31 March 2011. In addition, business valuations were negatively impacted by lower cash flows within business plans reflecting challenging economic and competitive conditions, and faster than expected regulatory rate cuts, particularly in Italy.

The table below shows the key assumptions used in the value in use calculations.

	Assumptions used in value in use calculation						
	Germany %	Italy %	Spain %	Greece %	Portugal %	India %	Romania %
Pre-tax risk adjusted discount rate	8.5	12.1	10.6	22.8	16.9	15.1	11.5
Long-term growth rate	1.5	1.2	1.6	1.0	2.3	6.8	3.0
Budgeted EBITDA ¹	2.3	(1.2)	3.9	(6.1)	0.2	15.0	0.8
Budgeted capital expenditure ²	8.5–11.8	10.1–12.3	10.3–11.7	9.3–12.7	12.5–14.0	11.4–14.4	12.0–14.3

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash generating units of the plans used for impairment testing.

Notes to the consolidated financial statements (continued)

12. Impairment review (continued)

Sensitivity analysis

The table below shows, for India and Romania, the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value.

	Change required for carrying value to equal the recoverable amount	
	India pps	Romania pps
Pre-tax risk adjusted discount rate	1.1	0.3
Long-term growth rate	(1.6)	(0.4)
Budgeted EBITDA ¹	(3.3)	(0.6)
Budgeted capital expenditure ²	3.6	1.0

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as a percentage of revenue in the initial five years for all the cash generating units of the plans used for impairment testing.

Year ended 31 March 2011

During the year ended 31 March 2011 impairment charges of £1,050 million, £2,950 million, £800 million, £1,000 million and £350 million were recorded in respect of the Group's investments in Italy, Spain, Greece, Ireland and Portugal, respectively. The impairment charges related solely to goodwill.

The impairment charges were primarily driven by increased discount rates as a result of increases in government bond rates. In addition, business valuations were negatively impacted by lower cash flows within business plans, reflecting weaker country-level macroeconomic environments.

The table below shows the pre-tax adjusted discount rates used in the value in use calculations.

	Assumptions used in value in use calculation				
	Italy %	Spain %	Greece %	Ireland %	Portugal %
Pre-tax risk adjusted discount rate	11.9	11.5	14.0	14.5	14.0

13. Property, plant and equipment

We make significant investments in network equipment and infrastructure – the base stations and technology required to operate our networks – that form the majority of our tangible assets. All assets are depreciated over their useful economic lives. For further details on the estimation of useful economic lives, also see “Critical accounting estimates” on page 87 and “Property, plant and equipment” under significant accounting policies on page 131.

	Land and buildings £m	Equipment, fixtures and fittings £m	Total £m
Cost:			
1 April 2011	1,731	47,038	48,769
Exchange movements	(89)	(2,933)	(3,022)
Arising on acquisition	2	5	7
Additions	140	4,562	4,702
Disposals	(29)	(1,458)	(1,487)
Disposals of subsidiaries and joint ventures	–	(604)	(604)
Other	(53)	(45)	(98)
31 March 2012	1,702	46,565	48,267
Exchange movements	(16)	96	80
Arising on acquisition	52	1,503	1,555
Additions	143	4,545	4,688
Disposals	(30)	(2,577)	(2,607)
Disposals of subsidiaries and joint ventures	(1)	(28)	(29)
Other	37	(143)	(106)
31 March 2013	1,887	49,961	51,848
Accumulated depreciation and impairment:			
1 April 2011	709	27,879	28,588
Exchange movements	(33)	(1,652)	(1,685)
Charge for the year	98	4,265	4,363
Impairment losses	–	81	81
Disposals	(23)	(1,252)	(1,275)
Disposals of subsidiaries and joint ventures	–	(400)	(400)
Other	–	(60)	(60)
31 March 2012	751	28,861	29,612
Exchange movements	4	197	201
Charge for the year	122	4,131	4,253
Disposals	(24)	(2,391)	(2,415)
Disposals of subsidiaries and joint ventures	(1)	(14)	(15)
Other	31	(150)	(119)
31 March 2013	883	30,634	31,517
Net book value:			
31 March 2012	951	17,704	18,655
31 March 2013	1,004	19,327	20,331

The net book value of land and buildings and equipment, fixtures and fittings includes £62 million and £385 million respectively (2012: £58 million and £233 million) in relation to assets held under finance leases. Included in the net book value of land and buildings and equipment, fixtures and fittings are assets in the course of construction, which are not depreciated, with a cost of £18 million and £2,377 million respectively (2012: £28 million and £2,037 million). Property, plant and equipment with a net book value of £913 million (2012: £893 million) has been pledged as security against borrowings.

Notes to the consolidated financial statements (continued)

14. Investments in joint ventures

We hold interests in several joint ventures that are companies where we share control with one or more third parties, with our business in Italy being the most significant. The principal joint ventures at 31 March 2013, as well as their impact on the Group's consolidated financial statements, are shown below. We record our share of results, assets, liabilities and cash flows on a line by line basis in Group's financial statements.

Unless otherwise stated the Company's principal joint ventures all have share capital consisting solely of ordinary shares, which are indirectly held, and the country of incorporation or registration is also their principal place of operation.

Name	Principal activity	Country of incorporation or registration	Percentage ¹ shareholdings
Indus Towers Limited	Network infrastructure	India	35.5 ²
Vodafone Hutchison Australia Pty Limited ³	Network operator	Australia	50.0
Vodafone Fiji Limited	Network operator	Fiji	49.0 ⁴
Cornerstone Telecommunications Infrastructure Limited	Network infrastructure	UK	50.0
Vodafone Omnitel N.V. ⁵	Network operator	Netherlands	76.9 ⁶

Notes:

1 Effective ownership percentages of Vodafone Group Plc at 31 March 2013, rounded to the nearest tenth of one percent.

2 42% of Indus Towers Limited is held by Vodafone India Limited ('VIL') in which, as discussed in note A8, footnote 5, the Group had a 64.4% interest through wholly-owned subsidiaries and a further 20.1% indirectly through less than 50% owned entities.

3 Vodafone Hutchison Australia Pty Limited has a year end of 31 December.

4 The Group holds substantive participating rights which provide it with a veto over the significant financial and operating policies of Vodafone Fiji Limited and which ensure it is able to exercise joint control over Vodafone Fiji Limited with the majority shareholder.

5 The principal place of operation of Vodafone Omnitel N.V. is Italy.

6 The Group considered the existence of substantive participating rights held by the non-controlling shareholder provide that shareholder with a veto right over the significant financial and operating policies of Vodafone Omnitel N.V., and determined that, as a result of these rights, the Group does not have control over the financial and operating policies of Vodafone Omnitel N.V., despite the Group's 76.9% ownership interest.

Effect of proportionate consolidation of joint ventures

The following table presents, on a condensed basis, the effect on the consolidated financial statements of including joint ventures using proportionate consolidation. The results of Polkomtel are included until its disposal on 9 November 2011.

	2013 £m	2012 £m	2011 £m
Revenue	6,431	7,436	7,849
Cost of sales	(3,976)	(4,483)	(4,200)
Gross profit	2,455	2,953	3,649
Selling, distribution and administrative expenses	(1,459)	(1,231)	(1,624)
Impairment losses	(4,500)	(2,450)	(1,050)
Other income and expense	(3)	296	—
Operating (loss)/profit	(3,507)	(432)	975
Net financing costs	(137)	(141)	(146)
(Loss)/profit before tax	(3,644)	(573)	829
Income tax expense	(374)	(552)	(608)
(Loss)/profit for the financial year	(4,018)	(1,125)	221

	2013 £m	2012 £m
Non-current assets	11,041	15,707
Current assets	1,733	911
Total assets	12,774	16,618
Total shareholders' funds and total equity	8,246	12,574
Non-current liabilities	1,595	1,721
Current liabilities	2,933	2,323
Total liabilities	4,528	4,044
Total equity and liabilities	12,774	16,618

15. Investments in associates

We hold investments in several associates, the main one being Verizon Wireless, which are businesses that we have significant influence over but do not control. Our share of associates' profit and net assets is recorded as a single line item in the consolidated income statement and the consolidated statement of financial position, respectively. The principal investments in associates at 31 March 2013 are shown below together with further financial information.

The Company's principal associates all have share capital consisting solely of ordinary shares, unless otherwise stated, and are all indirectly held. The country of incorporation or registration of all associates is also their principal place of operation.

Name	Principal activity	Country of incorporation or registration	Percentage ¹ shareholdings
Cellco Partnership ²	Network operator	US	45.0
Safaricom Limited ^{3 4}	Network operator	Kenya	40.0

Notes:

1 Effective ownership percentages of Vodafone Group Plc at 31 March 2013, rounded to the nearest tenth of one percent.

2 Cellco Partnership trades under the name Verizon Wireless.

3 The Group also holds two non-voting shares.

4 At 31 March 2013 the fair value of Safaricom Limited was KES 96 billion (£739 million) based on the closing quoted share price on the Nairobi Stock Exchange.

The Group's share of the aggregated financial information of equity accounted associates is set out below.

	2013 £m	2012 £m	2011 £m
Share of revenue in associates	22,453	20,601	24,213
Share of result in associates	6,477	4,963	5,059
Share of discontinued operations in associates	—	—	18

	2013 £m	2012 £m
Non-current assets	41,943	38,788
Current assets	4,483	3,764
Share of total assets	46,426	42,552
Non-current liabilities	2,893	3,990
Current liabilities	4,283	2,888
Non-controlling interests	615	566
Share of total liabilities and non-controlling interests	7,791	7,444
Share of equity shareholders' funds in associates	38,635	35,108

16. Other investments

We hold a number of other listed and unlisted investments, the main one being an indirect holding in Bharti Airtel Limited, a telecommunications company headquartered in India.

	2013 £m	2012 £m
Included within non-current assets:		
Listed securities:		
Equity securities	3	1
Unlisted securities:		
Equity securities	571	671
Public debt and bonds	134	54
Other debt and bonds	66	65
	774	791

The listed and unlisted securities are classified as available-for-sale. Public debt and bonds are classified as held for trading, and other debt and bonds are classified as loans and receivables.

Unlisted equity securities include a 26% interest in Bharti Infotel Private Limited through which the Group has a 4.4% economic interest in Bharti Airtel Limited. Unlisted equity investments are recorded at fair value where appropriate, or at cost if their fair value cannot be reliably measured as there is no active market from which their fair values can be derived.

For public debt and bonds, other debt and bonds and cash held in restricted deposits, the carrying amount approximates fair value.

Current other investments comprise the following, of which public debt and bonds are classified as held for trading.

Notes to the consolidated financial statements (continued)

16. Other investments (continued)

	2013 £m	2012 £m
Included within current assets:		
Public debt and bonds	1,130	900
Other debt and bonds	3,816	90
Cash held in restricted deposits	404	333
	5,350	1,323

Other debt and bonds includes £3,812 million of assets held for trading which include £3,000 million (2012: £nil) of assets held in managed investment funds with liquidity of up to 90 days, £643 million (2012: £nil) of short-term securitised investments with original maturities of up to eight months, and collateral paid on derivative financial instruments of £169 million (2012: £87 million).

Current public debt and bonds include government bonds of £1,076 million (2012: £900 million) which consist of highly liquid index linked gilts with less than six years to maturity held on an effective floating rate basis.

For public debt and bonds, other debt and bonds and cash held in restricted deposits, the carrying amount approximates fair value.

17. Trade and other receivables

Our trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. Trade receivables are shown net of an allowance for bad or doubtful debts. Derivative financial instruments with a positive market value are reported within this note.

	2013 £m	2012 £m
Included within non-current assets:		
Trade receivables	181	120
Other receivables	675	235
Prepayments and accrued income	502	326
Derivative financial instruments	2,944	2,801
	4,302	3,482
Included within current assets:		
Trade receivables	3,995	3,885
Amounts owed by associates	21	15
Other receivables	1,202	2,984
Prepayments and accrued income	4,106	3,702
Derivative financial instruments	88	158
	9,412	10,744

The Group's trade receivables are stated after allowances for bad and doubtful debts based on management's assessment of creditworthiness, an analysis of which is as follows:

	2013 £m	2012 £m	2011 £m
1 April	1,014	1,006	929
Exchange movements	(3)	(64)	(30)
Amounts charged to administrative expenses	458	458	460
Trade receivables written off	(504)	(386)	(353)
31 March	965	1,014	1,006

The carrying amounts of trade and other receivables approximate their fair value. Trade and other receivables are predominantly non-interest bearing.

	2013 £m	2012 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	1,508	1,196
Cross currency interest rate swaps	319	318
Foreign exchange swaps	88	128
	1,915	1,642
Fair value hedges:		
Interest rate swaps	1,117	1,317
	3,032	2,959

The fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at 31 March.

18. Trade and other payables

Our trade and other payables mainly consist of amounts we owe to our suppliers that have been invoiced or are accrued. They also include taxes and social security amounts due in relation to our role as an employer. Derivative financial instruments with a negative market value are reported within this note.

	2013 £m	2012 £m
Included within non-current liabilities:		
Other payables	191	193
Accruals and deferred income	321	357
Derivative financial instruments	982	774
	1,494	1,324
Included within current liabilities:		
Trade payables	4,328	4,526
Amounts owed to associates	19	18
Other taxes and social security payable	1,284	1,075
Other payables	512	541
Accruals and deferred income	9,933	8,961
Derivative financial instruments	122	115
	16,198	15,236

The carrying amounts of trade and other payables approximate their fair value. The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at 31 March.

	2013 £m	2012 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	1,016	800
Foreign exchange swaps	44	89
	1,060	889
Fair value hedges:		
Interest rate swaps	44	—
	1,104	889

Notes to the consolidated financial statements (continued)

19. Provisions

A provision is a liability recorded in the statement of financial position, where there is uncertainty over the timing or amount that will be paid. The amount provided is therefore often estimated. The main provisions we hold are in relation to asset retirement obligations and claims for legal and regulatory matters. Asset retirement obligations include the cost of returning network infrastructure sites to their original condition at the end of the lease.

	Asset retirement obligations £m	Legal and regulatory £m	Other £m	Total £m
1 April 2011	315	270	456	1,041
Exchange movements	(19)	(12)	(26)	(57)
Amounts capitalised in the year	37	—	—	37
Amounts charged to the income statement	—	50	209	259
Utilised in the year – payments	(4)	(25)	(164)	(193)
Amounts released to the income statement	—	(6)	(47)	(53)
Other	(10)	33	55	78
31 March 2012	319	310	483	1,112
Exchange movements	(2)	5	(5)	(2)
Arising on acquisition	147	8	109	264
Amounts capitalised in the year	68	—	—	68
Amounts charged to the income statement	—	59	308	367
Utilised in the year – payments	(7)	(42)	(174)	(223)
Amounts released to the income statement	—	(17)	(23)	(40)
Other	(3)	180	2	179
31 March 2013	522	503	700	1,725

Provisions have been analysed between current and non-current as follows:

31 March 2013

	Asset retirement obligations £m	Legal and regulatory £m	Other £m	Total £m
Current liabilities	20	262	536	818
Non-current liabilities	502	241	164	907
	522	503	700	1,725

31 March 2012

	Asset retirement obligations £m	Legal and regulatory £m	Other £m	Total £m
Current liabilities	15	225	393	633
Non-current liabilities	304	85	90	479
	319	310	483	1,112

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 exiting and ceasing their use. The associated cash outflows are substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in periods up to 25 years from when the asset is brought into use.

Legal and regulatory

The Group is involved in a number of legal and other disputes, including notifications of possible claims. The directors of the Company, after taking legal advice, have established provisions after taking into account the facts of each case. The timing of cash outflows associated with the majority of legal claims are typically less than one year, however, for some legal claims the timing of cash flows may be long-term in nature. For a discussion of certain legal issues potentially affecting the Group refer to note 21.

Other provisions

Other provisions comprises various provisions including those for restructuring costs and property. The associated cash outflows for restructuring costs are primarily less than one year. The timing of the cash flows associated with property is dependent upon the remaining term of the associated lease.

20. Commitments

A commitment is a contractual obligation to make a payment in the future. These amounts are not recorded in the consolidated statement of financial position since we have not yet received the goods or services from the supplier. We have a number of commitments, mainly in relation to leases and agreements to buy fixed assets such as network infrastructure and IT systems. The amounts below are the minimum amounts that we are committed to pay.

Operating lease commitments

The Group has entered into commercial leases on certain properties, network infrastructure, motor vehicles and items of equipment. The leases have various terms, escalation clauses, purchase options and renewal rights, none of which are individually significant to the Group.

Future minimum lease payments under non-cancellable operating leases comprise:

	2013 £m	2012 £m
Within one year	1,238	1,110
In more than one year but less than two years	968	893
In more than two years but less than three years	764	740
In more than three years but less than four years	647	624
In more than four years but less than five years	547	528
In more than five years	2,476	2,246
	6,640	6,141

The total of future minimum sublease payments expected to be received under non-cancellable subleases is £324 million (2012: £252 million).

Capital commitments

	Company and subsidiaries		Share of joint ventures		Group	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Contracts placed for future capital expenditure not provided in the financial statements ¹	1,715	1,735	244	283	1,959	2,018

Note:

¹ Commitment includes contracts placed for property, plant and equipment and intangible assets.

The commitments of Cellco Partnership ('Cellco'), which trades under the name of Verizon Wireless, are disclosed within the consolidated financial statements of Cellco for the year ended 31 December 2012, which are included as an exhibit to our 2013 annual report on Form 20-F filed with the SEC.

21. Contingent liabilities

Contingent liabilities are potential future cash outflows where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably.

	2013 £m	2012 £m
Performance bonds ¹	266	270
Other guarantees and contingent liabilities	675	628

Note:

¹ Performance bonds require the Group to make payments to third parties in the event that the Group does not perform what is expected of it under the terms of any related contracts or commercial arrangements.

Notes to the consolidated financial statements (continued)

21. Contingent liabilities (continued)

UK pension schemes

The Company has covenanted to provide security in favour of the Trustee of the Vodafone Group UK Pension Scheme whilst there is a deficit in the scheme. The deficit is measured on a prescribed basis agreed between the Company and Trustee. In 2010 the Company and Trustee agreed security of a charge over UK index linked gilts ('ILG') held by the Company. An initial charge in favour of the Trustee was agreed over ILG 2016 with a notional value of €100 million and ILG 2013 with a notional value of €48.9 million to secure the deficit at that time of approximately €450 million. In December 2011, the security was increased by an additional charge over ILG 2017 with a notional value of €177.7 million due to an increase in the deficit. The security may be substituted either on a voluntary or mandatory basis. As and when alternative security is provided, the Company has agreed that the security cover should include additional headroom of 33%, although if cash is used as the security asset the ratio will revert to 100% of the relevant liabilities or where the proposed replacement security asset is listed on an internationally recognised stock exchange in certain core jurisdictions, the Trustee may decide to agree a lower ratio than 133%. The Company has also provided two guarantees to the scheme for a combined value up to €1.5 billion to provide security over the deficit under certain defined circumstances, including insolvency of the employers.

The Company has also agreed similar guarantees for the Trustees of the Cable & Wireless Worldwide Retirement Plan and THUS Plc Group Scheme up to €1.25 billion and €110 million respectively, following the acquisition of Cable & Wireless Worldwide plc.

Legal proceedings

The Company and its subsidiaries are currently, and may be from time to time, involved in a number of legal proceedings including inquiries from, or discussions with, governmental authorities that are incidental to their operations. However, save as disclosed below, the Company and its subsidiaries are not currently involved in any legal or arbitration proceedings (including any governmental proceedings which are pending or known to be contemplated) which may have, or have had in the 12 months preceding the date of this report, a significant effect on the financial position or profitability of the Company and its subsidiaries. Due to inherent uncertainties, no accurate quantification of any cost, or timing of such cost, which may arise from any of the legal proceedings outlined below can be made.

Telecom Egypt arbitration

In October 2009 Telecom Egypt commenced arbitration against Vodafone Egypt in Cairo alleging breach of non-discrimination provisions in an interconnection agreement as a result of allegedly lower interconnection rates paid to Vodafone Egypt by Mobinil. Telecom Egypt has also sought to join Vodafone International Holdings BV ('VIHBV'), Vodafone Europe BV ('VEBV') and Vodafone Group Plc (which Telecom Egypt alleges should be held jointly liable with Vodafone Egypt) to the arbitration. VIHBV, VEBV and Vodafone Group Plc deny that they were subject to the interconnection agreement or any arbitration agreement with Telecom Egypt. Telecom Egypt initially quantified its claim at approximately €190 million in 2009. This was subsequently amended and increased to €551 million in January 2011 and further increased to its current value of just over €1.2 billion in November 2011. The Company disputes Telecom Egypt's claim (and assertion of jurisdiction over VIHBV, VEBV and Vodafone Group Plc) and will continue to defend the Vodafone companies' position vigorously. Final submissions were submitted on 5 February 2013. The arbitration hearing, previously scheduled to last 15 days, commencing 7 May 2013, has been postponed. No new date for the hearing has yet been set.

Indian tax case

In August 2007 and September 2007, Vodafone India Limited ('VIL') and VIHBV respectively received notices from the Indian tax authority alleging potential liability in connection with an alleged failure by VIHBV to deduct withholding tax from consideration paid to the Hutchison Telecommunications International Limited group ('HTIL') in respect of HTIL's gain on its disposal to VIHBV of its interests in a wholly-owned subsidiary that indirectly holds interests in VIL. In January 2012 the Indian Supreme Court handed down its judgment, holding that VIHBV's interpretation of the Income Tax Act 1961 was correct, that the HTIL transaction in 2007 was not taxable in India, and that, consequently, VIHBV had no obligation to withhold tax from consideration paid to HTIL in respect of the transaction. The Indian Supreme Court quashed the relevant notices and demands issued to VIHBV in respect of withholding tax and interest. On 20 March 2012 the Indian government returned VIHBV's deposit of INR 25 billion (£310 million) and released the guarantee for INR 85 billion (£1.2 billion), which was based on the demand for payment issued by the Indian tax authority in October 2010 for tax of INR 79 billion (£0.9 billion) plus interest.

On 16 March 2012 the Indian government introduced proposed legislation (the 'Finance Bill 2012') purporting to overturn the Indian Supreme Court judgment with retrospective effect back to 1962. On 17 April 2012 Vodafone International Holdings BV ('VIHBV') filed a trigger notice under the Dutch-India Bilateral Investment Treaty ('BIT') signalling its intent to invoke arbitration under the BIT should the new laws be enacted. The Finance Bill 2012 received Presidential assent and became law on 28 May 2012 (the 'Finance Act 2012'). The Finance Act 2012 is intended to tax any gain on transfer of shares in a non-Indian company, which derives substantial value from underlying Indian assets, such as VIHBV's transaction with HTIL in 2007. Further it seeks to subject a purchaser, such as VIHBV, to a retrospective obligation to withhold tax.

The Indian Government commissioned a committee of experts (the 'Shome committee') consisting of academics, and current and former Indian government officials, to examine, and make recommendations in respect of, aspects of the Finance Act 2012 including the retrospective taxation of transactions such as VIHBV's transaction with HTIL referred to above. On 10 October 2012 the Shome committee published its draft report for comment. The draft report concluded that tax legislation in the Finance Act 2012 should only be applied prospectively or, if applied retrospectively, that only a seller who made a gain should be liable and, in that case, without any liability for interest or penalties. The Shome committee's final report was submitted to the Indian Government on 31 October 2012, but no final report has been published, and it remains unclear what the Indian Government intends to do with the Shome committee's final report or its recommendations.

VIHBV has not received any formal demand for taxation following the Finance Act 2012, but it did receive a letter on 3 January 2013 reminding it of the tax demand raised prior to the Indian Supreme Court judgment and purporting to update the interest element of that demand in a total amount of INR 142 billion (£1.6 billion). The separate proceedings taken against VIHBV to seek to treat it as an agent of HTIL in respect of its alleged tax on the same transaction, as well as penalties of up to 100% of the assessed withholding tax for the alleged failure to have withheld such taxes, remain pending despite the issue having been ruled upon by the Indian Supreme Court. Should a further demand for taxation be received by VIHBV or any member of the Group as a result of the new retrospective legislation, the Group believes it is probable that it will be able to make a successful claim under the BIT. Although this would not result in any outflow of economic benefit from the Group, it could take several years for VIHBV to recover any deposit required by an Indian Court as a condition for any stay of enforcement of a tax demand pending the outcome of VIHBV's BIT claim. However, VIHBV expects that it would be able to recover any such deposit. VIHBV is exploring with the Indian Government whether a mechanism exists under Indian law which would allow the parties to explore the possibility of a negotiated resolution of this dispute, but there is no certainty that such a mechanism exists or that a resolution acceptable to both VIHBV and the Indian Government could be reached.

The Group did not carry a provision for this litigation or in respect of the retrospective legislation at 31 March 2013 or at previous reporting dates.

Indian regulatory cases

Litigation remains pending in the Telecommunications Dispute Settlement Appellate Tribunal ('TDSAT'), High Courts and the Supreme Court in relation to a number of significant regulatory issues including mobile termination rates ('MTRs'), spectrum and licence fees, licence extension and 3G intra-circle roaming ('ICR').

22. Reconciliation of net cash flow from operating activities

The table below shows how our profit for the year translates into cash flows generated from our operating activities.

	2013 £m	2012 £m	2011 £m
Profit for the financial year	673	7,003	7,870
Adjustments for:			
Share-based payments	134	143	156
Depreciation and amortisation	7,700	7,859	7,876
Loss on disposal of property, plant and equipment	92	47	91
Share of result in associates	(6,477)	(4,963)	(5,059)
Impairment losses	7,700	4,050	6,150
Other income and expense	(468)	(3,705)	16
Non-operating income and expense	(10)	162	(3,022)
Investment income	(305)	(456)	(1,309)
Financing costs	1,788	1,932	429
Income tax expense	2,582	2,546	1,628
Decrease/(increase) in inventory	72	24	(107)
Increase in trade and other receivables	(184)	(689)	(387)
Increase in trade and other payables	430	871	1,060
Cash generated by operations	13,727	14,824	15,392
Tax paid	(3,033)	(2,069)	(3,397)
Net cash flow from operating activities	10,694	12,755	11,995

23. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits or in money market funds which have a maturity of three months or less to enable us to meet our short-term liquidity requirements.

	2013 £m	2012 £m
Cash at bank and in hand	1,396	2,762
Money market funds	3,494	3,190
Repurchase agreements	2,550	600
Short-term securitised investments	183	586
Cash and cash equivalents as presented in the statement of financial position	7,623	7,138
Bank overdrafts	(25)	(50)
Cash and cash equivalents as presented in the statement of cash flows	7,598	7,088

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

Notes to the consolidated financial statements (continued)

24. Borrowings

The Group's sources of borrowing for funding and liquidity purposes come from a range of committed bank facilities and through short-term and long-term issuances in the capital markets. Our key borrowings at 31 March 2013 consist of bond and commercial paper issues and bank loans. Details of our committed facilities can be found on page 157. We manage the basis on which we incur interest on debt between fixed interest rates and floating interest rates depending on market conditions using interest rate derivatives. Fair value hedges are designated for some of the Group's bonds where interest rate swaps have been entered to convert the basis of future cash flows to floating interest rates. The Group enters into foreign exchange contracts to mitigate the impact of exchange rate movements on certain monetary items.

Carrying value and fair value information

	2013			2012		
	Short-term borrowings £m	Long-term borrowings £m	Total £m	Short-term borrowings £m	Long-term borrowings £m	Total £m
Financial liabilities measured at amortised cost:						
Bank loans	2,929	4,281	7,210	1,635	5,624	7,259
Bank overdrafts	25	—	25	50	—	50
Redeemable preference shares	—	1,355	1,355	—	1,281	1,281
Commercial paper	4,054	—	4,054	2,272	—	2,272
Bonds	2,133	15,698	17,831	1,289	14,463	15,752
Other liabilities ^{1 2}	3,148	753	3,901	1,012	2,417	3,429
Bonds in fair value hedge relationships	—	7,021	7,021	—	4,577	4,577
	12,289	29,108	41,397	6,258	28,362	34,620

Notes:

1 At 31 March 2013 amount includes £1,151 million (2012: £980 million) in relation to collateral support agreements.

2 Amount at 31 March 2013 includes £1,014 million (2012: £840 million) in relation to the options disclosed in note A8, footnote 5. The amount for 2013 includes £899 million (2012: £771 million) in relation to the Piramal Healthcare option detailed on page 158.

Bank loans include INR 249 billion of loans held by Vodafone India Limited ('VIL') and its subsidiaries (the 'VIL Group'). The VIL Group has a number of security arrangements supporting certain licences secured under the terms of tri-party agreements between the relevant borrower, the department of telecommunications, Government of India and the agent representing the secured lenders and certain share pledges of the shares under VIL. The terms and conditions of the security arrangements mean that should members of the VIL Group not meet all of their loan payment and performance obligations, the lenders may sell the pledged shares and enforce rights over the certain licences under the terms of the tri-party agreements to recover their losses, with any remaining sales proceeds being returned to the VIL Group. Each of the eight legal entities within the VIL Group provide cross guarantees to the lenders in respect to debt contracted by the other seven.

The fair value and carrying value of the Group's short-term borrowings is as follows:

	Sterling equivalent nominal value			Fair value			Carrying value	
	2013 £m	2012 £m		2013 £m	2012 £m		2013 £m	2012 £m
Financial liabilities measured at amortised cost	9,869	4,915	10,279	4,977		10,156	4,969	
Bonds:	2,094	1,267	2,150	1,288		2,133	1,289	
1.15% US dollar 100 million bond due August 2012	—	63	—	63		—	63	
3.625% euro 1,250 million bond due November 2012	—	1,032	—	1,051		—	1,050	
6.75% Australian dollar 265 million bond due January 2013	—	172	—	174		—	176	
Czech koruna floating rate note due June 2013	18	—	18	—		18	—	
Euro floating rate note due September 2013	646	—	647	—		645	—	
5.0% US dollar 1,000 million bond due December 2013	658	—	679	—		678	—	
6.875% euro 1,000 million bond due December 2013	772	—	806	—		792	—	
Short-term borrowings	11,963	6,182	12,429	6,265		12,289	6,258	

The fair value and carrying value of the Group's long-term borrowings is as follows:

	Sterling equivalent nominal value		Fair value		Carrying value	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Financial liabilities measured at amortised cost:						
Bank loans	4,200	5,336	4,326	5,625	4,281	5,624
Redeemable preference shares	1,086	1,032	1,020	1,199	1,355	1,281
Other liabilities	731	2,325	821	2,472	753	2,417
Bonds:	14,456	13,184	15,986	14,746	15,698	14,463
Czech koruna floating rate note due June 2013	–	18	–	18	–	18
Euro floating rate note due September 2013	–	638	–	641	–	638
5.0% US dollar 1,000 million bond due December 2013	–	625	–	669	–	657
6.875% euro 1,000 million bond due December 2013	–	763	–	834	–	786
Euro floating rate note due June 2014	949	938	952	939	951	938
4.15% US dollar 1,250 million bond due June 2014	795	755	828	808	810	773
4.625% sterling 350 million bond due September 2014	304	304	319	325	320	326
4.625% sterling 525 million bond due September 2014	525	525	552	562	541	541
5.125% euro 500 million bond due April 2015	422	417	461	463	446	442
5.0% US dollar 750 million bond due September 2015	494	469	543	528	521	505
3.375% US dollar 500 million bond due November 2015	329	313	349	335	331	314
6.25% euro 1,250 million bond due January 2016	949	938	1,091	1,094	964	953
0.9% US dollar 900 million bond due February 2016	592	–	592	–	592	–
US dollar floating rate note due February 2016	461	–	460	–	461	–
2.875% US dollar 600 million bond due March 2016	395	375	416	393	394	374
5.75% US dollar 750 million bond due March 2016	494	469	561	543	536	522
4.75% euro 500 million bond due June 2016	422	417	474	469	455	455
5.625% US dollar 1,300 million bond due February 2017	856	813	995	954	937	908
1.625% US dollar 1,000 million bond due March 2017	658	625	665	624	655	621
1.25% US dollar 1,000 million bond due September 2017	658	–	654	–	655	–
5.375% sterling 600 million bond due December 2017	552	552	646	632	571	573
1.5% US dollar 1,400 million bond due February 2018	921	–	922	–	917	–
5% euro 750 million bond due June 2018	633	625	750	726	658	650
4.625% US dollar 500 million bond due July 2018	329	–	376	–	387	–
8.125% sterling 450 million bond due November 2018	450	450	598	589	483	485
4.375% US dollar 500 million bond due March 2021	329	313	371	348	327	310
7.875% US dollar 750 million bond due February 2030	494	469	699	648	778	751
6.25% US dollar 495 million bond due November 2032	326	310	399	377	442	424
6.15% US dollar 1,700 million bond due February 2037	1,119	1,063	1,313	1,227	1,566	1,499
Bonds in fair value hedge relationships:	6,287	3,882	6,969	4,541	7,021	4,577
2.15% Japanese yen 3,000 million bond due April 2015	21	23	22	24	21	23
5.375% US dollar 900 million bond due January 2015	592	563	641	628	633	621
4.625% US dollar 500 million bond due July 2018	–	313	–	354	–	367
5.45% US dollar 1,250 million bond due June 2019	823	782	980	920	957	898
4.65% euro 1,250 million bond due January 2022	1,055	1,042	1,270	1,203	1,236	1,172
5.375% euro 500 million bond due June 2022	422	417	530	501	558	532
2.5% US dollar 1,000 million bond due September 2022	658	–	633	–	643	–
2.95% US dollar 1,600 million bond due February 2023	1,053	–	1,050	–	1,054	–
5.625% sterling 250 million bond due December 2025	250	250	308	294	338	324
6.6324% euro 50 million bond due December 2028	42	42	94	86	77	67
5.9% sterling 450 million bond due November 2032	450	450	560	531	598	573
4.375% US dollar 1,400 million bond due February 2043	921	–	881	–	906	–
Long-term borrowings	26,760	25,759	29,122	28,583	29,108	28,362

Fair values are calculated using quoted market prices or discounted cash flows with a discount rate based upon forward interest rates available to the Group at the reporting date.

Notes to the consolidated financial statements (continued)

24. Borrowings (continued)

Maturity of borrowings

The maturity profile of the anticipated future cash flows including interest in relation to the Group's non-derivative financial liabilities on an undiscounted basis which, therefore, differs from both the carrying value and fair value, is as follows:

	Bank loans £m	Redeemable preference shares £m	Commercial paper £m	Bonds £m	Other liabilities £m	Loans in fair value hedge relationships £m	Total £m
Within one year	3,390	56	4,070	2,946	2,263	277	13,002
In one to two years	590	56	—	3,313	138	870	4,967
In two to three years	484	56	—	4,753	1,101	266	6,660
In three to four years	1,534	56	—	1,636	599	245	4,070
In four to five years	1,080	56	—	3,156	72	245	4,609
In more than five years	1,946	1,212	—	5,877	52	7,913	17,000
	9,024	1,492	4,070	21,681	4,225	9,816	50,308
Effect of discount/financing rates	(1,814)	(137)	(16)	(3,850)	(299)	(2,795)	(8,911)
31 March 2013	7,210	1,355	4,054	17,831	3,926	7,021	41,397
Within one year	684	56	2,283	2,000	1,044	199	6,266
In one to two years	2,983	56	—	2,828	771	199	6,837
In two to three years	567	56	—	3,197	—	762	4,582
In three to four years	1,316	56	—	3,536	1,235	191	6,334
In four to five years	1,574	56	—	1,541	726	169	4,066
In more than five years	1,466	1,214	—	6,780	69	4,465	13,994
	8,590	1,494	2,283	19,882	3,845	5,985	42,079
Effect of discount/financing rates	(1,331)	(213)	(11)	(4,130)	(366)	(1,408)	(7,459)
31 March 2012	7,259	1,281	2,272	15,752	3,479	4,577	34,620

The maturity profile of the Group's financial derivatives (which include interest rate and foreign exchange swaps), using undiscounted cash flows, is as follows:

	2013		2012	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	10,671	11,020	14,357	14,498
In one to two years	1,014	1,214	675	786
In two to three years	1,308	1,495	561	678
In three to four years	2,803	3,087	540	641
In four to five years	581	780	402	520
In more than five years	3,579	4,454	2,533	3,566
	19,956	22,050	19,068	20,689

The currency split of the Group's foreign exchange derivatives is as follows:

	2013		2012	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Sterling	2,365	4,477	1,287	7,070
Euro	6,583	602	4,793	2,613
US dollar	348	6,130	4,415	2,445
Japanese yen	669	1,296	2,207	23
Other	3,945	1,768	962	1,552
	13,910	14,273	13,664	13,703

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The £363 million net receivable (2012: £39 million net receivable) in relation to foreign exchange financial instruments in the table above is split £44 million (2012: £89 million) within trade and other payables and £407 million (2012: £128 million) within trade and other receivables.

The present value of minimum lease payments under finance lease arrangements under which the Group has leased certain of its equipment is analysed as follows:

	2013 £m	2012 £m
Within one year	37	18
In two to five years	42	34
In more than five years	53	34

Interest rate and currency of borrowings

Currency	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings ¹ £m	Other borrowings ² £m
Sterling	2,915	955	1,951	9
Euro	10,810	5,271	5,539	—
US dollar	20,991	8,019	12,866	106
Japanese yen	56	56	—	—
Other	6,625	3,835	1,891	899
31 March 2013	41,397	18,136	22,247	1,014
Sterling	2,838	912	1,926	—
Euro	10,696	4,408	6,288	—
US dollar	14,085	4,521	9,495	69
Japanese yen	23	23	—	—
Other	6,978	3,489	2,718	771
31 March 2012	34,620	13,353	20,427	840

Notes:

- 1 The weighted average interest rate for the Group's sterling denominated fixed rate borrowings is 5.7% (2012: 5.7%). The weighted average time for which these rates are fixed is 3.5 years (2012: 4.5 years). The weighted average interest rate for the Group's euro denominated fixed rate borrowings is 4.3% (2012: 4.2%). The weighted average time for which the rates are fixed is 2.4 years (2012: 2.8 years). The weighted average interest rate for the Group's US dollar denominated fixed rate borrowings is 4.3% (2012: 5.1%). The weighted average time for which the rates are fixed is 6.3 years (2012: 10.0 years). The weighted average interest rate for the Group's other currency fixed rate borrowings is 9.6% (2012: 10.1%). The weighted average time for which the rates are fixed is 1.5 years (2012: 2.7 years).
- 2 Other borrowings of £1,014 million (2012: £840 million) include liabilities arising under options over direct and indirect interests in Vodafone India.

The figures shown in the tables above take into account interest rate swaps used to manage the interest rate profile of financial liabilities. Interest on floating rate borrowings is generally based on national LIBOR equivalents or government bond rates in the relevant currencies.

Additional protection from euro and US dollar interest rate movements is provided by fixing interest rates or reduced by floating interest rates using interest rate swaps or interest rate futures¹.

	2013		2012		2013		2012	
	US\$ fixing/(floating) ²		US\$ fixing/(floating) ²		EUR fixing/(floating) ²		EUR fixing/(floating) ²	
	Interest rate futures £m	Interest rate swaps £m	Interest rate futures £m	Interest rate swaps £m	Interest rate futures £m	Interest rate swaps £m	Interest rate futures £m	Interest rate swaps £m
Within one year	(4,722)	2,073	(4,153)	1,584	1,677	696	2,660	514
In one to two years	(823)	1,703	(2,727)	1,894	3,164	696	1,858	685
In two to three years	(1,940)	1,621	163	1,894	5,525	696	3,011	685
In three to four years	2,222	148	(865)	1,568	4,254	422	2,584	685
In four to five years	2,632	(247)	2,205	(17)	6,123	105	920	171
In more than five years	—	(329)	—	(327)	—	—	—	—

Notes:

- 1 At 31 March 2012 sterling denominated interest rate instruments reduced fixed debt in the periods March 2012 to June 2012, December 2013 to March 2014, December 2016 to December 2017, and December 2017 to December 2018 by amounts of £7,289 million, £667 million, £1,050 million and £450 million respectively. At 31 March 2013 there were no equivalent instruments held.
- 2 Figures shown as "in more than five years" relate to the periods from March 2018 to December 2021 and March 2017 to December 2019, at March 2013 and March 2012 respectively.

Notes to the consolidated financial statements (continued)

24. Borrowings (continued)

Borrowing facilities

Committed facilities expiry

	2013		2012	
	Drawn €m	Undrawn €m	Drawn €m	Undrawn €m
Within one year	2,518	837	2,130	451
In one to two years	1,546	50	3,294	592
In two to three years	1,288	3,569	1,746	—
In three to four years	1,142	2,794	904	3,527
In four to five years	—	—	571	23
In more than five years	1,188	422	794	3,272
31 March	7,682	7,672	9,439	7,865

At 31 March the Group's most significant committed facilities comprised two revolving credit facilities which remain undrawn throughout the period of €4,230 million (£3,569 million) and US\$4,245 million (£2,794 million) maturing in three and five years respectively. Under the terms of these bank facilities, lenders have the right, but not the obligation, to cancel their commitment 30 days from the date of notification of a change of control of the Company and have outstanding advances repaid on the last day of the current interest period. The facility agreements provide for certain structural changes that do not affect the obligations of the Company to be specifically excluded from the definition of a change of control. This is in addition to the rights of lenders to cancel their commitment if the Company has committed an event of default.

The terms and conditions of the drawn facilities in the Group's Turkish and Italian operating companies of €400 million and €350 million respectively and in the Group's German, Turkish and Romanian fixed line operations of €410 million, €150 million and €150 million respectively in addition to the undrawn facilities in the Group's fixed line operations in Italy and Turkey of €400 million and €100 million respectively, are similar to those of the US dollar and euro revolving credit facilities. In addition, should the Group's Turkish operating company spend less than the equivalent of US\$800 million on capital expenditure the Group will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure and should the Group's Italian operating company spend less than the equivalent of €1,500 million on capital expenditure, the Group will be required to repay the drawn amount of the facility that exceeds 18% of the capital expenditure. Similarly should the Group's German, Italian or Romanian fixed line operations spend less than the equivalent of €824 million, €1,252 million and €1,246 million on capital expenditure respectively, the Group will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.

25. Called up share capital

Called up share capital is the number of shares in issue at their par value of 11³/₇ US cents each. A number of shares were allotted during the year in relation to employee share option schemes.

	2013		2012	
	Number	€m	Number	€m
Ordinary shares of 11³/₇ US cents each allotted, issued and fully paid:¹				
1 April	53,815,007,289	3,866	56,811,123,429	4,082
Allotted during the year	5,379,020	—	3,883,860	—
Cancelled during the year	—	—	(3,000,000,000)	(216)
31 March	53,820,386,309	3,866	53,815,007,289	3,866

Note:
1 At 31 March 2013 the Group held 4,901,767,844 (2012: 4,169,067,107) treasury shares with a nominal value of €352 million (2012: €299 million). The market value of shares held was €9,147 million (2012: €7,179 million). During the year 161,289,620 (2012: 166,003,556) treasury shares were reissued under Group share option schemes.

Allotted during the year

	Number	Nominal value €m	Net proceeds €m
UK share awards and option scheme awards	9,210	—	—
US share awards and option scheme awards	5,369,810	—	8
Total for share awards and option scheme awards	5,379,020	—	8

26. Subsequent events

Detailed below are the significant events that happened after our year end date of 31 March 2013 and before the signing of this annual report on 21 May 2013.

On 13 May 2013 VZW declared a dividend of US\$7.0 billion (£4.6 billion). As a 45% shareholder in VZW, Vodafone's share of the dividend is US\$3.2 billion (£2.1 billion). The dividend will be received by the end of June 2013.

A1. Significant accounting policies

Below we detail our significant accounting policies applied in the current reporting period. These should be read in conjunction with “Critical accounting estimates” on page 86 and 87.

Significant accounting policies applied in the current reporting period

Accounting convention

The consolidated financial statements are prepared on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

New accounting pronouncements adopted

On 1 April 2012 the Group adopted new accounting policies to comply with amendments to:

→ IAS 12 “Income taxes”.

→ IFRS 7 “Financial instruments: disclosures”.

These changes have no material impact on the consolidated results, financial position or cash flows of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled, both unilaterally and jointly, by the Company.

Accounting for subsidiaries

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group. Acquisition-related costs are recognised in the income statement as incurred. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date.

The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Acquisition of interests from non-controlling shareholders

In transactions with non-controlling parties that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined with the equivalent items in the financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Notes to the consolidated financial statements (continued)

A1. Significant accounting policies (continued)

Investments in associates

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.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Group's interest in that associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The licences of the Group's associate in the US, Verizon Wireless, are indefinite lived assets as they are subject to perfunctory renewal. Accordingly, they are not subject to amortisation but are tested annually for impairment, or when indicators exist that the carrying value is not recoverable.

Intangible assets

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is denominated in the currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Goodwill arising before the date of transition to IFRS, on 1 April 2004, has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Finite lived intangible assets

Intangible assets with finite lives are stated at acquisition or development cost, less accumulated amortisation. The amortisation period and method is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Licence and spectrum fees

Amortisation periods for licence and spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives from the commencement of related network services.

Computer software

Computer software comprises computer software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits are recognised as intangible assets. Direct costs include software development employee costs and directly attributable overheads.

Software integral to an item of hardware equipment is classified as property, plant and equipment.

Costs associated with maintaining computer software programs are recognised as an expense when they are incurred.

Internally developed software is recognised only if all of the following conditions are met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life from the date the software is available for use.

Other intangible assets

Other intangible assets, including brands and customer bases, are recorded at fair value at the date of acquisition. Amortisation is charged to the income statement, over the estimated useful lives of intangible assets from the date they are available for use, on a straight-line basis, with the exception of customer relationships which are amortised on a sum of digits basis. The amortisation basis adopted for each class of intangible asset reflects the Group's consumption of the economic benefit from that asset.

Estimated useful lives

The estimated useful lives of finite lived intangible assets are as follows:

→ Licence and spectrum fees	3–25 years
→ Computer software	3–5 years
→ Brands	1–10 years
→ Customer bases	2–7 years

Property, plant and equipment

Land and buildings held for use are stated in the statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Amounts for equipment, fixtures and fittings, which includes network infrastructure assets and which together comprise an all but insignificant amount of the Group's property, plant and equipment, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

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

Depreciation is charged so as to write off the cost of assets, other than land, using the straight-line method, over their estimated useful lives, as follows:

→ Freehold buildings	25–50 years
→ Leasehold premises	the term of the lease

Equipment, fixtures and fittings:

→ Network infrastructure	3–25 years
→ Other	3–10 years

Depreciation is not provided on freehold land.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between any sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of assets**Goodwill**

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. 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. Impairment losses recognised for goodwill are not reversible in subsequent periods.

The recoverable amount is the higher of fair value less costs to sell 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 estimates of future cash flows have not been adjusted.

The Group prepares and approves formal five year management plans for its operations, which are used in the value in use calculations. In certain developing markets the fifth year of the management plan is not indicative of the long-term future performance as operations may not have reached maturity. For these operations, the Group extends the plan data for an additional five year period.

Property, plant and equipment and finite lived intangible assets

At each reporting period 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. An impairment loss is recognised immediately in the income statement.

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. A reversal of an impairment loss is recognised immediately in the income statement.

Notes to the consolidated financial statements (continued)

A1. Significant accounting policies (continued)

Revenue

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 received, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data services and information provision, connection fees and equipment sales. Products and services may be sold separately or in bundled packages.

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

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

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

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised together with related equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue for device sales is recognised when the device is delivered to the end customer and the sale is considered complete. 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 of return. 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 the right of return.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (1) the deliverable has value to the customer on a stand-alone basis and (2) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value.

Commissions

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing customers.

For intermediaries who do not purchase products and services from the Group, such cash incentives are accounted for as an expense. Such cash incentives to other intermediaries are also accounted for as an expense if:

-
- the Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and
 - the Group can reliably estimate the fair value of that benefit.
-

Cash incentives that do not meet these criteria are recognised as a reduction of the related revenue.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average costs and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

The consolidated financial statements are presented in sterling, which is the parent company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognised in the income statement and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets, such as investments in equity securities, classified as available-for-sale are reported as part of the fair value gain or loss and are included in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of entities with a functional currency other than sterling are expressed in sterling using exchange rates prevailing at the reporting period date. Income and expense items and cash flows are translated at the average exchange rates for the period and exchange differences arising are recognised directly in equity. On disposal of a foreign entity, the cumulative amount previously recognised in equity relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

In respect of all foreign operations, any exchange differences that have arisen before 1 April 2004, the date of transition to IFRS, are deemed to be nil and will be excluded from the determination of any subsequent profit or loss on disposal.

The net foreign exchange loss recognised in the consolidated income statement for the year ended 31 March 2013 is £118 million (2012: £702 million gain; 2011: £1,022 million gain). The net loss and net gains are recorded within operating profit (2013: £22 million charge; 2012: £34 million charge; 2011: £14 million charge), other income and expense and non-operating income and expense (2013: £1 million charge; 2012: £681 million credit; 2011: £630 million credit), investment and financing income (2013: £91 million charge; 2012: £55 million credit; 2011: £405 million credit) and income tax expense (2013: £4 million charge; 2012: £nil; 2011: £1 million credit). The foreign exchange gains and losses included within other income and expense and non-operating income and expense arise on the disposal of interests in joint ventures, associates and investments from the recycling of foreign exchange gains previously recorded in the consolidated statement of comprehensive income.

Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Post employment benefits

For defined benefit retirement plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or liability on the statement of financial position. Scheme liabilities are assessed using the projected unit funding method and applying the principal actuarial assumptions at the reporting period date. Assets are valued at market value.

Actuarial gains and losses are taken to the statement of comprehensive income as incurred. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any curtailment or settlements. The interest cost less the expected return on assets is also charged to the income statement. The amount charged to the income statement in respect of these plans is included within operating costs or in the Group's share of the results of equity accounted operations as appropriate.

The Group's contributions to defined contribution pension plans are charged to the income statement as they fall due.

Cumulative actuarial gains and losses at 1 April 2004, the date of transition to IFRS, have been recognised in the statement of financial position.

Notes to the consolidated financial statements (continued)

A1. Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using UK and foreign tax rates and laws that have been enacted or substantively enacted by the reporting period date.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of non-tax deductible goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognised in other comprehensive income or in equity.

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

Other investments

Other investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Other investments classified as held for trading and available-for-sale are stated at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, determined using the weighted average cost method, is included in the net profit or loss for the period.

Other investments classified as loans and receivables are stated at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on 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.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs.

Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates which it manages using derivative financial instruments.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. Changes in values of all derivatives of a financing nature are included within investment income and financing costs in the income statement. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Group designates certain derivatives as:

- hedges of the change of fair value of recognised assets and liabilities ("fair value hedges");
- hedges of highly probable forecast transactions or hedges of foreign currencies risk of firm commitments ("cash flow hedges"); or
- hedges of net investments in foreign operations.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting, or if the Company chooses to end the hedging relationship.

Fair value hedges

The Group's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings. The Group designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the income statement for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. Gains or losses relating to any ineffective portion are recognised immediately in the income statement.

Cash flow hedges

Cash flow hedging is used by the Group to hedge certain exposures to variability in future cash flows. The portion of gains or losses relating to changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges is recognised in other comprehensive income; gains or losses relating to any ineffective portion are recognised immediately in the income statement.

When the hedged item is recognised in the income statement amounts previously recognised in other comprehensive income and accumulated in equity for the hedging instrument are reclassified to the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

When hedge accounting is discontinued any gain or loss recognised in other comprehensive income at that time remains in equity and is recognised in the income statement when the hedged transaction is ultimately recognised in the income statement. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

Notes to the consolidated financial statements (continued)

A1. Significant accounting policies (continued)

Net investment hedges

Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in equity. Gains and losses on those hedging instruments (which include bonds, commercial paper and foreign exchange contracts) designated as hedges of the net investments in foreign operations are recognised in equity to the extent that the hedging relationship is effective; these amounts are included in exchange differences on translation of foreign operations as stated in the statement of comprehensive income. Gains and losses relating to hedge ineffectiveness are recognised immediately in the income statement for the period. Gains and losses accumulated in the translation reserve are included in the income statement when the foreign operation is disposed of.

Put option arrangements

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary.

The amount that may become payable under the option on exercise is initially recognised at present value within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries. The Group recognises the cost of writing such put options, determined as the excess of the present value of the option over any consideration received, as a financing cost.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable; the charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

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.

Some share awards have an attached market condition, based on total shareholder return ('TSR'), which is taken into account when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone's ranking within the same group of companies, where possible, over the past five years.

The fair value of awards of non-vested shares is equal to the closing price of the Group's shares on the date of grant, adjusted for the present value of future dividend entitlements where appropriate.

A2. Segment analysis

The Group's businesses are primarily managed on a geographical basis. Selected financial data is presented on this basis below.

The Group has a single group of related services and products being the supply of communications services and products. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue. Inter-segment sales are charged at arm's length prices.

During the year ended 31 March 2013 the Group changed its organisation structure. The Northern and Central Europe region comprises Germany, the UK, the Netherlands, Turkey, the Czech Republic, Hungary, Ireland and Romania. The Southern Europe region comprises Italy, Spain, Greece, Portugal, Albania and Malta. The tables below present segment information on the revised basis, with prior years amended to conform to the current year presentation.

	Segment revenue £m	Intra-region revenue £m	Regional revenue £m	Inter-region revenue £m	Group revenue £m	EBITDA ¹ £m
31 March 2013						
Germany	7,857	(16)	7,841	(17)	7,824	2,735
UK	5,150	(24)	5,126	(10)	5,116	1,209
Other Northern and Central Europe	7,181	(49)	7,132	(10)	7,122	1,769
Northern and Central Europe	20,188	(89)	20,099	(37)	20,062	5,713
Italy	4,755	(5)	4,750	(17)	4,733	1,908
Spain	3,904	(9)	3,895	(33)	3,862	942
Other Southern Europe	1,883	(6)	1,877	(13)	1,864	633
Southern Europe	10,542	(20)	10,522	(63)	10,459	3,483
India	4,324	—	4,324	(4)	4,320	1,240
Vodacom	5,206	—	5,206	—	5,206	1,891
Other Africa, Middle East and Asia Pacific	3,937	(1)	3,936	(19)	3,917	1,047
Africa, Middle East and Asia Pacific	13,467	(1)	13,466	(23)	13,443	4,178
Non-Controlled Interests and Common Functions	481	—	481	—	481	(99)
Group	44,678	(110)	44,568	(123)	44,445	13,275
Verizon Wireless ²	21,972					8,831
31 March 2012						
Germany	8,233	(35)	8,198	(10)	8,188	2,965
UK	5,397	(29)	5,368	(14)	5,354	1,294
Other Northern and Central Europe	6,042	(33)	6,009	(15)	5,994	1,675
Northern and Central Europe	19,672	(97)	19,575	(39)	19,536	5,934
Italy	5,658	(7)	5,651	(22)	5,629	2,514
Spain	4,763	(13)	4,750	(43)	4,707	1,193
Other Southern Europe	2,128	(7)	2,121	(19)	2,102	731
Southern Europe	12,549	(27)	12,522	(84)	12,438	4,438
India	4,265	—	4,265	(6)	4,259	1,122
Vodacom	5,638	—	5,638	(8)	5,630	1,930
Other Africa, Middle East and Asia Pacific	3,965	—	3,965	(23)	3,942	1,063
Africa, Middle East and Asia Pacific	13,868	—	13,868	(37)	13,831	4,115
Non-Controlled Interests and Common Functions	614	—	614	(2)	612	(12)
Group	46,703	(124)	46,579	(162)	46,417	14,475
Verizon Wireless ²	20,187					7,689
31 March 2011						
Germany	7,900	(39)	7,861	(13)	7,848	2,952
UK	5,271	(39)	5,232	(17)	5,215	1,233
Other Northern and Central Europe	5,846	(39)	5,807	(16)	5,791	1,594
Northern and Central Europe	19,017	(117)	18,900	(46)	18,854	5,779
Italy	5,722	(6)	5,716	(27)	5,689	2,643
Spain	5,133	(14)	5,119	(50)	5,069	1,562
Other Southern Europe	2,208	(10)	2,198	(19)	2,179	783
Southern Europe	13,063	(30)	13,033	(96)	12,937	4,988
India	3,855	(1)	3,854	(11)	3,843	985
Vodacom	5,479	—	5,479	(8)	5,471	1,844
Other Africa, Middle East and Asia Pacific	3,971	—	3,971	(27)	3,944	1,170
Africa, Middle East and Asia Pacific	13,305	(1)	13,304	(46)	13,258	3,999
Non-Controlled Interests and Common Functions	867	—	867	(32)	835	(96)
Group	46,252	(148)	46,104	(220)	45,884	14,670
Verizon Wireless ²	18,711					7,313

Notes:

1 The Group's measure of segment profit, EBITDA, excludes the Group's share of results in associates. The Group's share of results in associates, by segment, for the year ended 31 March 2013 is Other Northern and Central Europe £1 million (2012: £3 million; 2011: £3 million), Other Southern Europe £1 million (2012: £nil; 2011: £(3) million), Other Africa, Middle East and Asia Pacific £52 million (2012: £36 million; 2011: £51 million) and Non-Controlled Interests and Common Functions £6,423 million (2012: £4,924 million; 2011: £5,008 million).

2 Values shown for Verizon Wireless, which is an associate, are not included in the calculation of Group revenue or EBITDA.

Notes to the consolidated financial statements (continued)

A2. Segment analysis (continued)

A reconciliation of EBITDA to operating profit is shown below. For a reconciliation of operating profit to profit before taxation, see the consolidated income statement on page 90.

	2013 £m	2012 £m	2011 £m
EBITDA	13,275	14,475	14,670
Depreciation, amortisation and loss on disposal of fixed assets	(7,792)	(7,906)	(7,967)
Share of results in associates	6,477	4,963	5,059
Impairment losses	(7,700)	(4,050)	(6,150)
Other income and expense	468	3,705	(16)
Operating profit	4,728	11,187	5,596

	Non-current assets ¹ £m	Capital expenditure ² £m	Other expenditure on intangible assets £m	Depreciation and amortisation £m	Impairment loss £m
31 March 2013					
Germany	19,109	1,073	2	1,423	—
UK	7,063	601	863	888	—
Other Northern and Central Europe	10,211	1,015	1,335	1,268	—
Northern and Central Europe	36,383	2,689	2,200	3,579	—
Italy	9,369	567	10	744	4,500
Spain	4,599	377	—	590	3,200
Other Southern Europe	2,668	225	—	328	—
Southern Europe	16,636	1,169	10	1,662	7,700
India	7,946	554	130	1,021	—
Vodacom	5,668	703	10	696	—
Other Africa, Middle East and Asia Pacific	5,242	720	90	819	—
Africa, Middle East and Asia Pacific	18,856	1,977	230	2,536	—
Non-Controlled Interests and Common Functions	853	431	—	(77)	—
Group	72,728	6,266	2,440	7,700	7,700
31 March 2012					
Germany	19,151	880	4	1,469	—
UK	6,430	575	—	880	—
Other Northern and Central Europe	7,418	830	52	1,026	—
Northern and Central Europe	32,999	2,285	56	3,375	—
Italy	13,978	621	875	783	2,450
Spain	8,069	429	71	626	900
Other Southern Europe	2,723	260	261	361	700
Southern Europe	24,770	1,310	1,207	1,770	4,050
India	8,431	805	—	1,066	—
Vodacom	6,469	723	—	840	—
Other Africa, Middle East and Asia Pacific	4,735	793	—	771	—
Africa, Middle East and Asia Pacific	19,635	2,321	—	2,677	—
Non-Controlled Interests and Common Functions	765	449	—	37	—
Group	78,169	6,365	1,263	7,859	4,050
31 March 2011					
Germany	20,764	824	1,214	1,361	—
UK	6,665	516	—	874	—
Other Northern and Central Europe	8,037	940	32	1,007	1,000
Northern and Central Europe	35,466	2,280	1,246	3,242	1,000
Italy	16,645	590	12	732	1,050
Spain	9,596	517	—	641	2,950
Other Southern Europe	3,401	290	27	399	1,150
Southern Europe	29,642	1,397	39	1,772	5,150
India	9,882	870	1,851	973	—
Vodacom	7,382	572	19	1,013	—
Other Africa, Middle East and Asia Pacific	4,797	754	2	793	—
Africa, Middle East and Asia Pacific	22,061	2,196	1,872	2,779	—
Non-Controlled Interests and Common Functions	1,570	346	9	83	—
Group	88,739	6,219	3,166	7,876	6,150

Notes:

1 Comprises goodwill, other intangible assets and property, plant and equipment.

2 Includes additions to property, plant and equipment and computer software, reported within intangible assets.

Notes to the consolidated financial statements (continued)

A3. Inventory

Our inventory primarily consists of mobile handsets and is presented net of an allowance for obsolete products.

	2013 £m	2012 £m
Goods held for resale	450	486

Inventory is reported net of allowances for obsolescence, an analysis of which is as follows:

	2013 £m	2012 £m	2011 £m
1 April	109	117	120
Exchange movements	7	(8)	(1)
Amounts credited to the income statement	—	—	(2)
31 March	116	109	117

Cost of sales includes amounts related to inventory amounting to £5,967 million (2012: £6,327 million; 2011: £5,878 million).

A4. Share-based payments

We have a number of share plans used to award options and shares to directors and employees as part of their remuneration package. A charge is recognised in the consolidated income statement to record the cost of these, based on the fair value of the award on the grant date. For further information on how this is calculated refer to “Share-based payments” under significant accounting policies on page 136. Additional information on options and shares granted to directors can be found in “Directors remuneration” on pages 80 and 81.

The maximum aggregate number of ordinary shares which may be issued in respect of share options or share plans will not (without shareholder approval) exceed:

- 10% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans; and
- 5% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans, other than any plans which are operated on an all-employee basis.

Share options

Vodafone Group executive plans

No share options have been granted to any directors or employees under the Company's discretionary share option plans in the year ended 31 March 2013.

There are options outstanding under the Vodafone Group 1999 Long-Term Stock Incentive Plan and the Vodafone Global Incentive Plan. These options are normally exercisable between three and ten years from the date of grant. The vesting of some of these options is subject to satisfaction of performance conditions. Grants made to US employees are made in respect of ADSs.

Vodafone Group Sharesave Plan

The Vodafone Group 2008 Sharesave Plan enables UK staff to acquire shares in the Company through monthly savings of up to £250 over a three and/or five year period, at the end of which they may also receive a tax free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the Company's shares.

Share plans

Vodafone Group executive plans

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

Vodafone Share Incentive Plan

The Vodafone Share Incentive Plan enables UK staff to acquire shares in the Company through monthly purchases of up to £125 per month or 5% of salary, whichever is lower. For each share purchased by the employee, the Company provides a free matching share.

Movements in outstanding ordinary share and ADS options

	ADS options			Ordinary share options		
	2013 Millions	2012 Millions	2011 Millions	2013 Millions	2012 Millions	2011 Millions
1 April	1	1	1	84	171	266
Granted during the year	—	—	—	7	5	4
Forfeited during the year	—	—	—	(1)	(1)	(1)
Exercised during the year	(1)	—	—	(41)	(55)	(72)
Expired during the year	—	—	—	(9)	(36)	(26)
31 March	—	1	1	40	84	171
Weighted average exercise price:						
1 April	US\$15.20	US\$14.82	US\$15.07	£1.18	£1.32	£1.41
Granted during the year	—	—	—	£1.45	£1.31	£1.14
Forfeited during the year	—	—	—	£1.64	£1.07	£1.10
Exercised during the year	US\$13.88	—	—	£1.05	£1.37	£1.33
Expired during the year	—	—	—	£0.98	£1.56	£2.25
31 March	US\$22.16	US\$15.20	US\$14.82	£1.41	£1.18	£1.32

Summary of options outstanding and exercisable at 31 March 2013

	Outstanding			Exercisable		
	Outstanding shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months	Exercisable shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months
Vodafone Group savings related and Sharesave Plan:						
£0.01 – £1.00	3	£0.94	23	—	—	—
£1.01 – £2.00	14	£1.33	33	—	—	—
	17	£1.27	31	—	—	—
Vodafone Group 1999 Long-Term Stock Incentive Plan:						
£1.01 – £2.00	23	£1.51	40	23	£1.51	40
Vodafone Group 1999 Long-Term Stock Incentive Plan:						
US\$10.01 – US\$30.00	—	US\$22.16	10	—	US\$22.16	10

Share awards

Movements in non-vested shares are as follows:

	2013		2012		2011	
	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date
1 April	352	£1.08	387	£1.00	374	£1.06
Granted	91	£1.49	120	£1.29	126	£1.07
Vested	(118)	£0.91	(116)	£1.12	(81)	£1.38
Forfeited	(31)	£1.19	(39)	£0.81	(32)	£0.97
31 March	294	£1.27	352	£1.08	387	£1.00

Other information

The total fair value of shares vested during the year ended 31 March 2013 was £107 million (2012: £130 million; 2011: £113 million).

The compensation cost included in the consolidated income statement in respect of share options and share plans was £134 million (2012: £143 million; 2011: £156 million) which is comprised entirely of equity-settled transactions.

The average share price for the year ended 31 March 2013 was 173.0 pence (2012: 169.9 pence; 2011: 159.5 pence).

Notes to the consolidated financial statements (continued)

A5. Post employment benefits

We operate a number of defined benefit and defined contribution pension plans for our employees. The Group's largest defined benefit schemes are in the UK.

Background

At 31 March 2013 the Group operated a number of pension plans for the benefit of its employees throughout the world, with varying rights and obligations depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through both defined benefit and defined contribution arrangements. Defined benefit schemes provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

The Group operates defined benefit schemes in Germany, Ghana, Ireland, Italy, India, the UK and the US. Defined contribution pension schemes are currently provided in Australia, Egypt, Germany, Greece, Hungary, Ireland, Italy, Malta, the Netherlands, New Zealand, Portugal, South Africa, Spain, the UK and the US. The Group's principal defined benefit pension schemes in the UK, being the Vodafone Group Plc Pension Scheme ('Vodafone UK plan') and the Cable & Wireless Worldwide Retirement Plan ('CWWRP'), are closed to new entrants and additionally the Vodafone UK plan has been closed to future accrual for existing members since 31 March 2010.

Income statement expense

	2013 £m	2012 £m	2011 £m
Defined contribution schemes	147	145	130
Defined benefit schemes	20	(2)	4
Total amount charged to the income statement (note 5)	167	143	134

Defined benefit schemes

The principal actuarial assumptions used for estimating the Group's benefit obligations are set out below:

	2013 ¹ %	2012 ¹ %	2011 ¹ %
Weighted average actuarial assumptions used at 31 March:			
Rate of inflation	3.3	3.0	3.1
Rate of increase in salaries	3.8	2.9	2.9
Rate of increase in pensions in payment and deferred pensions	3.3	3.0	3.1
Discount rate	4.3	4.7	5.6
Expected rates of return:			
Equities	— ³	7.4	8.2
Bonds ²	— ³	4.2	5.1

Notes:

1 Figures shown represent a weighted average assumption of the individual schemes.

2 For the year ended 31 March 2012 the expected rate of return for bonds consisted of a 4.6% rate of return for corporate bonds (2011: 5.3%) and a 2.6% rate of return for government bonds (2011: 3.6%).

3 Under amendments to IAS 19, "Employee Benefits", that will be adopted by the Group from 1 April 2013, the expected rate of return of pension plan assets will no longer be utilised in determining the pension plan costs recorded in the consolidated income statement.

The expected return on assets assumptions are derived by considering the expected long-term rates of return on plan investments. The overall rate of return is a weighted average of the expected returns of the individual investments made in the Group plans. The long-term rates of return on equities are derived from considering current risk free rates of return with the addition of an appropriate future risk premium from an analysis of historic returns in various countries. The long-term rates of return on bonds are set in line with market yields currently available at the statement of financial position date.

Mortality assumptions used are based on recommendations from the individual scheme actuaries which include adjustments for the experience of the Group where appropriate. The largest schemes in the Group are the UK schemes. Further life expectancies assumed for the UK schemes (Vodafone UK plan only in 2012 and 2011) are 23.6/25.3 years (2012: 23.6/24.4 years; 2011: 23.5/24.3 years) for a male/female pensioner currently aged 65 and 26.8/27.9 years (2012: 27.2/26.7 years; 2011: 27.0/26.6 years) from age 65 for a male/female non-pensioner member currently aged 40.

Measurement of the Group's defined benefit retirement obligations is particularly sensitive to changes in certain key assumptions including the discount rate. An increase or decrease in the discount rate of 0.5% would result in a £409 million decrease or a £467 million increase in the defined benefit obligation respectively.

Charges made to the consolidated income statement and consolidated statement of comprehensive income ('SOC') on the basis of the assumptions stated above are:

	2013 £m	2012 £m	2011 £m
Current service cost	28	11	12
Interest cost	139	85	95
Expected return on pension assets	(146)	(99)	(103)
Curtailment/settlement	(1)	1	—
Total included within staff costs	20	(2)	4
Actuarial losses/(gains) recognised in the SOC	259	365	(190)
Cumulative actuarial losses recognised in the SOC	930	671	306

Fair value of the assets and present value of the liabilities of the schemes

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit schemes is as follows:

	2013 £m	2012 £m	2011 £m
Movement in pension assets:			
1 April	1,604	1,558	1,487
Exchange rate movements	6	(22)	(2)
Expected return on pension assets	146	99	103
Actuarial gains/(losses)	189	(30)	(6)
Employer cash contributions	103	34	24
Member cash contributions	8	6	5
Benefits paid	(63)	(42)	(51)
Other movements ¹	1,730	1	(2)
31 March	3,723	1,604	1,558
Movement in pension liabilities:			
1 April	1,910	1,548	1,690
Exchange rate movements	9	(33)	(4)
Current service cost	28	11	12
Interest cost	139	85	95
Member cash contributions	8	6	5
Actuarial losses/(gains)	448	335	(196)
Benefits paid	(63)	(42)	(51)
Other movements ¹	1,821	—	(3)
31 March	4,300	1,910	1,548

Note:

¹ Other movements mainly comprise the addition of the CWWRP as a result of the acquisition of CWW (see note 11).

An analysis of net (deficit)/assets is provided below for the Group's two largest defined benefit pension scheme in the UK and for the Group as a whole.

	CWWRP				Vodafone UK plan							Group
	2013 £m	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m	2009 £m
Analysis of net (deficit)/assets:												
Total fair value of scheme assets	1,827	1,328	1,218	1,180	1,131	755	3,723	1,604	1,558	1,487	1,100	
Present value of funded scheme liabilities	(1,874)	(1,647)	(1,444)	(1,127)	(1,276)	(815)	(4,238)	(1,852)	(1,488)	(1,625)	(1,196)	
Net (deficit)/assets for funded schemes	(47)	(319)	(226)	53	(145)	(60)	(515)	(248)	70	(138)	(96)	
Present value of unfunded scheme liabilities	—	—	—	—	—	(8)	(62)	(58)	(60)	(65)	(136)	
Net (deficit)/assets	(47)	(319)	(226)	53	(145)	(68)	(577)	(306)	10	(203)	(232)	
Net (deficit)/assets are analysed as:												
Assets	—	—	—	53	—	—	52	31	97	34	8	
Liabilities	(47)	(319)	(226)	—	(145)	(68)	(629)	(337)	(87)	(237)	(240)	

It is expected that contributions of £62 million will be paid into the Group's defined benefit retirement schemes during the year ending 31 March 2014. The assets of the schemes are held in external trustee administered funds.

Notes to the consolidated financial statements (continued)

A5. Post employment benefits (continued)

Actual return on pension assets

	2013 £m	2012 £m	2011 £m
Actual return on pension assets	335	69	97
Analysis of pension assets at 31 March is as follows:	%	%	%
Equities	43.0	60.1	61.6
Bonds	33.8	37.1	36.5
Property	1.0	0.3	0.3
Annuity policies	13.9	—	—
Other	8.3	2.5	1.6
	100.0	100.0	100.0

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

History of experience adjustments

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Experience adjustments on pension liabilities:					
Amount	(7)	(21)	23	8	6
Percentage of pension liabilities	—	(1%)	1%	—	—
Experience adjustments on pension assets:					
Amount	189	(30)	(6)	286	(381)
Percentage of pension assets	5%	(2%)	—	19%	(35%)

A6. Capital and financial risk management

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

Capital management

The following table summarises the capital of the Group:

	2013 £m	2012 £m
Financial assets:		
Cash and cash equivalents	(7,623)	(7,138)
Fair value through the income statement (held for trading)	(6,803)	(2,629)
Derivative instruments in designated hedge relationships	(1,117)	(1,317)
Financial liabilities:		
Fair value through the income statements (held for trading)	1,060	889
Derivative instruments in designated hedge relationships	44	—
Financial liabilities held at amortised cost	41,397	34,620
Net debt	26,958	24,425
Equity	72,488	78,202
Capital	99,446	102,627

The Group's policy is to borrow centrally using a mixture of long-term and short-term capital market issues and borrowing facilities to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries. The Board has approved three internal debt protection ratios being: net interest to operating cash flow (plus dividends from associates); retained cash flow (operating cash flow plus dividends from associates less interest, tax, dividends to non-controlling shareholders and equity dividends) to net debt; and operating cash flow (plus dividends from associates) to net debt. These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and are shared with the Group's debt rating agencies being Moody's, Fitch Ratings and Standard & Poor's. The Group complied with these ratios throughout the financial year.

Financial risk management

The Group's treasury function provides a centralised service to the Group for funding, foreign exchange, interest rate management and counterparty risk management.

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Board, most recently on 27 March 2012. A treasury risk committee comprising of the Group's Chief Financial Officer, Group General Counsel and Company Secretary, Group Treasury Director and Director of Financial Reporting meets three times a year to review treasury activities and its members receive management information relating to treasury activities on a quarterly basis. The Group's accounting function, which does not report to the Group Treasury Director, provides regular update reports of treasury activity to the Board. The Group's internal auditor reviews the internal control environment regularly.

The Group uses a number of derivative instruments for currency and interest rate risk management purposes only that are transacted by specialist treasury personnel. The Group mitigates banking sector credit risk by the use of collateral support agreements.

Credit risk

The Group considers its exposure to credit risk at 31 March to be as follows:

	2013 £m	2012 £m
Bank deposits	1,396	2,762
Repurchase agreements	2,550	600
Cash held in restricted deposits	404	333
UK government bonds	1,076	900
Money market fund investments	3,494	3,190
Derivative financial instruments	3,032	2,959
Other investments – debt and bonds	3,427	160
Trade receivables	4,176	4,005
Other receivables	1,877	3,219
Short term securitised investments	826	586
	22,258	18,714

The Group invested in UK index linked government bonds on the basis that they generated a floating rate return in excess of £ LIBOR and are amongst the most creditworthy of investments available.

The Group has a managed investment fund. This fund holds fixed income sterling securities and the average credit quality is high double A.

Money market investments are in accordance with established internal treasury policies which dictate that an investment's long-term credit rating is no lower than mid BBB. Additionally, the Group invests in AAA unsecured money market mutual funds where the investment is limited to 7.5% of each fund.

The Group has investments in repurchase agreements which are fully collateralised investments. The collateral is sovereign and supranational debt of major EU countries with at least one AAA rating denominated in euros, sterling and US dollars and can be readily converted to cash. In the event of any default, ownership of the collateral would revert to the Group. Detailed below is the value of the collateral held by the Group at 31 March 2013.

	2013 £m	2012 £m
Sovereign	2,081	575
Supranational	469	25
	2,550	600

In respect of financial instruments used by the Group's treasury function, the aggregate credit risk the Group may have with one counterparty is limited by (i) reference to the long-term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's, (ii) that counterparty's five year credit default swap ('CDS') spread, and (iii) the sovereign credit rating of that counterparty's principal operating jurisdiction. Furthermore, collateral support agreements were introduced from the fourth quarter of 2008. Under collateral support agreements the Group's exposure to a counterparty with whom a collateral support agreement is in place is reduced to the extent that the counterparty must post cash collateral when there is value due to the Group under outstanding derivative contracts that exceeds a contractually agreed threshold amount. When value is due to the counterparty the Group is required to post collateral on identical terms. Such cash collateral is adjusted daily as necessary.

In the event of any default ownership of the cash collateral would revert to the respective holder at that point. Detailed below is the value of the cash collateral, which is reported within short-term borrowings, held by the Group at 31 March 2013:

	2013 £m	2012 £m
Cash collateral	1,151	980

Notes to the consolidated financial statements (continued)

A6. Capital and financial risk management (continued)

The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from consumers and business customers. At 31 March 2013 £2,200 million (2012: £1,806 million) of trade receivables were not yet due for payment. Total trade receivables consisted of £1,547 million (2012: £1,288 million) relating to the Northern and Central Europe region, £1,415 million (2012: £1,384 million) relating to the Southern Europe region and £1,214 million (2012: £1,333 million) relating to the Africa, Middle East and Asia Pacific region. Accounts are monitored by management and provisions for bad and doubtful debts raised where it is deemed appropriate.

The following table presents ageing of receivables that are past due and provisions for doubtful receivables that have been established.

	2013			2012		
	Gross receivables £m	Less provisions £m	Net receivables £m	Gross receivables £m	Less provisions £m	Net receivables £m
30 days or less	1,821	(404)	1,417	1,914	(390)	1,524
Between 31–60 days	185	(21)	164	192	(21)	171
Between 61–180 days	235	(53)	182	435	(96)	339
Greater than 180 days	636	(423)	213	598	(433)	165
	2,877	(901)	1,976	3,139	(940)	2,199

Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated. Due to this management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables. Amounts charged to administrative expenses during the year ended 31 March 2013 were £458 million (2012: £458 million; 2011: £460 million) (see note 17).

The Group's investments in preferred equity and a subordinated loan received as part of the disposal of Vodafone Japan to SoftBank in the 2007 financial year were disposed of in the year ended 31 March 2011. On 2 April 2012 the Group received £1,499 million in relation to the second tranche of consideration receivable in relation to the disposal.

As discussed in note 21 the Group has covenanted to provide security in favour of the Trustee of the Vodafone Group UK Pension Scheme in respect of the funding deficit in the scheme. The security takes the form of an English law pledge over UK index linked government bonds.

Liquidity risk

At 31 March 2013 the Group had €4.2 billion and US\$4.2 billion syndicated committed undrawn bank facilities and US\$15 billion and £5 billion commercial paper programmes, supported by the €4.2 billion and US\$4.2 billion syndicated committed bank facilities, available to manage its liquidity. The Group uses commercial paper and bank facilities to manage short-term liquidity and manages long-term liquidity by raising funds in the capital markets.

€4.2 billion of the syndicated committed facility has a maturity date of 1 July 2015. US\$4.1 billion has a maturity of 9 March 2017; the remaining US\$0.1 billion has a maturity of 9 March 2016. Both facilities have remained undrawn throughout the financial year and since year end and provide liquidity support.

The Group manages liquidity risk on long-term borrowings by maintaining a varied maturity profile with a cap on the level of debt maturing in any one calendar year, therefore minimising refinancing risk. Long-term borrowings mature between one and 30 years.

Liquidity is reviewed daily on at least a 12 month rolling basis and stress tested on the assumption that all commercial paper outstanding matures and is not reissued. The Group maintains substantial cash and cash equivalents which at 31 March 2013 amounted to £7,623 million (2012: £7,138 million).

Market risk**Interest rate management**

Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in euros, US dollars and sterling are maintained on a floating rate basis except for periods up to six years where interest rate fixing has to be undertaken in accordance with treasury policy. Where assets and liabilities are denominated in other currencies interest rates may also be fixed. In addition, fixing is undertaken for longer periods when interest rates are statistically low.

For each one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 March 2013 there would be a reduction or increase in profit before tax by approximately £144 million (2012: increase or reduce by £33 million) including mark-to-market revaluations of interest rate and other derivatives and the potential interest on outstanding tax issues. There would be no material impact on equity.

Foreign exchange management

As Vodafone's primary listing is on the London Stock Exchange its share price is quoted in sterling. Since the sterling share price represents the value of its future multi-currency cash flows, principally in euro, US dollars, South African rand, Indian rupee and sterling, the Group maintains the currency of debt and interest charges in proportion to its expected future principal multi-currency cash flows and has a policy to hedge external foreign exchange risks on transactions denominated in other currencies above certain de minimis levels. As the Group's future cash flows are increasingly likely to be derived from emerging markets it is likely that more debt in emerging market currencies will be drawn.

As such, at 31 March 2013 135% of net debt was denominated in currencies other than sterling (56% euro, 55% US dollar and 24% other) while 35% of net debt had been purchased forward in sterling in anticipation of sterling denominated shareholder returns via dividends and share buybacks. This allows euro, US dollar and other debt to be serviced in proportion to expected future cash flows and therefore provides a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies.

Under the Group's foreign exchange management policy foreign exchange transaction exposure in Group companies is generally maintained at the lower of €5 million per currency per month or €15 million per currency over a six month period.

The Group recognises foreign exchange movements in equity for the translation of net investment hedging instruments and balances treated as investments in foreign operations. However, there is no net impact on equity for exchange rate movements as there would be an offset in the currency translation of the foreign operation.

The following table details the Group's sensitivity of the Group's operating profit to a strengthening of the Group's major currencies in which it transacts. The percentage movement applied to each currency is based on the average movements in the previous three annual reporting periods. Amounts are calculated by retranslating the operating profit of each entity whose functional currency is either euro or US dollar.

	2013 £m
Euro 3% change – Operating profit¹	106
US dollar 4% change – Operating profit¹	257

Note:

1 Operating profit before impairment losses and other income and expense.

At 31 March 2012 sensitivity of the Group's operating profit was analysed for a strengthening of the euro by 3% and the US dollar by 4%, which represented movements of £140 million and £195 million respectively.

Equity risk

The Group has equity investments, primarily in Bharti Infotel Private Limited, which is subject to equity risk. See note 16 for further details on the carrying value of this investment.

Fair value of financial instruments

The table below sets out the valuation basis of financial instruments held at fair value by the Group at 31 March 2013.

	Level 1 ¹		Level 2 ²		Total	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Financial assets:						
Fair value through the income statement (held for trading)	—	—	4,836	949	4,836	949
Derivative financial instruments:						
Interest rate swaps	—	—	2,625	2,513	2,625	2,513
Cross currency interest rate swaps	—	—	319	318	319	318
Foreign exchange contracts	—	—	88	128	88	128
Interest rate futures	—	—	52	38	52	38
	—	—	7,920	3,946	7,920	3,946
Financial investments available-for-sale:						
Listed equity securities ³	3	1	—	—	3	1
Unlisted equity securities ³	—	—	498	591	498	591
	3	1	498	591	501	592
	3	1	8,418	4,537	8,421	4,538
Financial liabilities:						
Derivative financial instruments:						
Interest rate swaps	—	—	1,060	800	1,060	800
Foreign exchange contracts	—	—	44	89	44	89
	—	—	1,104	889	1,104	889

Notes:

1 Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.

2 Level 2 classification comprises where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Fair values for unlisted equity securities are derived from observable quoted market prices for similar items. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.

3 Details of listed and unlisted equity securities are included in note 16 "Other Investments".

Notes to the consolidated financial statements (continued)

A7. Related party transactions

The Group has a number of related parties including joint ventures (refer to note 14), associates (refer to note 15), pension schemes (refer to note A5 for the Group's contributions), directors and Executive Committee members (refer to note 4 for amounts paid to them).

Transactions with joint ventures and associates

Related party transactions with the Group's joint ventures and associates primarily comprise fees for the use of products and services including network airtime and access charges, and cash pooling arrangements.

No related party transactions have been entered into during the year which might reasonably affect any decisions made by the users of these consolidated financial statements except as disclosed below. Transactions between the Company and its joint ventures are not material to the extent that they have not been eliminated through proportionate consolidation or disclosed below.

	2013 £m	2012 £m	2011 £m
Sales of goods and services to associates	241	195	327
Purchase of goods and services from associates	105	107	171
Purchase of goods and services from joint ventures	329	207	206
Net interest receivable from joint ventures ¹	(14)	(7)	(14)
Trade balances owed:			
by associates	21	15	52
to associates	19	18	23
by joint ventures	119	9	27
to joint ventures	27	89	67
Other balances owed by joint ventures ¹	337	365	176

Note:

¹ Amounts arise primarily through Vodafone Italy, Vodafone Hutchison Australia, Indus Towers and Cornerstone, and represent amounts not eliminated on consolidation. Interest is paid in line with market rates.

Amounts owed by and owed to associates are disclosed within notes 17 and 18. Dividends received from associates are disclosed in the consolidated statement of cash flows.

Transactions with directors other than compensation

During the three years ended 31 March 2013, and as of 20 May 2013, neither any director nor any other executive officer, nor any associate of any director or any other executive officer, was indebted to the Company.

During the three years ended 31 March 2013, and as of 20 May 2013, the Company has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel (including directors, any other executive officer, senior manager, any spouse or relative of any of the foregoing or any relative of such spouse) had or was to have a direct or indirect material interest.

A8. Principal subsidiaries

Our subsidiaries are located around the world and each contributes to the profits, assets and cash flow of the Group. We have a large number of subsidiaries and so, for practical reasons, only the principal subsidiaries at 31 March 2013 are detailed below.

A full list of subsidiaries, joint ventures, associated undertakings and any significant holdings (as defined in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) as at 15 August 2013 will be annexed to the Company's next annual return filed with the Registrar of Companies. No subsidiaries are excluded from the Group consolidation. Unless otherwise stated the Company's principal subsidiaries all have share capital consisting solely of ordinary shares and are indirectly held. The country of incorporation or registration of all subsidiaries is also their principal place of operation.

Name	Principal activity	Country of incorporation or registration	Percentage shareholdings ¹
Vodafone GmbH ²	Network operator	Germany	100.0
Vodafone Limited	Network operator	England	100.0
Cable & Wireless Worldwide plc.	Fixed network operator	England	100.0
Vodafone Czech Republic a.s.	Network operator	Czech Republic	100.0
Vodafone Magyarország Mobile Távközlési Zártkörűen Működő Részvénytársaság ³	Network operator	Hungary	100.0
Vodafone Ireland Limited	Network operator	Ireland	100.0
Vodafone Libertel B.V.	Network operator	Netherlands	100.0
Vodafone Romania S.A.	Network operator	Romania	100.0
Vodafone Telekomünikasyon A.Ş.	Network operator	Turkey	100.0
Vodafone España S.A.U.	Network operator	Spain	100.0
Vodafone Albania Sh.A.	Network operator	Albania	99.9
Vodafone-Panafon Hellenic Telecommunications Company S.A.	Network operator	Greece	99.9
Vodafone Malta Limited	Network operator	Malta	100.0
Vodafone Portugal-Comunicações Pessoais, S.A. ⁴	Network operator	Portugal	100.0
Vodafone India Limited ⁵	Network operator	India	84.5
Vodacom Group Limited	Network operator	South Africa	65.0
Vodacom Congo (RDC) s.p.r.l. ^{6 7 8}	Network operator	The Democratic Republic of Congo	33.2
Vodacom Tanzania Limited ^{6 8}	Network operator	Tanzania	42.3
VM, S.A. ^{6 9}	Network operator	Mozambique	55.3
Vodacom Lesotho (Pty) Limited ⁶	Network operator	Lesotho	52.0
Vodacom Business Africa Group (PTY) Limited ⁶	Holding company	South Africa	65.0
Vodafone Egypt Telecommunications S.A.E.	Network operator	Egypt	54.9
Ghana Telecommunications Company Limited	Network operator	Ghana	70.0
Vodafone New Zealand Limited	Network operator	New Zealand	100.0
Vodafone Qatar Q.S.C. ⁸	Network operator	Qatar	23.0
Vodafone Group Services Limited ¹⁰	Global products and services provider	England	100.0
Vodafone Sales & Services Limited ¹¹	Group services provider	England	100.0
Vodafone Holding GmbH	Holding company	Germany	100.0
Vodafone Holdings Europe S.L.U.	Holding company	Spain	100.0
Vodafone Europe B.V.	Holding company	Netherlands	100.0
Vodafone International Holdings B.V.	Holding company	Netherlands	100.0
Vodafone Investments Luxembourg S.a.r.l.	Holding company	Luxembourg	100.0
Vodafone Procurement Company S.a.r.l.	Group services provider	Luxembourg	100.0
Vodafone Roaming Services S.a.r.l.	Group services provider	Luxembourg	100.0
Vodafone Americas Inc. ¹²	Holding company	US	100.0

Notes:

1 Effective ownership percentages of Vodafone Group Plc at 31 March 2013, rounded to nearest tenth of one percent.

2 Vodafone GmbH changed its name from Vodafone D2 GmbH on 1 February 2013.

3 Trades as Vodafone Hungary Mobile Telecommunications Company Limited.

4 38.6% of the issued share capital of Vodafone Portugal-Comunicações Pessoais, S.A. is directly held by Vodafone Group Plc.

5 At 31 March 2013 the Group had a 64.4% interest in Vodafone India Limited (VIL) through wholly owned subsidiaries and a further 20.1% indirectly through less than 50% owned entities giving an aggregate 84.5% interest.

The Group has call options to acquire shareholdings in companies which indirectly own a further 4.5% interest in VIL. The shareholders of these companies also have put options which, if exercised, would require Vodafone to purchase the remaining shares in the respective company. If these options were exercised, which can only be done in accordance with the Indian law prevailing at the time of exercise, the Group would have a direct and indirect interest of 89.0% of VIL.

6 Shareholding is indirect through Vodacom Group Limited. The indirect shareholding is calculated using the 65.0% ownership interest in Vodacom.

7 The share capital of Vodacom Congo (RDC) s.p.r.l. consists of 1,000,000 ordinary shares and 75,470,588 preference shares.

8 The Group has rights that enable it to control the strategic and operating decisions of Vodafone Qatar Q.S.C., Vodacom Congo (RDC) s.p.r.l. and Vodacom Tanzania Limited.

9 The share capital of VM, S.A. consists of 60,000,000 ordinary shares and 548,350,646 preference shares.

10 Share capital consists of 790 ordinary shares and one deferred share, of which 100% of the shares are indirectly held by Vodafone Group Plc.

11 Vodafone Sales & Services Limited is directly held by Vodafone Group Plc.

12 Share capital consists of 395,834,251 ordinary shares and 1.65 million class D and E redeemable preference shares, of which 100% of the ordinary shares are indirectly held by Vodafone Group Plc.

Notes to the consolidated financial statements (continued)

A9. Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the newly available audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 March 2013.

Name	Registration number
Vodafone 2.	4083193
Vodafone 4 UK	6357658
Vodafone 5 Limited	6688527
Vodafone 5 UK	2960479
Vodafone Americas 4	6389457
Vodafone Benelux Limited	4200960
Vodafone Cellular Limited	896318
Vodafone Consolidated Holdings Limited	5754561
Vodafone Euro Hedging Limited	3954207
Vodafone Euro Hedging Two	4055111
Vodafone European Investments	3961908
Vodafone European Portal Limited	3973442
Vodafone Europe UK	5798451
Vodafone Finance Luxembourg Limited	5754479
Vodafone Finance Sweden	2139168
Vodafone Finance UK Limited	3922620
Vodafone Financial Operations	4016558
Vodafone Global Content Services Limited	4064873
Vodafone Holdings Luxembourg Limited	4200970
Vodafone Intermediate Enterprises Limited	3869137
Vodafone International Holdings Limited	2797426
Vodafone International Operations Limited	2797438
Vodafone Investments Australia Limited	2011978
Vodafone Investments Limited	1530514
Vodafone Investment UK	5798385
Vodafone Leasing Limited	4201716
Vodafone Marketing UK	6858585
Vodafone Mobile Communications Limited	3942221
Vodafone Mobile Enterprises Limited	3961390
Vodafone Mobile Network Limited	3961482
Vodafone (New Zealand) Hedging Limited	4158469
Vodafone Nominees Limited	1172051
Vodafone Oceania Limited	3973427
Vodafone Overseas Finance Limited	4171115
Vodafone Overseas Holdings Limited	2809758
Vodafone Panafon UK	6326918
Vodafone Property Investments Limited	3903420
Vodafone UK Investments Limited	874784
Vodafone UK Limited	2227940
Vodafone Worldwide Holdings Limited	3294074
Vodafone Yen Finance Limited	4373166
Voda Limited	1847509
Vodaphone Limited	2373469
Vodata Limited	2502373

Other unaudited financial information

Prior year operating results

This section presents our operating performance for the 2012 financial year compared to the 2011 financial year, providing commentary on the revenue and EBITDA performance of the Group and its operating segments within Northern and Central Europe, Southern Europe, Africa, Middle East and Asia Pacific, and Non-Controlled Interests and Common Functions.

Group^{1 2}

	Northern and Central Europe £m	Southern Europe £m	AMAP £m	Non-Controlled Interests and Common Functions ³ £m	Eliminations £m	2012 £m	2011 £m	% change	
								£	Organic
Revenue	19,575	12,522	13,868	614	(162)	46,417	45,884	1.2	2.2
Service revenue	18,265	11,565	12,751	463	(159)	42,885	42,738	0.3	1.5
EBITDA	5,934	4,438	4,115	(12)	—	14,475	14,670	(1.3)	(0.6)
Adjusted operating profit	2,530	2,660	1,472	4,870	—	11,532	11,818	(2.4)	2.5
Adjustments for:									
Impairment loss						(4,050)	(6,150)		
Other income/(expense) ⁴						3,705	(72)		
Operating profit						11,187	5,596		

Notes:

1 Amounts are presented on the Group's revised segment basis (see note A2 for further information).

2 2012 results reflect average foreign exchange rates of £1:€1.16 and £1:US\$1.60.

3 Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.

4 Other income/(expense) for the year ended 31 March 2012 includes a £3,419 million gain on disposal of the Group's 44% interest in SFR and a £296 million gain on disposal of the Group's 24.4% interest in Polkomtel. The year ended 31 March 2011 included £56 million representing the net loss on disposal of certain Alltel investments by VZW. This is included within the line item "Share of results in associates" in the consolidated income statement.

Revenue

Group revenue was up 1.2% to £46.4 billion, with service revenue of £42.9 billion, an increase of 1.5%* on an organic basis. Our overall performance reflects continued strong demand for data services and further voice penetration growth in emerging markets, offset by regulatory changes, ongoing competitive pressures and challenging macroeconomic conditions in a number of our mature markets. As a result of the leap year, service revenue growth of 2.3%* in Q4 benefited from the additional day by around 1 percentage point.

AMAP service revenue was up by 8.0%*, with a strong performance in India, Qatar, Ghana and Vodacom and a return to growth in Egypt offset by a decline in Australia.

In Northern and Central Europe, service revenue was up by 2.5%* reflecting growth in Germany, the UK, the Netherlands and Turkey.

In Southern Europe, service revenue was down by -6.2%* reflecting challenging macroeconomic conditions.

EBITDA and profit

Group EBITDA was down 1.3% to £14.5 billion, as revenue growth was offset by higher customer investment due to increased smartphone penetration.

Adjusted operating profit was down 2.4% to £11.5 billion, driven by a reduction in our share of profits from associates following the disposal of our 44% interest in SFR in June 2011. Our share of profits of VZW grew by 9.3%* to £4.9 billion.

Operating profit increased by 100% to £11.2 billion, primarily due to the gain on disposal of the Group's 44% interest in SFR and 24.4% interest in Polkomtel, and lower impairment losses compared to the prior year.

An impairment loss of £4.0 billion was recorded in relation to Italy, Spain, Portugal and Greece, primarily driven by lower projected cash flows within business plans and an increase in discount rates, resulting from adverse changes in the economic environment.

Other unaudited financial information (continued)

Prior year operating results (continued)

Northern and Central Europe

	Germany £m	UK £m	Other Northern and Central Europe £m	Eliminations £m	Northern and Central Europe £m	£m	% change Organic
Year ended 31 March 2012							
Revenue	8,233	5,397	6,042	(97)	19,575	3.6	3.7
Service revenue	7,669	4,996	5,695	(95)	18,265	2.2	2.5
EBITDA	2,965	1,294	1,675	—	5,934	2.7	2.1
Adjusted operating profit	1,491	402	637	—	2,530	2.2	0.8
EBITDA margin	36.0%	24.0%	27.7%		30.3%		
Year ended 31 March 2011							
Revenue	7,900	5,271	5,846	(117)	18,900		
Service revenue	7,471	4,931	5,589	(115)	17,876		
EBITDA	2,952	1,233	1,594	—	5,779		
Adjusted operating profit	1,548	348	580	—	2,476		
EBITDA margin	37.4%	23.4%	27.3%		30.6%		

Revenue increased by 3.6% including a -0.2 percentage point impact from unfavourable foreign exchange rate movements. On an organic basis service revenue increased by 2.5%* primarily due growth in data revenue, partially offset by the impact of MTR cuts and competitive pricing pressures. Growth was seen in the UK, Germany, the Netherlands and Turkey.

EBITDA increased by 2.7% including a 0.7 percentage point favourable impact from foreign exchange rate movements. On an organic basis EBITDA increased by 2.1%*, resulting from higher service revenue and direct cost efficiencies, partially offset by higher customer investment due to the increased penetration of smartphones.

	Organic change %	Other activity ¹ pps	Foreign exchange pps	Reported change %
Revenue – Northern and Central Europe	3.7	0.1	(0.2)	3.6
Service revenue				
Germany	1.2	(0.1)	1.6	2.7
UK	1.6	(0.3)	—	1.3
Other Northern and Central Europe	5.1	(0.3)	(2.9)	1.9
Northern and Central Europe	2.5	(0.1)	(0.2)	2.2
EBITDA				
Germany	(1.1)	—	1.5	0.4
UK	5.0	(0.1)	—	4.9
Other Northern and Central Europe	6.0	(0.7)	(0.2)	5.1
Northern and Central Europe	2.1	(0.1)	0.7	2.7
Adjusted operating profit				
Germany	(5.3)	0.1	1.5	(3.7)
UK	15.7	(0.2)	—	15.5
Other Northern and Central Europe	7.9	(2.2)	4.1	9.8
Northern and Central Europe	0.8	(0.5)	1.9	2.2

Note:

¹ "Other activity" includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to "Organic growth" on page 188 for further detail.

Germany

Service revenue increased by 1.2%* as strong growth in data and enterprise revenue more than offset the impact of an MTR cut effective from 1 December 2010 and increasing competitive pressures. Data revenue grew by 21.3%* driven by a higher penetration of smartphones, an increase in those sold with a data bundle and the launch of prepaid integrated tariffs. Enterprise revenue grew by 5.6%* driven by significant customer wins and the success of converged service offerings. A number of innovative products were launched during the second half of the 2012 financial year, including OfficeNet, a cloud based solution.

The roll out of LTE has continued, following the launch of services in the 2011 financial year. Nearly 2,700 base stations had been upgraded to LTE at 31 March 2012, providing approximately 35% household coverage.

EBITDA declined by -1.1%* as the higher revenue was offset by restructuring costs and regulation changes.

UK

Service revenue increased by 1.6%* driven by an increase in data and consumer contract revenue supported by the success of integrated offerings. This was partially offset by the impact of an MTR cut effective from 1 April 2011 and lower consumer confidence leading to reduced out-of-bundle usage. Data revenue grew by 14.5%* due to higher penetration of smartphones and an increase in those sold with a data bundle.

EBITDA increased by 5.0%* and EBITDA margin improved by 0.6* percentage points, due to a number of cost saving initiatives, including acquisition and retention efficiencies.

Other Northern and Central Europe

Service revenue increased by 5.1%* as growth in the Netherlands and Turkey more than offset a decline in the rest of the region, particularly in Ireland, which continued to be impacted by the challenging macroeconomic environment and competitive factors. Service revenue in Turkey grew by 25.1%* driven by strong growth in consumer contract and data revenue resulting from an expanding contract customer base and the launch of innovative propositions. In the Netherlands service revenue increased by 2.1%*, driven by an increase in the customer base, partially offset by MTR cuts, price competition and customers optimising tariffs.

EBITDA grew by 6.0%*, with strong growth in Turkey, driven by a combination of service revenue growth and cost efficiencies, partially offset by declines in the majority of the other markets.

Southern Europe

	Italy £m	Spain £m	Other Southern Europe £m	Eliminations £m	Southern Europe £m	% change	
						£m	Organic
Year ended 31 March 2012							
Revenue	5,658	4,763	2,128	(27)	12,522	(3.9)	(5.4)
Service revenue	5,329	4,357	1,904	(25)	11,565	(4.7)	(6.2)
EBITDA	2,514	1,193	731	–	4,438	(11.0)	(12.5)
Adjusted operating profit	1,735	566	359	–	2,660	(16.8)	(18.2)
EBITDA margin	44.4%	25.0%	34.4%		35.4%		
Year ended 31 March 2011							
Revenue	5,722	5,133	2,208	(30)	13,033		
Service revenue	5,432	4,735	1,999	(28)	12,138		
EBITDA	2,643	1,562	783	–	4,988		
Adjusted operating profit	1,903	915	379	–	3,197		
EBITDA margin	46.2%	30.4%	35.5%		38.3%		

Revenue declined by -3.9% including a 1.5 percentage point impact from favourable foreign exchange rate movements. On an organic basis service revenue declined by -6.2%* primarily due to the impact of MTR cuts, competitive pricing pressures and continued economic weakness, partially offset by growth in data revenue. Service revenue declined in most other markets, in particular, Italy, Spain and Greece.

EBITDA declined by -11.0% including a 1.5 percentage point favourable impact from foreign exchange rate movements. On an organic basis EBITDA decreased by -12.5%*, resulting from higher customer investment due to the increased penetration of smartphones, and a reduction in service revenue in most markets, partially offset by direct cost efficiencies.

	Organic change %	Other activity ¹ pps	Foreign exchange pps	Reported change %
Revenue – Southern Europe	(5.4)	–	1.5	(3.9)
Service revenue				
Italy	(3.4)	–	1.5	(1.9)
Spain	(9.4)	(0.1)	1.5	(8.0)
Other Southern Europe	(6.1)	(0.1)	1.4	(4.8)
Southern Europe	(6.2)	–	1.5	(4.7)
EBITDA				
Italy	(6.4)	–	1.5	(4.9)
Spain	(24.9)	(0.2)	1.5	(23.6)
Other Southern Europe	(8.1)	–	1.5	(6.6)
Southern Europe	(12.5)	–	1.5	(11.0)
Adjusted operating profit				
Italy	(10.4)	–	1.6	(8.8)
Spain	(39.2)	(0.3)	1.4	(38.1)
Other Southern Europe	(6.7)	–	1.4	(5.3)
Southern Europe	(18.2)	(0.1)	1.5	(16.8)

Note:

¹ "Other activity" includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to "Organic growth" on page 188 for further detail.

Italy

Service revenue declined by -3.4%* as a result of weak economic conditions, intense competition and the impact of an MTR cut effective from 1 July 2011. Strong data revenue growth of 16.8%* was driven by mobile internet which benefited from a higher penetration of smartphones and an increase in those sold with a data bundle. From Q3 of the 2012 financial year, all new consumer contract customers were on an integrated tariff. Enterprise revenue grew by 5.1%* with a strong contribution from Vodafone One Net, a converged fixed and mobile solution, and growth in the customer base. Fixed line growth benefited from strong customer additions although slowed in Q4 due to intense competition.

EBITDA decreased by -6.4%*, and EBITDA margin fell by -1.9* percentage points resulting from the decline in service revenue partially offset by operating cost efficiencies such as site sharing agreements and outsourcing of network maintenance to Ericsson.

Spain

Service revenue declined by -9.4%* impacted by intense competition, continuing economic weakness and high unemployment during the year, which have driven customers to reduce or optimise their spend on tariffs. Data revenue increased by 18.4%* benefiting from the penetration of integrated voice, SMS and data tariffs initially launched in October 2010. Improvements were seen in fixed line revenue which increased by 7.3%* resulting from a competitive proposition leading to good customer additions. Mobile customer net additions were strong as a result of our more competitive tariffs and a focus on improving the retention of higher-value customers.

EBITDA declined by -24.9%*, with a -5.5* percentage point fall in EBITDA margin, primarily due to lower revenue with sustained investment in acquisition and retention costs. This was partially offset by operating cost efficiencies.

Other Southern Europe

Service revenue declined by -6.1%* as growth in Albania and Malta was more than offset by a decline in Greece and Portugal, which continued to be impacted by the challenging macroeconomic environment and competitive factors. EBITDA declined by -8.1%*, driven by service revenue declines in Greece and Portugal.

Other unaudited financial information (continued)

Prior year operating results (continued)

Africa, Middle East and Asia Pacific

	India £m	Vodacom £m	Other AMAP £m	Eliminations £m	AMAP £m	£m	% change Organic
Year ended 31 March 2012							
Revenue	4,265	5,638	3,965	—	13,868	4.2	8.4
Service revenue	4,215	4,908	3,628	—	12,751	3.7	8.0
EBITDA	1,122	1,930	1,063	—	4,115	2.9	7.8
Adjusted operating profit	60	1,084	328	—	1,472	15.7	22.4
EBITDA margin	26.3%	34.2%	26.8%		29.7%		
Year ended 31 March 2011							
Revenue	3,855	5,479	3,971	(1)	13,304	20.0	9.5
Service revenue	3,804	4,839	3,650	(1)	12,292	20.0	9.5
EBITDA	985	1,844	1,170	—	3,999	20.7	7.5
Adjusted operating profit	15	827	430	—	1,272	55.5	8.6
EBITDA margin	25.6%	33.7%	29.5%		30.1%		

Revenue grew by 4.2% after a 4.2 percentage point adverse impact from foreign exchange rate movements. On an organic basis service revenue grew by 8.0%* driven by customer and data growth, partially offset by the impact of MTR reductions. Growth was driven by strong performances in India, Vodacom, Ghana and Qatar and a return to growth in Egypt, offset by service revenue declines in Australia and New Zealand.

EBITDA grew by 2.9% after a 4.8 percentage point adverse impact from foreign exchange rate movements. On an organic basis, EBITDA grew by 7.8%* driven primarily by strong growth in India and Vodacom and improved contributions from Ghana and Qatar, offset in part by declines in Egypt and Australia.

	Organic change %	Other activity ¹ pps	Foreign exchange pps	Reported change %
Revenue – AMAP	8.4	—	(4.2)	4.2
Service revenue				
India	19.5	(0.1)	(8.6)	10.8
Vodacom	7.1	—	(5.7)	1.4
Other AMAP	(1.8)	(0.1)	1.3	(0.6)
AMAP	8.0	—	(4.3)	3.7
EBITDA				
India	22.9	(0.2)	(8.8)	13.9
Vodacom	11.3	—	(6.6)	4.7
Other AMAP	(9.1)	(0.1)	0.1	(9.1)
AMAP	7.8	(0.1)	(4.8)	2.9
Adjusted operating profit				
India	389.3	(40.6)	(48.7)	300.0
Vodacom	41.1	—	(10.0)	31.1
Other AMAP	(22.4)	(0.2)	(1.1)	(23.7)
AMAP	22.4	(0.3)	(6.4)	15.7

Notes:

1 "Other activity" includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to "Organic growth" on page 188 for further detail.

2 Excludes Gateway and Vodacom Business Africa.

India

Service revenue grew by 19.5%*, driven by an 11.8% increase in the customer base, strong growth in incoming and outgoing voice minutes and 51.3%* growth in data revenue. 3G services were available to Vodafone customers in 860 towns and cities across 20 circles at 31 March 2012. Growth also benefited from mobile operators starting to charge for SMS termination during the second quarter of the 2012 financial year. At 31 March 2012 the customer base had increased to 150.5 million, with data customers totalling 35.4 million, a year-on-year increase of 81.5%. This was driven by an increase in data enabled handsets and the impact of successful marketing campaigns. Whilst the market remained highly competitive, the effective rate per minute remained broadly stable during the 2012 financial year, with promotional offers offsetting headline price increases.

EBITDA grew by 22.9%* driven by the increase in revenue and economies of scale, partially offset by higher customer acquisition costs and increased interconnection costs. Full year EBITDA margin increased 0.8* percentage points to 26.3%, driven by cost efficiencies and scale benefits.

Vodacom

Service revenue grew by 7.1%*, driven by service revenue growth in South Africa of 4.4%*, where strong net customer additions and growth in data revenue was partially offset by the impact of MTR cuts (effective 1 March 2011 and 1 March 2012). Despite competitive pricing pressures, data revenue in South Africa grew by 24.3%*, driven by higher smartphone penetration and data bundles leading to a 35.4% increase in active data customers to 12.2 million at 31 March 2012.

Vodacom's mobile operations outside South Africa delivered strong service revenue growth of 31.9%*², driven by customer net additions and the simplification of tariff structures in Mozambique and Tanzania. M-Pesa, our mobile phone based money transfer service, continued to perform well in Tanzania with over 3.1 million active users at 31 March 2012.

EBITDA increased by 11.3%* driven by robust service revenue growth and continued focus on operating cost efficiencies.

Other AMAP

Organic service revenue, which included Australia, declined by -1.8%* with both New Zealand and Australia being impacted by MTR cuts effective from 6 May 2011 and 1 January 2012, respectively. In Australia, despite improvements in network and customer operations performance, service revenue declined by -8.8%* driven by the competitive market and weakness in brand perception following the network and customer service issues experienced from late 2010 to early 2011 and further accelerated by MTR cuts. On 22 March 2012, Vodafone Hutchison Australia appointed Bill Morrow as its new CEO. In Egypt service revenue was suppressed by the challenging economic and political environment, however, organic growth of 1.4%* was achieved as a result of an increased customer base and strong data usage. In Qatar an increase in the customer base delivered service revenue growth of 27.1%*, despite a competitive pricing environment. Service revenue in Ghana grew by 29.2%* through strong gains in customer market share.

EBITDA margin declined -2.2* percentage points, driven by the service revenue decline in Australia and the challenging economic and competitive environment in Egypt, partially offset by growth in Qatar and Ghana.

Safaricom, Vodafone's associate in Kenya, grew service revenue by 13.6%*, driven by increases in customer base, voice usage and M-Pesa activity. EBITDA margin improved in the second half of the 2012 financial year through a tariff increase in October 2011, operating cost efficiencies and a strengthening of the local currency to take the margin for the 2012 financial year to 35.0%.

Non-Controlled Interests

Verizon Wireless^{1 2 3}

	2012 £m	2011 £m	% change	
			£	Organic
Service revenue	18,039	17,238	4.6	7.3
Revenue	20,187	18,711	7.9	10.6
EBITDA	7,689	7,313	5.1	7.9
Interest	(212)	(261)	(18.8)	
Tax ²	(287)	(235)	22.1	
Group's share of result in VZW	4,867	4,569	6.5	9.3

In the US VZW reported 4.6 million net mobile customer additions bringing its closing mobile customer base to 93.0 million, up 5.2%.

Service revenue growth of 7.3%* continued to be driven by the expanding customer base and robust growth in data ARPU driven by increased penetration of smartphones.

EBITDA margin remained strong despite the competitive challenges and macroeconomic environment. Efficiencies in operating expenses and customer acquisition costs resulting from lower volumes were partly offset by a higher level of customer retention costs reflecting the increased demand for smartphones.

VZW's net debt at 31 March 2012 totalled US\$6.4 billion⁴ (31 March 2011: net debt US\$9.8 billion⁴), after paying a dividend to its shareholders of US\$10 billion on 31 January 2012.

Notes:

- 1 All amounts represent the Group's share based on its 45% equity interest, unless otherwise stated.
- 2 The Group's share of the tax attributable to VZW relates only to the corporate entities held by the VZW partnership and certain state taxes which are levied on the partnership. The tax attributable to the Group's share of the partnership's pre-tax profit is included within the Group tax charge.
- 3 Organic growth rates include the impact of a non-cash revenue adjustment which was recorded to defer previously recognised data revenue that will be earned and recognised in future periods. Excluding this the equivalent organic growth rates for service revenue, revenue, EBITDA and the Group's share of result in VZW would have been 6.8%*, 10.1%*, 6.7%* and 7.5%* respectively.
- 4 Net debt excludes pending credit card receipts. Comparatives are presented on a comparable basis.

Liquidity and capital resources

This section includes an analysis of net debt and other disclosures in relation to liquidity and capital resources.

Net debt

Net debt increased by £2.5 billion to £27.0 billion primarily due to the purchase of CWW and TelstraClear, share buybacks, payments to acquire spectrum, foreign exchange movements and dividend payments to equity holders, partially offset by cash generated by operations, the remaining consideration from the Group's disposal of SoftBank Mobile Corp. and the £2.4 billion income dividend from VZW.

Net debt represented 29.5% of our market capitalisation at 31 March 2013 compared to 28.6% at 31 March 2012. Average net debt at month end accounting dates over the 12 month period ended 31 March 2013 was £24.6 billion and ranged between £22.5 billion and £27.7 billion during the year.

Our consolidated net debt position at 31 March was as follows:

	2013 £m	2012 £m
Cash and cash equivalents	7,623	7,138
Short-term borrowings		
Bonds	(2,133)	(1,289)
Commercial paper ¹	(4,054)	(2,272)
Put options over non-controlling interests	(938)	—
Bank loans	(2,929)	(1,635)
Other short-term borrowings ²	(2,235)	(1,062)
	(12,289)	(6,258)
Long-term borrowings		
Put options over non-controlling interests	(77)	(840)
Bonds, loans and other long-term borrowings	(29,031)	(27,522)
	(29,108)	(28,362)
Other financial instruments ³	6,816	3,057
Net debt	(26,958)	(24,425)

Notes:

- 1 At 31 March 2013 US\$3,484 million was drawn under the US commercial paper programme, and €2,006 million, US\$35 million, £10 million and JPY 5 billion were drawn under the euro commercial paper programme.
- 2 At 31 March 2013 the amount includes £1,151 million (2012: £980 million) in relation to cash received under collateral support agreements.
- 3 Comprises i) mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables (2013: £3,032 million; 2012: £2,959 million) and trade and other payables (2013: £1,104 million; 2012: £889 million) and ii) short-term investments primarily in index linked government bonds and managed investment funds included as a component of other investments (2013: £4,888 million; 2012: £987 million).

Other unaudited financial information (continued)

Liquidity and capital resources (continued)

At 31 March 2013 we had £7,623 million of cash and cash equivalents which are held in accordance with the counterparty and settlement risk limits of the Board approved treasury policy. The main forms of liquid investment at 31 March 2013 were managed investment funds, money market funds, UK index linked government bonds, tri-party repurchase agreements and bank deposits.

The cash received from collateral support agreements mainly reflects the value of our interest rate swap portfolio which is substantially net present value positive. See note A6 for further details on these agreements.

Commercial paper programmes

We currently have US and euro commercial paper programmes of US\$15 billion and £5 billion respectively which are available to be used to meet short-term liquidity requirements. At 31 March 2013 amounts external to the Group of €2,006 million (£1,693 million), US\$35 million (£23 million), £10 million and JPY 5 billion (£35 million) were drawn under the euro commercial paper programme and US\$3,484 million (£2,293 million) was drawn down under the US commercial paper programme, with such funds being provided by counterparties external to the Group. At 31 March 2012 €1,226 million (£1,022 million) and US\$309 million (£193 million) was drawn under the euro commercial paper programme and US\$1,689 million (£1,056 million) was drawn under the US commercial paper programme. The commercial paper facilities were supported by US\$4.2 billion (£2.8 billion) and €4.2 billion (£3.6 billion) of syndicated committed bank facilities (see "Committed facilities" opposite). No amounts had been drawn under either bank facility.

Bonds

We have a €30 billion euro medium-term note programme and a US shelf programme which are used to meet medium- to long-term funding requirements. At 31 March 2013 the total amounts in issue under these programmes split by currency were US\$21.2 billion, £2.6 billion, €8.0 billion and £0.1 billion sterling equivalent of other currencies.

In the year ended 31 March 2013 bonds with a nominal value equivalent of £5.3 billion at the relevant 31 March 2013 foreign exchange rates were issued under the US shelf. The bonds issued during the year were:

Date of bond issue	Maturity of bond	Nominal amount Million	Sterling equivalent Million
26 September 2012	26 September 2017	US\$1,000	658
26 September 2012	26 September 2022	US\$1,000	658
19 February 2013	19 February 2016	US\$1,600	1,053
19 February 2013	19 February 2018	US\$1,400	921
19 February 2013	19 February 2023	US\$1,600	1,053
19 February 2013	19 February 2043	US\$1,400	921

At 31 March 2013 we had bonds outstanding with a nominal value of £22,837 million (2012: £18,333 million).

Share buyback programmes

Following the disposal of the Group's entire 44% interest in SFR to Vivendi on 16 June 2011, the Group initiated a £4.0 billion share buyback programme which was completed on 6 August 2012. Under this programme the Group purchased a total of 2,330,039,575 shares at an average price per share, including transaction costs, of 171.67 pence.

On 12 November 2012 VZW declared a dividend of US\$8.5 billion (£5.3 billion), of which Vodafone's share was US\$3.8 billion (£2.4 billion). The Board of Vodafone therefore announced a £1.5 billion share buyback programme which commenced on receipt of the dividend in December 2012 and was initiated under the authority granted by the shareholders at the 2012 annual general meeting.

Details of the shares purchased to date, including those purchased under irrevocable instructions, are shown below:

Date of share purchase	Number of shares purchased ¹ '000	Average price paid per share inclusive of transaction costs Pence	Total number of shares purchased under publicly announced share buyback programme ² '000	Maximum value of shares that may yet be purchased under the programme ³ £m
December 2012	90,755	158.85	90,755	1,356
January 2013	118,500	164.48	209,255	1,161
February 2013	44,396	172.55	253,651	1,084
March 2013	18,000	183.98	271,651	1,051
April 2013	43,000	192.54	314,651	968
May 2013	91,750	196.05	406,401	789
Total	406,401	175.06	406,401⁴	789

Notes:

1 The nominal value of shares purchased is 11½ US cents each.

2 No shares were purchased outside the publicly announced share buyback programme.

3 In accordance with authorities granted by shareholders in general meeting.

4 The total number of shares purchased represents 0.83% of our issued share capital, excluding treasury shares, at 20 May 2013.

Committed facilities

In aggregate we have committed facilities of approximately £15,354 million, of which £7,672 million was undrawn and £7,682 million was drawn at 31 March 2013. The following table summarises the committed bank facilities available to us at 31 March 2013.

Committed bank facilities	Amounts drawn	Terms and conditions
1 July 2010		
€4.2 billion syndicated revolving credit facility, maturing 1 July 2015	No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions.	Lenders have the right, but not the obligation, to cancel their commitments and have outstanding advances repaid no sooner than 30 days after notification of a change of control. This is in addition to the rights of lenders to cancel their commitment if we commit an event of default; however, it should be noted that a material adverse change clause does not apply.
9 March 2011		
US\$4.2 billion syndicated revolving credit facility, with US\$0.1 billion maturing 9 March 2016 and US\$4.1 billion maturing 9 March 2017	No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions.	The facility agreements provide for certain structural changes that do not affect the obligations to be specifically excluded from the definition of a change of control.
16 November 2006		
€0.4 billion loan facility, maturing 14 February 2014	This facility was drawn down in full on 14 February 2007.	As the syndicated revolving credit facilities with the addition that, should our Turkish operating company spend less than the equivalent of €0.8 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 18% of the capital expenditure.
28 July 2008		
€0.4 billion loan facility, maturing 12 August 2015	This facility was drawn down in full on 12 August 2008.	As the syndicated revolving credit facilities with the addition that, should our Italian operating company spend less than the equivalent of €1.5 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 18% of the capital expenditure.
15 September 2009		
€0.4 billion loan facility, maturing 30 July 2017, for the German virtual digital subscriber line ('VDSL') project	This facility was drawn down in full on 30 July 2010.	As the syndicated revolving credit facilities with the addition that, should our German operating company spend less than the equivalent of €0.8 billion on VDSL related capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the VDSL capital expenditure.
29 September 2009		
US\$0.7 billion export credit agency loan facility, final maturity date 19 September 2018	This facility is fully drawn down and is amortising.	As the syndicated revolving credit facilities with the addition that the Company was permitted to draw down under the facility based upon the eligible spend with Ericsson up until the final draw down date of 30 June 2011. Quarterly repayments of the drawn balance commenced on 30 June 2012 with a final maturity date of 19 September 2018.
8 December 2011		
€0.4 billion loan facility, maturing on the seven year anniversary of the first drawing	This facility is undrawn and has an availability period of 18 months. The facility is available for financing a project to increase the service availability of the UMTS (3G) mobile network in Italy.	As the syndicated revolving credit facilities with the addition that, should our Italian operating company spend less than the equivalent of €1.3 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.
20 December 2011		
€0.3 billion loan facility, maturing on the seven year anniversary of the first drawing	This facility was drawn down in full on 18 September 2012.	As the syndicated revolving credit facilities with the addition that, should our Turkish and Romanian operating companies spend less than the equivalent of €1.3 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.
4 March 2013		
€0.1 billion loan facility, maturing on the seven year anniversary of the first drawing	This facility is undrawn and has an availability period of nine months. The facility is available for financing a project to upgrade and expand the mobile telecommunications network in Turkey.	

Other unaudited financial information (continued)

Liquidity and capital resources (continued)

Furthermore, certain of our subsidiaries are funded by external facilities which are non-recourse to any member of the Group other than the borrower. These facilities may only be used to fund their operations. At 31 March 2013 Vodafone India had facilities of INR 215 billion (£2.6 billion) of which INR 207 billion (£2.5 billion) is drawn. Vodafone Egypt has partly drawn EGP 1.1 billion (£104 million) from a syndicated bank facility of EGP 3.67 billion (£355 million) that matures in March 2014. Vodacom had fully drawn facilities of ZAR 5.2 billion (£370 million), US\$60 million (£40 million) and TZS 29 billion (£12 million). Vodafone Americas has a US\$1.4 billion (£921 million) US private placement with a maturity of 17 August 2015 as well as a US\$850 million (£559 million) US private placement with a maturity of 11 July 2016. Ghana had a facility of US\$240 million (£158 million) which was fully drawn.

We believe that we have sufficient funding for our expected working capital requirements for at least the next 12 months. Further details regarding the maturity, currency and interest rates of the Group's gross borrowings at 31 March 2013 are included in note 24.

Dividends from associates and to non-controlling shareholders

Dividends from our associates are generally paid at the discretion of the Board of directors or shareholders of the individual operating and holding companies and we have no rights to receive dividends except where specified within certain of the Group's shareholders' agreements. Similarly, we do not have existing obligations under shareholders' agreements to pay dividends to non-controlling interest partners of our subsidiaries or joint ventures, except as specified below.

During the year we received distributions totalling £4.8 billion (2012: £3.8 billion) from VZW, which included a one-off US\$3.8 billion (£2.4 billion) (2012: US\$4.5 billion, £2.9 billion) income dividend received in December 2012 and tax distributions of £2.4 billion (2012: £965 million) which is included in dividends received from associates and investments in the cash flows reconciliation as shown on page 97. Until April 2005 VZW's distributions were determined by the terms of the partnership agreement distribution policy and comprised income distributions and tax distributions. Since April 2005 only tax distributions have been issued, with the exception of the one-off income dividends received in January and December 2012. Following the announcement of VZW's acquisition of Alltel, certain additional tax distributions were agreed in addition to the tax distributions required by the partnership agreement. These additional distributions will continue until December 2014. Current projections forecast that tax distributions will cover the US tax liabilities arising from our partnership interest in VZW.

Under the terms of the partnership agreement the VZW board has no obligation to effect additional distributions above the level of the tax distributions. However, the VZW board has agreed that it will review distributions from VZW on a regular basis. When considering whether distributions will be made each year, the VZW board will take into account its debt position, the relationship between debt levels and maturities, and overall market conditions in the context of the five year business plan.

Verizon Communications Inc. has an indirect 23.1% shareholding in Vodafone Italy and under the shareholders' agreement the shareholders have agreed to take steps to cause Vodafone Italy to pay dividends at least annually, provided that such dividends will not impair the financial condition or prospects of Vodafone Italy including, without limitation, its credit standing. During the 2013 financial year Vodafone Italy paid dividends net of withholding tax totalling €245 million (2012: €289 million) to Verizon Communications Inc.

Potential cash outflows from option agreements and similar arrangements

In respect of our interest in the VZW partnership, an option granted to Price Communications, Inc. by Verizon Communications Inc. was exercised on 15 August 2006. Under the option agreement Price Communications, Inc. exchanged its preferred limited partnership interest in VZW of the East LP for 29.5 million shares of common stock in Verizon Communications Inc. Verizon Communications Inc. has the right, but not the obligation, to contribute the preferred interest to the VZW partnership diluting our interest. However, we also have the right to contribute further capital to the VZW partnership in order to maintain our percentage partnership interest. Such amount, if contributed, would be US\$0.8 billion.

In respect of our interest in Vodafone India Limited ('VIL'), Piramal Healthcare ('Piramal') acquired approximately 11% shareholding in VIL from Essar during the 2012 financial year. The agreements contemplate various exit mechanisms for Piramal including participating in an initial public offering by VIL or, if such initial public offering has not completed by 18 August 2013 or 8 February 2014 respectively or Piramal chooses not to participate in such initial public offering, Piramal selling its shareholding to the Vodafone Group in two tranches of 5.485% for an aggregate price of approximately INR 83 billion (£1.0 billion).

Off-balance sheet arrangements

We do not have any material off-balance sheet arrangements as defined in item 5.E.2. of the SEC's Form 20-F. Please refer to notes 20 and 21 for a discussion of our commitments and contingent liabilities.

Audit report on the Company financial statements

Independent auditor's report to the members of Vodafone Group Plc

We have audited the parent company financial statements of Vodafone Group Plc for the year ended 31 March 2013 which comprise the balance sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' statement of responsibility, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Vodafone Group Plc for the year ended 31 March 2013.

Panos Kakoullis FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London
United Kingdom

21 May 2013

Company balance sheet of Vodafone Group Plc

at 31 March

	Note	2013 £m	2012 £m
Fixed assets			
Shares in Group undertakings	3	65,085	65,036
Current assets			
Debtors: amounts falling due after more than one year	4	2,694	2,443
Debtors: amounts falling due within one year	4	163,548	145,584
Other investments	5	117	49
Cash at bank and in hand		83	72
		166,442	148,148
Creditors: amounts falling due within one year	6	(113,630)	(100,271)
Net current assets		52,812	47,877
Total assets less current liabilities		117,897	112,913
Creditors: amounts falling due after more than one year	6	(25,506)	(21,584)
		92,391	91,329
Capital and reserves			
Called up share capital	7	3,866	3,866
Share premium account	9	43,087	43,051
Capital redemption reserve	9	10,388	10,388
Capital reserve	9	88	88
Other reserves	9	834	946
Own shares held	9	(9,103)	(7,889)
Profit and loss account	9	43,231	40,879
Equity shareholders' funds		92,391	91,329

The Company financial statements were approved by the Board of directors on 21 May 2013 and were signed on its behalf by:

Vittorio Colao
Chief Executive

Andy Halford
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

Notes to the Company financial statements

1. Basis of preparation

The separate financial statements of the Company are drawn up in accordance with the Companies Act 2006 and UK GAAP.

The preparation of Company financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Company financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company is not presented in this annual report. These separate financial statements are not intended to give a true and fair view of the profit or loss or cash flows of the Company. The Company has not published its individual cash flow statement as its liquidity, solvency and financial adaptability are dependent on the Group rather than its own cash flows.

The Company has taken advantage of the exemption contained in FRS 8 "Related Party Disclosures" and has not reported transactions with fellow Group undertakings.

The Company has taken advantage of the exemption contained in FRS 29 "Financial Instruments: Disclosures" and has not produced any disclosures required by that standard, as disclosures that comply with FRS 29 are available in the Vodafone Group Plc annual report for the year ended 31 March 2013.

2. Significant accounting policies

The Company's significant accounting policies are described below.

Accounting convention

The Company financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards of the UK Accounting Standards Board and pronouncements of the Urgent Issues Task Force.

Investments

Shares in Group undertakings are stated at cost less any provision for impairment.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, determined using the weighted average cost method, is included in the net profit or loss for the period.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the Company's functional currency at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit and loss account for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss account for the period.

Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that exist at the balance sheet date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Company financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities are not discounted.

Notes to the Company financial statements (continued)

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Company balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception) and are subsequently measured at amortised cost using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

Derivative financial instruments and hedge accounting

The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Company designates certain derivatives as hedges of the change of fair value of recognised assets and liabilities ("fair value hedges"). Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting or the Company chooses to end the hedging relationship.

Fair value hedges

The Company's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings.

The Company designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the profit and loss account for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. The ineffective portion is recognised immediately in the profit and loss account.

Share-based payments

The Group operates a number of equity-settled share-based compensation plans for the employees of subsidiaries using the Company's equity instruments. The fair value of the compensation given in respect of these share-based compensation plans is recognised as a capital contribution to the Company's subsidiaries over the vesting period. The capital contribution is reduced by any payments received from subsidiaries in respect of these share-based payments.

Dividends paid and received

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

Pensions

The Company is the sponsoring employer of the Vodafone Group pension scheme, a defined benefit pension scheme. The Company is unable to identify its share of the underlying assets and liabilities of the Vodafone Group pension scheme on a consistent and reasonable basis. Therefore, the Company has applied the guidance within FRS 17 to account for defined benefit schemes as if they were defined contribution schemes and recognise only the contribution payable each year. The Company had no contributions payable for the years ended 31 March 2013 and 31 March 2012.

3. Fixed assets

Shares in Group undertakings

	£m
Cost:	
1 April 2012	70,667
Additions	161
Capital contributions arising from share-based payments	134
Contributions received in relation to share-based payments	(246)
31 March 2013	70,716
Amounts provided for:	
1 April 2012 and 31 March 2013	5,631
Net book value:	
31 March 2012	65,036
31 March 2013	65,085

At 31 March 2013 the Company had the following principal subsidiary:

Name	Principal activity	Country of incorporation	Percentage shareholding
Vodafone European Investments	Holding company	England	100

4. Debtors

	2013 £m	2012 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	163,238	145,200
Taxation recoverable	126	207
Other debtors	184	177
	163,548	145,584
Amounts falling due after more than one year:		
Deferred taxation	1	2
Other debtors	2,693	2,441
	2,694	2,443

5. Other investments

	2013 £m	2012 £m
Investments	117	49

6. Creditors

	2013 £m	2012 £m
Amounts falling due within one year:		
Bank loans and other loans	7,474	4,576
Amounts owed to subsidiaries	104,872	94,432
Other creditors	242	127
Accruals and deferred income	1,042	1,136
	113,630	100,271
Amounts falling due after more than one year:		
Other loans	24,594	20,821
Other creditors	912	763
	25,506	21,584

Included in amounts falling due after more than one year are other loans of £11,008 million, which are due in more than five years from 1 April 2013 and are payable otherwise than by instalments. Interest payable on these loans ranges from 2.5% to 8.125%.

Notes to the Company financial statements (continued)

7. Share capital

	2013		2012	
	Number	£m	Number	£m
Ordinary shares of 11³/₇ US cents each allotted, issued and fully paid:^{1,2}				
1 April	53,815,007,289	3,866	56,811,123,429	4,082
Allotted during the year	5,379,020	—	3,883,860	—
Cancelled during the year	—	—	(3,000,000,000)	(216)
31 March	53,820,386,309	3,866	53,815,007,289	3,866

Notes:

1 50,000 (2012: 50,000) 7% cumulative fixed rate shares of £1 each were allotted, issued and fully paid by the Company.

2 At 31 March 2013 the Company held 4,901,767,844 (2012: 4,169,067,107) treasury shares with a nominal value of £352 million (2012: £299 million).

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
UK share awards and option scheme awards	9,210	—	—
US share awards and option scheme awards	5,369,810	—	8
Total for share awards and option scheme awards	5,379,020	—	8

8. Share-based payments

The Company currently uses a number of equity settled share plans to grant options and shares to the directors and employees of its subsidiaries.

At 31 March 2013 the Company had 40 million ordinary share options outstanding (2012: 84 million) and no ADS options outstanding (2012: 1 million).

The Company has made a capital contribution to its subsidiaries in relation to share-based payments. At 31 March 2013 the cumulative capital contribution net of payments received from subsidiaries was £205 million (2012: £317 million). During the year ended 31 March 2013 the capital contribution arising from share-based payments was £134 million (2012: £143 million), with payments of £246 million (2012: £212 million) received from subsidiaries.

Full details of share-based payments, share option schemes and share plans are disclosed in note A4 to the consolidated financial statements.

9. Reserves and reconciliation of movements in equity shareholders' funds

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital reserve £m	Other reserves £m	Own shares held £m	Profit and loss account £m	Total equity shareholders' funds £m
1 April 2012	3,866	43,051	10,388	88	946	(7,889)	40,879	91,329
Allotment of shares	—	8	—	—	—	—	—	8
Own shares released on vesting of share awards	—	—	—	—	—	287	—	287
Profit for the financial year	—	—	—	—	—	—	7,153	7,153
Dividends	—	—	—	—	—	—	(4,801)	(4,801)
Capital contribution given relating to share-based payments	—	—	—	—	134	—	—	134
Contribution received relating to share-based payments	—	—	—	—	(246)	—	—	(246)
Purchase of own shares	—	—	—	—	—	(449)	—	(449)
Commitment to purchase own shares	—	—	—	—	—	(1,026)	—	(1,026)
Other movements	—	28	—	—	—	(26)	—	2
31 March 2013	3,866	43,087	10,388	88	834	(9,103)	43,231	92,391

The profit for the financial year dealt with in the accounts of the Company is £7,153 million (2012: £16,441 million). Under English law, the amount available for distribution to shareholders is based upon the profit and loss reserve of the Company and is reduced by the amount of own shares held and is limited by statutory or other restrictions.

The auditor's remuneration for the current year in respect of audit and audit related services was £0.6 million (2012: £0.5 million) and for non-audit services was £0.1 million (2012: £0.3 million).

The directors are remunerated by the Company for their services to the Group as a whole. No remuneration was paid to them specifically in respect of their services to Vodafone Group Plc for either year. Full details of the directors' remuneration are disclosed in "Directors' remuneration" on pages 67 to 82.

There were no employees other than directors of the Company throughout the current or the preceding year.

10. Equity dividends

	2013 £m	2012 £m
Declared during the financial year:		
Final dividend for the year ended 31 March 2012: 6.47 pence per share (2012: 6.05 pence per share)	3,193	3,102
Interim dividend for the year ended 31 March 2013: 3.27 pence per share (2012: 3.05 pence per share)	1,608	1,536
Second interim dividend for the year ended 31 March 2013: £nil (2012: 4.00 pence per share)	–	2,016
	4,801	6,654
Proposed after the balance sheet date and not recognised as a liability:		
Final dividend for the year ended 31 March 2013: 6.92 pence per share (2012: 6.47 pence per share)	3,377	3,195

11. Contingent liabilities

	2013 £m	2012 £m
Performance bonds ¹	174	165
Other guarantees and contingent liabilities	1,856	1,655

Note:

¹ Performance bonds require the Company to make payments to third parties in the event that the Company or its subsidiaries do not perform what is expected of them under the terms of any related contracts.

Other guarantees and contingent liabilities

Other guarantees principally comprise the Company's guarantee of the Group's 50% share of a AUD 1.7 billion loan facility of its joint venture, Vodafone Hutchison Australia Pty Limited, and the counter indemnification by the Company of guarantees provided by an indirect subsidiary of the Company to Piramal Healthcare Limited ('Piramal') for INR 89.2 billion (£1,080 million; 2012: £1,096 million). The guarantees to Piramal were made in respect to its acquisition of approximately 11% shareholding in Vodafone India Limited ('VIL') during the 2012 financial year. The acquisition agreements dated 10 August 2011 and 28 December 2011 contemplate various exit mechanisms for Piramal including participating in an initial public offering by VIL or, if such initial public offering has not completed by 18 August 2013 or 8 February 2014 respectively or Piramal chooses not to participate in such initial public offering, Piramal selling its shareholding to the Vodafone Group in two tranches of 5.485% for an aggregate price of approximately INR 83 billion (£1.0 billion).

The Company will guarantee the debts and liabilities of certain of its UK subsidiaries at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under these guarantees as remote.

As discussed in note 21 to the consolidated financial statements the Company has covenanted to provide security in favour of the trustee of the Vodafone Group UK Pension Scheme and the Trustees of the Cable & Wireless Worldwide Retirement Plan and THUS Plc Group Scheme.

Legal proceedings

Details regarding certain legal actions which involve the Company are set out in note 21 to the consolidated financial statements.

Shareholder information

Investor calendar

Ex-dividend date for final dividend	12 June 2013
Record date for final dividend	14 June 2013
Interim management statement 30 June 2013	19 July 2013
Annual general meeting	23 July 2013
Final dividend payment	7 August 2013
Half-year financial results	12 November 2013
Ex-dividend date for interim dividend	20 November 2013 ¹
Record date for interim dividend	22 November 2013 ¹
Interim dividend payment	5 February 2014 ¹

Note:

1 Provisional dates.

Dividends

See page 95 and page 189 for details on dividend amount per share.

Payment of dividends by direct credit

We pay cash dividends directly to shareholders' bank or building society accounts. This ensures secure delivery and means dividend payments are credited to shareholders' bank or building society accounts on the same day as payment. A consolidated tax voucher covering both the interim and final dividends paid during the financial year is sent to shareholders at the time of the interim dividend in February.

ADS holders may alternatively have their cash dividends paid by cheque.

Overseas dividend payments

Holders of ordinary shares resident in the eurozone (defined for this purpose as a country that has adopted the euro as its national currency) automatically receive their dividends in euros. The sterling/euro exchange rate is determined by us in accordance with our articles of association up to 13 business days before the payment date.

Holders resident outside the UK and eurozone automatically receive dividends in pounds sterling but may elect to receive dividends in local currency directly into their bank account by registering for our Registrar's (Computershare) Global Payments Service. Visit investorcentre.co.uk for details and terms and conditions.

Cash dividends to ADS holders will be paid by the ADS depository in US dollars. The sterling/US dollar exchange rate for this purpose is determined by us up to ten New York and London business days before the payment date.

See vodafone.com/dividends for further information about dividend payments or, alternatively, please contact our Registrar or the ADS depository, as applicable. See page 167 for their contact information.

Dividend reinvestment plan

We offer a dividend reinvestment plan which allows holders of ordinary shares, who choose to participate, to use their cash dividends to acquire additional shares in the Company. These are purchased on their behalf by the plan administrator through a low cost dealing arrangement.

For ADS holders BNY Mellon maintains a Global BuyDIRECT Plan which is a direct purchase and sale plan for depository receipts with a dividend reinvestment facility.

Managing your shares via Investor Centre

Computershare operates a portfolio service for investors in ordinary shares, called Investor Centre. This provides our shareholders with online access to information about their investments as well as a facility to help manage their holdings online, such as being able to:

- update dividend mandate bank instructions and review dividend payment history;
- update member details and address changes; and
- register to receive Company communications electronically.

Computershare also offer an internet and telephone share dealing service to existing shareholders.

The service can be obtained at investorcentre.co.uk. Shareholders with any queries regarding their holding should contact Computershare. See page 167 for their contact details.

Shareholders may also find the investors section of our corporate website, vodafone.com/investor, useful for general queries and information about the Company.

Shareholder communications

A growing number of our shareholders have opted to receive their communications from us electronically using email and web-based communications. The use of electronic communications, rather than printed paper documents, means information about the Company can be received as soon as it is available and has the added benefit of reducing costs and our impact on the environment. Each time we issue a shareholder communication, shareholders registered for electronic communications will be sent an email alert containing a link to the relevant documents.

We encourage all our shareholders to sign up for this service by providing us with an email address. You can register your email address via our registrar at investorcentre.co.uk or contact them via the telephone number provided on page 167. See vodafone.com/investor for further information about this service.

Annual general meeting

Our twenty-ninth AGM will be held at the Grange Tower Bridge Hotel, 45 Prescott Street, London E1 8GP on 23 July 2013 at 11.00 a.m.

The AGM will be transmitted via a live webcast which can be viewed on our website at vodafone.com/agm on the day of the meeting. A recording will be available to view after that date.

ShareGift

We support ShareGift, the charity share donation scheme (registered charity number 1052686). Through ShareGift, shareholders who have only a very small number of shares, which might be considered uneconomic to sell, are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities.

See sharegift.org or call +44 (0)20 7930 3737 for further details.

Asset Checker Limited

We participate in Asset Checker, the online service which provides a search facility for solicitors and probate professionals to quickly and easily trace UK shareholdings relating to deceased estates. Visit assetchecker.co.uk or call +44 (0)844 844 9967 for further information.

Warning to shareholders ("Boiler room" scams)

Over recent years we have become aware of investors who have received unsolicited calls or correspondence, in some cases purporting to have been issued by us, concerning investment matters. These typically make claims of highly profitable opportunities in UK or US investments which turn out to be worthless or simply do not exist. These approaches are usually made by unauthorised companies and individuals and are commonly known as "boiler room" scams. Investors are advised to be wary of any unsolicited advice or offers to buy shares. If it sounds too good to be true, it often is.

See the FCA website fca.org.uk/consumers/scams for more detailed information about this or similar activity.

Registrar and transfer office

The Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road, Bristol BS99 6ZZ, England
Telephone: +44 (0)870 702 0198
investorcentre.co.uk/contactus

ADS depositary

BNY Mellon Depositary Receipts
PO Box 43006
Providence, RI 02940-3006, US
Telephone: +1 800 233 5601 (toll free) or, for calls outside the US,
+1 201 680 6837 (not toll free) and enter company number 2160
Email: shrrelations@bnymellon.com

Holders of ordinary shares resident in Ireland:

Computershare Investor Services (Ireland) Ltd
PO Box 9742
Dublin 18, Ireland
Telephone: +353 (0)818 300 999
investorcentre.co.uk/contactus

Share price history

On flotation of the Company on 11 October 1988 the ordinary shares were valued at 170 pence each. When the Company was finally demerged on 16 September 1991 the base cost of Racal Electronics Plc shares for UK taxpayers was apportioned between the Company and Racal Electronics Plc for capital gains tax purposes in the ratio of 80.036% and 19.964% respectively. Opening share prices on 16 September 1991 were 332 pence for each Vodafone share and 223 pence for each Racal share.

On 21 July 1994 the Company effected a bonus issue of two new shares for every one then held and on 30 September 1999 it effected a bonus issue of four new shares for every one held at that date. The flotation and demerger share prices therefore may be restated as 11.333 pence and 22.133 pence respectively.

On 31 July 2006 the Group returned approximately £9 billion to shareholders in the form of a B share arrangement. As part of this arrangement, and in order to facilitate historical share price comparisons, the Group's share capital was consolidated on the basis of seven new ordinary shares for every eight ordinary shares held at this date.

The closing share price at 31 March 2013 was 186.6 pence (31 March 2012: 172.2 pence). The closing share price on 20 May 2013 was 197.6 pence.

The following tables set out, for the periods indicated, (i) the reported high and low middle market quotations of ordinary shares on the London Stock Exchange, and (ii) the reported high and low sales prices of ADSs on the New York Stock Exchange ('NYSE')/NASDAQ. The Company transferred its ADS listing from the NYSE to NASDAQ on 29 October 2009.

Year ended 31 March	London Stock Exchange Pounds per ordinary share		NYSE/NASDAQ Dollars per ADS	
	High	Low	High	Low
2009	1.70	0.96	32.87	15.30
2010	1.54	1.11	24.04	17.68
2011	1.85	1.27	32.70	18.21
2012	1.84	1.54	29.46	24.31
2013	1.92	1.54	30.07	24.42

Quarter	London Stock Exchange Pounds per ordinary share		NYSE/NASDAQ Dollars per ADS	
	High	Low	High	Low
2011/2012				
First quarter	1.83	1.58	29.46	25.67
Second quarter	1.75	1.54	28.75	24.31
Third quarter	1.84	1.63	29.28	25.42
Fourth quarter	1.82	1.65	28.37	26.00
2012/2013				
First quarter	1.82	1.64	28.39	26.00
Second quarter	1.92	1.73	30.07	27.47
Third quarter	1.82	1.54	29.46	24.95
Fourth quarter	1.90	1.56	28.73	24.42
2013/2014				
First quarter ¹	1.99	1.82	30.80	27.81

Note:

¹ Covering period up to 20 May 2013.

Shareholder information (continued)

Month	London Stock Exchange Pounds per ordinary share		NASDAQ Dollars per ADS	
	High	Low	High	Low
November 2012	1.71	1.55	27.64	24.95
December 2012	1.63	1.54	26.34	24.96
January 2013	1.74	1.56	27.50	25.28
February 2013	1.75	1.60	27.65	24.42
March 2013	1.90	1.65	28.73	25.02
April 2013	1.99	1.82	30.80	27.81
May 2013 ¹	1.99	1.91	30.75	29.27

Note:
1 Covering period up to 20 May 2013.

Inflation and foreign currency translation

Inflation

Inflation has not had a significant effect on the Group's results of operations and financial condition during the three years ended 31 March 2013.

Foreign currency translation

The following table sets out the pound sterling exchange rates of the other principal currencies of the Group, being: "euros", "€" or "eurocents", the currency of the European Union ('EU') member states which have adopted the euro as their currency, and "US dollars", "US\$", "cents" or "¢", the currency of the US.

Currency (€=£1)	31 March		% Change
	2013	2012	
Average:			
Euro	1.23	1.16	6.0
US dollar	1.58	1.60	(1.3)
At 31 March:			
Euro	1.19	1.20	(0.8)
US dollar	1.52	1.60	(5.0)

The following table sets out, for the periods and dates indicated, the period end, average, high and low exchanges rates for pound sterling expressed in US dollars per £1.00.

Year ended 31 March	31 March	Average	High	Low
2009	1.43	1.72	2.00	1.37
2010	1.52	1.60	1.70	1.44
2011	1.61	1.56	1.64	1.43
2012	1.60	1.60	1.67	1.53
2013	1.52	1.58	1.63	1.49

The following table sets out, for the periods indicated, the high and low exchange rates for pounds sterling expressed in US dollars per £1.00.

Month	High	Low
November 2012	1.63	1.49
December 2012	1.63	1.60
January 2013	1.63	1.57
February 2013	1.58	1.51
March 2013	1.52	1.49
April 2013	1.55	1.51

Markets

Ordinary shares of Vodafone Group Plc are traded on the London Stock Exchange and in the form of ADSs on NASDAQ. We had a total market capitalisation of approximately £96.4 billion at 20 May 2013 making us the second largest listing in The Financial Times Stock Exchange 100 index and the 31st largest company in the world based on market capitalisation at that date.

ADSs, each representing ten ordinary shares, are traded on NASDAQ under the symbol "VOD". The ADSs are evidenced by ADRs issued

by BNY Mellon, as depositary, under a deposit agreement, dated as of 12 October 1988, as amended and restated on 26 December 1989, 16 September 1991, 30 June 1999 and 31 July 2006 between the Company, the depositary and the holders from time to time of ADRs issued thereunder.

ADS holders are not members of the Company but may instruct BNY Mellon on the exercise of voting rights relative to the number of ordinary shares represented by their ADSs. See "Articles of association and applicable English law – Rights attaching to the Company's shares – Voting rights" on page 169.

Shareholders at 31 March 2013

Number of ordinary shares held	Number of accounts	% of total issued shares
1–1,000	415,998	0.21
1,001–5,000	84,668	0.35
5,001–50,000	29,501	0.68
50,001–100,000	1,120	0.15
100,001–500,000	1,011	0.43
More than 500,000	1,442	98.18
	533,740	100.00

Major shareholders

BNY Mellon, as custodian of our ADR programme, held approximately 20.58% of our ordinary shares of 11¾ US cents each at 20 May 2013 as nominee. The total number of ADRs outstanding at 20 May 2013 was 1,003,955,979. At this date 1,424 holders of record of ordinary shares had registered addresses in the US and in total held approximately 0.007% of the ordinary shares of the Company.

At 31 March 2013 the following percentage interests in the ordinary share capital of the Company, disclosable under the Disclosure and Transparency Rules, (DTR 5), have been notified to the directors. No changes in the interests disclosed to the Company have been notified between 31 March 2013 and 20 May 2013.

Shareholder	Shareholding
Black Rock, Inc.	6.90%
Legal & General Group Plc	3.99%

The rights attaching to the ordinary shares of the Company held by these shareholders are identical in all respects to the rights attaching to all the ordinary shares of the Company. The directors are not aware, at 20 May 2013, of any other interest of 3% or more in the ordinary share capital of the Company. The Company is not directly or indirectly owned or controlled by any foreign government or any other legal entity. There are no arrangements known to the Company that could result in a change of control of the Company.

Articles of association and applicable English law

The following description summarises certain provisions of the Company's articles of association and applicable English law. This summary is qualified in its entirety by reference to the Companies Act 2006 of England and Wales and the Company's articles of association. See "Documents on display" on page 171 for information on where copies of the articles of association can be obtained.

The Company is a public limited company under the laws of England and Wales. The Company is registered in England and Wales under the name Vodafone Group Public Limited Company with the registration number 1833679.

All of the Company's ordinary shares are fully paid. Accordingly, no further contribution of capital may be required by the Company from the holders of such shares.

English law specifies that any alteration to the articles of association must be approved by a special resolution of the shareholders.

Articles of association

By a special resolution passed at the 2010 AGM the Company removed its object clause together with all other provisions of its memorandum of association which, by virtue of the Companies Act 2006, are treated as forming part of the Company's articles of association. Accordingly, the Company's articles of association do not specifically restrict the objects of the Company.

Directors

The Company's articles of association provide for a Board of directors, consisting of not fewer than three directors, who shall manage the business and affairs of the Company.

The directors are empowered to exercise all the powers of the Company subject to any restrictions in the articles of association, the Companies Act (as defined in the articles of association) and any special resolution.

Under the Company's articles of association a director cannot vote in respect of any proposal in which the director, or any person connected with the director, has a material interest other than by virtue of the director's interest in the Company's shares or other securities. However, this restriction on voting does not apply to resolutions (i) giving the director or a third party any guarantee, security or indemnity in respect of obligations or liabilities incurred at the request of or for the benefit of the Company, (ii) giving any guarantee, security or indemnity to the director or a third party in respect of obligations of the Company for which the director has assumed responsibility under an indemnity or guarantee, (iii) relating to an offer of securities of the Company in which the director is entitled to participate as a holder of shares or other securities or in the underwriting of such shares or securities, (iv) concerning any other company in which the director (together with any connected person) is a shareholder or an officer or is otherwise interested, provided that the director (together with any connected person) is not interested in 1% or more of any class of the Company's equity share capital or the voting rights available to its shareholders, (v) relating to the arrangement of any employee benefit in which the director will share equally with other employees and (vi) relating to any insurance that the Company purchases or renews for its directors or any group of people including directors.

The directors are empowered to exercise all the powers of the Company to borrow money, subject to the limitation that the aggregate amount of all liabilities and obligations of the Group outstanding at any time shall not exceed an amount equal to 1.5 times the aggregate of the Group's share capital and reserves calculated in the manner prescribed in the articles of association unless sanctioned by an ordinary resolution of the Company's shareholders.

The Company can make market purchases of its own shares or agree to do so in the future provided it is duly authorised by its members in a general meeting and subject to and in accordance with section 701 of the Companies Act 2006.

At each AGM all directors who were elected or last re-elected at or before the AGM held in the third calendar year before the current year shall automatically retire. In 2005 the Company reviewed its policy regarding the retirement and re-election of directors and, although it is not intended to amend the Company's articles of association in this regard, the Board has decided in the interests of good corporate governance that all of the directors wishing to continue in office should offer themselves for re-election annually.

Directors are not required under the Company's articles of association to hold any shares of the Company as a qualification to act as a director, although executive directors participating in long-term incentive plans must comply with the Company's share ownership guidelines. In accordance with best practice in the UK for corporate governance, compensation awarded to executive directors is decided by a remuneration committee consisting exclusively of non-executive directors.

In addition, as required by The Directors' Remuneration Report Regulations, the Board has, since 2003, prepared a report to shareholders on the directors' remuneration which complies with the regulations (see pages 67 to 82). The report is also subject to a shareholder vote.

Rights attaching to the Company's shares

At 31 March 2013 the issued share capital of the Company was comprised of 50,000 7% cumulative fixed rate shares of £1.00 each and 48,918,618,465 ordinary shares (excluding treasury shares) of 11½ US cents each.

Dividend rights

Holders of 7% cumulative fixed rate shares are entitled to be paid in respect of each financial year, or other accounting period of the Company, a fixed cumulative preferential dividend of 7% per annum on the nominal value of the fixed rate shares. A fixed cumulative preferential dividend may only be paid out of available distributable profits which the directors have resolved should be distributed. The fixed rate shares do not have any other right to share in the Company's profits.

Holders of the Company's ordinary shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the directors. The Board of directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Dividends on ordinary shares can be paid to shareholders in whatever currency the directors decide, using an appropriate exchange rate for any currency conversions which are required.

If a dividend has not been claimed for one year after the date of the resolution passed at a general meeting declaring that dividend or the resolution of the directors providing for payment of that dividend, the directors may invest the dividend or use it in some other way for the benefit of the Company until the dividend is claimed. If the dividend remains unclaimed for 12 years after the relevant resolution either declaring that dividend or providing for payment of that dividend, it will be forfeited and belong to the Company.

Voting rights

The Company's articles of association provide that voting on substantive resolutions (i.e. any resolution which is not a procedural resolution) at a general meeting shall be decided on a poll. On a poll, each shareholder who is entitled to vote and is present in person or by proxy has one vote for every share held. Procedural resolutions (such as a resolution to adjourn a general meeting or a resolution on the choice of Chairman of a general meeting) shall be decided on a show of hands, where each shareholder who is present at the meeting has one vote regardless of the number of shares held, unless a poll is demanded. In addition, the articles of association allow persons appointed as proxies of shareholders entitled to vote at general meetings to vote on a show of hands, as well as to vote on a poll and attend and speak at general meetings. The articles of association also allow persons appointed as proxies by two or more shareholders entitled to vote at general meetings to vote for and against a resolution on a show of hands.

Under English law two shareholders present in person constitute a quorum for purposes of a general meeting unless a company's articles of association specify otherwise. The Company's articles of association do not specify otherwise, except that the shareholders do not need to be present in person and may instead be present by proxy to constitute a quorum.

Shareholder information (continued)

Under English law shareholders of a public company such as the Company are not permitted to pass resolutions by written consent.

Record holders of the Company's ADSs are entitled to attend, speak and vote on a poll or a show of hands at any general meeting of the Company's shareholders by the depositary's appointment of them as corporate representatives with respect to the underlying ordinary shares represented by their ADSs. Alternatively holders of ADSs are entitled to vote by supplying their voting instructions to the depositary or its nominee who will vote the ordinary shares underlying their ADSs in accordance with their instructions.

Employees are able to vote any shares held under the Vodafone Group Share Incentive Plan and "My ShareBank" (a vested nominee share account) through the respective plan's trustees.

Holders of the Company's 7% cumulative fixed rate shares are only entitled to vote on any resolution to vary or abrogate the rights attached to the fixed rate shares. Holders have one vote for every fully paid 7% cumulative fixed rate share.

Liquidation rights

In the event of the liquidation of the Company, after payment of all liabilities and deductions in accordance with English law, the holders of the Company's 7% cumulative fixed rate shares would be entitled to a sum equal to the capital paid up on such shares, together with certain dividend payments, in priority to holders of the Company's ordinary shares. The holders of the fixed rate shares do not have any other right to share in the Company's surplus assets.

Pre-emptive rights and new issues of shares

Under section 549 of the Companies Act 2006 directors are, with certain exceptions, unable to allot the Company's ordinary shares or securities convertible into the Company's ordinary shares without the authority of the shareholders in a general meeting. In addition, section 561 of the Companies Act 2006 imposes further restrictions on the issue of equity securities (as defined in the Companies Act 2006 which include the Company's ordinary shares and securities convertible into ordinary shares) which are, or are to be, paid up wholly in cash and not first offered to existing shareholders. The Company's articles of association allow shareholders to authorise directors for a period specified in the relevant resolution to allot (i) relevant securities generally up to an amount fixed by the shareholders and (ii) equity securities for cash other than in connection with a pre-emptive offer up to an amount specified by the shareholders and free of the pre-emption restriction in section 561. At the AGM in 2012 the amount of relevant securities fixed by shareholders under (i) above and the amount of equity securities specified by shareholders under (ii) above were both in line with corporate governance guidelines. The directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise. In order to retain such maximum flexibility, the directors propose to renew the authorities granted by shareholders in 2012 at this year's AGM. Further details of such proposals are provided in the 2013 notice of AGM.

Disclosure of interests in the Company's shares

There are no provisions in the articles of association whereby persons acquiring, holding or disposing of a certain percentage of the Company's shares are required to make disclosure of their ownership percentage although such requirements exist under rules derived from the Disclosure and Transparency Rules ('DTRs').

The basic disclosure requirement upon a person acquiring or disposing of shares that are admitted to trading on a regulated market and carrying voting rights is an obligation to provide written notification to the Company, including certain details as set out in DTR 5, where the percentage of the person's voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (falling within DTR 5.3.1R) reaches or exceeds 3% and reaches, exceeds or falls below each 1% threshold thereafter.

Under section 793 of the Companies Act 2006 the Company may, by notice in writing, require a person that the Company knows or has reasonable cause to believe is, or was during the preceding three years, interested in the Company's shares to indicate whether or not that is correct and, if that person does or did hold an interest in the Company's shares, to provide certain information as set out in the Companies Act 2006. DTR 3 deals with the disclosure by persons "discharging managerial responsibility" and their connected persons of the occurrence of all transactions conducted on their account in the shares of the Company. Part 28 of The Companies Act 2006 sets out the statutory functions of the Panel on Takeovers & Mergers (the 'Panel'). The Panel is responsible for issuing and administering the Code on Takeovers & Mergers which includes disclosure requirements on all parties to a takeover with regard to dealings in the securities of an offeror or offeree company and also on their respective associates during the course of an offer period.

General meetings and notices

Subject to the articles of association, annual general meetings are held at such times and place as determined by the directors of the Company. The directors may also, when they think fit, convene other general meetings of the Company. General meetings may also be convened on requisition as provided by the Companies Act 2006.

An annual general meeting needs to be called by not less than 21 days notice in writing. Subject to obtaining shareholder approval on an annual basis, the Company may call other general meetings on 14 days notice. The directors may determine that persons entitled to receive notices of meetings are those persons entered on the register at the close of business on a day determined by the directors but not later than 21 days before the date the relevant notice is sent. The notice may also specify the record date, the time of which shall be determined in accordance with the articles of association and the Companies Act 2006.

Shareholders must provide the Company with an address or (so far as the Companies Act 2006 allows) an electronic address or fax number in the UK in order to be entitled to receive notices of shareholders' meetings and other notices and documents. In certain circumstances the Company may give notices to shareholders by publication on the Company's website and advertisement in newspapers in the UK. Holders of the Company's ADSs are entitled to receive notices under the terms of the deposit agreement relating to the ADSs.

Under section 336 of the Companies Act 2006 the annual general meeting of shareholders must be held each calendar year and within six months of the Company's year end.

Electronic communications

The Company has previously passed a resolution allowing it to communicate all shareholder information by electronic means, including making such information available on the Company's website. Those shareholders who have positively elected for website communication (or are deemed to have consented to receive electronic communication in accordance with the Companies Act 2006) will receive written notification whenever shareholder documentation is made available on the website.

Variation of rights

If at any time the Company's share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the Companies Act 2006, either with the consent in writing of the holders of three quarters in nominal value of the shares of that class or at a separate meeting of the holders of the shares of that class.

At every such separate meeting all of the provisions of the articles of association relating to proceedings at a general meeting apply, except that (i) the quorum is to be the number of persons (which must be at least two) who hold or represent by proxy not less than one-third in nominal value of the issued shares of the class or, if such quorum is not present on an adjourned meeting, one person who holds shares of the class regardless of the number of shares he holds, (ii) any person present in person or by proxy may demand a poll and (iii) each shareholder will have one vote per share held in that particular class in the event a poll is taken. Class rights are deemed not to have been varied by the creation or issue of new shares ranking equally with or subsequent to that class of shares in sharing in profits or assets of the Company or by a redemption or repurchase of the shares by the Company.

Limitations on voting and shareholding

As far as the Company is aware there are no limitations imposed on the transfer, holding or voting of the Company's ordinary shares other than those limitations that would generally apply to all of the shareholders. No shareholder has any securities carrying special rights with regard to control of the Company.

Documents on display

The Company is subject to the information requirements of the Exchange Act applicable to foreign private issuers. In accordance with these requirements the Company files its annual report on Form 20-F and other related documents with the SEC. These documents may be inspected at the SEC's public reference rooms located at 100 F Street, NE Washington, DC 20549. Information on the operation of the public reference room can be obtained in the US by calling the SEC on +1-800-SEC-0330. In addition, some of the Company's SEC filings, including all those filed on or after 4 November 2002, are available on the SEC's website (sec.gov). Shareholders can also obtain copies of the Company's articles of association from our website at vodafone.com/governance or from the Company's registered office.

Material contracts

At the date of this annual report the Group is not party to any contracts that are considered material to the Group's results or operations except for its US\$4.2 billion and €4.2 billion credit facilities which are discussed in "Liquidity and capital resources" on page 157.

Exchange controls

There are no UK government laws, decrees or regulations that restrict or affect the export or import of capital, including but not limited to, foreign exchange controls on remittance of dividends on the ordinary shares or on the conduct of the Group's operations.

Taxation

As this is a complex area investors should consult their own tax advisor regarding the US federal, state and local, the UK and other tax consequences of owning and disposing of shares and ADSs in their particular circumstances.

This section describes, primarily for a US holder (as defined below), in general terms, the principal US federal income tax and UK tax consequences of owning or disposing of shares or ADSs in the Company held as capital assets (for US and UK tax purposes). This section does not, however, cover the tax consequences for members of certain classes of holders subject to special rules including, for example, US expatriates and former long-term residents of the US and officers of the Company, employees and holders that, directly or indirectly, hold 10% or more of the Company's voting stock. A US holder is a beneficial owner of shares or ADSs that is for US federal income tax purposes:

- a citizen or resident of the US;
- a US domestic corporation;
- an estate, the income of which is subject to US federal income tax regardless of its source; or
- a trust, if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorised to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

If an entity treated as a partnership for US federal income tax purposes holds the shares or ADSs, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in an entity treated as a partnership for US federal income tax purposes holding the shares or ADSs should consult its tax advisor with regard to the US federal income tax treatment of an investment in the shares or ADSs.

This section is based on the US Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, and on the tax laws of the UK and the Double Taxation Convention between the US and the UK (the 'treaty'), all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

This section is further based in part upon the representations of the depositary and assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

For purposes of the treaty and the US-UK double taxation convention relating to estate and gift taxes (the 'Estate Tax Convention'), and for US federal income tax and UK tax purposes, this section is based on the assumption that a holder of ADRs evidencing ADSs will be treated as the owner of the shares in the Company represented by those ADSs. Investors should note that a ruling by the first-tier tax tribunal in the UK has cast doubt on this view, but HMRC have stated that they will continue to apply their longstanding practice of regarding the holder of such ADRs as holding the beneficial interest in the underlying shares. Investors should note, however, that this is an area of some uncertainty that may be subject to further developments in the future. Generally exchanges of shares for ADRs and ADRs for shares will not be subject to US federal income tax or to UK tax other than stamp duty or stamp duty reserve tax (see the section on these taxes on page 173).

Shareholder information (continued)

Taxation of dividends

UK taxation

Under current UK tax law no withholding tax will be deducted from the dividends we pay. Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on the dividends we pay unless the dividends fall within an exempt class and certain other conditions are met. It is expected that the dividends we pay would generally be exempt.

A shareholder in the Company who is an individual resident for UK tax purposes in the UK is entitled, in calculating their liability to UK income tax, to a tax credit on cash dividends we pay on our shares or ADSs and the tax credit is equal to one-ninth of the cash dividend.

US federal income taxation

Subject to the PFIC rules described below, a US holder is subject to US federal income taxation on the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for US federal income tax purposes). Dividends paid to a non-corporate US holder that constitute qualified dividend income will be taxable to the holder at the special reduced rate normally applicable to long-term capital gains provided that the ordinary shares or ADSs are held for more than 60 days during the 121 day period beginning 60 days before the ex-dividend date and the holder meets other holding period requirements. Dividends paid by us with respect to the shares or ADSs will generally be qualified dividend income. A US holder is not subject to a UK withholding tax. The US holder includes in gross income for US federal income tax purposes only the amount of the dividend actually received from us and the receipt of a dividend does not entitle the US holder to a foreign tax credit.

Dividends must be included in income when the US holder, in the case of shares, or the depository, in the case of ADSs, actually or constructively receives the dividend and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. Dividends will be income from sources outside the US. For the purpose of the foreign tax credit limitation, foreign source income is classified in one or two baskets and the credit for foreign taxes on income in any basket is limited to US federal income tax allocable to that income. Generally the dividends we pay will constitute foreign source income in the passive income basket.

In the case of shares, the amount of the dividend distribution to be included in income will be the US dollar value of the pound sterling payments made determined at the spot pound sterling/US dollar rate on the date of the dividend distribution regardless of whether the payment is in fact converted into US dollars. Generally any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is to be included in income to the date the payment is converted into US dollars will be treated as ordinary income or loss. Generally the gain or loss will be income or loss from sources within the US for foreign tax credit limitation purposes.

Taxation of capital gains

UK taxation

A US holder may be liable for both UK and US tax in respect of a gain on the disposal of our shares or ADSs if the US holder is:

- a citizen of the US resident for UK tax purposes in the UK;
- a citizen of the US who has been resident for UK tax purposes in the UK, ceased to be so resident for a period of five years or less and who disposed of the shares or ADSs during that period (a 'temporary non-resident'), unless the shares or ADSs were also acquired during that period, such liability arising on that individual's return to the UK;
- a US domestic corporation resident in the UK by reason of being centrally managed and controlled in the UK; or
- a citizen of the US or a US domestic corporation that carries on a trade, profession or vocation in the UK through a branch or agency or, in the case of US domestic companies, through a permanent establishment and that has used the shares or ADSs for the purposes of such trade, profession or vocation or has used, held or acquired the shares or ADSs for the purposes of such branch or agency or permanent establishment.

Under the treaty capital gains on dispositions of the shares or ADSs are generally subject to tax only in the country of residence of the relevant holder as determined under both the laws of the UK and the US and as required by the terms of the treaty. However, individuals who are residents of either the UK or the US and who have been residents of the other jurisdiction (the US or the UK, as the case may be) at any time during the six years immediately preceding the relevant disposal of shares or ADSs may be subject to tax with respect to capital gains arising from the dispositions of the shares or ADSs not only in the country of which the holder is resident at the time of the disposition but also in that other country (although, in respect of UK taxation, generally only to the extent that such an individual comprises a temporary non-resident).

US federal income taxation

Subject to the passive foreign investment company ('PFIC') rules described below, a US holder that sells or otherwise disposes of our shares or ADSs will recognise a capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount realised and the holder's tax basis, determined in US dollars, in the shares or ADSs. Generally a capital gain of a non-corporate US holder is taxed at a maximum rate of 15% provided the holder has a holding period of more than one year and does not have taxable income in excess of certain thresholds. The gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The deductibility of losses is subject to limitations.

Additional tax considerations

UK inheritance tax

An individual who is domiciled in the US (for the purposes of the Estate Tax Convention) and is not a UK national will not be subject to UK inheritance tax in respect of our shares or ADSs on the individual's death or on a transfer of the shares or ADSs during the individual's lifetime, provided that any applicable US federal gift or estate tax is paid, unless the shares or ADSs are part of the business property of a UK permanent establishment or pertain to a UK fixed base used for the performance of independent personal services. Where the shares or ADSs have been placed in trust by a settlor they may be subject to UK inheritance tax unless, when the trust was created, the settlor was domiciled in the US and was not a UK national. Where the shares or ADSs are subject to both UK inheritance tax and to US federal gift or estate tax, the estate tax convention generally provides a credit against US federal tax liabilities for UK inheritance tax paid.

UK stamp duty and stamp duty reserve tax

Stamp duty will, subject to certain exceptions, be payable on any instrument transferring our shares to the custodian of the depository at the rate of 1.5% on the amount or value of the consideration if on sale or on the value of such shares if not on sale. Stamp duty reserve tax ('SDRT'), at the rate of 1.5% of the price or value of the shares, could also be payable in these circumstances and on issue to such a person but no SDRT will be payable if stamp duty equal to such SDRT liability is paid.

A ruling by the European Court of Justice has determined that the 1.5% SDRT charges on issue of shares to a clearance service is contrary to EU law. As a result of that ruling, HMRC indicated that where new shares are first issued to a clearance service or to a depository within the EU, the 1.5% SDRT charge will not be levied. Subsequently, a decision by the first-tier tax tribunal in the UK extended this ruling to the issue of shares (or, where it is integral to the raising of new capital, the transfer of shares) to depository receipts systems wherever located. HMRC have stated that they will not seek to appeal this decision and, as such, will no longer seek to impose 1.5% SDRT on the issue of shares (or, where it is integral to the raising of new capital, the transfer of shares) to a clearance service or to a depository, wherever located. Investors should, however, be aware that this area may be subject to further developments in the future.

No stamp duty will be payable on any transfer of our ADSs provided that the ADSs and any separate instrument of transfer are executed and retained at all times outside the UK. A transfer of our shares in registered form will attract ad valorem stamp duty generally at the rate of 0.5% of the purchase price of the shares. There is no charge to ad valorem stamp duty on gifts.

SDRT is generally payable on an unconditional agreement to transfer our shares in registered form at 0.5% of the amount or value of the consideration for the transfer, but is repayable if, within six years of the date of the agreement, an instrument transferring the shares is executed or, if the SDRT has not been paid, the liability to pay the tax (but not necessarily interest and penalties) would be cancelled. However, an agreement to transfer our ADSs will not give rise to SDRT.

PFIC rules

We do not believe that our shares or ADSs will be treated as stock of a PFIC for US federal income tax purposes. This conclusion is a factual determination that is made annually and thus is subject to change. If we are treated as a PFIC, any gain realised on the sale or other disposition of the shares or ADSs would in general not be treated as capital gain unless a US holder elects to be taxed annually on a mark-to-market basis with respect to the shares or ADSs. Otherwise a US holder would be treated as if he or she has realised such gain and certain "excess distributions" ratably over the holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated. An interest charge in respect of the tax attributable to each such year would also apply. Dividends received from us would not be eligible for the preferential tax rate applicable to qualified dividend income for certain non-corporate holders.

Backup withholding and information reporting

Payments of dividends and other proceeds to a US holder with respect to shares or ADSs, by a US paying agent or other US intermediary will be reported to the Internal Revenue Service ('IRS') and to the US holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US holders are not subject to backup withholding. US holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign financial asset reporting

Legislation enacted in 2010 imposes new reporting requirements on US holders with respect to the holding of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds US\$50,000. The shares and ADSs are expected to constitute foreign financial assets subject to these requirements unless the shares and ADSs are held in an account at a financial institution (in which case, the account may be reportable if maintained by a foreign financial institution). US holders should consult their tax advisors regarding the application of this legislation.

History and development

The Company was incorporated under English law in 1984 as Racal Strategic Radio Limited (registered number 1833679). After various name changes, 20% of Racal Telecom Plc share capital was offered to the public in October 1988. The Company was fully demerged from Racal Electronics Plc and became an independent company in September 1991, at which time it changed its name to Vodafone Group Plc.

Since then we have entered into various transactions which enhanced our international presence. The most significant of these transactions were as follows:

- the merger with AirTouch Communications, Inc. which completed on 30 June 1999. The Company changed its name to Vodafone AirTouch Plc in June 1999 but then reverted to its former name, Vodafone Group Plc, on 28 July 2000;
- the acquisition of Mannesmann AG which completed on 12 April 2000. Through this transaction we acquired businesses in Germany and Italy and increased our indirect holding in SFR;
- through a series of business transactions between 1999 and 2004 we acquired a 97.7% stake in Vodafone Japan. This was then disposed of on 27 April 2006;
- on 8 May 2007 we acquired companies with controlling interests in Vodafone India Limited ('VIL'), formerly Vodafone Essar Limited, for US\$10.9 billion (£5.5 billion); and
- on 20 April 2009 we acquired an additional 15.0% stake in Vodacom for cash consideration of ZAR 20.6 billion (£1.6 billion). On 18 May 2009 Vodacom became a subsidiary.

Other transactions that have occurred since 31 March 2010 are as follows:

10 September 2010 – China Mobile Limited: We sold our entire 3.2% interest in China Mobile Limited for cash consideration of £4.3 billion.

30/31 March 2011 – India: The Essar Group exercised its underwritten put option over 22.0% of VIL, following which we exercised our call option over the remaining 11.0% of VIL owned by the Essar Group. The total consideration due under these two options was US\$5 billion (£3.1 billion).

16 June 2011 – SFR: We sold our entire 44% interest in SFR to Vivendi for a cash consideration of €7.75 billion (£6.8 billion) and received a final dividend from SFR of €200 million (£176 million).

1 June/1 July 2011 – India: We acquired an additional 22% stake in VIL from the Essar Group for a cash consideration of US\$4.2 billion (£2.6 billion) including withholding tax.

18 August 2011/8 February 2012 – Vodafone assigned its rights to purchase 11% of VIL to Piramal Healthcare Limited ('Piramal'). On 18 August 2011 Piramal purchased 5.5% of VIL from the Essar Group for a cash consideration of INR 28.6 billion (£368 million). On 8 February 2012, they purchased a further 5.5% of VIL from the Essar Group for a cash consideration of approximately INR 30.1 billion (£399 million) taking Piramal's total shareholding in VIL to approximately 11%.

9 November 2011 – Poland: We sold our entire 24.4% interest in Polkomtel in Poland for cash consideration of approximately €920 million (£784 million) before tax and transaction costs.

27 July 2012 – UK: We acquired the entire share capital of Cable & Wireless Worldwide plc for a cash consideration of approximately £1,050 million.

31 October 2012 – New Zealand: Vodafone New Zealand acquired TelstraClear Limited, for a cash consideration of NZ\$840 million (£440 million).

Regulation

Our operating companies are generally subject to regulation governing the operation of their business activities. Such regulation typically takes the form of industry specific law and regulation covering telecommunications services and general competition (antitrust) law applicable to all activities.

The following section describes the regulatory frameworks and the key regulatory developments at the global and regional level and in selected countries in which we have significant interests during the 12 months ended 31 March 2013. Many of the regulatory developments reported in the following section involve ongoing proceedings or consideration of potential proceedings that have not reached a conclusion. Accordingly, we are unable to attach a specific level of financial risk to our performance from such matters.

European Union ('EU')

The European Commission (the 'Commission') is reviewing the future scope and nature of universal service provision in the EU. Current obligations generally involve the provision of a fixed connection allowing access to voice and simple data services. Vodafone operating companies contribute to funds to support universal service provisions in some markets.

Roaming

The current roaming regulation (the 'roaming regulation') came into force in July 2012 and requires mobile operators to supply voice, text and data roaming services under retail price caps. Wholesale price caps also apply to voice, text and data roaming services.

The roaming regulation also requires a number of additional measures which are intended to increase competition in the retail market for roaming (and thereby facilitate the withdrawal of price caps). These include a requirement that users be able, from July 2014, to purchase roaming services from a provider other than their current domestic provider and to retain the same phone number when roaming.

Call termination

National regulators are required to take utmost account of the Commission's existing recommendation on the regulation of fixed and mobile termination rates. This recommendation requires mobile termination rates ('MTRs') to be set using a long run incremental cost methodology.

At March 2013 the MTRs effective for our subsidiaries within the EU, which differs from those in our Northern and Central Europe, and Southern Europe regions, ranged from 3.07 eurocents per minute (2.59 pence) to 1.27 eurocents per minute (1.07 pence), at the relevant March 2013 foreign exchange rates.

Fixed network regulation

In July 2012 the Commission announced proposals to adjust its approach to fixed network regulation and issued a draft recommendation in December 2012. The Commission expects prices for unbundled copper loops to converge towards the current European average of around €9 per month and will allow fibre wholesale prices to be unregulated provided certain conditions are met. These conditions include equivalent or non-discriminatory treatment of competitors, the effective application of margin squeeze tests and competitive constraints upon retail fibre prices from copper services or other competitors. The Body of European Communication Regulators ('BEREC') has suggested amendments to the Commission's draft recommendation and final adoption is expected in summer 2013.

Spectrum

In February 2012 the Commission adopted its radio spectrum policy programme ('RSPP'), following agreement with the European Parliament and Council. In September 2012 the Commission published proposals to promote the increased availability and use of "shared" spectrum, subject to certain safeguards for existing licensees.

Net neutrality

In November 2012 BEREC published guidelines on net neutrality, which focused on the need for transparency and quality of service. This follows a BEREC survey, published in May 2012, which found that voice over internet protocol ('VOIP') blocking was not widespread but was practised by some mobile operators in some circumstances. The Commission is expected to issue further guidance in the 2013 calendar year. Vodafone employs VOIP blocking in some circumstances.

Northern and Central Europe region

Germany

Our current MTR was reduced in December 2012 to 1.85 eurocents (1.56 pence) per minute, effective until November 2013. From December 2013 until November 2014 the rate will be 1.79 eurocents (1.51 pence) per minute. The decision of the national regulator is preliminary. It was notified to the European Commission who has launched an investigation under the Article 7 procedures. The national regulator will have to consider its decision in light of comments received from the Commission and BEREC.

United Kingdom

Our regulated MTR as at March 2013 was 1.50 pence per minute. This reduced to 0.85 pence (plus inflation adjustment) in April 2013. The national regulator set a glidepath with annual inflation adjustments. The rate from 1 April 2014 will be 0.67 pence per minute (plus inflation adjustment).

The national regulator agreed to a request from Everything Everywhere that it be allowed to use its existing 1800 MHz spectrum for long-term evolution ('LTE') services, which were launched at the end of October 2012.

In February 2013 we acquired 2x10 MHz of 800 MHz spectrum, 2x20 MHz of 2.6 GHz spectrum and 25 MHz of 2.6 GHz unpaired spectrum for a cost of £803 million. The licences are valid until 2033.

Regulation (continued)

Other Northern and Central Europe

Czech Republic

The auction of 800 MHz, 1800 MHz and 2.6 GHz spectrum which started in November 2012 was cancelled by the Czech regulator in March 2013. A consultation on the rules and timing of a new auction is currently underway.

Our regulated MTR as at March 2013 was CZK 0.55 (1.80 pence). The national regulator has set a glide path that will see a reduction to CZK 0.27 (0.88 pence) from July 2013. This decision has been appealed.

At the end of 2012 the national regulator issued a draft analysis of market for access and call origination in mobile networks finding collective dominance of all three mobile operators. We have commented, pointing out serious flaws in the analysis.

Hungary

We acquired an additional 2x2 MHz of 900 MHz for HUF 15.7 billion (£44 million) spectrum through an auction in January 2012. We and other operators challenged the award of spectrum to a new entrant. In September 2012 the court decided to repeal the result of the whole auction. This is likely to prevent the new entrant from launching services, but may also result in all bidders having to return the spectrum they acquired in the auction.

In October 2010 the Hungarian Parliament adopted a law which imposes a significant additional tax burden on the telecommunications, retail and energy sectors. The so-called "crisis tax law" came into force in December 2010 and was in force until January 2013.

In July 2012 the Hungarian government introduced a new tax on telecommunications in order to replace the "crisis tax". The new tax levies HUF2 for all voice minutes and SMS (with an upper cap on every subscription). Unlike the crisis tax, the telecommunications tax is not intended to be temporary and has been in force since July 2012. The upper cap was raised in January 2013. We paid HUF 7.2 billion (£20 million) for the crisis tax and HUF 5.4 billion (£15 million) for the telecommunications tax for the 2013 financial year.

The Commission has sent a formal letter to Hungary stating that it believes the tax on calls and SMS services introduced in 2012 conflicts with EU telecoms rules.

Ireland

In November 2012 we acquired 2x10 MHz of 800 MHz spectrum, 2x10 MHz of 900 MHz spectrum and 2x25 MHz of 1800 MHz spectrum for a cost of €161 million (£130 million). The licences are valid until 2030. With respect to the 1800 MHz spectrum, Vodafone obtained 2x15 MHz of spectrum in the auction for the period to July 2015 and the full 2x25 MHz of spectrum after that date until July 2030.

Our regulated MTR as at March 2013 was 2.6 eurocents (2.19 pence). The national regulator has set a rate of 1.04 eurocents (0.88 pence) from July 2013. This decision has been appealed.

Netherlands

In December 2012 we acquired 2x10 MHz of 800 MHz spectrum, 2x10 MHz of 900 MHz spectrum, 2x20 MHz of 1800 MHz spectrum and 2x5 MHz of 2.1 GHz spectrum for a cost of €1.4 billion (£1.1 billion). The licences are valid until 2030, except the 2.1 GHz spectrum which is aligned with the rest of our 2.1 GHz spectrum and expires in 2016.

Our regulated MTR as at March 2013 was 2.4 eurocents (2.02 pence). This rate was set by the court who overturned the decision of the national regulator. The national regulator is currently updating its market analysis and is required to set a new rate from when the current regulatory period expires. The national regulator has launched a consultation in which it proposes a rate of 1.02 eurocents (0.86 pence).

In May 2012 the Dutch Parliament adopted amendments to the Telecommunications Act which are intended to limit the circumstances in which operators are able to engage in network management and to prevent operators from varying the charges to end users by reference to the type of internet service or application they wish to use. The cumulative effect of these measures is to prevent operators from blocking or otherwise charging specifically for voice over internet protocol ('VOIP') and other internet services. These measures are applied from January 2013 for new contracts and will apply a year later for existing contracts.

Vodafone Netherlands, along with other mobile operators in the Netherlands, has been the subject of an investigation by the Dutch Competition Authority following a dawn raid in December 2011. The focus of the Authority's interest is still unclear and there has been no statement of objections issued. Vodafone is cooperating with the Competition Authority.

Romania

In September 2012 we acquired 2x10 MHz of 800 MHz spectrum, 2x10 MHz of 900 MHz spectrum, 2x30 MHz of 1800 MHz spectrum and 15 MHz of unpaired 2.6 GHz spectrum for a cost of €228.5 million (£192.8 million). The licences are valid until 2029.

Our regulated MTR in March 2013 was 3.07 eurocents (2.59 pence). This rate will be in place until the national regulator completes its review of the mobile termination market.

Turkey

The regulatory authority is in the process of gathering data from the industry to examine whether MTRs should be reduced. MTRs are expected to be revised by the regulatory authority from July 2013. The current rate has been stable for three years at 0.032 lira per minute (1.16 pence per minute).

The Ministry of Transport, Maritime and Communications is planning to release previously unallocated 900 MHz spectrum and allow 3G services in the band. We are expecting further details from the regulator soon.

Southern Europe region

Italy

Our regulated MTR in March 2013 was 1.5 eurocents (1.27 pence). The national regulator has set a rate of 0.98 eurocents (0.83 pence) from July 2013. This decision has been appealed.

Vodafone Italy, along with other mobile operators in Italy, has been the subject of an investigation by the Italian Antitrust Authority following a dawn raid in November 2012. This followed a complaint from an MVNO that it had been excluded from the market. The investigation is still at an early stage and Vodafone is cooperating with the Antitrust Authority.

Spain

Our regulated MTR in March 2013 was 2.76 eurocents (2.33 pence). The national regulator has set a rate of 1.09 eurocents (0.92 pence) from July 2013.

In July 2012 the European Court of Justice found that charges levied on mobile telecoms operators by Spanish local authorities were unlawful. In December 2012 Vodafone stopped providing audiovisual and publicity services to avoid payment of the so-called TV tax (0.9% of telecommunication revenue).

Telefónica, Orange and Vodafone Spain were fined €46.5 million, €30.0 million and €43.5 million respectively by the National Competition Authority for abuse of dominant position by imposing excessive pricing of SMS and MMS wholesale termination services and wholesale SMS/MMS access services to MVNOs. All three operators appealed the decision which was awarded in December 2012. Vodafone filed its appeal in February 2013 asking for the suspension of the payment of the fine until the National Court adopts a final judgement. The suspension was granted in March 2013.

In January 2013 Vodafone Spain received the national competition authorities statement of objections ('SO') following a price squeeze complaint from an MVNO. The SO alleges that Vodafone (and also Telefónica and Orange) have infringed national and EC competition law as they have abused their dominant position by applying a price squeeze strategy between the retail prices offered in the market to customers and the corresponding wholesale prices applied to MVNOs. Vodafone submitted its response in February 2013.

Other Southern Europe

Albania

The law on electronic communications was amended in December 2012 to achieve approximation with EU telecoms package of 2009. The government has said it intends to auction the 800 MHz band for mobile services in 2015.

A 3G licence (at 2.1 GHz) was awarded in October 2012 to Eagle Mobile.

Following a preliminary investigation into the retail telephony market, the Albanian competition authority has initiated an in-depth investigation into potential abuse of dominance by Vodafone Albania for the period from January 2011 to December 2012.

Greece

Our regulated MTR as at March 2013 was 1.27 eurocents (1.07 pence). The national regulator has set a long-term glide path which will see the rate reduce to 1.17 eurocents (0.99 pence) plus inflation from January 2014 and 1.10 eurocent (0.93 pence) plus inflation from January 2015.

The government has sent a letter to the Commission asking for the assignment of 800 MHz to mobile operators to be delayed until June 2014. The Commission's answer is still pending.

Portugal

The national regulator reduced MTRs to 1.27 eurocents (1.07 pence) effective from December 2012. This rate will apply until the next round of market analyses.

Africa, Middle East and Asia Pacific region

India

For information on litigation in India, please see page 123.

In May 2012 the government published a new national telecom policy, which includes new unified licences, broadband deployment objectives, the implementation of national mobile number portability and free pan-India roaming. The Department of Telecommunications and the national regulator will commence the process to consult on the decisions and regulations to implement this policy.

A spectrum auction was held in November 2012 to sell the 1800 MHz spectrum released as a result of the cancellation of 122 2G licenses by the Supreme Court of India. Vodafone India acquired 2x1.25 MHz or 2x2.5 MHz of spectrum in 14 service areas for a total of INR 11.28 billion (£138 million). Spectrum remained unsold in many areas.

The current MTR is maintained at INR 0.2 (0.002 pence).

South Africa

The Ministry of Communications and the national regulator have decided to postpone the process of licensing "high demand spectrum" (2.6 GHz and 800 MHz) while the Ministry reviews its long-term policy approach to the information and communications technology ('ICT') sector. The Minister initiated a policy review process in April 2012 at the National ICT Colloquium. This process is expected to be completed in 2014.

MTRs from March 2013 are ZAR 0.40 (0.03 pence). The NRA is currently considering the appropriate regime to put in place from March 2014.

The ICT sector charter for the implementation and measurement of Broad-Based Black Economic Empowerment ('BBBEE') came into force in June 2012. The government is in the process of consultation on various other elements of the BBBEE regulatory regime including revisions to the Department: Trade and Industry Codes and amendment of the BBBEE Act.

Other Africa, Middle East and Asia Pacific

Australia

The MTR was reduced to AUS\$0.048 (3.29 pence) in January 2013, and is due to reduce to AUS\$0.036 (2.47 pence) in January 2014.

An auction for 700 MHz and 2.6 GHz spectrum started in April 2013.

New Zealand

The MTR reduced from NZ\$0.0397 (2.19 pence) to NZ\$0.0372 (2.05 pence) in April 2013.

The government is now preparing to auction 700 MHz spectrum in the second half of the 2013 calendar year.

Australia/New Zealand

The Australian and New Zealand governments published the final report of their inquiry into "Trans-Tasman" roaming in February 2013. The report recommended that the national regulators in both countries be given additional powers to collect price information and potentially to impose additional regulation.

Egypt

The national regulator set MTRs at 65% of each operator's average on-net retail revenue per minute in September 2008 and issued a similar decree in 2010. Mobinil obtained interim relief against this regulation and a final order is awaited. Vodafone Egypt has filed a similar case in the Administrative Court challenging the regulator's decisions regarding the applicable MTRs as well as the calculation formula. In December 2011 the Commissioner's Committee of the Administrative Court issued a non-binding opinion recommending the annulment of the regulator's decision. A final decision has not yet been made. A series of arbitrations concerning interconnection payments have been launched by Mobinil and Telecom Egypt, leading to a claim by Telecom Egypt against Vodafone Egypt relating to historic termination charges.

Egyptian MTRs are currently EGP 0.11 (1.06 pence) (Etisalat), EGP 0.10 (0.97 pence) (Vodafone) and EGP 0.085 (0.82 pence) (Mobinil).

Regulation (continued)

Licences

The table below summarises the most significant mobile licences held by our operating subsidiaries and our joint venture in Italy at 31 March 2013. We present the licences by frequency band since in many markets, including the majority of Northern and Central Europe, and Southern Europe, they can be used for a variety of technologies including 2G, 3G and LTE. Since 2011 we have successfully renewed licences close to expiry in Australia, Malta and Greece on reasonable terms, and have secured short-term extensions prior to auctions in Romania and the Netherlands. In all cases where some of our existing spectrum has been re-auctioned (Greece, Romania, Ireland and the Netherlands) we have acquired new licences through the auction.

Mobile licences

Country by region	800 MHz expiry date	900 MHz expiry date	1800 MHz expiry date	2.1 GHz expiry date	2.6 GHz expiry date
Northern and Central Europe					
Germany	December 2025	December 2016	December 2016	December 2020 ¹	December 2025
UK	March 2033	See note ²	See note ²	December 2021	March 2033
Czech Republic	n/a	January 2021	January 2021	February 2025	n/a
Hungary	n/a	July 2014 ³	July 2014 ³	December 2019 ³	n/a
Ireland	July 2030	July 2030	July 2030	October 2022	n/a
Netherlands	December 2029	February 2030	February 2030	December 2016	May 2030
Romania	April 2029	April 2029	April 2029	March 2020	April 2029
Turkey	n/a	April 2023	–	April 2029	n/a
Southern Europe					
Italy	December 2029	February 2015	February 2015 ⁴	December 2021	December 2029
Spain	December 2030	February 2020	December 2030	April 2020	December 2030
Albania	n/a	June 2016	June 2016	December 2025	n/a
Greece	n/a	September 2027 ⁵	December 2026 ⁵	August 2021	n/a
Malta	n/a	August 2026	August 2026	August 2020	n/a
Portugal	March 2027	October 2021 ⁶	October 2021 ⁶	January 2016	March 2027
Africa, Middle East and Asia Pacific					
India ⁷	n/a	November 2014 – December 2026	November 2014 – December 2026	September 2030	n/a
Vodacom: South Africa	n/a	See note ⁸	See note ⁸	See note ⁸	n/a
Egypt	n/a	January 2022	January 2022	January 2022	n/a
Ghana	n/a	December 2019	December 2019	December 2023 ⁹	n/a
New Zealand	n/a	November 2031	March 2021	March 2021	December 2028
Qatar	n/a	June 2028	June 2028	June 2028	n/a

Notes:

1 2x5 MHz (out of 2x15 MHz) of 2.1 GHz spectrum will expire in December 2025.

2 Indefinite licence with a five year notice of revocation.

3 Options to extend these licences.

4 2x5 MHz of 1800 MHz spectrum will expire in 2029.

5 2x15 MHz of the 1800 MHz spectrum will expire in August 2016.

6 2x3 MHz of 900 MHz must be released by December 2015 and 2x14 MHz of 1800 MHz spectrum does not expire until March 2027.

7 India is comprised of 22 separate service area licences with a variety of expiry dates.

8 Vodacom's South African spectrum licences are renewed annually. As part of the migration to a new licensing regime the national regulator has issued Vodacom a service licence and a network licence which will permit Vodacom to offer mobile and fixed services. The service and network licences have a 20 year duration and will expire in 2028. Vodacom also holds licences to provide 2G and/or 3G services in the Democratic Republic of Congo, Lesotho, Mozambique and Tanzania.

9 The national regulator has issued provisional licences with the intention of converting these to full licences once the national regulator board has been reconvened.

Non-GAAP information

In the discussion of our reported financial position, operating results and cash flows, information is presented to provide readers with additional financial information that is regularly reviewed by management. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

EBITDA

EBITDA is operating profit excluding share in results of associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses and other operating income and expense. We use EBITDA, in conjunction with other GAAP and non-GAAP financial measures such as adjusted operating profit, operating profit and net profit, to assess our operating performance. We believe that EBITDA is an operating performance measure, not a liquidity measure, as it includes non-cash changes in working capital and is reviewed by the Chief Executive to assess internal performance in conjunction with EBITDA margin, which is an alternative sales margin figure. We believe it is both useful and necessary to report EBITDA as a performance measure as it enhances the comparability of profit across segments.

Because EBITDA does not take into account certain items that affect operations and performance, EBITDA has inherent limitations as a performance measure. To compensate for these limitations, we analyse EBITDA in conjunction with other GAAP and non-GAAP operating performance measures. EBITDA should not be considered in isolation or as a substitute for a GAAP measure of operating performance.

A reconciliation of EBITDA to the closest equivalent GAAP measure, operating profit, is provided in note A2 to the consolidated financial statements on page 138.

Group adjusted operating profit and adjusted earnings per share

Group adjusted operating profit excludes non-operating income of associates, impairment losses and other income and expense. Adjusted earnings per share also excludes certain foreign exchange rate differences, together with related tax effects. We believe that it is both useful and necessary to report these measures for the following reasons:

- these measures are used for internal performance reporting;
- these measures are used in setting director and management remuneration; and
- they are useful in connection with discussion with the investment analyst community and debt rating agencies.

Reconciliations of adjusted operating profit and adjusted earnings per share to the respective closest equivalent GAAP measures, operating profit and basic earnings per share, are provided on pages 40 and in "Commentary on the consolidated income statement and statement of comprehensive income" on page 91, respectively.

Cash flow measures

In presenting and discussing our reported results, free cash flow and operating free cash flow are calculated and presented even though these measures are not recognised within IFRS. We believe that it is both useful and necessary to communicate free cash flow to investors and other interested parties, for the following reasons:

- free cash flow allows us and external parties to evaluate our liquidity and the cash generated by our operations. Free cash flow does not include payments for licences and spectrum included within intangible assets, items determined independently of the ongoing business, such as the level of dividends, and items which are deemed discretionary, such as cash flows relating to acquisitions and disposals or financing activities. In addition, it does not necessarily reflect the amounts which we have an obligation to incur. However, it does reflect the cash available for such discretionary activities, to strengthen the consolidated statement of financial position or to provide returns to shareholders in the form of dividends or share purchases;
- free cash flow facilitates comparability of results with other companies although our measure of free cash flow may not be directly comparable to similarly titled measures used by other companies;
- these measures are used by management for planning, reporting and incentive purposes; and
- these measures are useful in connection with discussion with the investment analyst community and debt rating agencies.

A reconciliation of cash generated by operations, the closest equivalent GAAP measure, to operating free cash flow and free cash flow, is provided in the "Commentary on the consolidated statement of cash flows" on page 97.

Other

Certain of the statements within the section titled "Chief Executive's review" on pages 14 to 17 contain forward-looking non-GAAP financial information for which at this time there is no comparable GAAP measure and which at this time cannot be quantitatively reconciled to comparable GAAP financial information.

Certain of the statements within the section titled "Guidance" on page 45 contain forward-looking non-GAAP financial information which at this time cannot be quantitatively reconciled to comparable GAAP financial information.

Organic growth

All amounts in this document marked with an "*" represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates. We believe that "organic growth", which is not intended to be a substitute for or superior to reported growth, provides useful and necessary information to investors and other interested parties for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to the operating performance of the business;
- it is used for internal performance analysis; and
- it facilitates comparability of underlying growth with other companies, although the term "organic" is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies.

Non-GAAP information (continued)

Reconciliation of organic growth to reported growth is shown where used, or in the table below:

	Organic change %	Other activity/ pps	Foreign exchange pps	Reported change %
31 March 2013				
Group				
Service revenue	(19)	3.0	(5.6)	(4.5)
Revenue	(1.4)	2.8	(5.6)	(4.2)
Data revenue	13.8	(0.4)	(5.9)	7.5
Enterprise data revenue	10.0	0.5	(4.9)	5.6
Vodafone Global Enterprise revenue	5	—	(4)	1
Emerging markets service revenue	8.4	(0.3)	(9.2)	(1.1)
EBITDA	(3.1)	0.7	(5.9)	(8.3)
EBITDA margin	(0.5)	(0.6)	(0.2)	(1.3)
EBITDA margin excluding restructuring costs	(0.1)	(0.6)	(0.2)	(0.9)
Operating profit from controlled and jointly controlled operations	(7.0)	(3.9)	(5.6)	(16.5)
Adjusted operating profit	9.3	(2.3)	(3.3)	3.7
Northern and Central Europe				
Service revenue excluding the impact of MTRs	1.6	7.1	(4.1)	4.6
Data revenue	14.4	—	(4.3)	10.1
Enterprise revenue	0.8	—	(3.9)	(3.1)
Germany – mobile service revenue	1.3	(0.1)	(5.6)	(4.4)
Germany – data revenue	13.6	—	(6.0)	7.6
Germany – enterprise revenue	3.0	—	(5.6)	(2.6)
UK – data revenue	4.2	—	—	4.2
Netherlands – service revenue	(2.7)	(0.2)	(5.4)	(8.3)
Turkey – service revenue	17.3	(1.8)	(3.1)	12.4
Percentage point reduction in EBITDA margin	(0.7)	(1.1)	(0.1)	(1.9)
Germany – percentage point reduction in EBITDA margin	(1.3)	0.1	—	(1.2)
UK – percentage point reduction in EBITDA margin	(0.5)	—	—	(0.5)
Other Northern and Central Europe – percentage point reduction in EBITDA margin	(0.3)	(2.7)	(0.1)	(3.1)
Southern Europe				
Service revenue excluding the impact of MTRs	(8.4)	(0.1)	(5.0)	(13.5)
Data revenue	9.7	—	(5.8)	3.9
Italy – data revenue	4.4	—	(5.7)	(1.3)
Italy – fixed line revenue	(6.8)	—	(5.1)	(11.9)
Spain – data revenue	16.5	—	(6.1)	10.4
Spain – fixed line revenue	(2.9)	—	(5.0)	(7.9)
Greece – service revenue	(13.4)	(0.4)	(5.0)	(18.8)
Portugal – service revenue	(8.2)	(0.2)	(5.2)	(13.6)
Percentage point reduction in EBITDA margin	(2.2)	—	(0.1)	(2.3)
Italy – percentage point reduction in EBITDA margin	(4.3)	0.1	(0.1)	(4.3)
Spain – percentage point reduction in EBITDA margin	(0.7)	(0.2)	—	(0.9)
Other Southern Europe – percentage point reduction in EBITDA margin	(0.4)	—	(0.2)	(0.6)
Africa, Middle East and Asia Pacific				
India – data revenue	19.8	—	(13.5)	6.3
South Africa – service revenue	(0.3)	—	(11.8)	(12.1)
South Africa – data revenue	16.1	—	(13.8)	2.3
Vodacom's international operations excluding Vodacom Business Africa	23.3	—	(1.0)	22.3
Egypt – service revenue	3.7	—	(3.0)	0.7
Egypt – data revenue	29.6	—	(4.2)	25.4
Egypt – fixed line revenue	29.0	—	(2.9)	26.1
Ghana – service revenue	24.2	—	(18.9)	5.3
Qatar – service revenue	29.8	—	1.7	31.5
Percentage point increase in EBITDA margin	1.7	(0.2)	(0.2)	1.3
India – percentage point increase in EBITDA margin	3.3	(1.0)	0.1	2.4
Vodacom – percentage point increase in EBITDA margin	1.6	0.9	(0.4)	2.1
Egypt – percentage point increase in EBITDA margin	1.4	—	—	1.4
Other AMAP – percentage point increase in EBITDA margin	0.1	(0.4)	0.1	(0.2)

	Organic change %	Other activity ¹ pps	Foreign exchange pps	Reported change %
Verizon Wireless				
Service revenue	8.1	—	1.1	9.2
Revenue	7.8	—	1.0	8.8
EBITDA	13.6	0.1	1.2	14.9
Group's share of result of VZW	30.5	—	1.4	31.9
31 March 2012				
Group				
Service revenue	1.5	(0.4)	(0.8)	0.3
Revenue	2.2	(0.3)	(0.7)	1.2
Service revenue for the quarter ended 31 March 2012	2.3	(0.9)	(3.0)	(1.6)
EBITDA	(0.6)	(0.3)	(0.4)	(1.3)
Adjusted operating profit	2.5	(4.4)	(0.5)	(2.4)
Northern and Central Europe				
Germany – data revenue	21.3	—	1.6	22.9
Germany – enterprise revenue	5.6	—	1.6	7.2
UK – data revenue	14.5	—	—	14.5
Netherlands – service revenue	2.1	(0.1)	1.6	3.6
Turkey – service revenue	25.1	(1.1)	(17.8)	6.2
UK – percentage point increase in EBITDA margin	0.6	—	—	0.6
Southern Europe				
Italy – data revenue	16.8	—	1.6	18.4
Italy – enterprise revenue	5.1	—	1.6	6.7
Spain – data revenue	18.4	—	1.9	20.3
Spain – fixed line revenue	7.3	—	1.6	8.9
Italy – percentage point reduction in EBITDA margin	(1.9)	0.1	—	(1.8)
Spain – percentage point reduction in EBITDA margin	(5.5)	—	0.1	(5.4)
Africa, Middle East and Asia Pacific				
India – data revenue	51.3	—	(10.8)	40.5
South Africa – service revenue	4.4	—	(6.1)	(1.7)
South Africa – data revenue	24.3	—	(7.9)	16.4
Vodacom's international operations excluding Gateway and Vodacom Business Africa	31.9	—	(3.5)	28.4
Australia – service revenue	(8.8)	—	7.2	(1.6)
Egypt – service revenue	1.4	—	(6.8)	(5.4)
Ghana – service revenue	29.2	—	(14.1)	15.1
Qatar – service revenue	27.1	—	(2.8)	24.3
Safaricom – service revenue	13.6	—	(13.2)	0.4
India – percentage point increase in EBITDA margin	0.8	(0.1)	—	0.7
Other AMAP – percentage point reduction in EBITDA margin	(2.2)	(0.1)	(0.4)	(2.7)
Verizon Wireless²				
Service revenue	7.3	(0.1)	(2.6)	4.6
Revenue	10.6	—	(2.7)	7.9
EBITDA	7.9	(0.1)	(2.7)	5.1
Group's share of result of VZW	9.3	(0.1)	(2.7)	6.5
31 March 2011				
Group				
Service revenue	2.1	0.9	(0.6)	2.4

Notes:

1 "Other activity" includes the impact of M&A activity, the revision to intra-group roaming charges from 1 October 2011, and the impact of Indus Towers revising its accounting for energy cost recharges. Refer to "Organic growth" on page 188 for further detail.

2 Organic growth rates include the impact of a non-cash revenue adjustment which was recorded to properly defer previously recognised data revenue that will be earned and recognised in future periods. Excluding this the equivalent growth rates for service revenue, revenue, adjusted EBITDA and the Group's share of result in VZW would have been 6.8%, 10.1%, 6.7% and 7.5% respectively.

Form 20-F cross reference guide

The information in this document that is referenced in the following table is included in our annual report on Form 20-F for 2013 filed with the SEC (the "2013 Form 20-F"). The information in this document may be updated or supplemented at the time of filing with the SEC or later amended if necessary. No other information in this document is included in the 2013 Form 20-F or incorporated by reference into any filings by us under the Securities Act. Please see "Documents on display" on page 171 for information on how to access the 2013 Form 20-F as filed with the SEC. The 2013 Form 20-F has not been approved or disapproved by the SEC nor has the SEC passed judgement upon the adequacy or accuracy of the 2013 Form 20-F.

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Note:

1 The Company financial statements, and the audit report and notes relating thereto, on pages 159 to 165 should not be considered to form part of the Company’s annual report on Form 20-F.

Forward-looking statements

This document contains “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group’s financial condition, results of operations and businesses and certain of the Group’s plans and objectives.

In particular, such forward-looking statements include statements with respect to:

- the Group’s expectations regarding its financial and operating performance, including statements contained within the Chief Executive’s review on pages 14 to 17, statements regarding the Group’s future dividends and the guidance statement for the 2014 financial year and the free cash flow guidance on page 45 of this document, the performance of joint ventures, associates, including VZW, other investments and newly acquired businesses including CWW and TelstraClear, and expectations regarding Vodafone 2015;
- intentions and expectations regarding the development of products, services and initiatives introduced by, or together with, Vodafone or by third parties, including new mobile technologies, such as the introduction of 4G, the Vodafone M-Pesa money transfer service, M2M connections, Vodafone Red, cloud hosting, tablets and an increase in download speeds and 3G services;
- expectations regarding the global economy and the Group’s operating environment and market position, including future market conditions, growth in the number of worldwide mobile phone users and other trends, including increased mobile data usage and increased mobile penetration in emerging markets;
- revenue and growth expected from the Group’s enterprise and total communications strategy, including data revenue growth, and its expectations with respect to long-term shareholder value growth;
- mobile penetration and coverage rates, mobile termination rate cuts, the Group’s ability to acquire spectrum, expected growth prospects in the Northern and Central Europe, Southern Europe and AMAP regions and growth in customers and usage generally, and plans for sustained investment in high speed data networks and the anticipated Group standardisation and simplification programme;
- anticipated benefits to the Group from cost efficiency programmes;
- possible future acquisitions, including increases in ownership in existing investments, the timely completion of pending acquisition transactions and pending offers for investments, including licence and spectrum acquisitions, and the expected funding required to complete such acquisitions or investments;
- expectations regarding the Group’s future revenue, operating profit, EBITDA, EBITDA margin, free cash flow, depreciation and amortisation charges, foreign exchange rates, tax rates and capital expenditure;

- expectations regarding the Group’s access to adequate funding for its working capital requirements and share buyback programmes, and the Group’s future dividends or its existing investments; and

- the impact of regulatory and legal proceedings involving the Group and of scheduled or potential regulatory changes.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “will”, “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans” or “targets”. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following:

- general economic and political conditions in the jurisdictions in which the Group operates and changes to the associated legal, regulatory and tax environments;
- increased competition, from both existing competitors and new market entrants, including mobile virtual network operators;
- levels of investment in network capacity and the Group’s ability to deploy new technologies, products and services in a timely manner, particularly data content and services;
- rapid changes to existing products and services and the inability of new products and services to perform in accordance with expectations, including as a result of third party or vendor marketing efforts;
- the ability of the Group to integrate new technologies, products and services with existing networks, technologies, products and services;
- the Group’s ability to generate and grow revenue from both voice and non-voice services and achieve expected cost savings;
- a lower than expected impact of new or existing products, services or technologies on the Group’s future revenue, cost structure and capital expenditure outlays;
- slower than expected customer growth, reduced customer retention, reductions or changes in customer spending and increased pricing pressure;
- the Group’s ability to expand its spectrum position, win 3G and 4G allocations and realise expected synergies and benefits associated with 3G and 4G;

Forward-looking statements (continued)

- the Group's ability to secure the timely delivery of high quality, reliable handsets, network equipment and other key products from suppliers;
- loss of suppliers, disruption of supply chains and greater than anticipated prices of new mobile handsets;
- changes in the costs to the Group of, or the rates the Group may charge for, terminations and roaming minutes;
- the impact of a failure or significant interruption to the Group's telecommunications, networks, IT systems or data protection systems;
- the Group's ability to realise expected benefits from acquisitions, partnerships, joint ventures, franchises, brand licences, platform sharing or other arrangements with third parties, particularly those related to the development of data and internet services;
- acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities which may have a negative impact on the Group's financial condition and results of operations;
- the Group's ability to integrate acquired business or assets and the imposition of any unfavourable conditions, regulatory or otherwise, on any pending or future acquisitions or dispositions;
- the extent of any future write-downs or impairment charges on the Group's assets, or restructuring charges incurred as a result of an acquisition or disposition;
- developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends;
- the Group's ability to satisfy working capital requirements through borrowing in capital markets, bank facilities and operations;
- changes in foreign exchange rates, including particularly the exchange rate of pound sterling to the euro and the US dollar;
- changes in the regulatory framework in which the Group operates, including the commencement of legal or regulatory action seeking to regulate the Group's permitted charging rates;
- the impact of legal or other proceedings against the Group or other companies in the communications industry; and
- changes in statutory tax rates and profit mix, the Group's ability to resolve open tax issues and the timing and amount of any payments in respect of tax liabilities.

Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under "Principal risk factors and uncertainties" on pages 46 to 49 of this document. All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

Definition of terms

2G	2G networks are operated using global system for mobile ('GSM') technology which offer services such as voice, text messaging and basic data. In addition, all the Group's controlled networks support general packet radio services ('GPRS'), often referred to as 2.5G. GPRS allows mobile devices to access IP based data services such as the internet and email.
3G	A cellular technology based on wide band CDMA delivering voice and faster data services.
4G/LTE	4G or long-term evolution ('LTE') technology offers even faster data transfer speeds than 3G/HSPA.
Acquisition costs	The total of connection fees, trade commissions and equipment costs relating to new customer connections.
ADR	American depositary receipts is a mechanism designed to facilitate trading in shares of non-US companies in the US stock markets. The main purpose is to create an instrument which can easily be settled through US stock market clearing systems.
ADS	American depositary shares are shares evidenced by American depositary receipts. ADSs are issued by a depositary bank and represent one or more shares of a non-US issuer held by the depositary bank. The main purpose of ADSs is to facilitate trading in shares of non-US companies in the US markets and, accordingly, ADRs which evidence ADSs are in a form suitable for holding in US clearing systems.
AGM	Annual general meeting.
AMAP	The Group's region: Africa, Middle East and Asia Pacific.
AOP	Adjusted operating profit. Group adjusted operating profit excludes non-operating income of associates, impairment losses, and other income and expense.
Applications ('apps')	Apps are software applications usually designed to run on a smartphone or tablet device and provide a convenient means for the user to perform certain tasks. They cover a wide range of activities including banking, ticket purchasing, travel arrangements, social networking and games. For example, the My Vodafone app lets customers check their bill totals on their smartphone and see the minutes, texts and data allowance remaining.
ARPU	Average revenue per user.
Capital expenditure ('capex')	This measure includes the aggregate of capitalised property, plant and equipment additions and capitalised software costs.
CDMA	This is a channel access method used by various radio communication technologies.
Churn	Total gross customer disconnections in the period divided by the average total customers in the period.
Cloud	This means the customer has little or no equipment at their premises and all the equipment and capability is run from the Vodafone network instead. This removes the need for customers to make capital investments and instead they have an operating cost model with a recurring monthly fee.
Controlled and jointly controlled	Controlled and jointly controlled measures include 100% for the Group's mobile operating subsidiaries and the Group's proportionate share for joint ventures.
Customer costs	Customer costs include acquisition costs, being the total of connection fees, trade commissions and equipment costs relating to new customer connections, and retention costs, being the total of trade commissions, loyalty scheme and equipment costs relating to customer retention and upgrades, as well as expenses related to ongoing commissions.
Depreciation and other amortisation	The accounting charge that allocates the cost of a tangible or intangible asset to the income statement over its useful life. This measure includes the profit or loss on disposal of property, plant and equipment and computer software.
Direct costs	Direct costs include interconnect costs and other direct costs of providing services.
Enterprise	The Group's business customer segment.
EBITDA	Operating profit excluding share in results of associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses and other operating income and expense.
Emerging markets	Vodafone entities are India, Vodacom, Egypt, Turkey, Ghana, Qatar and Fiji.
Fixed broadband customer	A fixed broadband customer is defined as a customer with a connection or access point to a fixed line data network.
FRC	Financial Reporting Council.
Free cash flow	Operating free cash flow after cash flows in relation to taxation, interest, dividends received from associates and investments and dividends paid to non-controlling shareholders in subsidiaries but before licence and spectrum payments. For the year ended 31 March 2013 other items excluded the income dividend received from VZW in December 2012 and payments in respect of a tax case settlement. For the year ended 31 March 2012 payments in respect of a tax case settlement, tax relating to the disposal of our 24.4% interest in Polkomtel, the income dividend received from VZW in January 2012 and the return of the court deposit made in respect of the India tax case are also excluded.
FCA	Financial Conduct Authority (previously Financial Services Authority).
HSPA+	An evolution of high speed packet access ('HSPA') or third generation ('3G') technology that enhances the existing 3G network with higher speeds for the end user.
Impairment	A downward revaluation of an asset.
Interconnect costs	A charge paid by Vodafone to other fixed line or mobile operators when a Vodafone customer calls a customer connected to a different network.
ICT	Information and communications technology.
IP	Internet protocol ('IP') is the format in which data is sent from one computer to another on the internet.
M2M	Machine-to-machine. M2M communications, or telemetry, enable devices to communicate with one another via built-in mobile SIM cards.

Definition of terms (continued)

Mark-to-market	Mark-to-market or fair value accounting refers to accounting for the value of an asset or liability based on the current market price of the asset or liability.
Mobile broadband	Also known as mobile internet (see below).
Mobile customer	A mobile customer is defined as a subscriber identity module ('SIM'), or in territories where SIMs do not exist, a unique mobile telephone number, which has access to the network for any purpose, including data only usage, except telemetric applications. Telemetric applications include, but are not limited to, asset and equipment tracking, mobile payment and billing functionality, e.g. vending machines and meter readings, and include voice enabled customers whose usage is limited to a central service operation, e.g. emergency response applications in vehicles.
Mobile internet	Mobile internet allows internet access anytime, anywhere through a browser or a native application using any portable or mobile device such as smartphone, tablet, laptop connected to a wireless network.
Mobile termination rate ('MTR')	A per minute charge paid by a telecommunications network operator when a customer makes a call to another mobile or fixed line network operator.
MVNO	Mobile virtual network operators, companies that provide mobile phone services but do not have their own licence of spectrum or the infrastructure required to operate a network.
Net debt	Long-term borrowings, short-term borrowings and mark-to-market adjustments on financing instruments less cash and cash equivalents.
Net promoter score ('NPS')	Net promoter score is a customer loyalty metric used to monitor customer satisfaction.
Operating expenses	Operating expenses comprise primarily of network and IT related expenditure, support costs from HR and finance and certain intercompany items.
Operating free cash flow	Cash generated from operations after cash payments for capital expenditure (excludes capital licence and spectrum payments) and cash receipts from the disposal of intangible assets and property, plant and equipment.
Organic growth	All amounts marked with an "*" represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates. From 1 October 2011 the Group revised its intra-group roaming charges. Whilst neutral to Group revenue and profitability, these changes have had an impact on reported service revenue by country and regionally since 1 October 2011. Whilst prior period reported revenue has not been restated, to ensure comparability in organic growth rates, country and regional revenue in the prior financial year have been recalculated based on the new pricing structure to form the basis for our organic calculations. During the 2013 financial year, Indus Towers (reported within the India segment) revised its accounting for energy cost recharges to operators from a net to a gross basis, to reflect revised energy supply terms. The impact of this upward revenue adjustment has been excluded from reported organic growth rates. The adjustment has no profit impact.
Partner markets	Markets in which the Group has entered into a partner agreement with a local mobile operator enabling a range of Vodafone's global products and services to be marketed in that operator's territory and extending Vodafone's reach into such markets.
Penetration	Number of SIMs in a country as a percentage of the country's population. Penetration can be in excess of 100% due to customers' owning more than one SIM.
Petabyte	A petabyte is a measure of data usage. One petabyte is a million gigabytes.
Pps	Percentage points.
Reported growth	Reported growth is based on amounts reported in pound sterling as determined under IFRS.
RAN	Radio access network is the part of a mobile telecommunications system which provides cellular coverage to mobile phones via a radio interface, managed by thousands of base stations installed on towers and rooftops across the coverage area, and linked to the core nodes through a backhaul infrastructure which can be owned, leased or a mix of both.
Retention costs	The total of trade commissions, loyalty scheme and equipment costs relating to customer retention and upgrade.
Roaming	Allows customers to make calls on other operators' mobile networks while travelling abroad.
Service revenue	Service revenue comprises all revenue related to the provision of ongoing services including, but not limited to, monthly access charges, airtime usage, roaming, incoming and outgoing network usage by non-Vodafone customers and interconnect charges for incoming calls.
Smartphone devices	A smartphone is a mobile phone offering advanced capabilities including access to email and the internet.
Smartphone penetration	The number of smartphone devices divided by the number of registered SIMs, excluding data only SIMs.
SME	Small to medium-sized enterprises.
SoHo	Small-office home-office.
Spectrum	The radio frequency bands and channels assigned for telecommunication services.
Supranational	An international organisation, or union, whereby member states go beyond national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping.
Tablets	A tablet is a slate shaped, mobile or portable casual computing device equipped with a finger operated touchscreen or stylus, for example, the Apple iPad.
VZW	Verizon Wireless, the Group's associate in the US.
VZW income dividends	Distributions (other than tax distributions) by Verizon Wireless as agreed from time to time by the Board of Verizon Wireless.
VZW tax distributions	Specific distributions made by the Cellco Partnership to its partners based on the taxable income of Verizon Wireless.

Selected financial data

At/for the year ended 31 March	2013	2012	2011	2010	2009
Consolidated income statement data (£m)					
Revenue	44,445	46,417	45,884	44,472	41,017
Operating profit	4,728	11,187	5,596	9,480	5,857
Profit before taxation	3,255	9,549	9,498	8,674	4,189
Profit for the financial year	673	7,003	7,870	8,618	3,080
Consolidated statement of financial position data (£m)					
Total assets	142,698	139,576	151,220	156,985	152,699
Total equity	72,488	78,202	87,561	90,810	84,777
Total equity shareholders' funds	71,477	76,935	87,555	90,381	86,162
Earnings per share¹					
Weighted average number of shares (millions)					
– Basic	49,190	50,644	52,408	52,595	52,737
– Diluted	49,434	50,958	52,748	52,849	52,969
Basic earnings per ordinary share	0.87p	13.74p	15.20p	16.44p	5.84p
Diluted earnings per ordinary share	0.87p	13.65p	15.11p	16.36p	5.81p
Cash dividends^{1,2}					
Amount per ordinary share (pence)	10.19p	13.52p	8.90p	8.31p	7.77p
Amount per ADS (pence)	101.9p	135.2p	89.0p	83.1p	77.7p
Amount per ordinary share (US cents)	15.49c	21.63c	14.33c	12.62c	11.11c
Amount per ADS (US cents)	154.9c	216.3c	143.3c	126.2c	111.1c
Other data					
Ratio of earnings to fixed charges ³	1.6	4.3	5.7	3.6	1.2

Notes:

- See note 8 to the consolidated financial statements, "Earnings per share". Earnings and dividends per ADS is calculated by multiplying earnings per ordinary share by ten, the number of ordinary shares per ADS. Dividend per ADS is calculated on the same basis.
- The final dividend for the year ended 31 March 2013 was proposed by the directors on 21 May 2013 and is payable on 7 August 2013 to holders of record as of 12 June 2013. The total dividends have been translated into US dollars at 31 March 2013 for purposes of the above disclosure but the dividends are payable in US dollars under the terms of the ADS depositary agreement.
- For the purposes of calculating these ratios, earnings consist of profit before tax adjusted for fixed charges, dividend income from associates, share of profits and losses from associates, interest capitalised, interest amortised and profits and losses on ordinary activities before taxation from discontinued operations. Fixed charges comprise one-third of payments under operating leases, representing the estimated interest element of these payments, interest payable and similar charges, interest capitalised and preferred share dividends.

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