VODAFONE GROUP PUBLIC LTD CO
Form 20-F
June 10, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: March 31, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report: __________

For the transition period from: __________ to __________

Commission file number: 001-10086

VODAFONE GROUP PUBLIC LIMITED COMPANY

(Exact name of Registrant as specified in its charter)

England

(Jurisdiction of incorporation or organization)

Vodafone House, The Connection, Newbury, Berkshire RG14 2FN, England

(Address of principal executive offices)

Rosemary Martin (Group General Counsel and Company Secretary)

tel +44 (0) 1635 33251, fax +44 (0) 1635 580 857

Vodafone House, The Connection, Newbury, Berkshire RG14 2FN, England

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
See Schedule A	See Schedule A

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares of 20 $^{20}/_{21}$ US cents each	26,439,960,221
7% Cumulative Fixed Rate Shares of £1 each	50,000

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes þ No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ¨ No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP ¨	International Financial Reporting Standards as issued by the International Accounting Standards Board þ	Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

SCHEDULE A

Title of each class	**Name of each exchange on which registered**
Ordinary shares of 20 $^{20}/_{21}$ US cents each	NASDAQ Global Select Market*
American Depositary Shares (evidenced by American Depositary Receipts) each representing ten ordinary shares	NASDAQ Global Select Market
Floating rate Notes due February 2016	New York Stock Exchange
5.625% Notes due February 2017	New York Stock Exchange
1.625% Notes due March 2017	New York Stock Exchange
1.25% Notes due September 2017	New York Stock Exchange
1.5% Notes due February 2018	New York Stock Exchange
4.625% Notes due July 2018	New York Stock Exchange
5.450% Notes due June 2019	New York Stock Exchange
4.375% Notes due March 2021	New York Stock Exchange
2.5% Notes due September 2022	New York Stock Exchange
2.95% Notes due February 2023	New York Stock Exchange
2.95% Notes due February 2023	New York Stock Exchange
7.875% Notes due February 2030	New York Stock Exchange
6.25% Notes due November 2032	New York Stock Exchange

6.15% Notes due February 2037	New York Stock Exchange
4.375% Notes due February 2043	New York Stock Exchange

* Listed, not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

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Vodafone Group Plc

Annual Report on Form 20-F 2014

Inside this year s report

The following sections constitute the strategic report:

Overview

In this section:

An introduction to the report covering who we are, the Chairman s reflections on the year, notable events, and a snapshot of where and how we do business.

Strategy review

In this section:

A summary of the changing landscape we operate in, and how that has shaped our strategy and financial position. Plus a review of performance against our goals and our approach to running a sustainable business.

Performance

In this section:

Commentary on operating performance for the Group, the key operating segments Europe and AMAP (Africa, Middle East and Asia Pacific), and a summary of key risks.

Governance

In this section:

The governance framework, including the role and effectiveness of the Board and the alignment of the interests of management with long-term value creation.

Financials

In this section:

The statutory financial statements of both the Group and the Company and associated audit report.

Additional information

In this section:

Find out about our shares, history and development, regulatory matters impacting our business, an assessment of potential risks to the Company, and other statutory financial information.

This constitutes the annual report on Form 20-F of Vodafone Group Plc (the Company) in accordance with the requirements of the US Securities and Exchange Commission (the SEC) for the year ended 31 March 2014 and is dated 10 June 2014. This document contains certain information set out within the Company s annual report in accordance with International Financial Reporting Standards (IFRS) and with those parts of the UK Companies Act 2006 applicable to companies reporting under IFRS, dated 20 May 2014, as updated or supplemented if necessary. The content of the Group s website (www.vodafone.com) should not be considered to form part of this annual report on Form 20-F.

Unless otherwise stated references to year or 2014 mean the financial year ended 31 March 2014, to 2013 or previous year mean the financial year ended 31 March 2013, and to the fourth quarter or Q4 are to the quarter ended 31 March 2014. For other references please refer to page 45.

All amounts marked with an * represent organic growth, which excludes the impact of foreign currency movements, acquisitions and disposals and certain other items, see definition on page 212. Definitions of terms used throughout the report can be found on pages 211 and 212.

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.

Website references are for information only and are not incorporated by reference into our Annual Report on Form 20-F.

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Chief Financial Officer s review

Our financial performance

was mixed

Our financial performance reflects continued strong growth in our emerging markets, partly offsetting competitive, regulatory and macroeconomic pressures in Europe. While we have seen declines in our revenue and adjusted EBITDA, we have met our financial guidance and increased the dividend per share.

Overall performance

The Group s emerging markets businesses have delivered strong organic growth this year, combining good local execution on marketing and distribution with leading network quality. In particular, data usage in emerging markets is really taking off, providing further growth potential for the Group. This has however been offset by significant ongoing pressures in our European operations, from a combination of a weak macroeconomic environment, regulatory headwinds, and stiff competition. We experienced revenue declines in all of our major European markets, and related pressure on margins, despite continuing measures to control costs.

Group revenue increased by 0.8% to £38.3 billion, with service revenue of £35.2 billion, an increase of 0.5%.

Group adjusted EBITDA decreased by 3.3% to £11.1 billion as the impact of steep revenue declines in Europe offset improving margins in AMAP, notably in India and Australia.

Group adjusted operating profit fell 22.9% year-on-year to £4.3 billion due to lower adjusted EBITDA and higher amortisation and depreciation due principally to the acquisition of KDG in October 2013.

Verizon Wireless

The profit contribution of Verizon Wireless is reported in our 2014 financial year results for five months to 2 September 2013, the date we announced its sale. Our share of Verizon Wireless profits for this five month period amounted to £3.2 billion. The sale of the US group, whose principal asset was Verizon Wireless, led to a pre-tax gain on disposal of £45.0 billion.

Impairment losses

We recorded impairment charges of £6.6 billion relating to our businesses in Germany, Spain, Portugal, Czech Republic and Romania. These were driven by lower projected cash flows within business plans, resulting from the tougher macroeconomic environment and heavy price competition.

Financing costs and taxation

Net financing costs have decreased 6.4% primarily due to the recognition of mark-to-market gains, offset by a £99 million loss (2013: £nil) on the redemption of US$5.65 billion bonds as part of the restructuring of the Group s financing arrangements following the disposal of Verizon Wireless and lower interest income on settlement of tax issues.

The statutory effective tax rate for the year ended 31 March 2014 was -33.4% compared to 77.2% in the prior year. The difference is primarily due to the gain on disposal of our interest in Verizon Wireless which did not result in any tax consequences and the recognition of significant deferred tax assets in Luxembourg and Germany.

Adjusted earnings per share

Adjusted earnings per share[1] fell 12.8% to 17.54 pence, driven by lower adjusted operating profit, offset by a lower share count arising from the Group s share buyback programme. The Board is recommending a final dividend per share of 7.47 pence, to give total ordinary dividends per share for the year of 11.0 pence, up 8% year-on-year.

Free cash flow

Free cash flow was £4.2 billion, down 24.0% from the prior year. The year-on-year decline reflects the relative strength of sterling against the South African rand and Indian rupee over the course of the year, partly offset by movements in the euro, as well as tough trading conditions. In addition to the free cash flow reported above, we received an income dividend of £2.1 billion from Verizon Wireless.

Capital expenditure

Capital expenditure increased 19.3% to £6.3 billion, with the growth driven by the inclusion of CWW for 12 months, the inclusion of KDG from October 2013, the commencement of our fibre roll-out in Spain, and initial Project Spring investments in Germany and India. In addition, we acquired and renewed spectrum for £2.2 billion in India, Romania, New Zealand and the Czech Republic, with a cash cost of £0.9 billion during the year.

Group[1]

	2014	Restated[1] 2013
	£m	£m
Revenue	38,346	38,041
Service revenue	35,190	34,999
Other revenue	3,156	3,042
Adjusted EBITDA[2]	11,084	11,466
Adjusted operating profit[2]	**4,310**	**5,590**
Impairment loss	(6,600)	(7,700)
Restructuring costs and other	(355)	(311)
Amortisation of acquired customer bases and brand intangible assets	(551)	(249)
Other income/(expense)	(717)	468
Operating loss	**(3,913)**	**(2,202)**
Non-operating income and expense	(149)	10
Net financing costs	(1,208)	(1,291)
Income tax credit/(expense)	16,582	(476)
Profit/(loss) for the financial year from continuing operations	**11,312**	**(3,959)**
Profit for the financial year from discontinued operations	**48,108**	**4,616**
Profit for the financial year	**59,420**	**657**

Notes:

1 2014 results reflect average foreign exchange rates of £1: 1.19 and £1:US$1.59 (2013: £1: 1.23 and £1:US$1.58).
2 Adjusted EBITDA and adjusted operating profit have been restated to exclude restructuring costs . Adjusted operating profit has also been redefined to exclude amortisation of customer base and brand intangible assets. See page 201 for Non-GAAP financial information .

Net debt

Net debt decreased £11.7 billion to £13.7 billion as proceeds from the disposal of our US group, whose principal asset was its 45% stake in Verizon Wireless, positive free cash flow and favourable foreign exchange movements more than offset the acquisition of Kabel Deutschland, licences and spectrum payments and equity shareholder returns including equity dividends, the special distribution and share buybacks. In Q4, we paid £2.4 billion in relation to the expected tax liability for the Verizon Wireless transaction, of which US$3.3 billion (£2.0 billion) was paid to Verizon. We now expect this liability to total US$3.6 billion (£2.2 billion).

Performance against 2014 financial year guidance[2]

On 2 September 2013 we issued pro forma guidance for the 2014 financial year, which excluded VZW and included 100% of Vodafone Italy, both for the whole year. This pro forma guidance included Vodafone s remaining joint ventures (Australia, Fiji and Indus Towers), on an equity accounting basis, consistent with IFRS requirements.

Based on guidance foreign exchange rates, our pro forma adjusted operating profit for the 2014 financial year was £4.9 billion[2], in line with the around £5.0 billion range set in September 2013. On the same basis our pro forma free cash flow was £4.8 billion[2], in line with our guidance range of £4.5 £5.0 billion.

2015 financial year guidance[3]

	Adjusted EBITDA	Free cash flow
	£bn	£bn
2015 financial year guidance	11.4 11.9	Positive

We expect adjusted EBITDA to be in the range of £11.4 billion to £11.9 billion.

We expect free cash flow to be positive after all capex, before the impact of M&A, spectrum purchases and restructuring costs. Total capex over the next two years is expected to be around £19 billion, after which we anticipate capital intensity normalising to a level of 13 14% of annual revenue.

/s/ Nick Read

Nick Read

Chief Financial Officer

Notes:

* 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 movements in foreign exchange rates. See page 202 Non-GAAP financial information for further details.

1 Please see page 201 for Non-GAAP financial information .

2 Guidance foreign exchange rates for the year ended 31 March 2014 were £1: 1.17, £1=US$1.52, £1:INR 84.9 and £1:ZAR 14.3.

3 We have based guidance for the 2015 financial year on our current assessment of the global macroeconomic outlook and assume foreign exchange rates of £1: 1.21, £1:INR 105.8 and £1:ZAR 18.4. It excludes the impact of licences and spectrum purchases, 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 EBITDA by £60 million and have no material impact on free cash flow. A 1% change in the Indian rupee to sterling exchange rate would impact adjusted EBITDA by £10 million and free cash flow by £5 million. A 1% change in the South African Rand to sterling exchange rate would impact adjusted EBITDA by £15 million and free cash flow by £5 million. Guidance for the year ending 31 March 2015

includes the results of Vodafone s remaining joint ventures (Australia, Fiji and Indus Towers) on an equity basis, consistent with IFRS requirements.

Operating results

This section presents our operating performance, providing commentary on how revenue and adjusted EBITDA performance of the Group and its operating segments within the Europe and AMAP regions, together with Common Functions, have developed over the last year. These revenue and adjusted EBITDA amounts are extracted from note 2 to the Consolidated Financial Statements. See pages 171 to 175 for commentary on the 2013 financial year. The presentation of segmental revenues and adjusted EBITDA within note 2 to the Consolidated Financial Statements segment is under the management basis as this is assessed as being the most insightful presentation and is how the Group s operating performance is reviewed internally by management. See Non-GAAP information on page 201 for further information on the use of management basis measures and reconciliations between the management basis measures and the statutory (IFRS) basis.

Group level operating performance is discussed on pages 38, 39 and 97.

Europe on a management basis

	Germany	Italy	UK	Spain	Other Europe	Eliminations	Europe	Restated 2013	% change	
	£m	£m	£m	£m	£m	£m	£m	£m	£	Organic
Year ended 31 March 2014										
Revenue	8,272	4,312	6,427	3,518	5,525	(57)	27,997	28,602	(2.1)	(9.3)
Service revenue	7,739	3,863	6,095	3,230	5,104	(54)	25,977	26,501	(2.0)	(9.1)
Other revenue	533	449	332	288	421	(3)	2,020	2,101	(3.9)	(10.8)
Adjusted EBITDA	2,698	1,536	1,418	787	1,736		8,175	9,099	(10.2)	(18.3)
Adjusted EBITDA margin	32.6%	35.6%	22.1%	22.4%	31.4%		29.2%	31.8%		

Foreign

		Organic change %	Other activity[1] pps	exchange pps	Reported change %
Revenue	**Europe**	**(9.3)**	**4.7**	**2.5**	**(2.1)**
Service revenue					
Germany		(6.2)	9.0	3.6	6.4
Italy		(17.1)	2.2	3.1	(11.8)
UK		(4.4)	31.9		27.5
Spain		(13.4)	(0.7)	3.1	(11.0)
Other Europe		(7.1)	(17.5)	1.8	(22.8)
Europe		**(9.1)**	**4.6**	**2.5**	**(2.0)**
Adjusted EBITDA					
Germany		(18.2)	10.2	3.3	(4.7)
Italy		(24.9)	2.2	2.8	(19.9)
UK		(9.8)	26.9	0.1	17.2
Spain		(23.9)	(1.8)	2.8	(22.9)
Other Europe		(14.0)	(6.2)	2.1	(18.1)
Europe		**(18.3)**	**5.6**	**2.5**	**(10.2)**

Note:
1 Other activity includes the impact of M&A activity and the revision to intra-group roaming charges from 1 April 2013. Refer to Organic growth on page 202 for further detail.

Germany

Service revenue decreased 6.2%*, with a slightly improving trend in Q4 compared to Q3. Performance for the year was driven by intense price competition in both the consumer and enterprise segments and an MTR cut effective from December 2012, with Vodafone particularly impacted due to our traditionally high ARPU. In a more competitive environment we launched both a more aggressive 3G price plan (Smart) and pushed otelo in the entry-level contract segment. Mobile in-bundle revenue increased 2.7%* as a result of growth in integrated Vodafone Red offers, which was more than offset by a decline in mobile out-of-bundle revenue of 22.6%*. We continue to focus on Vodafone Red and 4G where we had nearly 3.0 million customers and 891,000 consumer contract customers respectively at 31 March 2014.

Adjusted EBITDA declined 18.2%*, with a 4.3* percentage point decline in adjusted EBITDA margin, driven by lower service revenue and increased customer investment.

The roll-out of 4G services continued with a focus on urban areas, with overall outdoor population coverage of 70% at 31 March 2014, which combined with our ongoing network enhancement plan has resulted in a significant improvement in voice and data performance in the second half of the year.

Following its acquisition on 14 October 2013, KDG contributed £702 million to service revenue and £297 million to adjusted EBITDA in Germany. The domination and profit and loss transfer agreement was registered on 14 March 2014 and the integration of Vodafone Germany and KDG began on 1 April 2014.

Italy

Service revenue declined 17.1%* driven by the effect of the summer prepaid price war penetrating the customer base and the negative impact of MTR cuts effective from January and July 2013. Mobile in-bundle revenue grew

15.2%* driven by the take-up of integrated prepaid plans. Vodafone Red, which had nearly 1.5 million customers at 31 March 2014, continues to penetrate further into the base leading to improving churn in the contract segment.

Enterprise revenue growth, while still negative, showed signs of improvement during the year thanks to the success of Zero . Prepaid experienced a steep ARPU decline as a result of the market move to aggressive bundled offers. 4G services are now available in 202 municipalities and outdoor coverage has reached 35%.

Fixed line revenue declined 3.2%* as a result of declining fixed voice usage, partly offset by continued broadband revenue growth supported by 77,000 net broadband customer additions during the year. Vodafone Italy now offers fibre services in 37 cities and is progressing well on its own fibre build plans.

Adjusted EBITDA declined 24.9%*, with a 4.8* percentage point decline in adjusted EBITDA margin, primarily driven by the lower revenue, partially offset by strong efficiency improvements delivered on operating costs which fell 7.1%*.

UK

Service revenue decreased 4.4%*, principally driven by declines in enterprise and prepaid and a 1.9 percentage point impact from MTR cuts, partially offset by consumer contract service revenue growth. Mobile in-bundle revenue increased 0.6%* as the positive impact of contract customer growth and greater penetration of Vodafone Red plans into the customer base, with nearly 2.7 million customers at 31 March 2014, offset pricing pressures. Mobile out-of-bundle revenue declined 7.2%*, primarily driven by lower prepaid revenue.

The activity to integrate the UK operations of CWW was accelerated successfully and we continue to deliver cash and capex synergies as planned. The sales pipeline is now growing, which we expect to materialise into revenue increases in the 2015 financial year.

The roll-out of 4G services continued following the launch in August 2013, with services now available in 14 cities and over 200 towns, with over 637,000 4G enabled plans (including Mobile Broadband) at 31 March 2014. We are making significant progress in network performance, particularly in the London area.

Adjusted EBITDA declined 9.8%*, driven by lower revenue and a 1.0* percentage point decline in the adjusted EBITDA margin as a result of higher customer investment.

Spain

Service revenue declined 13.4%*, as a result of intense convergence price competition, macroeconomic price pressure in enterprise and a MTR cut in July 2013. Service revenue trends began to improve towards the end of the year. As a result of a stronger commercial performance and lower customer churn from an improved customer experience, the contract customer base decline slowed during the year and the enterprise customer base remained broadly stable. Mobile in-bundle revenue declined 0.4%* driven by the higher take-up of Vodafone Red plans, which continue to perform well, with over 1.2 million customers at 31 March 2014. We had 797,000 4G customers at 31 March 2014 and services are now available in all Spanish provinces, 227 municipalities and 80 cities.

Fixed line revenue declined 0.2%* as we added 216,000 new customers during the year and added 276,000 homes to our joint fibre network with Orange. On 17 March 2014 we agreed to acquire Grupo Corporativo Ono, S.A. (Ono), the leading cable operator in Spain and the transaction is, subject to customary terms and conditions including anti-trust clearances by the relevant authorities, expected to complete in calendar Q3 2014.

Adjusted EBITDA declined 23.9%*, with a 3.4* percentage point decline in adjusted EBITDA margin, primarily driven by the lower revenue, partly offset by lower commercial costs and operating cost reductions of 9.4%*.

Other Europe

Service revenue declined 7.1%* as price competition and MTR cuts resulted in service revenue declines of 5.6%*, 8.4%* and 14.1%* in the Netherlands, Portugal and Greece respectively. However, Hungary and Romania returned to growth in H2, and all other markets apart from Portugal showed an improvement in revenue declines in Q4.

In the Netherlands mobile in-bundle revenue increased by 3.4%*, driven by the success of Vodafone Red plans. In Portugal, the broadband customer base and fixed line revenues continued to grow as the fibre roll-out gained momentum in a market moving strongly towards converged offers, whilst in Greece the customer base grew due to the focus on data. In Ireland, contract growth remained good in a declining market.

Adjusted EBITDA declined 14.0%*, with a 2.1* percentage point reduction in the adjusted EBITDA margin, driven by lower service revenue, partly offset by operating cost efficiencies.

Operating results (continued)

Africa, Middle East and Asia Pacific on a management basis

	India	Vodacom	Other AMAP	Eliminations	AMAP	Restated 2013	% change	
	£m	£m	£m	£m	£m	£m	£	Organic
Year ended 31 March 2014								
Revenue	4,394	4,718	5,860	(1)	14,971	15,413	(2.9)	8.4
Service revenue	3,927	3,866	5,295	(1)	13,087	13,729	(4.7)	6.1
Other revenue	467	852	565		1,884	1,684	11.9	27.4
Adjusted EBITDA	1,397	1,716	1,567		4,680	4,532	3.3	16.2
Adjusted EBITDA margin	31.8%	36.4%	26.7%		31.3%	29.4%		

	Organic change	Other activity[1]	Foreign exchange	Reported change
	%	pps	pps	%
Revenue AMAP	**8.4**	**0.7**	**(12.0)**	**(2.9)**
Service revenue				
India	13.0		(11.7)	1.3
Vodacom	4.1	(2.8)	(13.7)	(12.4)
Other AMAP	2.8	4.0	(9.4)	(2.6)
AMAP	**6.1**	**0.7**	**(11.5)**	**(4.7)**
Adjusted EBITDA				
India	26.4		(13.7)	12.7
Vodacom	6.6	0.2	(16.1)	(9.3)
Other AMAP	19.3	3.2	(10.7)	11.8
AMAP	**16.2**	**1.0**	**(13.9)**	**3.3**

Notes:

1 Other activity includes the impact of M&A activity and the revision to intra-group roaming charges from 1 April 2013. Refer to Organic growth on page 202 for further detail.

India

Service revenue increased 13.0%*, driven by continued customer growth and data usage as well as improved voice pricing. Mobile customers increased by 14.2 million during the year, yielding a closing customer base of 166.6 million at 31 March 2014.

Data usage grew 125% during the year, primarily resulting from a 39% increase in mobile internet users and a 67% increase in usage per customer. At 31 March 2014 active data customers totalled 52 million including seven million 3G customers.

We progressively rolled out M-Pesa across India over the year, reaching nationwide coverage by March 2014.

Adjusted EBITDA grew 26.4%*, with a 3.3* percentage point increase in adjusted EBITDA margin, driven by the higher revenue and the resulting economies of scale on costs.

In February, Vodafone India successfully bid for additional spectrum in 11 telecom circles in the Indian Government s 900MHz and 1800MHz spectrum auction, enabling the company to provide customers with enhanced mobile voice and data services across the country. Of the total £1.9 billion cost of these spectrum licences, £0.5 billion was paid during the financial year with the remainder payable in instalments starting in 2017.

Vodacom

Service revenue grew 4.1%*, driven by strong growth in Vodacom s mobile operations outside South Africa. In South Africa, organic service revenue increased 0.3%*, despite the adverse impact of an MTR cut, due to the strong growth in data revenues of 23.5%*, driven by higher smartphone penetration and the strong demand for prepaid bundles.

Vodacom s mobile operations outside South Africa delivered service revenue growth of

18.9%* mainly from continued customer base growth. M-Pesa continued to perform well and is now operational in all of the Vodacom mobile operations outside of South Africa, with over 4.4 million customers actively using the service.

Adjusted EBITDA increased 6.6%*, driven by revenue growth, optimisation in customer investment and efficiencies in South Africa operating costs. The adjusted EBITDA margin decline of 0.3* percentage points is the result of higher sales of lower margin handsets.

On 14 April 2014, Vodacom announced the acquisition of the Vodacom customer base from Nashua, a mobile cellular provider for South African mobile network operators, subject to the approval of the Competition Authority.

On 19 May 2014 Vodacom announced that it had reached an agreement with the shareholders of Neotel Proprietary Limited (Neotel), the second largest provider of fixed telecommunications services for both enterprise and consumers in South Africa, to acquire 100% of the issued share capital in, and shareholder loans against, Neotel for a total cash consideration of ZAR 7.0 billion (£0.4 billion). The transaction remains subject to the fulfilment of a number of conditions precedent including applicable regulatory approvals and is expected to close before the end of the financial year.

Other AMAP

Service revenue increased 2.8%*, with growth in Turkey, Egypt, Qatar and Ghana being partially offset by declines in Australia and New Zealand.

Service revenue growth in Turkey was 7.9%* after a 5.4 percentage point negative impact from voice and SMS MTR cuts effective from 1 July 2013. Mobile in-bundle revenue in Turkey grew 25.0%* driven by higher smartphone penetration, the success of Vodafone Red plans and continued growth in enterprise.

In Egypt service revenue increased 2.6%*, driven by the growth in the customer base, higher data usage and a successful pricing strategy. Service revenue growth in Qatar came as a result of strong net customer additions and the success of segmented commercial offers. In Ghana, service revenue grew 19.3%*, driven by an increase in customers and higher data usage in both consumer and enterprise.

Adjusted EBITDA grew 19.3%* with a 3.1* percentage point improvement in adjusted EBITDA margin, with improvements in Turkey, Australia, Qatar and Ghana driven by the increase in scale and operating cost efficiencies, and with robust contribution from Egypt, partially offset by a decline in New Zealand.

Our joint venture in Australia experienced a service revenue decline of 9.0%*. The turnaround plan remains on track, yielding improved levels of network performance, net promoter score and customer base management. The adjusted EBITDA margin was improved by 14.8* percentage points, as a result of restructuring and stronger cost discipline.

Our associate in Kenya, Safaricom, increased service revenue by 17.2% driven by a higher customer base and continued growth in M-Pesa.

Non-Controlled Interests on a management basis

Verizon Wireless[1,2]

	2014	2013
	£m	£m
Revenue	9,955	21,972
Service revenue	9,000	19,697
Other revenue	955	2,275
Adjusted EBITDA	4,274	8,831
Interest	(20)	(25)
Tax[2]	(50)	13
Group s share of result in VZW	3,169	6,500

Notes:

1 All amounts represent the Group s share based on its 45% partnership interest, unless otherwise stated. Results for the year ended 31 March 2014 only include results to 2 September 2013, the date the Group announced its intention to dispose of its 45% interest.
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.

On 2 September 2013 Vodafone announced it had reached an agreement with Verizon Communications Inc. to dispose of its US group whose principal asset was its 45% interest in Verizon Wireless. The Group ceased recognising its share of results in Verizon Wireless on 2 September 2013, and classified its investment as a held for sale asset and the results as a discontinued operation. The transaction completed on 21 February 2014.

Operating loss

Adjusted operating profit excludes certain income and expenses that we have identified separately to allow their effect on the present results of the Group to be assessed (see page 201). The items that are included in operating loss but are excluded from adjusted operating profit are discussed below.

Impairment losses of £6,600 million (2013: £7,700 million) recognised in respect of Germany, Spain, Portugal, Czech Republic and Romania. Further detail is provided in note 4 to the Group s consolidated financial statements.

Restructuring costs of £355 million (2013: £311 million) have been incurred to improve future business performance and reduce costs.

Amortisation of intangible assets in relation to customer bases and brands are recognised under accounting rules after we acquire businesses and amounted to £551 million (2013: £249 million). Amortisation charges increased in the year as a result of the acquisition of KDG and Vodafone Italy in the year.

Other income and expense comprises a loss of £0.7 billion arising largely from our acquisition of a controlling interest in Vodafone Italy. The year ended 31 March 2013 includes a £0.5 billion gain on the acquisition of CWW.

Including the above items, operating loss increased to £3.9 billion from £2.2 billion as lower impairment charges were offset by lower revenue, higher customer costs and higher amortisation.

Net financing costs

	2014	2013
	£m	£m
Investment income	346	305
Financing costs	(1,554)	(1,596)
Net financing costs	**(1,208)**	**(1,291)**

Net financing costs have decreased 6.4% primarily due to the recognition of mark-to-market gains, offset by a £99 million loss (2013: £nil) on the redemption of US$5.65 billion bonds as part of the restructuring of the Group s financing arrangements following the disposal of Verizon Wireless and lower interest income on settlement of tax issues.

Taxation

	2014	2013
	£m	£m
Income tax expense:		
Continuing operations before recognition of deferred tax	2,736	476
Discontinued operations	1,709	1,750
Total income tax expense	**4,445**	**2,226**
Recognition of additional deferred tax continuing operations	(19,318)	
Total tax (credit)/expense	**(14,873)**	**2,226**

The recognition of the additional deferred tax assets, which arose from losses in earlier years, was triggered by the agreement to dispose of the US group whose principal asset was its 45% interest in VZW, which removes significant uncertainty around both the availability of the losses in Germany and the future income streams in Luxembourg. The Group expects to use these losses over a significant number of years; the actual use of these losses is dependent on many factors which may change, including the level of profitability in both Germany and Luxembourg, changes in tax law and changes to the structure of the Group.

	2014	2013
	£m	£m
Total tax (credit)/expense	**(14,873)**	**2,226**
Profit before tax		
Continuing operations	(5,270)	(3,483)
Discontinued operations	49,817	6,366
Total profit before tax	**44,547**	**2,883**
Effective tax rate	**-33.4%**	**77.2%**

The statutory effective tax rate for the year ended 31 March 2014 was -33.4% compared to 77.2% in the prior year. The difference is primarily due to the gain on disposal of our interest in Verizon Wireless which did not result in any tax consequences and the recognition of significant deferred tax assets in Luxembourg and Germany.

Discontinued operations

On 2 September 2013 the Group announced it had reached an agreement with Verizon Communications Inc. to dispose of its US group whose principal asset was its 45% interest in VZW. The Group ceased recognising its share of results in VZW on 2 September 2013, and classified its investment as a held for sale asset and the results as a discontinued operation. The transaction completed on 21 February 2014.

The table below sets out all of the elements relating to this discontinued operation within the consolidated income statement.

	2014 £m	2013 £m
Share of result in associate	**3,191**	**6,422**
Net financing income/(costs)	27	(56)
Profit before taxation	**3,218**	**6,366**
Taxation relating to performance of discontinued operations	(1,709)	(1,750)
Post-tax profit from discontinued operations	**1,509**	**4,616**

The table below sets the gain on disposal of discontinued operations.

	2014 £m	2013 £m
Gain on disposal of discontinued operations before tax	**44,996**	
Other items arising from the disposal	1,603	
Net gain on disposal of discontinued operations	**46,599**	
Profit for the financial year from discontinued operations	**48,108**	**4,616**

Earnings/(loss) per share

We have redefined adjusted earnings per share to exclude amortisation of acquired customer base and brand-related intangible assets, restructuring costs and one-off items in relation to both the disposal of our interest in Verizon Wireless and the acquisition of the remaining 23% of Vodafone Italy. Comparatives have been restated consistently.

Adjusted earnings per share was 17.54 pence, a decrease of 12.8% year-on-year, reflecting lower adjusted operating profit primarily due to the cessation of equity accounting for VZW from 2 September 2013, partially offset by a reduction in shares in issue arising from the Group s share buyback programme.

Basic earnings per share from continuing operations increased to 42.10 pence (2013: loss of 15.66 pence) primarily due to the recognition of the additional deferred tax assets in the current year.

	Statutory basis	
	2014	2013
	£m	£m
Profit attributable to equity shareholders	**59,254**	**413**
Adjustments:		
Impairment loss	6,600	7,700
Amortisation of acquired customer base and brand intangible assets	551	249
Restructuring costs	355	311
Other income and expense	717	(468)
Discontinued and other items	(46,520)	
Non-operating income and expense	149	(10)
Investment income and financing costs	78	51
	(38,070)	**7,833**
Taxation	(17,511)	(150)
Removal of VZW trading results and tax after 2 September[1]	1,019	(2,669)
Non-controlling interests	(50)	(28)
Adjusted profit attributable to equity shareholders	**4,642**	**5,399**

		Million	Million
Weighted average number of shares outstanding	basic	26,472	26,831
Weighted average number of shares outstanding	diluted	26,682	26,831

Note:

1 The adjustment for the year ended 31 March 2014 primarily relates to the removal of tax in respect of our US group after 2 September 2013, whereas the adjustment for the year ended 31 March 2013 includes the removal of both profit contributions and tax for the period from 2 September 2012 to 31 March 2013.

Section 219 SEC filings of interest

Vodafone Group Plc (Vodafone) does not have any subsidiaries, other equity investments, assets, facilities or employees located in Iran, and Vodafone has made no capital investment in Iran. To the best of its knowledge, no US persons, including any US affiliates of Vodafone, are involved in the activities described below. Except as specified below, Vodafone does not believe that it has provided any products, equipment, software, technology, information, support or services into Iran, directly or indirectly, or had any agreements, arrangements or other contacts with the government of Iran or entities controlled by the government of Iran.

Roaming and interconnect

Vodafone has wholesale roaming and interconnect arrangements with mobile and fixed line operators in Iran. Vodafone has, or has had, relationships with telecommunications operators in Iran in connection with such roaming and interconnect arrangements, some of which it believes are or may be government controlled entities. The approximate total gross revenues attributable to the arrangements mentioned above for the financial year ended 31 March 2014 were £992,000.

Contract between Vodafone Global Enterprise (VGE) and Deutsche Post DHL (DHL)

VGE, a Vodafone division which serves multi-national corporate customers, had a contract with DHL to provide DHL with a managed Multi-Protocol Label Switching data network in a total of 67 countries across Eastern Europe, Africa and the Middle East. On 31 January 2013, Vodafone terminated all telecommunications commitments towards DHL in respect of Iran under this contract and there were no further revenues or profits attributable to this contract for the financial year ended 31 March 2014.

EPEG Project

On 27 July 2012, Vodafone acquired Cable & Wireless Worldwide Plc (CWW), which (through a subsidiary) is member of a consortium made up of Telecommunication Infrastructure Company of Iran (TIC) (an entity controlled by the government of Iran), Rostelecom and Omantel that is building a high speed cable network from a landing point in Oman, to Germany. Each member of the consortium is responsible for funding, building and maintaining its section of the cable, with CWW owning and being responsible for the segment from the Ukrainian border with Russia to Frankfurt, Germany. No capacity sales have been made on this high speed cable network yet; consequently there are no revenues or profits associated with the project.

Intellectual Property

Vodafone, through one of its subsidiaries, also makes some insignificant payments to Iran in order to register certain domain names, register and renew certain trademarks, and protect its brand globally. Vodafone paid annual registration fees of £48 to IRNIC for the registration of three domain names. Vodafone did not make any payments to Iran in order to register or renew any of its trade marks during the fiscal year ended 31 March 2014.

References to Q4 are to the quarter ended 31 March 2014 unless otherwise stated. References to the second half of the year are to the six months ended 31 March 2014 unless otherwise stated. References to the year or financial year are to the financial year ended 31 March 2014 and references to the prior financial year are to the financial year ended 31 March 2013 unless otherwise stated. References to the 2014 financial year , 2015 financial year , 2016 financial year , 2017 financial year and the 2019 financial year are to the financial years ending 31 March 2014, 2015, 2016, 2017 and 2019, respectively. References to calendar Q3 2014 are to the quarter ended 30 September 2014, unless otherwise stated.

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Key risks

Network or IT systems failure

Major failure or malicious attack on our network or IT systems may result in service interruption and consequential customer and revenue loss.

Failure to protect customer information

We host increasing quantities and types of customer data in both enterprise and consumer segments and any failure to protect data adequately could affect our reputation and lead to legal action.

Competition

We face intensifying competition where all operators are looking to secure a share of the potential customer base, leading to lower future revenues and profitability.

Regulation

We need to comply with an extensive range of regulatory requirements including the licensing, construction and operation of our networks and services that can lead to adverse impacts on our business.

Converged and over-the-top OTT services

Some competitors offer converged services which we cannot either replicate or provide at a similar price point. Furthermore, advances in smartphone technology place more focus on applications, operating systems and devices rather than the services provided by operators, which could erode revenues.

Weak economic conditions

Economic conditions in many markets, especially in Europe, continue to stagnate or show nominal levels of growth and remain impacted by austerity measures which could affect disposable incomes. This may result in customers moving to lower price plans or giving up their phones.

Health risks

Concerns have been expressed that the electromagnetic signals emitted by mobile handsets and base stations may pose health risks. Authorities including the World Health Organization (WHO) agree there is no evidence that convinces experts that exposure to radiofrequency fields from mobile devices and base stations operated within guideline limits has any adverse health effects.

Integration of acquired businesses

The price paid for acquired businesses is based upon current and future expected cash flows that are expected to be generated from benefits and synergies that being part of the Vodafone Group will generate.

Key suppliers

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.

Tax disputes

We operate in many jurisdictions around the world and from time to time have disputes on the amount of tax due, including an ongoing tax case in India where the Indian Government has introduced retrospective legislation that overturns a positive India Supreme Court decision.

Impairment assumptions

Revisions to the assumptions used in assessing the recoverability of goodwill, including discount rates, estimated future cash flows or anticipated changes in operations, could lead to the impairment of certain Group assets.

Chairman s overview

Businesses must ensure absolute integrity in their business activities and decision-making processes if they are to earn and retain public trust.

Dear shareholder

Effective corporate governance is integral to the successful delivery of business goals: for our many and diverse stakeholders, how we work is as important as what we do. Vodafone operates under a well-developed governance framework designed to foster transparency, honesty and an informed approach to risk management across our worldwide business. We have clear standards of behaviour we expect from everyone who works for Vodafone: further details of our mandatory Code of Conduct are set out on page 67.

The Board s role is to set the strategy for the Group, appoint the right leadership and ensure consistent implementation whilst monitoring business performance and ensuring the timely and effective assessment and management of business risk. Our goal is to build an enduring and profitable Vodafone business admired by customers and other stakeholders, whilst achieving strong returns for our shareholders. As I explain in my statement on page 2, this was a significant year for Vodafone, and your Board played a leading role in the conduct of the major transactions described in the Chief Executive s review on page 12. As the Group s strategy continues to evolve, the Board is focused on maintaining a strong alignment of the interests of management with long-term value creation. Central to this is our remuneration policy (explained on page 71) which for the first time will be put to a shareholder vote at our annual general meeting this year, in line with new regulations.

There were a number of changes to the Board during the year. Andy Halford has retired from the role of Group Chief Financial Officer after eight years, during which period he developed a track record of value creation for shareholders which few, if any, CFOs could hope to match. Andy has been succeeded by the Chief Executive of the AMAP region, Nick Read, under whose leadership our emerging markets businesses have achieved strong rates of growth. In March 2014, it was announced that Anne Lauvergeon intended to stand down from the Board; Alan Jebson and Anthony Watson have also informed the Board they will not seek re-election at the annual general meeting. On behalf of the Board, I would like to express our gratitude to Andy, Anne, Alan and Tony for their contribution to Vodafone and wish them well for the future. Valerie Gooding joined the Board as a non-executive director in February 2014, and in May 2014 we announced that Sir Crispin Davis will join the Board on 28 July and Dame Clara Furse on 1 September, both as non-executive directors. I am delighted to welcome Valerie, Sir Crispin and Dame Clara to the Board.

I am fortunate as Chairman to be able to call on a broad and diverse range of skills and perspectives around the boardroom table. In their new composition, our Board consists of 13 Directors, drawn from six different nationalities with international leadership experience across more than ten different industrial sectors. With three female directors, I am pleased to say that from September we will be well on our way to achieving our intention that women will hold 25% of Board roles by the end of 2015. The recruitment of further female directors will continue to be a priority in future.

Whilst your Board is confident that Vodafone is well-placed to continue to reward shareholders for their support for our strategy, we expect operating conditions to remain challenging in a number of our key markets over the year ahead. We will remain focused on ensuring the Group maintains a rigorous and analytical approach to the management of risk whilst seeking to encourage the innovation and entrepreneurship necessary to drive growth across the portfolio.

/s/ Gerard Kleisterlee

Gerard Kleisterlee

Chairman

20 May 2014

How have we complied with the UK Corporate Governance Code?

Throughout the year ended 31 March 2014 and to the date of this document, we complied with the provisions and applied the Main Principles of the UK Corporate Governance Code (the Code), published in September 2012. 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 69 to 85.

How have we complied with the corporate governance statement requirements?

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 182 to 189.

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Board composition

Our Board consists of 14 directors, 13 of whom served throughout the year. Valerie Gooding was appointed as a non-executive director with effect from 1 February 2014.

At 31 March 2014, in addition to the Chairman, Gerard Kleisterlee, there were three executive directors and ten non-executive directors. Andy Halford, the Chief Financial Officer, retired on 31 March 2014 and Nick Read was appointed to this role and as an executive director with effect from 1 April 2014. 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 pages 58 and 59.

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 2014 AGM	Considered to be independent by the Board
Gerard Kleisterlee	July 2011	3	See note[1]
Valerie Gooding	To be put up for election July 2014	n/a	Yes
Renee James	July 2011	3	Yes
Alan Jebson	July 2007	7	Yes
Samuel Jonah	July 2009	5	Yes
Omid Kordestani	July 2013	1	Yes
Nick Land	July 2007	7	Yes
Anne Lauvergeon	July 2006	8	Yes
Luc Vandevelde	July 2004	10	Yes[2]
Anthony Watson	July 2006	8	Yes
Philip Yea	July 2006	8	Yes

Notes:

1 Considered to be independent on appointment.
2 Considered to be independent for the reasons given on page 59.

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 leadership, operation and governance of the Board;

- ensuring the 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 Vandevelde

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

g 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.

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:

g management of the Group s business;

g implementation of the Company s

strategy and policies;

g maintaining a close working relationship

with the Chairman; and

g chairing the Executive Committee.

The Company Secretary

Rosemary Martin

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

g assists the Chairman in ensuring that all

directors have full and timely access to all relevant information;

g assists the Chairman by organising

induction and training programmes;

g is responsible for ensuring that the

correct Board procedures are followed and advises the Board on corporate governance matters; and

g 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 50 and 51 or at vodafone.com/board. Biographical details of the Company Secretary can be found on page 53 or at vodafone.com/exco. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Board activities in the 2014 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.

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, topics covered by the Board during the year included the disposal of the Company s interest in Verizon Wireless, the acquisition of the remaining interest in Vodafone Italy, the acquisition of Kabel Deutschland and the audit tender.

Board effectiveness

Board effectiveness is reviewed every year. After last year s external performance evaluation the Board agreed:

- to develop further its approach to strategic planning and involve 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 the induction of new directors enables them rapidly to contribute fully to the Board.

Since then, the Chairman has introduced a number of improvements including: informing the Board regularly about possible Board appointments, trying to speed up the director appointment process, organising for senior executives to brief directors on various aspects of our business and increasing the number of opportunities available for senior executives to meet with the Board, e.g. through informal meetings or mentoring, and improving the induction programme for new directors.

Performance evaluation

Board effectiveness is reviewed by an external performance evaluation every three years. As an external evaluation was conducted last year, this year the Board performed an internal performance evaluation.

What is the performance evaluation process?

- This year the Chairman met with each director and with executives and advisors who interact with the Board. Interviewees were asked to consider and comment on the performance of the Board as a whole.
- The directors were also asked for their views on, amongst other things: Company strategy, key challenges for the business, the mix of skills, experience, independence, knowledge and diversity on the Board (including gender), effectiveness of the Board s engagement with shareholders and how well the Board operates.
- The Chairman reviewed the directors contributions and the Senior Independent Director led the review of the performance of the Chairman.
- Each Board committee undertook a detailed self-assessment questionnaire.

Output of the performance evaluation

- The Chairman of each Board committee gave feedback on the evaluation of their committee to the Board at its March meeting.
- The Chairman prepared a report on the performance evaluation which was distributed to the directors, reviewed by the Nominations and Governance Committee, and discussed with the Board at the March Board meeting.
- This year s findings were that the Board was reasonably well balanced. Diversity had improved and it should continue on that path. The process for appointing directors needed to be speeded up. Board arrangements and information flows were generally satisfactory, but more focus could be given on market information and the changing regulatory and competitive environment. Some further refinement of the presentation of performance metrics was agreed. The Board was comfortable with the strong value system and control framework in the Company. Directors observed that executive succession planning had improved. Overall, the directors considered the right balance is struck between operational, strategic and governance matters and directors were positive about

the open atmosphere around the boardroom table allowing for a robust and constructive dialogue.

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

Board induction

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.

The induction programme is tailored to each new director, depending on his or her experience and background, and reviewed by the Nominations and Governance Committee.

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 there were presentations on our Enterprise business, retail distribution, new products and the regional chief executives delivered presentations on their region s businesses, the Chief Commercial Officer and Chief Brand Director presented on brand status and evolution and the Group HR Director delivered a presentation on planned actions for improving talent, capability and effectiveness within the Company;
- 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 How do we engage with our shareholders? on page 66);

- our directors periodically visit different parts of the Group. In September 2013 the Board met with senior management in the Netherlands and in March 2014 the Board met with senior management in Portugal;

- the non-executive directors are provided with briefings and information to assist them in performing their duties; and

- 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. 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. No such independent advice was sought in the 2014 financial year.

Re-election of directors

All the directors submit themselves for re-election at the AGM to be held on 29 July 2014 with the exception of Valerie Gooding, Dame Clara Furse, Nick Read and Sir Crispin Davis who will seek election for the first time in accordance with our articles of association and Anne Lauvergeon, Alan Jebson and Anthony Watson who will resign from the Board at the AGM. 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 2014 continue to be effective and that the Company should support their re-election.

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 58 to 65. 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 13	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
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 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 2014 financial year

Director	Board	Nominations and Governance Committee	Audit and Risk Committee	Remuneration Committee
Chairman				
Gerard Kleisterlee[1]	7/7	3/3		
Senior Independent Director				
Luc Vandevelde[2]	7/7	3/3		5/5
Chief Executive				
Vittorio Colao	7/7			
Executive directors				
Andy Halford	7/7			
Stephen Pusey	7/7			
Non-executive directors				
Valerie Gooding[3]	1/1			
Renee James	7/7			4/5
Alan Jebson	7/7		4/4	
Samuel Jonah	7/7			4/5
Omid Kordestani	7/7			
Nick Land[4]	7/7		4/4	
Anne Lauvergeon	7/7		4/4	
Anthony Watson	7/7	3/3	4/4	
Philip Yea	7/7	3/3		5/5

Notes:

1 Chairman of the Nominations and Governance Committee.
2 Senior Independent Director and Chairman of the Remuneration Committee.
3 Appointed to the Board with effect from 1 February 2014.
4 Chairman and Financial Expert of the Audit and Risk Committee.

Key objective:

to make sure the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities and to have 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 pages 56 and 57);
- 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.

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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 and non-executive succession planning, refreshment of skills 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.

Four external searches were commissioned during the year, using independent executive search firms, Korn Ferry and Egon Zehnder, neither of which has any other connection to the Company. The first search related to identification of non-executive director candidates with relevant City and/or marketing experience and was undertaken by Korn Ferry. Valerie Gooding was identified as a potential candidate and subsequently recommended to the Board by the Committee on the basis that she met the desired criteria having previously been leader of a branded consumer business.

Korn Ferry also undertook a search to identify a non-executive director with international business experience and chief executive officer experience. The search identified Sir Crispin Davis as a potential candidate and he was subsequently recommended to the Board by the Committee based on his international business experience as a former CEO of a global publishing company. A search was also conducted, again by Korn Ferry, to identify a non-executive director with international banking and finance experience as well as chief executive officer experience. This search identified Dame Clara Furse who was recommended by the Committee for appointment by the Board based on her significant banking and finance experience as former CEO of a number of financial institutions.

Egon Zehnder undertook an external search in respect of the role of Group Chief Financial Officer. Concurrent to this external search, an internal search was undertaken for this role and, following an extensive review of candidates, a preferred internal candidate was chosen with Nick Read being recommended for appointment by the Committee.

The Committee recognises that with the changes in Board composition, changes will be required on the Board s committees. The first of these changes will be to invite Omid Kordestani to join the Committee with effect from 28 July 2014. Changes will also take place to the Remuneration Committee and Audit and Risk Committee. With effect from 28 July 2014, Philip Yea will resign from the Remuneration Committee and Valerie Gooding will join the

Remuneration Committee. Also on 28 July 2014, Sir Crispin Davis, who will be appointed to the Board on this date, and Philip Yea will join the Audit and Risk Committee. Dame Clara Furse will also join the Audit and Risk Committee on her appointment to the Board on 1 September 2014.

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 and March 2014. 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. With the appointment of Valerie Gooding on 1 February 2014 the Board has 21% female representation which will increase to 23% on the appointment of Dame Clara Furse on 1 September 2014. 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 36 and within the organisation overall, is contained in our 2013-14 sustainability report, available at vodafone.com/sustainability/report2014.

This year, when reviewing the re-election of directors at the AGM in July, the Committee took account of the fact that Luc Vandevelde will have served 11 years as of 31 August 2014 and Philip Yea will have served nine years as of 1 September 2014. The Board has considered the matter carefully and believes that both these non-executive directors continue to demonstrate the qualities of independence and judgement in carrying out their roles, supporting the executive directors and senior management in an objective manner. Their length of service and resulting experience and knowledge of the Company is of great benefit to the Board and both directors will stand for re-election at the AGM. The subject of their independence will be kept 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.

/s/ Gerard Kleisterlee

Gerard Kleisterlee

On behalf of the Nominations and Governance Committee

20 May 2014

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 oversight over 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 those identified as critical and requiring further disclosure;
- advising the Board on whether the annual report, 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 and section 302 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.

The Committee and its work

The membership of the Committee has been selected with the aim of providing the wide range of financial and commercial expertise necessary to meet its responsibilities. Given my recent and relevant financial experience, the Board has designated me as its financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act and the UK Corporate Governance Code. There were no changes to the membership of the Committee during the year, all of whom are non-executive directors of the Company.

The Committee meets at least four times during the year as part of its standard processes, supplemented by additional meetings as necessary. The external auditor, Deloitte LLP, is also invited to each meeting together with the Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Group Financial Reporting Director and the Group Audit Director. The work of the Committee is structured around its responsibilities set out above and its detailed terms of reference which are available at vodafone.com/governance. In addition to these activities the Committee conducts a rolling programme of in-depth review sessions where the Group s senior management provide briefings on key issues and developments particularly in relation to aspects of risk management. A summary of the reviews undertaken during the year are set out within Risk management below.

The Committee also regularly meets separately with Deloitte LLP, the Chief Financial Officer and the Group Audit Director without others being present.

Meetings of the Committee generally take place just prior to a Board meeting to maximise the efficiency of interaction with the Board and 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 its work.

Following the external review of the Committee s effectiveness in the previous year, I, together with the Committee s secretary, conducted an internal review of effectiveness involving the members of the Committee, Company management and the external auditor. This confirmed the Committee remained effective at meeting its objectives.

Main activities of the Committee during the year

I have set out below a summary of the major activities of the Committee in the year categorised between; financial reporting and the related statutory audit; risk management; and the assessment of internal controls. In addition, the Committee conducted a tender for the statutory audit through the process summarised on page 63.

Financial reporting and the related statutory audit

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

- g the quality and acceptability of accounting policies and practices;
- g the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- g any correspondence from regulators in relation to our financial reporting;
- g material areas in which significant judgements have been applied or there has been discussion with the external auditor; and
- g whether the annual report, 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. As part of the Committee s assessment of the annual report, it draws on the work of the Group s disclosure committee and also has discussions with senior management. The Committee s overall assessment forms the basis of the advice given to the Board to assist them in making the statement required by the UK Corporate Governance Code.

The Committee is committed to the continuous improvement in the effectiveness and clarity of the Group s corporate reporting and has encouraged management to support and adopt initiatives by regulatory bodies which would enhance our reporting.

External audit

At the start of the audit cycle for the new financial year we received from Deloitte LLP a detailed audit plan identifying their audit scope, planning materiality and their assessment of key risks, which were discussed and agreed with the Committee. Planning materiality was lower this year, primarily driven by the disposal of our interest in Verizon Wireless. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process. For the 2014 financial year, the key risks identified were a combination of those identified in the 2013 financial year, being those in relation to goodwill impairment, provisioning for current tax liabilities and deferred tax asset recognition, and revenue recognition as these areas continue to require inherent management judgement, and three new specific risks identified in relation to (i) the accounting for the disposal of our interest in Verizon Wireless and the related acquisition of the remaining 23% interest in Vodafone Italy, (ii) the accounting for our acquisition of Kabel Deutschland and (iii) provisioning for legal and regulatory claims. The latter risk factor was added specifically in response to the reduction in audit materiality.

At each meeting of the Committee, these risks are reviewed and both management s primary areas of judgement and the external auditor s key areas of audit focus, are challenged. As a Committee, we support the professional scepticism, particularly in the areas of key judgement and accounting disclosure, displayed by Deloitte LLP.

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 external 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.

External audit process effectiveness

We use an audit quality framework to assess the effectiveness of the external audit process. This involves detailed questioning of management at an operating company and Group level and also the members of the Committee. We also considered the firm-wide audit quality inspection report issued by the FRC in May 2013 and Deloitte LLP s response to the findings. The observations from this assessment for the 2014 financial year were presented and discussed at the May 2014 meeting. Management concluded 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 satisfactory. The Committee concurred with this view. The Committee has identified the 2015 financial year as a potential period of increased risk given the transition of the statutory auditor and will focus closely on this matter throughout the year.

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 196 to 200. 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.

In addition, the Committee also conducts a rolling programme of in-depth reviews into specific financial, operational and regulatory areas of the business. During the 2014 financial year, in-depth reviews were undertaken in the areas of:

g corporate treasury management;

- legal intercept and related data management;
- competition law and anti-bribery law compliance;
- the management of risk within the supply chain;
- information security;
- risk management within the IT platform standardisation programme in Vodafone UK; and
- the control environment in Vodafone Ghana.

In addition, the Committee received an update on Group legal compliance matters.

These reviews are 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.

Significant issues

The Committee discussed with management the critical accounting judgements and key sources of estimation uncertainty outlined in note 1 Basis of preparation . The significant areas of focus considered by the Committee in relation to the 2014 accounts, and how these were addressed, are outlined below:

Matter considered	Action
Goodwill impairment testing This continued to represent a significant area of focus for the Committee given the materiality of the Group s goodwill balances (£23.3 billion at 31 March 2014) and the inherent subjectivity in impairment testing. The judgements in relation to goodwill impairment continue to relate primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the long-term business plan and the macroeconomic and related modelling assumptions underlying the valuation process.	The Committee received detailed reporting from management and challenged the appropriateness of the assumptions made. Areas of focus were the achievability of the business plans, assumptions in relation to terminal growth in the businesses at the end of the plan period, particularly in Europe where adverse trends in financial performance have been experienced, and discount rates, which have been subject to volatility given the current macroeconomic conditions. This remains a prime area of audit focus and Deloitte LLP provided detailed reporting on these matters to the Committee including sensitivity testing.
Taxation The Group is subject to a range of tax claims and related legal actions across a number of jurisdictions where it operates. The most material claim is from the Indian tax authorities in relation to our acquisition of Vodafone India	The Group Tax Director presented management s view of both the provisioning and disclosure of tax contingencies and deferred tax asset recognition at the May 2014 meeting of the Committee. In respect of tax

Limited from Hutchison Telecommunications International Limited group in 2007, for the amount of INR 142 billion (£1.4 billion) including interest. Further details of this claim are described in note 30 Contingent liabilities .	contingencies, including the India case noted opposite, this involved a discussion of the extent and strength of professional advice received from external legal and advisory firms. In relation to the recognition of the deferred tax assets, management s plans and expectations for future taxable profits were critically reviewed.
Further, the Group has extensive accumulated tax losses as outlined in note 6 Taxation , and a key management judgement is whether a deferred tax asset should be recognised in respect of these losses. As at 31 March 2014 the Group had recognised a £21.2 billion deferred tax asset in respect of these tax losses.	This is also an area of higher audit risk and accordingly, the Committee receives detailed oral and written reporting from Deloitte LLP on these matters.
Liability provisioning The Group is subject to a range of claims and legal actions from a number of sources including competitors, regulators, customers, suppliers, and on occasion fellow shareholders in Group subsidiaries. The level of provisioning for contingent and other liabilities is an issue where management and legal judgements are important and accordingly an area of Committee focus. The most material claim is from Telecom Egypt in relation to allegations of breach of non-discrimination provisions within an interconnect agreement. Details of the claim are outlined in note 30 Contingent liabilities .	The Committee received a presentation from the Group s General Counsel and Company Secretary in May 2014 on management s assessment of the most material claims, including relevant legal advice received and the level of provision held against each. Deloitte LLP also reviews these matters, forming an independent view that is discussed with the Committee.
Revenue recognition 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 multi-element arrangements are complex areas of accounting.	Deloitte LLP outlined to the Committee their approach to the audit of revenue, as part of their presentation of the detailed audit plan. The Committee also considered any observations made by the auditors as part of their reporting to the Committee.
Acquisitions and disposals The Group made a number of highly material business acquisitions and disposals during the year including the disposal of Verizon Wireless, and the acquisition of interests in Kabel Deutschland and Vodafone Italy. This gave rise to a number of complex accounting and disclosure requirements in the financial statements.	Management outlined the key accounting and disclosure impacts in relation to these transactions. The Committee requested and received detailed reporting from Deloitte LLP on their assessment of the accounting and disclosures made by management in both the half-year and annual financial statements.
IT controls in relation to privileged user access The Group s IT infrastructure platform hosts a number of financial reporting related applications. An issue was identified in respect of privileged user access controls within part of the IT infrastructure platform which could	Management outlined tested alternative controls in place which provided assurance over the completeness and accuracy of the information derived from the impacted financial reporting related applications.

have had an adverse impact on certain of the Group s controls and financial systems.	
	Deloitte LLP extended their controls and substantive testing to obtain assurance over both the compensating controls and the completeness and accuracy of the management information derived from these applications.

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Assessment of 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. I meet privately with the Group s Audit and Compliance Directors outside the formal committee process as necessary.

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

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. I play a major role in setting the Group Audit Director s annual objectives.

Fraud and whistle-blowing

We review the channels in place to enable employees to raise concerns about possible irregularities in financial reporting or other issues such as breaches of the Code of Conduct and for those matters to be investigated. Further, we receive summaries of investigations into known or suspected fraudulent activities by both third parties and employees.

Governance of the External Audit relationship

The Committee considers the reappointment of the external auditor 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 and the year ended 31 March 2014 will be the current lead audit partner s fifth year. Accordingly, and in compliance with the provisions outlined in the UK Corporate Governance Code and the notes on best practice issued by the Financial Reporting Council in July 2013, the Committee decided to put the audit for the 2015 financial year out to tender in November 2013.

The tender process and the Committee s involvement in that process is outlined in the diagram on page 63. All of the big 4 audit firms were invited to participate in the tender. Deloitte LLP withdrew at a preliminary stage noting the longevity of their appointment, having been the Group s auditors since its stock market listing in 1988.

Having concluded the process in February 2014, the Committee recommended to the Board that PricewaterhouseCoopers LLP be appointed as the Group s statutory auditor for the 2015 financial year. Accordingly, a resolution proposing the appointment of PricewaterhouseCoopers LLP as our auditor will be put to the shareholders at the 2014 AGM. There are no contractual obligations restricting the Committee s choice of external auditor and we do not indemnify our external auditor.

The Committee will continue to review the auditor appointment and the need to tender the audit, ensuring the Group s compliance with the UK Corporate Governance Code and any reforms of the audit market by the UK Competition Commission and the European Union.

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 related member firms charged the Group £9 million (2013: £8 million, 2012: £7 million) for statutory audit services. The Committee approved these fees following review of audit scope changes for the 2014 financial year, including the impact of business acquisitions and disposals which were primarily in relation to Kabel Deutschland, the disposal of Verizon Wireless and the acquisition of the remaining 23% interest in Vodafone

Italy. The Committee also received assurance from Deloitte LLP that the fees were appropriate for the scope of the work required.

Non-audit services

As a further measure to protect the objectivity and independence of the external auditor, the Committee has a policy governing the engagement of the external auditor to provide non-audit services. 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. No material changes have been made to this policy during the financial year.

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 related member firms charged the Group £4 million (2013: £1 million) for audit-related and other assurance services. These fees were materially higher than in prior years as Deloitte acted as the Reporting Accountant in relation to a number of shareholder and regulatory filings in connection with the disposal of our interest in Verizon Wireless and the related acquisition of the remaining 23% interest in Vodafone Italy. Further details of the fees paid, for both audit and non-audit services, can be found in note 3 to the consolidated financial statements.

For a number of years, PricewaterhouseCoopers LLP has provided the Group with a wide range of consulting and assurance services. Following the decision to appoint them as auditors for the 2015 financial year, it was agreed by the Committee that any existing permitted non-audit service engagements which were not in line with the Group s non-audit services policy should cease by 30 June 2014. This decision was made to allow a timely transition of these services and minimise the impact on the business. From 1 April 2014, PricewaterhouseCoopers LLP will only be engaged for non-audit services which are in line with the Group s non-audit services policy.

/s/ Nick Land

Nick Land

On behalf of the Audit and Risk Committee

20 May 2014

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How do we engage with our shareholders?

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 United States and Europe after the full-year and half-year results; (a graph showing the geographical analysis of investors is shown on this page);
- regular investor relations meetings with investors in other geographies;
- formal presentations around significant acquisitions and disposals, e.g. the acquisition of Kabel Deutschland and the Verizon Wireless transaction;
- 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 Edinburgh to obtain feedback and consider corporate governance issues;
- analysing and approaching new geographies to actively market the business to new investors;

- g dialogue between the Remuneration

  Committee and shareholders. Go to pages 70 and 71 for more information;
- g hosting investors and analysts sessions

  at which senior management from relevant operating companies are present;
- g attendance by senior executives across

  the business at relevant meetings and conferences throughout the year;
- g responding daily to enquiries from

  shareholders and analysts through our Investor Relations team;
- g hosting webinars to highlight key areas of

  the business such as M-Pesa and money payment services, Vodafone Turkey, Vodafone Netherlands and 4G; and
- g a section dedicated to shareholders and

  analysts on our website at vodafone.com/investor, including specific sections for any material transactions or shareholder events, e.g. the Verizon Wireless transaction.

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. The Chairman 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 and 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?

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

What is the format?

- g 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 182 to 189.

How do we deal with 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 89 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 local Chief Executive and Chief Financial Officer of each operating business 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;

- local Chief Executives certifying compliance with high risk policies in their companies, with Group Compliance reviewing evidence of compliance;

- the Group s Disclosure Committee reviewing the appropriateness of disclosures and providing an annual report to the Group s 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.

- 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

Although many risks remain outside of our direct control, a range of activities are in place to mitigate the primary risks identified including those set out on pages 196 to 200. The framework for identifying and managing our risks is set out on page 46. A range of mitigations for risks faced by the Group are included on page 90.

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 2013 to 20 May 2014 (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 were effective at the end of the period covered by this report.

What is our approach to 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.

Code of Conduct

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).

What are our 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 listing rules. The Board is not required to take into consideration NASDAQ s detailed definitions of independence as set out in the NASDAQ listing 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 listing 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 listing rules but may not address all aspects of these rules.

Code of Conduct

Under the NASDAQ listing 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 listing 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 listing 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 listing rules.

Shareholder approval

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

Under the NASDAQ listing 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.

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Letter from the Remuneration Committee Chairman

Luc Vandevelde

Chairman of the Remuneration Committee

Dear fellow shareholder

I am pleased to present you with Vodafone s remuneration report for 2014.

This year will be the first time we will ask shareholders to vote on our remuneration policy in addition to the rest of the remuneration report. With the new remuneration disclosure regulations in mind we have changed the structure of our report to present first our policy and then detail its implementation. Apart from some changes which I outline below, our policy and practice remain essentially unchanged.

As always we have tried to ensure that the remuneration policy and practice at Vodafone drive behaviours that are in the long-term interests of the Company and its shareholders. The Remuneration Committee continues to be mindful of the considerable interest that exists in executive compensation and we are very conscious of the many and varied concerns.

Our remuneration principles

Our remuneration principles, which our detailed policy supports, are as follows:

- we offer competitive and fair rates of pay and benefits to attract and retain the best people;
- our policy and practices aim to drive behaviours that support our Company strategy and business objectives;
- our pay for performance approach means that our incentive plans only deliver significant rewards if and when they are justified by performance; and
- our approach to share ownership 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.

Pay for performance

Pay for performance continues to be an important principle for Vodafone when setting remuneration policy.

A high proportion of total reward is awarded through short-term and long-term performance related remuneration. At target around 70% of the package is delivered in the form of variable pay, which rises to around 85% if maximum payout is achieved.

We ensure 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 82); 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 it believes circumstances warrant it.

Company performance and the link to incentives

During the 2014 year our emerging markets businesses have delivered strong organic revenue growth along with good cash flow and adjusted EBITDA performance. However, this has been offset by significant ongoing competitive, regulatory and macroeconomic pressures in our European operations where revenue has declined. Taken in the round this led to slightly below target performance which is reflected in our annual bonus payout of 88.5% of target. More details can be found on page 78.

Over the last three years our adjusted free cash flow performance, although strong in our emerging markets, has been below our target levels in Europe for similar reasons to those described above. However, we have taken significant strategic steps which have led to strong growth in the share price and Total Shareholder Return (TSR) which, when combined with adjusted free cash flow, result in a payout for the executive directors long-term incentive awards of 37.2% of maximum. More details can be found on page 79. Strategic initiatives include:

- the sale of our 45% stake in Verizon Wireless;
- the record US$85 billion return to shareholders;
- the announcement of Project Spring the acceleration of our capital investment to strengthen further our network and customer experience;
- the acquisition of a leading cable operator in Germany as well as fixed line businesses such as CWW and TelstraClear;

- launching Vodafone Red which is now available in 20 markets; and
- developing our M-Pesa footprint.

Letter from the Remuneration Committee Chairman (continued)

Key decisions on executive remuneration

The Remuneration Committee considers every decision around executive director remuneration very carefully. Some of the major decisions made this year were as follows:

- Nick Read was promoted to Chief Financial Officer during the year and we determined his new remuneration package. Our decision to give Nick a base salary of £675,000 was made in the context of the existing executive directors remuneration levels and reviewed against the external market;
- the Remuneration Committee considered the impact of the Verizon Wireless transaction and Project Spring on executive remuneration and decided to remove the impact of Project Spring on pre-existing long-term incentive awards to ensure an appropriate comparison to the original targets that were set. Please see page 84 for more details;
- we decided to reduce the maximum vesting level of our long-term incentive opportunity for our Executive Committee. For the 2015 long-term incentive awards, the maximum vesting level will reduce from three times to two and a half times the target vesting level. We have also introduced a mandatory holding period where 50% of the post-tax shares are released after vesting, a further 25% after the first anniversary of vesting, and the remaining 25% will be released after the second anniversary;
- following a review of the pension levels in the context of pension provision for our broader employee population, from November 2015 pension levels for our Executive Committee will reduce from 30% of salary to 24% of salary. This brings our Executive Committee pension level in line with our UK senior management; and

- the Remuneration Committee took account of business performance, salary increases for other UK employees and external market information when deciding to increase the annual base salaries of the Chief Executive (Vittorio Colao) and the Chief Technology Officer (Stephen Pusey) by 3.6% and 4.3% respectively from 1 July 2014. This is the first salary increase that either individual has received for three years.

Assessment of risk

One of the activities of the Remuneration Committee is to continually be aware and mindful of any potential risk associated with our reward programmes. 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. The Committee has considered the risk involved in the incentive schemes and is satisfied that the design elements and governance procedures mitigate the principal risks.

Share ownership

For many years Vodafone has had demanding share ownership goals for our executive directors. These goals, and our achievement against the goals, are set out on page 80. We are delighted that, collectively, our Executive Committee own shares with a value of over £50 million. We are proud that the high level of shareholding by our Executive Committee has been maintained despite the Verizon Wireless transaction and the associated share consolidation. After the transaction our Executive Committee members individually elected to reinvest the vast majority of their post-tax proceeds from the transaction back into Vodafone shares. Owning shares is part of our culture and each year we expect the number of shares owned by our Executive Committee members 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, during the year we invited our largest shareholders to meet with me in person and the resulting meetings were very helpful for us to better understand our shareholders viewpoint. We were delighted that last year the remuneration report received a 96.36% vote in favour. This compares with 96.44% support in the prior year. We sincerely hope to receive your continued support at the AGM on 29 July 2014.

/s/ Luc Vandevelde

Luc Vandevelde

Chairman of the Remuneration Committee

20 May 2014

Contents of the remuneration report

Remuneration policy

In this forward-looking section we describe our remuneration policy for the Board. This includes our considerations when determining policy, 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 Chairman and non-executive directors.

We will be seeking shareholder approval for our remuneration policy at the 2014 AGM and we intend to implement at that point. We do not envisage making any changes to our policy over the next three years, however, we will review it each year to ensure that it continues to support our Company strategy. If we feel it is necessary to make a change to our policy within the next three years, we will seek shareholder approval.

Considerations when determining remuneration policy

Our remuneration principles which are outlined on page 69 are the context for our policy. Our principal consideration when determining remuneration policy is to ensure that it supports our Company strategy and business objectives.

The views of our shareholders are also taken into account when determining executive pay. In advance of asking for approval for the remuneration policy we have consulted with our major shareholders. We invited our top 20 shareholders to comment on remuneration at Vodafone and several meetings between shareholders and the Remuneration Committee Chairman took place. The main topics of consultation were as follows:

- new share plan rules for which we will seek shareholder approval at the 2014 AGM;
- changes to executive remuneration arrangements (reduction of maximum long-term incentive vesting levels and pension provision); and
- impact of Project Spring on Free Cash Flow performance under the global long-term incentive plan (GLTI).

We have not consulted with employees on the executive remuneration policy nor is any fixed remuneration comparison measurement used. However, when determining the policy for executive directors, we have been mindful of the pay and employment conditions of employees in Vodafone Group as a whole, with particular reference to the market in which the executive is based. Further information on our remuneration policy for other employees is given on page 74.

Performance measures and targets

Our Company strategy and business objectives are the primary consideration when we are selecting performance measures for our incentive plans. The targets within our incentive plans that are related to internal financial measures (such as revenue, profit and cash flow) are typically determined based on our budgets. Targets for strategic and external measures (such as competitive performance and Total Shareholder Return (TSR)) are set based on Company objectives and in light of the competitive marketplace. The threshold and maximum levels of performance are set to reflect minimum acceptable levels at threshold and very stretching but achievable levels at maximum.

As in previous remuneration reports we will disclose the details of our performance targets for our short and long-term incentive plans. However, our annual bonus targets are commercially sensitive and therefore we will only disclose our targets in the remuneration report following the completion of the financial year. We will disclose the targets for each long-term award in the remuneration report for the financial year preceding the start of the performance period.

At the end of each performance period we review performance against the targets, using judgement to account for items such as (but not limited to) mergers, acquisitions, disposals, foreign exchange rate movements, changes in accounting treatment, material one-off tax settlements etc. The application of judgement is important to ensure that the final assessments of performance are fair and appropriate.

In addition, the Remuneration Committee reviews the incentive plan results before any payments are made to executives or any shares vest and has full discretion to adjust the final payment or vesting downwards if they believe circumstances warrant it. In particular, the Committee may use discretion to clawback any unvested share award (or vested but unexercised options) as it sees appropriate, in which case the award may lapse wholly or in part, may vest to a lesser extent than it would otherwise have vested or vesting may be delayed.

Remuneration policy (continued)

The remuneration policy table

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

	Purpose and link to strategy	Operation
Base salary	g To attract and retain the best talent.	g Salaries are usually reviewed annually and fixed for 12 months commencing 1 July. Decision is influenced by: g level of skill, experience and scope of responsibilities of individual; g business performance, scarcity of talent, economic climate and market conditions;

		g increases elsewhere within the Group; and
		g external comparator groups (which are used for reference purposes only) made up of companies of similar size and complexity to Vodafone.
Pension	g To remain competitive within the marketplace.	g Executive directors may choose to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of pension.
Benefits	g To aid retention and remain competitive within the marketplace.	g Travel related benefits. This may include (but is not limited to) company car or cash allowance, fuel and access to a driver where appropriate.
		g Private medical, death and disability insurance and annual health checks.
		g In the event that we ask an individual to relocate we would offer them support in line with Vodafone s relocation or international assignment policies. This may cover (but is not limited to) relocation, cost of living allowance, housing, home leave, education support, tax equalisation and advice.

		g Legal fees if appropriate.
		g Other benefits are also offered in line with the benefits offered to other employees for example, all-employee share plans, mobile phone discounts, maternity/paternity benefits, sick leave, paid holiday, etc.
Annual Bonus Global Short-Term Incentive Plan (GSTIP)	g To drive behaviour and communicate the key priorities for the year.	g Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure they continue to support our strategy.
	g To motivate employees and incentivise delivery of performance over the one year operating cycle.	g Performance over the financial year is measured against stretching financial and non-financial performance targets set at the start of the financial year.
	g The 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 (NPS) means providing a great customer experience remains at the heart of what we do.	g The annual bonus is usually paid in cash in June each year for performance over the previous financial year.

Long-Term Incentive Global Long-Term Incentive Plan (GLTI) base awards and co-investment awards (further details can be found in the notes that follow this table)	g To motivate and incentivise delivery of sustained performance over the long term.	g Award levels and the framework for determining vesting are reviewed annually to ensure they continue to support our strategy.
	g To support and encourage greater shareholder alignment through a high level of personal financial commitment.	g Long-term incentive base awards consist of performance shares which are granted each year.
	g 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 a performance period of not less than three years means that we are focused on the long-term interests of our shareholders.	g Individuals must co-invest in Vodafone shares and hold them in trust for at least three years in order to receive the full target award.
		g All awards vest not less than three years after the award based on Group operational and external performance.
		g Dividend equivalents are paid in cash after the vesting date.

Opportunity	Performance metrics
g Average salary increases for existing Executive Committee members (including executive directors) will not normally exceed average increases for employees in other appropriate parts of the Group. Increases above this level may be made in specific situations. These situations could include (but are not limited to) internal promotions, changes to role, material changes to the business and exceptional company performance.	None.
g The pension contribution or cash payment is equal to 30% of annual gross salary. In light of pension levels elsewhere in the Group we have decided to reduce the pension benefits level from 30% to no more than 24% from November 2015.	None.
g Benefits will be provided in line with appropriate levels indicated by local market practice in the country of employment. g We expect to maintain benefits at the current level but the value of benefit may fluctuate depending on, amongst other things, personal situation, insurance premiums and other external factors.	None.

g Bonuses can range from 0 200% of base salary, with 100% paid for on-target performance. Maximum is only paid out for exceptional performance.	g Performance over each financial year is measured against stretching targets set at the beginning of the year.
	g The performance measures normally comprise of a mix of financial and strategic measures. Financial measures may include (but are not limited to) profit, revenue and cash flow with a weighting of no less than 50%. Strategic measures may include (but are not limited to) competitive performance metrics such as net promoter score and market share.
g The basic target award level is 137.5% of base salary for the Chief Executive (110% for other executive directors).	g Performance is measured against stretching targets set at the beginning of the performance period.
g The target award level may increase up to 237.5% of base salary for the Chief Executive (or 210% for others) if the individual commits to a co-investment in shares equal in value to their base salary.	g Vesting is determined based on a matrix of two measures:
g Minimum vesting is 0% of target award level, threshold vesting is 50% and maximum vesting is 250% of the target award level.	g adjusted free cash flow as our

operational performance measure; and

- Maximum long-term incentive face value at award of 594% of base salary for the Chief Executive (237.5% x 250%) and 525% for others.

- relative TSR against a peer group of companies as our external performance measure.

- The awards that vest accrue cash dividend equivalents over the three year vesting period.

- Awards vest to the extent performance conditions are satisfied. There is a mandatory holding period where 50% of the post-tax shares are released after vesting, a further 25% after the first anniversary of vesting, and the remaining 25% will be released after the second anniversary.

Remuneration policy (continued)

Notes to the remuneration policy table

Existing arrangements

We will honour existing awards to executive directors, and incentives, benefits and contractual arrangements made to individuals prior to their promotion to the Board. This will last until the existing incentives vest (or lapse) or the benefits or contractual arrangements no longer apply.

Long-Term Incentive (GLTI)

When referring to our long-term incentive awards we use the financial year end in which the award was made. For example, the 2013 award was made in the financial year ending 31 March 2013. The awards are usually made in the first half of the financial year (the 2013 award was made in July 2012).

The extent to which awards vest depends on two performance conditions:

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

Adjusted free cash flow

The free cash flow performance is based on the cumulative adjusted free cash flow figure over the performance period. The detailed targets and the definition of adjusted free cash flow are determined each year as appropriate. The target adjusted free cash flow level is set by reference to our long-range plan and market expectations. We consider 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 sets these targets to be sufficiently demanding with significant stretch where only outstanding performance will be rewarded with a maximum payout.

The cumulative adjusted free cash flow vesting levels as a percentage of target are shown in the table below (with linear interpolation between points):

Performance	Vesting percentage
Below threshold	0%
Threshold	50%
Target	100%
Maximum	125%

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 is reviewed each year and amended as appropriate.

The relative TSR position determines 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):

	Multiplier
Median	No increase
Percentage outperformance of the peer group median equivalent to 65th percentile	1.5 times
Percentage outperformance of the peer group median equivalent to 80th percentile	2.0 times

In order to determine the percentages for the equivalent outperformance levels above median, the Remuneration Committee seeks independent external advice.

Combined vesting matrix

The combination of the two performance measures gives a combined vesting matrix as follows (with linear interpolation between points):

			TSR outperformance
	Up to	65th percentile	80th percentile
Adjusted free cash flow measure	Median	equivalent	equivalent
Below threshold	0%	0%	0%
Threshold	50%	75%	100%
Target	100%	150%	200%
Maximum	125%	187.5%	250%

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

Outstanding awards

For the awards made in the 2013 and 2014 financial years (vesting in July 2015 and June 2016 respectively) the award structure is as set out above, except that the maximum vesting percentage for cumulative adjusted free cash flow was 150% leading to an overall maximum of 300% of target award.

Remuneration policy for other employees

While our remuneration policy follows the same fundamental principles across the Group, packages offered to employees reflect differences in market practice in the different countries, role and seniority.

For example, the remuneration package elements for our executive directors are essentially the same as for the other Executive Committee members, with some small differences, for example higher levels of share awards. The remuneration for the next level of management, our senior leadership team, again follows the same principles but with differences such as local and individual performance aspects in the annual bonus targets and performance share awards. They also receive lower levels of share awards which are partly delivered in restricted shares.

Estimates of total future potential remuneration from 2015 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 2015 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 at 1 July 2014. Benefits are valued using the figures in the total remuneration for the 2014 financial year table on page 78 (of the 2014 report) and on a similar basis for Nick Read (promoted to the Board on 1 April 2014). Pensions are valued by applying cash allowance rate of 30% of base salary at 1 July 2014.				
		Base (£ 000)	Benefits (£ 000)	Pension (£ 000)	Total fixed (£ 000)
	Chief Executive	1,150	38	345	1,533
	Chief Financial Officer	675	23	203	901
	Chief Technology Officer	600	21	180	801
On target	Based on what a director would receive if performance was in line with plan. The target award opportunity for the annual bonus (GSTIP) is 100% of base salary. The target award opportunity for the long-term incentive (GLTI) is 237.5% of base salary for the Chief Executive and 210% for others. We assumed that TSR performance was at median.				
Maximum	Two times the target award opportunity is payable under the annual bonus (GSTIP). The maximum levels of performance for the long-term incentive (GLTI) are 250% of target award opportunity. We assumed that TSR performance was at or above the 80th percentile equivalent.				
All scenarios	Each executive is assumed to co-invest the maximum allowed under the long-term incentive (GLTI), 100% of salary, and the long-term incentive (GLTI) award reflects this. Long-term incentives consist of share awards only which are measured at face value i.e. no assumption for increase in share price or cash dividend equivalents payable.				

Recruitment remuneration

Our approach to recruitment remuneration is to pay no more than is necessary and appropriate to attract the right talent to the role.

The remuneration policy table (pages 72 and 73) sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an executive director. Any new director s remuneration package would include the same elements, and be subject to the same constraints, as those of the existing directors performing similar roles. This means a potential maximum bonus opportunity of 200% of base salary and long-term incentive maximum face value of opportunity at award of 594% of base salary.

When considering the remuneration arrangements of individuals recruited from external roles to the Board, we will take into account the remuneration package of that individual in their prior role. We only provide additional compensation to individuals for awards foregone. If necessary we will seek to replicate, as far as practicable, the level and timing of such remuneration, taking into account also any remaining performance requirements applying to it. This will be achieved by granting awards of cash or shares that vest over a timeframe similar to those forfeited and if appropriate based on performance conditions. A commensurate reduction in quantum will be applied where it is determined that the new awards are either not subject to performance conditions or subject to performance conditions that are not as stretching as those of the awards forfeited.

Remuneration policy (continued)

Service contracts of executive directors

After an initial term of up to two years executive directors contracts have rolling terms and are terminable on no more than 12 months notice.

The key elements of the service contract for executives relate to remuneration, payments on loss of office (see below), and restrictions during active employment (and for 12 months thereafter). These restrictions include non-competition, non-solicitation of customers and employees etc.

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 and pro-rated to reflect the acceleration of vesting.

Payments for departing executives

In the table below we summarise the key elements of our policy on payment for loss of office. We will of course, always comply both with the relevant plan rules and local employment legislation.

Provision	Policy
Notice period and compensation for loss of office in service contracts	g 12 months notice from the Company to the executive director. g Up to 12 months base salary (in line with the notice period). Notice period payments will either be made as normal (if the executive continues to work during the notice period or is on gardening leave) or they will be made as monthly payments in lieu of notice (subject to mitigation if alternative employment is obtained). g

Treatment of annual bonus (GSTIP) on termination under plan rules	The annual bonus will be pro-rated for the period of service during the financial year and will reflect the extent to which Company performance has been achieved. • The Remuneration Committee has discretion to reduce the entitlement to an annual bonus to reflect the individual s performance and the circumstances of the termination.
Treatment of unvested long-term incentive awards (GLTI) and co-investment awards on termination under plan rules	• An executive director s award will vest in accordance with the terms of the plan and satisfaction of performance conditions measured at the normal completion of the performance period, with the award pro-rated for the proportion of the vesting period that had elapsed at the date of cessation of employment. • The Remuneration Committee has discretion to vary the level of vesting as deemed appropriate, and in particular to determine that awards should not vest in the case of a bad leaver which may include, at their absolute discretion, departure in case of poor performance, departure without the agreement of the Board, or detrimental competitive activity.
Pension and benefits	• Generally pension and benefit provisions will continue to apply until the termination date. • Where appropriate other benefits may be receivable, such as (but not limited to) payments in lieu of accrued holiday and legal fees or tax advice costs in relation to the termination. • Benefits of relative small value may continue after termination where appropriate, such as (but not limited to) mobile phone provision.

In exceptional circumstances, an arrangement may be established specifically to facilitate the exit of a particular individual albeit that any such arrangement would be made within the context of minimising the cost to the Group. We will only take such a course of action in exceptional circumstances and where it is considered to be in the best interests of shareholders.

Chairman and non-executive directors remuneration

Our policy is for the Chairman to review the remuneration of non-executive directors annually following consultation with the Remuneration Committee Chairman. Fees for the Chairman are set by the Remuneration Committee.

Element	Policy
Fees	• We aim to pay competitively for the role including consideration of the time commitment required. We benchmark the fees against an appropriate external comparator group. We pay fees to our

		Chairman and Senior Independent Director that include fees for chairmanship of any committees. We pay a fee to each of our other non-executive directors and they receive an additional fee if they chair a committee. Non-executive fee levels are set within the maximum level as approved by shareholders as part of our articles of association.
Allowances	g	An allowance 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.
Incentives	g	Non-executive directors do not participate in any incentive plans.
Benefits	g	Non-executive directors do not participate in any 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. We have been advised that for non-executive directors, certain travel and accommodation expenses in relation to attending Board meetings should be treated as a taxable benefit therefore we also cover the tax liability for these expenses.

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 the Nomination and Governance Committee section of the annual report (page 59).

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Annual report on remuneration

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken over the 2014 financial year. The Committee is comprised to exercise independent judgement and consists only of the following independent non-executive directors:

Chairman: Luc Vandevelde

Committee members: Renee James; Samuel Jonah; Philip Yea

The Committee regularly consults with Vittorio Colao, the Chief Executive, and Ronald Schellekens, 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, Adrian Jackson, 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. Rosemary Martin, the Group General Counsel and Company Secretary, advises the Committee on corporate governance guidelines and acts 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 Committee. 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 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 Committee meetings occasionally, as and when required by the Committee.

Pricewaterhouse Coopers LLP (PwC) and Towers Watson are both members of the Remuneration Consultants Group and, as such, voluntarily operate under the Remuneration Consultants Group 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 that Code of Conduct throughout the year for all remuneration services provided to Vodafone and therefore the Committee are satisfied that they are independent and objective. The Remuneration Consultants Group Code of Conduct is available at remunerationconsultantsgroup.com.

Advisor	Appointed by	Services provided to the Committee	Fees for services provided to the Committee (000)	Other services provided to the Company
Pricewaterhouse Coopers LLP (PwC)	Remuneration Committee in 2007	Advice on market practice; Governance; Performance analysis; Plan design	£63	International mobility; Finance; Technology; Tax; Operations; Compliance
Towers Watson	Remuneration Committee in 2007	Advice on market practice; Governance; Provide market data on executive and non-executive reward; Reward consultancy; Performance analysis	£25	Pension and benefit administration; Reward consultancy

Note:

1 Fees are determined on a time spent basis

PwC have been appointed as our auditors from April 2014 and therefore no longer advise the Remuneration Committee. Towers Watson continue to act as independent remuneration advisors.

Philip Yea sat on an advisory board for PwC until 14th January 2014. In light of PwC s role as advisor to the Remuneration Committee on remuneration matters up until April 2014, the Remuneration Committee considered his position and determined that there was no conflict or potential conflict arising.

2013 AGM

The 2013 remuneration report received a 96.36% vote in favour of a total of 31,950,649,494 votes cast (3.64% votes against and 436,513,724 votes were withheld).

Meetings

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

Meeting	Agenda items	
May 2013	g 2013 annual bonus achievement and 2014 targets and ranges. g 2011 long-term incentive award vesting and 2014 targets and ranges.	g 2013 directors remuneration report. g Review of the effectiveness of the Committee.
July 2013	g 2014 long-term incentive awards.	g Large local market CEO remuneration.
September 2013	g Impact of the Verizon Wireless transaction on reward arrangements.	
November 2013	g 2015 reward strategy. g 2014 long-term incentive awards, share ownership levels, accounting costs and dilution levels. g	g Impact of the Verizon transaction and Project Spring on incentives. g New share plan rules. g

	Reduction of maximum leverage on future long-term incentive awards from 300% to 250% of target.	New remuneration reporting regulations.
	g Reduction of pension levels from November 2015 from 30% to 24% of base salary.	g Remuneration package for Nick Read and departure arrangements for Andy Halford.
January 2014	g 2015 annual bonus framework.	g Feedback from shareholder consultation.
	g Non-executive director fee levels.	g Committee advisors for 2015.
March 2014	g 2015 reward packages for the Executive Committee and Chairman s fees.	g 2014 directors remuneration report.
		g 2015 long-term incentive awards.
	g Risk assessment.	g Committee s effectiveness and terms of reference.

Annual report on remuneration (continued)

2014 remuneration

In this section we summarise the pay packages awarded to our executive directors for performance in the 2014 financial year versus 2013. 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 annual bonus (GSTIP) was earned during the year but will be paid out in cash in the following year and the value of the long-term incentive (GLTI) shows the share awards which will vest in June 2014 as a result of the performance through the three year period ended at the completion of our financial year on 31 March 2014.

The Remuneration 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 Remuneration Committee did not exercise discretion in determining the annual bonus (GSTIP) payout for this year or in deciding the final vesting level of the long-term incentive awards (GLTI).

Total remuneration for the 2014 financial year

	Vittorio Colao		Andy Halford[1]		Stephen Pusey	
	2014	2013	**2014**	2013	**2014**	2013
	£ 000	£ 000	**£ 000**	£ 000	**£ 000**	£ 000
Salary/fees	1,110	1,110	700	700	575	575
Taxable benefits[2]	38	39	47	45	21	21
Annual bonus: GSTIP (see below for further detail)	982	731	620	461	509	379
Total long-term incentive[3]:	6,464	8,886	2,424	5,164	2,164	2,842
GLTI vesting during the year[4]	5,630	7,573	2,111	4,401	1,885	2,422

Cash in lieu of GLTI dividends[5]	834	1,313	313	763	279	420
Cash in lieu of pension	333	333	210	210	173	173
Total	**8,927**	**11,099**	**4,001**	**6,580**	**3,442**	**3,990**

Notes:

1 Andy Halford retired on 31 March 2014.

2 Taxable benefits include amounts in respect of: Private healthcare (2014: £1,734; 2013: £1,500);
Cash car allowance £19,200 p.a.;
Travel (2014: Vittorio Colao £17,155; Andy Halford £13,848; 2013 (restated): Vittorio Colao £17,921; Andy Halford £24,626; and Stephen Pusey £408); and
Payment in lieu of holiday at retirement (2014: Andy Halford £11,936).

3 Excludes shares acquired under Vodafone s Share Incentive Plan (SIP). Andy Halford is the only director who participated and the annual value of the matching shares is £1,500.

4 The value shown in the 2013 column is the award which vested on 28 June 2013 and is valued using the execution share price on 28 June 2013 of 188.03 pence. Please note that the values disclosed in this table in 2013 are slightly different as the value was based on a share price at 31 March 2013 of 186.60 pence. The value shown in the 2014 column is the award which vests on 28 June 2014 and is valued using an average of the closing share price over the last quarter of the 2014 financial year of 234.23 pence. More details are included below.

5 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 2013 relates to the award which vested on 28 June 2013, and the value for 2014 relates to the award which vests on 28 June 2014.

2014 annual bonus (GSTIP) payout

In the table below we disclose our achievement against each of the performance measures and targets in our annual bonus (GSTIP) and the resulting total annual bonus payout level for the year ended 31 March 2014 of 88.5%. This is applied to the target bonus level of 100% of base salary for each executive.

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 on a management basis	25%	50%	15.6%	39.4	38.7	Below target performance in Europe
Adjusted EBITDA	25%	50%	12.4%	12.7	12.3	Below target performance in Europe partially offset by AMAP
Adjusted free cash flow	25%	50%	45.1%	4.2	4.7	Strong performance in AMAP
Competitive performance assessment	25%	50%	15.4%	Compilation of market-by-market assessment		Consolidated performance below target although the number of markets where net promoter score (NPS) ranks #1 increased
Total annual bonus payout level	**100%**	**200%**	**88.5%**			

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.

2015 annual bonus (GSTIP) amounts	Base salary	Target bonus % of base salary	2014 payout % of target	Actual payment (000)
Vittorio Colao	1,110,000	100%	88.5%	£982
Andy Halford	700,000	100%	88.5%	£620
Stephen Pusey	575,000	100%	88.5%	£509

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Long-term incentive (GLTI) award vesting in June 2014

The 2012 long-term incentive (GLTI) awards which were made in June 2011 will partially vest in June 2014. The performance conditions for the three year period ending in the 2014 financial year are as follows:

				TSR outperformance
		0%	4.5%	9%
Adjusted free cash flow measure	£bn	(Up to median)	(65th percentile equivalent)	(80th percentile equivalent)
Below threshold	<16.7	0%	0%	0%
Threshold	16.7	50%	75%	100%
Target	19.2	100%	150%	200%
Maximum	21.7	200%	300%	400%

TSR peer group

BT Group	Telecom Italia
Deutsche Telekom	Telefónica
Orange	
Emerging market composite (consists of the average TSR performance of Bharti, MTN and Turkcell)	

Adjusted free cash flow for the three-year period ended on 31 March 2014 was £17.9 billion which compares with a threshold of £16.7 billion and a target of £19.2 billion.

The chart to the right shows that our TSR performance against our peer group for the same period resulted in an outperformance of the median by 22.3% a year.

Using the combined payout matrix above, this performance resulted in a payout of 148.8% of target (37.2% of the maximum).

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

2012 GLTI performance share awards vesting in June 2014	Maximum number of shares	Target number of shares	Adjusted free cash flow performance payout % of target	TSR multiplier	Overall vesting % of target[1]	Number of shares vesting	Value of shares vesting (000)[2]
Vittorio Colao	6,461,396	1,615,349	74.4%	2 times	148.8%	2,403,638	£5,630
Andy Halford	2,643,290	660,822	74.4%	2 times	136.4%	901,361	£2,111
Stephen Pusey	2,162,990	540,747	74.4%	2 times	148.8%	804,632	£1,885

Notes:

1 Andy Halford retired on 31 March 2014. His award has been prorated for the 33 months he served during the 36 month vesting period.

2 Valued using an average of the closing share prices over the last quarter of the 2014 financial year of 234.23 pence.

These shares will vest on 28 June 2014. The adjusted free cash flow performance is audited by Deloitte LLP and approved by the Remuneration Committee. The performance assessment in respect of the TSR outperformance of the peer group median is undertaken by Towers Watson. Dividend equivalents will also be paid in cash after the vesting date as shown on page 78. Details of how the plan works can be found on pages 72 to 74.

Long-term incentive (GLTI) awarded during the year

The 2014 long-term incentive awards made in July 2013 under the Global Long-Term Incentive Plan (GLTI) were made in line with the 2014 policy as disclosed in our 2013 remuneration report. The performance conditions are a combination of adjusted free cash flow and TSR performance as follows:

			TSR outperformance	
Adjusted free cash flow measure		0%	4.5%	9%
	£bn	(Up to median)	(65th percentile equivalent)	(80th percentile equivalent)
Below threshold	<12.4	0%	0%	0%
Threshold	12.4	50%	75%	100%
Target	14.4	100%	150%	200%
Maximum	16.4	150%	225%	300%

TSR peer group

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

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

In order to participate fully in this award, executives had to co-invest personal shares worth 100% of salary. The resulting awards to executive directors were as follows:

	Number of shares awarded		Face value of shares awarded[1]		Proportion of maximum award	
4 GLTI performance share awards made in July 2013	**Target vesting level (1/3rd of max)**	Maximum vesting level	**Target vesting level**	Maximum vesting level	at minimum performance	Performan period e
torio Colao	**1,395,123**	4,185,370	**£ 2,636,249**	£ 7,908,748	1/6th	31 Mar 20
dy Halford	**772,981**	2,318,945	**£ 1,469,998**	£ 4,409,998	1/6th	31 Mar 20
phen Pusey	**634,948**	1,904,846	**£ 1,207,497**	£ 3,622,495	1/6th	31 Mar 20

Note:

1 Face value calculated based on the share prices at the dates of grant of 180.2 pence and 202.5 pence
Dividend equivalents on the shares that vest are paid in cash after the vesting date.

Annual report on remuneration (continued)

All-employee share plans

The executive directors are also eligible to participate in the UK 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 (SIP) 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.

Pensions

Vittorio Colao, Andy Halford and Stephen Pusey received a cash allowance of 30% of base salary in lieu of pension contributions during the 2014 financial year. No executive directors accrued benefits under any defined contribution pension plans during the year.

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 (aged 60).

Andy Halford retired on 31 March 2014 aged 55. Until 2010, he participated in a legacy defined benefit pension plan into which no additional contributions were payable in 2014. On 31 March 2010 he took the opportunity to take early retirement from this pension scheme due to the closure of the scheme (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, he 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, 1 April 2012 and 1 April 2013 by 5%, in line with the scheme rules, to £20,605 per year from 1 April 2013.

Alignment to shareholder interests

All of our executive directors have shareholdings in excess of 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. The values are calculated using an average share price over the six months to 31 March 2014 of 229.32 pence. These values do not include the value of the shares that will vest in June 2014.

At 31 March 2014	Goal as a % of salary	Current % of salary held	% of goal achieved	Number of shares[1]	Value of shareholding (£m)	Date for goal to be achieved
Vittorio Colao	400%	1,875%	469%	9,077,302	20.8	July 2012
Andy Halford (ownership position at retirement on 31 March 2014)	300%	755%	252%	2,305,059	5.3	July 2010
Stephen Pusey	300%	630%	210%	1,579,543	3.6	June 2014

Note:

1 During the year the Verizon transaction and a share consolidation took place.

Collectively the Executive Committee including the executive directors own more than 22 million Vodafone shares, with a value of over £50 million.

Directors interests in the shares of the Company

A summary of interests in shares and scheme interests of the directors who served during the year is given below. More details of the performance shares and options follows.

At 31 March 2014	Total number of interests in shares[1]	Unvested GLTI Shares (with performance conditions)	Share plans: Share Incentive Plan (without performance conditions)	Shares options: SAYE (unvested without performance conditions)
Executive directors				
Vittorio Colao	24,251,716	15,157,846		16,568
Andy Halford (position at retirement on 31 March 2014)	8,561,152	6,249,860	17,014	6,233
Stephen Pusey	7,719,776	6,140,233		
Total	**40,532,644**	**27,547,939**	**17,014**	**22,801**

Note:

1 Includes shares in the share incentive plan (SIP), interests of connected persons, unvested share awards and share options. During the year the Verizon transaction and a share consolidation took place.

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At 31 March 2014	Total number of interests in shares[1]
Non-executive directors	
Valerie Gooding	4,038
Renee James	27,272
Alan Jebson	44,912
Samuel Jonah	30,190
Gerard Kleisterlee	59,755
Omid Kordestani	
Nick Land	32,090
Anne Lauvergeon	17,151
Luc Vandevelde	54,880
Anthony Watson	62,727
Philip Yea	33,408

Note:

1 During the year the Verizon transaction and a share consolidation took place.

During the period from 1 April 2014 to 20 May 2014, the directors total number of interests in shares did not change.

Performance shares

The maximum number of outstanding shares that have been awarded to directors under the long-term incentive (GLTI) plan are currently as follows:

GLTI performance share awards	2012 award	2013 award	2014 award
	Awarded: June 2011 Performance period ending: March 2014 Vesting date: June 2014	Awarded: July 2012 Performance period ending: March 2015 Vesting date: July 2015 Share price at grant: 179.4 pence	Awarded: June 2013 and September 2013[1] Performance period ending: March 2016 Vesting date: June 2016

	Share price at grant: 163.2 pence	Share price at grant: 180.2 pence and 202.5 pence	
Vittorio Colao	6,461,396	4,511,080	4,185,370
Andy Halford	2,643,290	1,287,625	2,318,945
Stephen Pusey	2,162,990	2,072,397	1,904,846

Note:

1 Due to a close period, executive directors were not able to make co-investment commitments at the time of the main award in June 2013 and therefore part of the award was made in September 2013.

For details of the performance conditions please see page 74.

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) and the Vodafone Group Incentive Plan (GIP). HMRC approved awards may be made under both of the schemes mentioned. No other directors have options under any 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.

	Grant date	At 1 April 2013 or date of appointment Number of shares	Options granted during the 2014 financial year Number of shares	Options exercised during the 2014 financial year Number of shares	Options lapsed during the 2014 financial year Number of shares	Options held at 31 March 2014 Number of shares	Option price Pence[1]	Date from which exercisable	Expiry date	Market price on exercise Pence	Gain on exercise
Vittorio Colao											
GIP[2]	Jul 2007	3,003,575		(3,003,575)			167.80	Jul 2010	Jul 2017	213.16	£ 1,362,503
SAYE	Jul 2009	16,568				16,568	93.85	Sep 2014	Feb 2015		
Total		**3,020,143**		**(3,003,575)**		**16,568**					
Andy Halford											
GIP[2]	Jul 2007	2,295,589		(2,295,589)			167.80	Jul 2010	Jul 2017	213.16	£ 1,041,392
SAYE	Jul 2012	6,233				6,233	144.37	Sep 2015	Feb 2016		
Total		**2,301,822**		**(2,295,589)**		**6,233**					
Stephen Pusey											
GIP[3]	Sep 2006	1,034,259		(1,034,259)			113.75	Sep 2009	Aug 2016	212.80	£ 1,024,417
GIP[2]	Jul 2007	947,556		(947,556)			167.80	Jul 2010	Jul 2017	231.64	£ 604,888
Total		**1,981,815**		**(1,981,815)**							

Notes:

1

The closing trade share price on 31 March 2014 was 220.25 pence. The highest trade share price during the year was 252.3 pence and the lowest price was 180.23 pence.

2 The performance condition on the options granted in July 2007 was a three year cumulative growth in adjusted earnings per share. The options vested at 100% in July 2010.

3 The performance condition on the options granted in September 2006 was a three year cumulative growth in adjusted earnings per share. The options vested at 100% in September 2009.

Annual report on remuneration (continued)

Loss of office payments

Andy Halford retired on 31 March 2014. As per his contract Andy had a 12 month notice period which commenced on 1 October 2013. He worked six months of his notice period until the end of the financial year. We will be making payments in lieu of notice each month for the remainder of Andy s notice period (1 April 2014 30 September 2014). The total of these payments will be a maximum of £350,000 (six months salary) subject to mitigation if Andy were to start a new executive role at another organisation.

Andy has worked for the full 2014 financial year and so he will receive his annual bonus payment in June 2014 (as detailed on page 78).

The 2012, 2013 and 2014 GLTI awards (made in June 2011, July 2012, June 2013 and September 2013) will be pro-rated on a time worked basis. These awards will vest, subject to performance, at their normal vesting date, in accordance with the good leaver provisions in our share plan rules. The 2013 and 2014 GLTI awards will lapse if Andy starts a new executive role at another organisation.

Andy will receive no further benefits aside from the provision of a SIM card for his personal use at the Company s expense for a period of three years commencing 1 April 2014.

Payments to past directors

During the 2014 financial year, no payments were made, or benefits given, to past directors with value of greater than our de minimis threshold (£5,000 p.a.).

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 £81,250.

Assessing pay and performance

In the table below we summarise the Chief Executive 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. The chart below 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 chart on page 79 and not this chart.

Financial year remuneration for Chief Executive (Vittorio Colao)	2010[1]	2011	2012	2013	2014
Single figure of total remuneration £ 000	3,350	7,022	15,767	11,099	8,927
Annual variable element (actual award versus maximum opportunity)	64%	62%	47%	33%	44%
Long-term incentive (vesting versus maximum opportunity)	25%	31%	100%	57%	37%

Note:

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

Change in the Chief Executive s remuneration

In the table below we show the percentage change in the Chief Executive s remuneration (salary, taxable benefits and annual bonus payment) between the 2013 and 2014 financial years compared to the average for other Vodafone Group employees who are measured on comparable business objectives and who have been employed in the UK since 2013 (per capita). Vodafone has employees based all around the world and some of these individuals work in countries with very high inflation therefore a comparison to Vodafone s UK based Group employees is more appropriate than to all employees.

		Percentage change from 2013 to 2014
Item	Chief Executive: Vittorio Colao	Other Vodafone Group employees employed in the UK
Base salary	0%	3.7%
Taxable benefits	-2.6%	1.5%
Annual bonus	34.3%	53.3%

Relative spend on pay

The chart below shows both the dividends distributed in the year and the total cost of remuneration in the Group.

For more details on dividends and expenditure on remuneration for all employees, please see pages 124 and 152 respectively.

2014 remuneration for the Chairman and non-executive directors

	Salary/fees		Benefits[1]		Total	
	2014	2013	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Chairman						
Gerard Kleisterlee	600	600	58	106	658	706
Senior Independent Director						
Luc Vandevelde	160	154	11	22	171	176
Non-executive directors						
Valerie Gooding (appointed 1 February 2014)	19				19	
Renee James[2]	139	151	5	12	144	163
Alan Jebson[2]	151	151	40	106	191	257
Samuel Jonah[2]	151	157	9	101	160	258
Omid Kordestani[2]	151	10	33		184	10
Nick Land	140	140	1		141	140
Anne Lauvergeon	115	115	5	9	120	124
Anthony Watson	115	115	1		116	115
Philip Yea	115	115			115	115
Former non-executive directors						
Sir John Buchanan (retired 24 July 2012)		58				58
Total	**1,856**	**1,766**	**163**	**356**	**2,019**	**2,122**

Notes:

1

We have been advised that for non-executive directors, certain travel and accommodation expenses in relation to attending Board meetings should be treated as a taxable benefit. The table above includes these travel expenses and the corresponding tax contribution (restated for 2013).

2 Salary/fees include an additional allowance of £6,000 per meeting for directors based outside of Europe.

Annual report on remuneration (continued)

2015 remuneration

Subject to shareholder approval at the 2014 AGM, we intend to implement the remuneration policy as set out on pages 71 to 76.

For the 2015 financial year the details are as follows:

2015 base salaries

The Remuneration Committee considered business performance, salary increases for other UK employees and external market information and decided to increase the annual base salaries of the Chief Executive (Vittorio Colao) and the Chief Technology Officer (Stephen Pusey) by 3.6% and 4.3% respectively from 1 July 2014. The last salary increase that was received by these individuals was three years ago in July 2011. The average salary increase for Executive Committee members will be 1.7%; this compares to the salary increase budget in the UK of 2%.

The annual salaries for 2015 (effective 1 July 2014) are as follows:

- Chief Executive: Vittorio Colao £1,150,000;
- Chief Financial Officer: Nick Read (from 1 April 2014) £675,000; and
- Chief Technology Officer: Stephen Pusey £600,000.

2015 annual bonus (GSTIP)

The performance measures and weightings for 2015 are as follows:

- Service revenue (25%);
- adjusted EBITDA (25%);
- adjusted free cash flow (25%); and
- competitive performance assessment (25%). This is an assessment encompassing both net promoter score (NPS) and market share against the competitors in each of our markets.

Annual bonus targets are commercially sensitive and therefore will be disclosed in the 2015 remuneration report following the completion of the financial year.

Long-term incentive (GLTI) awards for 2015

As described in our policy on pages 72 to 74 the performance conditions are a combination of adjusted free cash flow and TSR performance. The details for the 2015 award will be as follows (with linear interpolation between points):

		TSR out performance		
		0%	5%	10%
Adjusted free cash flow measure	(£bn)	(Up to median)	(65th percentile equivalent)	(80th percentile equivalent)
Below threshold	<3.4	0%	0%	0%
Threshold	3.4	50%	75%	100%
Target	5.1	100%	150%	200%
Maximum	6.8	125%	187.5%	250%

TSR peer group	
Bharti	Orange
BT Group	Telecom Italia
Deutsche Telekom	Telefónica
MTN	

Note:

1 When considered on a like-for-like basis with targets for previous years (e.g. excluding the impact of Project Spring) the adjusted cash flow target is £12.3 billion.

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

We have made the following changes to the long-term incentive since the last award:

- the maximum vesting level has reduced from three times to two and a half times the target vesting level;
- a mandatory holding period has been introduced where 50% of the post-tax shares are released after vesting, a further 25% after the first anniversary of vesting, and the remaining 25% will be released after the second anniversary; and
-

AT&T has been removed from the peer group, Bharti and MTN have been added as stand alone comparators and the remaining emerging market proxy company (Turkcell) has also been removed.

Long-term incentive (GLTI) awards vesting

As discussed elsewhere in the annual report, Project Spring involves significant organic investment over the next two years to enhance network and service leadership further. This investment will have a significant impact on adjusted Free Cash Flow (FCF), which is the primary performance condition for the GLTI and we expect an initial drop in FCF that will then build again as the investment pays off over the longer term. The impact is predicted as follows:

Financial year of award	Performance period end	Impact
2013	March 2015	Targets for the 2013 and 2014 awards were set prior to the announcement of Project
2014	March 2016	Spring therefore we will remove the impact on FCF when calculating the vesting results following the end of each performance period.
2015 onwards	March 2017 onwards	The 2015 awards (and all future years) will have the full impact of Project Spring included in the targets and no further adjustments will be necessary.

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2015 remuneration for the Chairman and non-executive directors

For the 2015 review, the fees for our Chairman and non-executives have been benchmarked against a comparator group of the FTSE 30 companies. Following the review there will be no increases to the fees of non-executive directors. The Chairman s fees will be increased by 4.2% to £625,000 from 1 July 2014.

Position/role	Fee payable (£ 000) From 1 April 2014
Chairman[1]	625
Senior Independent Director[2]	160
Non-executive director	115
Chairmanship of Audit and Risk Committee	25

Note:

1 The Chairman s fee also includes the fee for the Chairmanship of the Nominations and Governance Committee.
2 The Senior Independent Director s fees also include the fee for the Chairmanship of the Remuneration Committee.
For 2015, the allowance 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 is £6,000.

Further remuneration information

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 3.2% of the Company s share capital at 31 March 2014 (2.0% at 31 March 2013), whilst from all-employee share awards it is approximately 0.6% (0.3% at 31 March 2013). This gives a total dilution of 3.8% (2.3% at 31 March 2013).

Service contracts

The terms and conditions of appointment of our 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). The executive directors have notice periods in their service contracts of 12 months. The non-executive directors letters of appointment do not contain provision for notice periods or for compensation if their appointments are terminated.

The executive directors will be proposed for election or re-election at the 2014 AGM.

/s/ Luc Vandevelde

Luc Vandevelde

On behalf of the Board

20 May 2014

Directors report

Directors report

The Directors of your Company present their report together with the consolidated financial statements for the year ended 31 March 2014.

This report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report as required under DTR4. Certain information that fulfils the requirements of the directors report can be found elsewhere in this document and is referred to below. This information is incorporated into this directors report by reference.

Responsibility statement

As required under the Disclosure and Transparency Rules a statement made by the Board regarding the preparation of the financial statements is set out on page 88. This statement also provides details regarding the disclosure of information to the Company s auditors and management s report on internal control over financial information.

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 89.

Strategic report

The strategic report is set out in pages 1 to 47 and is incorporated into this directors report by reference.

Directors and their interests

A full list of the individuals who were directors of the Company during the financial year ended 31 March 2014 is set out below.

Gerard Kleisterlee, Vittorio Colao, Andy Halford, Stephen Pusey, Valerie Gooding, Renee James, Alan Jebson, Samuel Jonah, Omid Kordestani, Nick Land, Anne Lauvergeon, Luc Vandevelde, Anthony Watson and Philip Yea.

Details of each director s interests in the Company s ordinary shares, options held over ordinary shares, interests in share options and long term incentive plans are set out in full on pages 69 to 85.

Directors conflicts of interest

Established within the Company is a procedure for managing and monitoring conflicts of interest for directors. Full details of this procedure is set out on page 56.

Directors indemnities

Details of qualifying third party indemnity provisions for the benefit of the Company s directors can be found on page 57.

Corporate governance statement

Under Disclosure and Transparency Rule 7, a requirement exists for certain parts of the corporate governance statement to be outlined in the directors report. This information is laid out in the corporate governance statement, on pages 48 to 85.

Capital structure and rights attaching to shares

All information relating to the Company s capital structure, rights attaching to shares, dividends, the policy to repurchase the Company s own shares and other shareholder information is contained on pages 182 to 189 and incorporated into this directors report by reference.

Dividends

Full details of the Company s dividend policy and proposed final dividend payment for the year ended 31 March 2014, are set out on page 124.

Sustainability

Information about the Company s approach to sustainability risks and opportunities is set out on pages 34 and 35. Also included on these pages are details of our greenhouse gas emissions.

Political donations

No political donations under the Companies Act 2006 have been made during the financial year. The Group policy is that no political donations be made or political expenditure incurred.

Financial risk management objectives and policies

Disclosures relating to financial risk management objectives and policies, including our policy for hedging are set out in note 23 to the consolidated financial statements.

Exposure to price, credit, liquidity and cash flow risks

Our disclosures relating to exposure to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 23 to the consolidated financial statements.

Important events since the end of the financial year

Details of those important events affecting the Group which have occurred since the end of the financial year are set out in the strategic report and note 34 to the consolidated financial statements.

Future developments within the Group

The strategic report contains details of likely future developments within the Group.

Research and development

Details of the Group s activities relating to research and development are contained in note 3 to the consolidated financial statements.

Branches

As the Group is a global business there are activities operated through many jurisdictions.

Employee disclosures

Our disclosures relating to the employment of disabled persons, the number of women in senior management roles, employee engagement and policies are included in Our people on pages 36 and 37.

By Order of the Board

/s/ Rosemary Martin

Rosemary Martin

Company Secretary

20 May 2014

Contents

The Consolidated financial statements are presented on a statutory basis which, under IFRS accounting principles, includes the financial results of the Group s joint ventures using the equity accounting basis.

Reporting our financial performance

We continue to review the format of our consolidated financial statements with the aim of making them clear and easier to follow. This year, in addition to continuing with the integrated financial review which combines commentary on certain items within the primary financial statements, we have changed the order and grouping of the notes to the financial statements to help with the flow of information and focus on areas that we feel are key to understanding our business. We have also placed accounting policies within the notes to the accounts to which they best relate. We hope this format makes it easier for you to navigate to the information that is important to you.

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Directors statement of responsibility

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations and keeping proper accounting records. Detailed below are statements made by the directors in relation to their responsibilities, disclosure of information to the Company s auditors, going concern and management s report on internal control over financial reporting.

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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU and Article 4 of the EU IAS Regulations. The directors also ensure that the consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB);
- 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 for the consolidated financial statements, 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 of the Group;
- the parent company financial statements, prepared in accordance with United Kingdom generally accepted accounting practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; 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 the 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

The Group s business activities, performance, position and principal risks and uncertainties and how these are managed are set out in the strategic report on pages 1 to 47. A range of mitigations for risks faced by the Group are included on page 90.

In addition, the financial position of the Group is included within Commentary on the consolidated statement of cash flows on page 103, Borrowings , Liquidity and capital resources and Capital and financial risk management in notes 21, 22 and 23 respectively to the consolidated financial statements, 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.

The Group has considerable financial resources, and the directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Further discussion on the basis of the going concern assessment by the directors is set out on page 200.

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:

g pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;

g 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

g 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 2014 based on the original Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992. Based on management s assessment, management has concluded that internal control over financial reporting was effective at 31 March 2014.

In 2013, COSO published an updated Internal Control Integrated Framework which will supersede the original framework from 15 December 2014. Accordingly, the new framework will be implemented during the year ending 31 March 2015. The Group s existing controls will be mapped to the five components and 17 principles in the updated Internal Control Integrated Framework. Any gaps will be evaluated and, where required, additional controls identified, or existing controls enhanced.

The assessment excluded the internal controls over financial reporting relating to Kabel Deutschland Holding AG (KDG) because it became a subsidiary during the year, as described in note 28 Acquisitions and disposals . KDG will be included in the Group s assessment at 31 March 2015. Key amounts consolidated for KDG at 31 March 2014 are total assets of £9,741 million, net assets of £4,709 million and revenue and loss for the financial year of £735 million and £242 million, respectively.

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 2014 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 91.

By Order of the Board

/s/ Rosemary Martin

Rosemary Martin

Company Secretary

20 May 2014

Risk 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 access 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.

- 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.

- 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 so that we are able to react in a timely manner.

- 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.

- g 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 price plans to avoid customers reducing their out of bundle usage through internet/ Wi-Fi based substitution.

- g We are closely monitoring international economic and currency situations. 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 economic crisis leading to a banking system freeze and a need to transition to a cash based operating system for a number of months.

- g We have a global health and safety policy that includes standards for electromagnetic fields (EMF) 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 respond to public concern, and develop appropriate advocacy related to possible precautionary legislation. We monitor scientific developments and engage with relevant bodies to support the delivery and transparent communication of the scientific research agenda set by the WHO.

- g We have experience of acquiring and integrating businesses into the Group and for all significant transactions we develop and implement a structured integration plan, led by a senior business leader. Integration plans are systematically implemented and executed to ensure that revenue benefits and cost synergies are delivered and that the acquired businesses are successfully integrated through the alignment of policies, processes and systems. The progress against acquisition business cases and the status of integration plans is monitored and reviewed as part of the Group s governance and performance management procedures.

- g We regularly review the performance of key suppliers, both operationally and financially, across individual markets and from the 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.

- g We maintain constructive but robust 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.

- g 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. For further details see Critical accounting judgements and key sources of estimation uncertainty in note 1 Basis of preparation to the consolidated financial statements.

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Report of Independent Registered Public Accounting Firm

on internal control over financial reporting

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 2014, based on criteria established in Internal Control Integrated Framework (1992) 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 Kabel Deutschland Holding AG, which became a subsidiary during the year and which accounted for £9,741 million of total assets, £4,709 million of net assets, £735 million of revenue and £242 million of loss for the financial year of the consolidated financial statement amounts as of and for the year ended 31 March 2014. Accordingly our audit did not include the internal control over financial reporting at Kabel Deutschland Holding AG.

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 2014, based on the criteria established in Internal Control Integrated Framework (1992) 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 2014 prepared in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Our report dated 20 May 2014 expressed an unqualified opinion on those financial statements.

/s/ Deloitte LLP

Deloitte LLP

London

United Kingdom

20 May 2014

Report of Independent Registered Public Accounting Firm

on the consolidated financial statements

Report of Independent Registered Public Accounting Firm to the members of Vodafone Group Plc

We have audited the accompanying consolidated statements of financial position of Vodafone Group Plc and subsidiaries (the Group) as of 31 March 2014 and 2013, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended 31 March 2014. These financial statements are the responsibility of the Group s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits 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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 March 2014 and 2013, and the results of its operations and cash flows for each of the three years in the period ended 31 March 2014, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

As discussed in note 1, the 2013 and 2012 financial statements have been restated for the adoption of IFRS 11, Joint Arrangements and amendments to IAS 19, Employee Benefits. Our opinion is not modified with respect to this matter.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group s internal control over financial reporting as of 31 March 2014, based on the criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated 20 May 2014 expressed an unqualified opinion on the Group s internal control over financial reporting.

/S/ DELOITTE LLP

Deloitte LLP

London

United Kingdom

20 May 2014

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Consolidated income statement

for the years ended 31 March

	Note	2014 £m	Restated[1] 2013 £m	Restated[1] 2012 £m
Revenue	2	**38,346**	**38,041**	**38,821**
Cost of sales		(27,942)	(26,567)	(27,201)
Gross profit		**10,404**	**11,474**	**11,620**
Selling and distribution expenses		(3,033)	(2,860)	(2,755)
Administrative expenses		(4,245)	(4,159)	(4,031)
Share of results of equity accounted associates and joint ventures		278	575	1,129
Impairment losses	4	(6,600)	(7,700)	(4,050)
Other income and expense		(717)	468	3,705
Operating (loss)/profit	3	**(3,913)**	**(2,202)**	**5,618**
Non-operating income and expense		(149)	10	(162)
Investment income	5	346	305	456
Financing costs	5	(1,554)	(1,596)	(1,768)
(Loss)/profit before taxation		**(5,270)**	**(3,483)**	**4,144**
Income tax credit/(expense)	6	16,582	(476)	(705)
Profit/(loss) for the financial year from continuing operations		**11,312**	**(3,959)**	**3,439**
Profit for the financial year from discontinued operations	7	**48,108**	**4,616**	**3,555**
Profit for the financial year		**59,420**	**657**	**6,994**
Attributable to:				
Equity shareholders		59,254	413	6,948
Non-controlling interests[2]		166	244	46
Profit for the financial year		**59,420**	**657**	**6,994**

Earnings/(loss) per share				
From continuing operations:				
Basic		42.10p	(15.66p)	12.28p
Diluted		41.77p	(15.66p)	12.14p
Total Group:				
Basic	8	223.84p	1.54p	25.15p
Diluted	8	222.07p	1.54p	24.87p

Notes:

1 Restated to show the results of our US Group in discontinued operations, adoption of IFRS 11 and amendments to IAS 19. See note 1 Basis of preparation for further details.

2 Profit attributable to non-controlling interests solely derives from continuing operations.

Consolidated statement of comprehensive income

for the years ended 31 March

		Restated[1]	Restated[1]
	2014	2013	2012
	£m	£m	£m
Profit for the financial year	**59,420**	**657**	**6,994**
Other comprehensive income:			
Items that may be reclassified to profit or loss in subsequent periods:			
Losses on revaluation of available-for-sale investments, net of tax	(119)	(73)	(17)
Foreign exchange translation differences, net of tax	(4,104)	362	(3,673)
Foreign exchange losses/(gains) transferred to the income statement	1,493	1	(681)
Fair value gains transferred to the income statement	(25)	(12)	
Other, net of tax		(4)	(10)
Total items that may be reclassified to profit or loss in subsequent years	**(2,755)**	**274**	**(4,381)**
Items that will not be reclassified to profit or loss in subsequent years:			
Net actuarial gains/(losses) on defined benefit pension schemes, net of tax	37	(182)	(263)
Total items that will not be reclassified to profit or loss in subsequent years	**37**	**(182)**	**(263)**
Other comprehensive (expense)/income	**(2,718)**	**92**	**(4,644)**
Total comprehensive income for the year	**56,702**	**749**	**2,350**
Attributable to:			
Equity shareholders	56,711	604	2,383
Non-controlling interests	(9)	145	(33)

56,702	**749**	**2,350**

Note:

1 Restated to show the results of our US Group in discontinued operations, adoption of IFRS 11 and amendments to IAS 19. See note 1 Basis of preparation for further details.

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 consolidated statement of comprehensive income.

Further details on the major movements in the year are set out below:

Revenue

Revenue increased by 0.8% to £38.3 billion. The increase is driven by revenue growth in our AMAP region and business acquisitions, partially offset by revenue declines in Europe due to challenging trading conditions and by unfavourable exchange rate movements. Our operating results discussion on pages 40 to 45 provides further detail on our revenue performance.

Operating loss

Our operating loss increased to £3.9 billion from £2.2 billion as lower impairment charges were offset by lower revenue, higher customer costs and higher amortisation. During the year we recorded goodwill impairment charges of £6.6 billion relating to our businesses in Germany, Spain, Portugal, Czech Republic and Romania (see note 4 Impairment losses).

Income tax expense

We recorded an income tax credit on continuing operations of £16.6 billion compared with a £0.5 billion charge in 2013. The credit primarily arises from the recognition of £19.3 billion of deferred tax assets for tax losses in Germany and Luxembourg partly offset by taxes arising from the disposal of the Group s investment in Verizon Wireless (see note 6 Taxation). Our effective tax rate decreased to -33.4% from 77.2%. Further information on how our effective tax rate is determined is provided within the operating results discussion on page 44.

Profit for the year from discontinued operations

Discontinued operations includes the £45.0 billion profit arising on the disposal of the Group s investment in Verizon Wireless, £1.7 billion of dividends receivable since the disposal and the post-tax profits of the Group s share of Verizon Wireless and entities in the US Group sold to Verizon Communications as part of the overall disposal transaction up until 2 September 2013 when the proposed disposal was announced. The profit from discontinued operations for the year ended 31 March 2014 has increased to £48.1 billion from £4.6 billion, primarily due to the profit arising from the disposal of the Group s investment in Verizon Wireless. Further information is provided in note

7 Discontinued operations and note 28 Acquisitions and disposals .

Earnings per share

Basic earnings per share from continuing operations was 42.10 pence, an increase of 57.76 pence, driven by the recognition of £19.3 billion of deferred tax assets for losses in Germany and Luxembourg. Total Group basic earnings per share, which includes profits from discontinued operations, increased by 222.30 pence to 223.84 pence primarily as a result of the £45.0 billion gain recognised on the disposal of the US Group.

Adjusted earnings per share, which is a non-GAAP measure used by management and which excludes items that we do not view as being reflective of our performance, was 17.54 pence, a decrease of 12.8% compared to the prior year. The reduction was primarily due to lower adjusted operating profits, partially offset by a reduction in the number of the Group s shares due to the Group s share buyback programme.

Our calculation of the adjusted earnings on which we base our adjusted earnings per share calculation is set out within the operating results on page 45. Note 8 Earnings per share provides information on the number of shares used for determining earnings per share.

The consolidated statement of comprehensive income records all of the income and losses generated for the year.

Further details on the major movements in the year are set out below:

Profit for the financial year

Profit for the financial year of £59.4 billion is recognised in the consolidated income statement and the reasons underlying the £58.8 billion increase are provided above.

Foreign exchange differences, net of tax

Foreign exchange translation differences arise when we translate the results and net assets of our operating companies, joint arrangements and associates, which transact their operations in foreign currencies including the euro, South African rand and Indian rupee, into our presentation currency of sterling. The net movements in foreign exchange rates resulted in a loss of £4.1 billion for the year compared with a gain in the previous year of £0.4 billion.

Foreign exchange losses/(gains) transferred to the income statement

The foreign exchange losses transferred to the income statement in the year ended 31 March 2014 relate to the recycling of amounts in relation to our investment in Verizon Wireless and Vodafone Italy which were triggered, respectively, by the disposal and the acquisition of a controlling stake.

Net actuarial gains/(losses) on defined benefit schemes, net of tax

We realised a £37 million post-tax gain from the revaluation of the Group s defined benefit pension schemes after updating actuarial assumptions and revaluing scheme assets.

The financial commentary on this page is unaudited.

Consolidated statement of financial position

at 31 March

	Note	31 March 2014 £m	Restated[1] 31 March 2013 £m	Restated[1] 1 April 2012 £m
Non-current assets				
Goodwill	10	23,315	24,390	27,816
Other intangible assets	10	23,373	19,749	18,762
Property, plant and equipment	11	22,851	17,584	16,008
Investments in associates and joint ventures	12	114	46,447	47,682
Other investments	13	3,553	773	790
Deferred tax assets	6	20,607	2,848	1,894
Post employment benefits	26	35	52	31
Trade and other receivables	15	3,270	4,832	3,436
		97,118	**116,675**	**116,419**
Current assets				
Inventory	14	441	353	375
Taxation recoverable		808	397	275
Trade and other receivables	15	8,886	8,018	10,007
Other investments	13	4,419	5,350	1,323
Cash and cash equivalents	20	10,134	7,531	7,051
Assets held for sale		34		
		24,722	**21,649**	**19,031**
Total assets		**121,840**	**138,324**	**135,450**
Equity				
Called up share capital	18	3,792	3,866	3,866
Additional paid-in capital		116,973	154,279	154,123

Treasury shares		(7,187)	(9,029)	(7,841)
Accumulated losses		(51,428)	(88,834)	(84,217)
Accumulated other comprehensive income		8,652	11,195	11,004
Total equity shareholders funds		**70,802**	**71,477**	**76,935**
Non-controlling interests		1,733	1,890	2,090
Put options over non-controlling interests		(754)	(879)	(823)
Total non-controlling interests		**979**	**1,011**	**1,267**
Total equity		**71,781**	**72,488**	**78,202**
Non-current liabilities				
Long-term borrowings	21	21,454	27,904	26,882
Taxation liabilities		50	150	250
Deferred tax liabilities	6	747	6,671	6,572
Post employment benefits	26	584	580	292
Provisions	17	846	855	448
Trade and other payables	16	1,339	1,307	1,181
		25,020	**37,467**	**35,625**
Current liabilities				
Short-term borrowings	21	7,747	11,800	6,232
Taxation liabilities		873	1,922	1,888
Provisions	17	963	715	571
Trade and other payables	16	15,456	13,932	12,932
		25,039	**28,369**	**21,623**
Total equity and liabilities		**121,840**	**138,324**	**135,450**

Note:

1 Restated for the adoption of IFRS 11 and amendments to IAS 19. See note 1 Basis of preparation for further details.

The consolidated financial statements were approved by the Board of directors and authorised for issue on 20 May 2014 and were signed on its behalf by:

/s/ Vittorio Colao
Vittorio Colao
Chief Executive

/s/ Nick Read
Nick Read
Chief Financial Officer

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Commentary on the consolidated statement of financial position

The consolidated statement of financial position shows all of our assets and liabilities at 31 March.

Further details on the major movements of both our assets and liabilities in the year are set out below. Our statement of financial position has been materially impacted in the year by the sale of our interest in Verizon Wireless, the acquisition of Kabel Deutschland and the assumption of control over Vodafone Italy (jointly the Group s acquisitions):

Assets

Goodwill and other intangible assets

Our total intangible assets increased to £46.7 billion from £44.1 billion. The increase primarily arose as a result of £11.5 billion additions as a result of the Group s acquisitions and other additions of £3.7 billion, including £1.9 billion of spectrum acquired in India, partially offset by £6.6 billion of goodwill impairments, reductions of £2.6 billion as a result of unfavourable movements in foreign exchange rates and £3.5 billion of amortisation.

Property, plant and equipment

Property, plant and equipment increased to £22.9 billion from £17.6 billion, principally as a result of £6.4 billion additions in the year arising from Group acquisitions and a further £4.9 billion of purchases, partially offset by £4.0 billion of depreciation charges and £1.5 billion of adverse foreign exchange movements.

Investments in associates and joint ventures

Investments in associates and joint ventures decreased to £0.1 billion (2013: £46.4 billion), primarily reflecting a reduction of £43.2 billion on the disposal of the Group s investment in Verizon Wireless and the transition of Vodafone Italy from a joint venture to a fully consolidated subsidiary. Our share of the trading results of associates and joint ventures was £3.5 billion, including £3.2 billion from Verizon Wireless classified within discontinued operations.

Other non-current assets

Other non-current assets increased by £19.0 billion to £27.5 billion, mainly due to a £17.8 billion increase in recognised deferred tax assets, primarily in respect of additional tax losses in Germany and Luxembourg (see note 6 Taxation for further details), and an increase of £2.8 billion in other investments as a result of loan notes received in respect of the disposal of the Group s investment in Verizon Wireless, partly offset by a £1.6 billion reduction in receivables, which was primarily due to a reduction in amounts due from associates.

Total equity and liabilities

Total equity

Total equity decreased by £0.7 billion to £71.8 billion. Total comprehensive income for the year of £56.7 billion was offset by the return of value to shareholders of £51.0 billion and other dividends paid to equity shareholders and non-controlling interests of £5.1 billion.

Borrowings

Total borrowings decreased to £29.2 billion from £39.7 billion, primarily as the result of the redemption of US$5.65 billion of bonds following the sale of our interest in Verizon Wireless and also due to £2.7 billion favourable foreign exchange movements. A net debt reconciliation is provided on page 103.

Deferred taxation liabilities

Deferred tax liabilities reduced to £0.7 billion from £6.7 billion mainly due to the disposal of the US Group that held substantial deferred tax liabilities to Verizon Communications.

Other current liabilities

Other current liabilities increased to £16.4 billion (2013: £14.6 billion). Trade payables at 31 March 2014 were equivalent to 40 days (2013:37 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 30 Contingent liabilities .

	Payments due by period				
					£m
Contractual obligations[1]	Total	<1 year	1 3 years	3 5 years	>5 years
Borrowings[2]	35,721	8,642	5,506	9,825	11,748
Operating lease commitments[3]	5,732	1,128	1,519	1,034	2,051
Capital commitments[3,4]	2,335	2,093	215	20	7
Purchase commitments	4,420	3,426	578	191	225
Total	**48,208**	**15,289**	**7,818**	**11,070**	**14,031**

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 146) and obligations to pay dividends to non-controlling shareholders (see Dividends from associates and to non-controlling shareholders on page 146). The table excludes current and deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 6 Taxation and 26 Post employment benefits respectively. The table also excludes the contractual obligations of associates and joint ventures.
2 See note 21 Borrowings .
3 See note 29 Commitments .
4 Primarily related to network infrastructure.

The financial commentary on this page is unaudited.

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Consolidated statement of changes in equity

for the years ended 31 March

							Other comprehensive income				
	Share capital £m	Additional paid-in capital[2] £m	Treasury shares £m	Retained losses £m	Currency reserve £m	Pensions reserve £m	Investment reserve £m	Revaluation surplus £m	Other £m	Equity share-holders funds £m	No[n-]controll[ing] intere[sts]
	4,082	153,760	(8,171)	(77,685)	14,417	(203)	237	1,040	78	87,555	
		2	277	(208)						71	
	(216)	216	4,724	(4,724)							
			(4,671)[4]							(4,671)	
		145[3]								145	
				(1,908)						(1,908)	1,5
				6,948	(4,279)	(263)	(17)		(6)	2,383	(
				6,948						6,948	
x					(3,629)	(352)	(17)		(14)	(4,012)	(
					31	89			8	128	
					(681)					(681)	

				(6,654)						(6,654)	(3
				14						14	
	3,866	**154,123**	**(7,841)**	**(84,217)**	**10,138**	**(466)**	**220**	**1,040**	**72**	**76,935**	**1,2**
		2	287	(237)						52	
			(1,475)[4]							(1,475)	
		152[3]								152	
				(7)						(7)	(
				413	462	(182)	(85)		(4)	604	1
				413						413	2
x					482	(238)	(73)		(6)	165	(
					(21)	56			2	37	
					1		(12)			(11)	
				(4,801)						(4,801)	(3
		2		15						17	
	3,866	**154,279**	**(9,029)**	**(88,834)**	**10,600**	**(648)**	**135**	**1,040**	**68**	**71,477**	**1,0**
		2	194	(173)						23	
	(74)	74	1,648	(1,648)							
	16,613	(37,470)		20,857							
	(16,613)			1,115						(15,498)	
		88[3]								88	
				(1,451)						(1,451)	2
				59,254	(2,436)	37	(119)		(25)	56,711	
				59,254						59,254	1

x					(3,932)	57	(119)		3	(3,991)	(1
					3	(20)			(3)	(20)	
					1,493				(25)	1,468	
				(40,566)						(40,566)	(2
				18						18	
	3,792	**116,973**	**(7,187)**	**(51,428)**	**8,164**	**(611)**	**16**	**1,040**	**43**	**70,802**	**9**

Notes:

1 Restated for the adoption of IFRS 11 and amendments to IAS 19. Retained losses have increased and the pensions reserve losses have reduced by £49 million for the year ended 31 March 2013 and by £33 million for the year ended 31 March 2012. See note 1 Basis of preparation for further details.

2 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.

3 Includes £12 million tax charge (2013: £18 million credit; 2012: £2 million credit).

4 Amount for 2013 includes a commitment for the purchase of own shares of £1,026 million; 2012: £1,091 million).

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 £0.7 billion as the profits on the sale of our investment in Verizon Wireless (VZW) and from the recognition of a large deferred tax asset were offset by the return of value to shareholders, regular ordinary dividends and goodwill impairment charges.

The major movements in the year are described below:

Redemption and cancellation of shares

We cancelled 1 billion ordinary shares that had been repurchased by the Company and held as treasury shares.

Purchase of own shares

We initiated a £1.5 billion share buyback programme following the receipt of a US$3.8 billion (£2.4 billion) income dividend from VZW in December 2012. Under this programme, which was completed in June 2013, the Group placed irrevocable purchase instructions with a third party in the prior year to enable shares to be repurchased on our behalf when we may otherwise have been prohibited from buying in the market. This led to a total of 552,050 purchased shares being settled in the current year at an average price per share, including transaction costs, of 189 pence.

The movement in treasury shares during the year is shown below:

	Number Million	£m
1 April 2013	4,902	9,029
Reissue of shares	(104)	(194)
Receipt of shares re-purchased in prior year	552	
Cancellation of shares	(1,000)	(1,648)
Share consolidation	(1,978)	
31 March 2014	**2,372**	**7,187**

The reissue of shares in the year was to satisfy obligations under employee share schemes.

Issue of B and C shares

On 2 September 2013 Vodafone announced that it had reached agreement to dispose of its US Group whose principal asset was its 45% interest in Verizon Wireless for a total consideration of US$130 billion (£79 billion).

Following completion on 21 February 2014, Vodafone shareholders received all of the Verizon shares and US$23.9 billion (£14.3 billion) of cash (the Return of Value) totalling US$85.2 billion (£51.0 billion).

The Return of Value was carried out through a B share and C share scheme. Eligible shareholders were able to elect between receiving one B share or one C share for each ordinary share that they held.

The B shares were cancelled by Vodafone in return for cash and Verizon shares with a value no greater than the aggregate nominal value of the B shares.

Holders of the C shares received a special dividend on their C shares, consisting of cash and Verizon shares with an aggregate value, for each C share, equal to the aggregate value of cash payable and Verizon shares receivable on the cancellation of each B share. The special B share distribution and C share dividend of £35.5 billion is included within the £40.6 billion of dividends described paid to equity shareholders in the year.

Transactions with non-controlling stakeholders in subsidiaries

During the year we acquired further non-controlling interests in Vodafone India Limited and commenced the legal process of acquiring the remaining shares in Kabel Deutschland.

Comprehensive income

The Group generated £56.7 billion of total comprehensive income in the year, primarily a result of the profit for the year attributable to equity shareholders of £59.3 billion. Total comprehensive income increased by £56.0 billion compared to the previous year; the primary reason underlying the increase being the profit realised on the disposal of our investment in VZW of £45.0 billion and the profit arising from the recognition of significant deferred tax assets of £19.3 billion in relation to losses incurred in Germany and Luxembourg (further details are provided in note 6 Taxation to the consolidated financial statements).

Dividends

Dividends of £40.6 billion include the special £35.5 billion B share distribution and C share dividends distributed as part of the Return of Value to shareholders and £5.1 billion of equity dividends.

We provide returns to shareholders through equity dividends and historically have generally paid dividends in February and August in each year. The directors expect that we will continue to pay dividends semi-annually.

The £5.1 billion equity dividend in the current year comprises £3.4 billion in relation to the final dividend for the year ended 31 March 2013 and £1.7 billion for the interim dividend for the year ended 31 March 2014. This has increased from total dividends of £4.8 billion in the prior year, with increases in the dividend per share more than offsetting reductions in the number of shares in issue.

The interim dividend of 3.53 pence per share announced by the directors in November 2013 represented an 8% increase over last year s interim dividend. The directors are proposing a final dividend of 7.47 pence per share. Total dividends for the year, excluding the Return of Value in relation to the VZW disposal increased by 8% to 11.00 pence per share.

The financial commentary on this page is unaudited.

Consolidated statement of cash flows

for the years ended 31 March

			Restated[1]	Restated[1]
		2014	2013	2012
	Note	**£m**	£m	£m
Net cash flow from operating activities	19	**6,227**	**8,824**	**10,297**
Cash flows from investing activities				
Purchase of interests in subsidiaries, net of cash acquired	28	(4,279)	(1,432)	(149)
Other investing activities in relation to purchase of subsidiaries				310
Purchase of interests in associates and joint ventures		(11)	(6)	(5)
Purchase of intangible assets		(2,327)	(3,758)	(1,876)
Purchase of property, plant and equipment		(4,396)	(3,958)	(4,071)
Purchase of investments		(214)	(4,249)	(417)
Disposal of interests in subsidiaries, net of cash disposed			27	784
Disposal of interests in associates and joint ventures		34,919		6,799
Disposal of property, plant and equipment		79	105	91
Disposal of investments		1,483	1,523	66
Dividends received from associates and joint ventures		4,897	5,539	4,916
Dividends received from investments		10	2	3
Interest received		582	461	336
Taxation on investing activities				(206)
Net cash flow from investing activities		**30,743**	**(5,746)**	**6,581**
Cash flows from financing activities				
Issue of ordinary share capital and reissue of treasury shares		38	69	91
Net movement in short-term borrowings		(2,887)	1,581	1,517
Proceeds from issue of long-term borrowings		1,060	5,422	1,578
Repayment of borrowing		(9,788)	(1,720)	(3,424)
Purchase of treasury shares		(1,033)	(1,568)	(3,583)

B and C share payments		(14,291)		
Equity dividends paid		(5,076)	(4,806)	(6,643)
Dividends paid to non-controlling shareholders in subsidiaries		(264)	(379)	(304)
Other transactions with non-controlling shareholders in subsidiaries		(111)	15	(2,605)
Other movements in loans with associates and joint ventures			168	(792)
Interest paid		(1,897)	(1,525)	(1,504)
Net cash flow from financing activities		**(34,249)**	**(2,743)**	**(15,669)**
Net cash flow		**2,721**	**335**	**1,209**
Cash and cash equivalents at beginning of the financial year	20	7,506	7,001	6,138
Exchange (loss)/gain on cash and cash equivalents		(115)	170	(346)
Cash and cash equivalents at end of the financial year	**20**	**10,112**	**7,506**	**7,001**

During the year ended 31 March 2014 there were a number of material non-cash investing and financing activities that arose in relation to both the disposal of our interest in Verizon Wireless, the acquisition of the remaining 23% of Vodafone Italy and the return of value to shareholders. Full details of these material non-cash transactions are included in note 28 to the consolidated financial statements.

Note:

1 Restated for the adoption of IFRS 11 and amendments to IAS 19. See note 1 Basis of preparation for further details.

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. Closing net debt has reduced to £13.7 billion from £25.4 billion. The reduction has primarily been achieved as the result of cash retained from the sale of our interest in Verizon Wireless after the return of value to shareholders.

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 196 to 200. We do not use non-consolidated special purpose entities as a source of liquidity or for other financing purposes.

Purchase of interests in subsidiaries, net of cash acquired

During the year we acquired Kabel Deutschland for net cash consideration of £4.3 billion. Further details on the assets and liabilities acquired are outlined in note 28 Acquisitions and disposals .

Purchase of intangible assets

Cash payments for the purchase of intangible assets comprise £1.4 billion for purchases of computer software and £0.9 billion for acquired spectrum.

Purchase of investments

The Group purchases short-term investments as part of its treasury strategy. See note 13 Other investments .

Disposal of interests in associates and joint ventures

During the year, we disposed of our US Group whose principal asset was its 45% interest in Verizon Wireless for consideration which included net cash proceeds of £34.9 billion. There were no significant disposals in the prior year.

Disposal of investments

In the prior year we received the remaining consideration of £1.5 billion from the disposal of our interests in SoftBank Mobile Corp.

Dividends received from joint ventures and associates

Dividends received from associates reduced by 11.6% to £4.9 billion. Dividends received primarily comprise tax dividends and income dividends from Verizon Wireless of £4.8 billion in both the current and prior financial years.

Movements in borrowings

Funds retained from the sale of our interest in Verizon Wireless, after the return of value to shareholders, has enabled us to reduce the overall amount of the Group s borrowings.

Purchase of treasury shares

Cash payments of £1.0 billion relate to the completion of a £1.5 billion share buyback programme that commenced following the receipt of a US$3.8 billion (£2.4 billion) income dividend from VZW in December 2012. Further details are provided on page 101.

B and C share payments

B share payments formed part of the return of value to shareholders following the disposal of the Group s interest in Verizon Wireless. Further details are provided on page 101.

Equity dividends paid

Equity dividends paid during the year increased by 5.6%. A special dividend was paid during the year to 31 March 2012 following the receipt of an income dividend from VZW. Further details on the Group s dividends are provided on page 101.

Other transactions with non-controlling shareholders in subsidiaries

During the year we acquired the non-controlling interests in Vodafone India Limited and commenced the legal process of acquiring the remaining shares in Kabel Deutschland.

The financial commentary on this page is unaudited.

Notes to the consolidated financial statements

1. Basis of preparation

This section describes the critical accounting judgements that management has identified as having a potentially material impact on the Group s consolidated financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is generally applicable to a specific note to the accounts, the policy is described within that note. We have also detailed below the new accounting pronouncements that we will adopt in future years and our current view of the impact they will have on our financial reporting.

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. A discussion on the Group s critical accounting judgements and key sources of estimation uncertainty is detailed below. 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 and Wales (No. 1833679).

IFRS requires the directors to adopt accounting policies that are the most appropriate to the Group s circumstances. In determining and applying accounting policies, directors and management are required to make judgements in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the Group s reported financial position, results or cash flows; it may later be determined that a different choice may have been more appropriate.

Management has identified accounting estimates and assumptions relating to revenue, taxation, business combinations and goodwill, joint arrangements, finite lived intangible assets, property, plant and equipment, post employment benefits, provisions and contingent liabilities and impairment that it considers to be critical due to their impact on the Group s financial statements. These critical accounting judgements, assumptions and related disclosures have been discussed with the Company s Audit and Risk Committee (see page 62).

Critical accounting judgements and key sources of estimation uncertainty

Revenue recognition

Arrangements with multiple deliverables

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

Gross versus net presentation

When the Group sells goods or services as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned.

Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

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 involves estimation and judgement in respect of certain matters where the tax impact is uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

Resolving tax issues can take many years as it is not always within the control of the Group and often depends on the efficiency of legal processes in the relevant tax jurisdiction.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits, which are estimated using the latest available profit forecasts. Prior to recording deferred tax assets for tax 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 estimation and judgement include the recognition of deferred tax assets in respect of losses in Luxembourg, Germany, India, and Turkey, capital allowances in the United Kingdom and the tax liability on the rationalisation and re-organisation of the Group prior to the disposal of our US group, whose principal asset was its 45% interest in Verizon Wireless (VZW). See note 6 Taxation to the consolidated financial statements.

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Business combinations and goodwill

When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognised. The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management s judgement. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognised as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognised in the income statement.

Allocation of the purchase price between finite lived assets (discussed below) and indefinite lived assets such as goodwill affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

On transition to IFRS the Group elected not to apply IFRS 3, Business combinations , retrospectively as the difficulty in applying these requirements to 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 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, licences, customer bases, brands and related deferred tax liabilities recognised on acquisition.

Joint arrangements

The Group participates in a number of joint arrangements where control of the arrangement is shared with one or more other parties. A joint arrangement is classified as a joint operation or as a joint venture, depending on management s assessment of the legal form and substance of the arrangement.

The classification can have a material impact on the consolidated financial statements. The Group s share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis, whereas the Group s investment and share of results of joint ventures are shown within single line items in the consolidated statement of financial position and consolidated income statement respectively. See note 12 Investments in associates and joint ventures to the consolidated financial statements.

Finite lived intangible assets

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

Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Estimates relating to the future cash flows and discount rates used may have a material effect on the reported amounts of finite lived intangible assets.

Estimation of useful life

The useful life over which intangible assets are amortised depends on management s estimate of the period over which economic benefit will be derived from the asset. Reducing the useful life will increase the amortisation charge in the consolidated income statement. Useful lives are periodically reviewed to ensure that they remain appropriate. The basis for determining the useful life for the most significant categories of intangible assets is discussed below.

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; this is adjusted if necessary, for example taking into account the impact of any expected changes in technology.

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.

Capitalised software

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

Property, plant and equipment

Property, plant and equipment represents 18.8% (2013: 12.7%) of the Group s total assets; estimates and assumptions made may have a material impact on their carrying value and related depreciation charge. See note 11 Property, plant and equipment for further details.

Estimation of useful life

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

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. The useful life of network infrastructure is assumed not to exceed the duration of related operating licences unless there is a reasonable expectation of renewal or an alternative future use for the asset.

Post employment benefits

Management judgement is exercised when determining the Group s liabilities and expenses arising for defined benefit pension schemes. Management is required to make assumptions regarding future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Sensitivity analysis is provided for these assumptions in note 26 Post employment benefits to the consolidated financial statements.

1. Basis of preparation (continued)

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 30 Contingent liabilities to the consolidated financial statements). Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

Impairment reviews

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

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

- growth in adjusted EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and amount of future capital expenditure;
- long-term growth rates; and
- appropriate discount rates to reflect the risks involved.

Management prepares formal five year forecasts for the Group s operations, which are used to estimate their value in use. In certain developing markets ten year forecasts are used if it is considered that the fifth year of a forecast is not indicative of expected long-term future performance as operations may not have reached maturity.

For operations where five year forecasts are used for the Group s value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:

g the nominal GDP growth rates for the country of operation; and

g the long-term compound annual growth rate in adjusted EBITDA in years six to ten estimated by management.

For operations where ten year forecasts are used for the Group s value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:

g the nominal GDP growth rates for the country of operation; and

g the compound annual growth rate in adjusted 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 reported assets and profits or losses. Further details, including a sensitivity analysis is included in note 4 Impairment losses to the consolidated financial statements.

Significant accounting policies applied in the current reporting period

that relate to the financial statements as a whole

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, subsidiaries controlled by the Company (see note 32 Principal subsidiaries) and joint operations that are subject to joint control (see note 12 Investments in associates and joint ventures).

Foreign currencies

The consolidated financial statements are presented in sterling, which is the parent company s functional currency and the presentation currency of the Group. 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 2014 is £1,688 million (31 March 2013: £117 million loss; 2012: £703 million gain). The net losses and net gains are recorded within operating profit (2014: £16 million charge; 2013: £21 million charge; 2012: £33 million charge), other income and expense and non-operating income and expense (2014: £1,493 million charge; 2013: £1 million charge; 2012: £681 million credit), investment and financing income (2014: £180 million charge; 2013: £91 million charge; 2012: £55 million credit) and income tax expense (2014: £1 million credit; 2013: £4 million charge; 2012: £nil). 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.

New accounting pronouncements adopted

On 1 April 2013 the Group adopted new accounting policies where necessary to comply with amendments to IFRS. Accounting pronouncements considered by the Group as significant on adoption are:

g Amendments to IAS 19, Employee benefits , which 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 amendments also include a revised definition of short- and long-term benefits to employees and revised criteria for the recognition of termination benefits. The consolidated financial statements have been restated on the adoption of the amendments to IAS 19 (2013: reduced profit for the year by £16 million, 2012: £9 million).

- Changes to the standards governing the accounting for subsidiaries, joint arrangements and associates, including the introduction of IFRS 10, Consolidated Financial Statements , IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities and amendments to IAS 28, Investments in Associates and Joint Ventures . IFRS 11 generally requires interests in jointly controlled entities to be recorded using the equity method, which is consistent with the accounting treatment applied to investments in associates. Under IFRS 11, the Group s principal joint arrangements, excluding Cornerstone Telecommunications Infrastructure Limited (see note 12 Investments in associates and joint ventures , are incorporated into the consolidated financial statements using the equity method of accounting rather than proportionate consolidation. The consolidated financial statements have been restated on the adoption of IFRS 11; the other changes to the standards governing the accounting for subsidiaries, joint arrangements and associates do not have a material impact on the Group. Adoption on 1 April 2013 is considered to be early adoption for the purposes of complying with IFRS as endorsed by the European Union.

In addition, during the year the Group has early-adopted amendments to IAS 36, Impairment of Assets , relating to recoverable amounts disclosures, which corrects a previous amendment.

Other IFRS changes adopted on 1 April 2013, including the adoption of IFRS 13, Fair Value Measurement , have no material impact on the consolidated results, financial position or cash flows of the Group.

The previously reported comparative periods have been restated in the consolidated financial statements for the amendments to IAS 19 and IFRS 11. The impact on key financial information is detailed in the following tables; the impact on earnings per share is immaterial.

				2013				2012
	As reported	Adjustments	Discontinued operations[1]	Restated	As reported	Adjustments	Discontinued operations[1]	Restated
	£m	£m	£m	£m	£m	£m	£m	£m
Consolidated income statement and statement of comprehensive income								
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	(6,422)	575	4,963	1,033	(4,867)	1,129
Operating profit/(loss)	4,728	(508)	(6,422)	(2,202)	11,187	(702)	(4,867)	5,618
Profit/(loss) before tax	3,255	(372)	(6,366)	(3,483)	9,549	(561)	(4,844)	4,144
Profit/(loss) for the financial year from continuing operations	673	(16)	(4,616)	(3,959)	7,003	(9)	(3,555)	3,439
Profit for the financial year from discontinued operations			4,616	4,616			3,555	3,555
Other comprehensive income/(expense)	76	16		92	(4,653)	9		(4,644)
	749			749	2,350			2,350

Total comprehensive income

Note:

1 Adjustments to disclose discontinued operations as a result of the disposal of the US Group, whose principal asset was its 45% interest in Verizon Wireless. See note 7 Discontinued operations for further details.

1. Basis of preparation (continued)

	As reported	Adjustments	2013 Restated	As reported	Adjustments	2012 Restated
	£m	£m	£m	£m	£m	£m
Consolidated statement of financial position						
Non-current assets	119,411	(2,736)	116,675	119,551	(3,132)	116,419
Current assets	23,287	(1,638)	21,649	20,025	(994)	19,031
Total assets	**142,698**	**(4,374)**	**138,324**	**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	(2,855)	28,369	24,025	(2,402)	21,623
Total equity and liabilities	**142,698**	**(4,374)**	**138,324**	**139,576**	**(4,126)**	**135,450**
Consolidated statement of cash flows						
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 1 April 2014

The following pronouncements which are potentially relevant to the Group have been issued by the IASB or the IFRIC, are effective for annual periods beginning on or after 1 January 2014 and have been endorsed for use in the EU unless otherwise stated:

- Amendment to IAS 32, Offsetting financial assets and financial liabilities .

- Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting .

- Improvements to IFRS 2010 to 2012 cycle , elements are effective variously from 1 July 2014 and for annual periods beginning on or after 1 July 2014. All the amendments will be adopted by the Group from 1 April 2014, except an amendment to IFRS 8, Operating Segments , which will be adopted on 1 April 2014. These amendments have not yet been endorsed by the EU.

- IFRIC 21, Levies , which has not yet been endorsed by the EU.

For periods commencing on or after 1 April 2014, the Group s financial reporting will be presented in accordance with the new standards above which are not expected to have a material impact on the consolidated results, financial position or cash flows of the Group.

New accounting pronouncements to be adopted on or after 1 April 2015

On 1 April 2015 the Group will adopt Amendments to IAS 19 Defined Benefit Plans: Employee Contributions and Improvements to IFRS 2011 2013 Cycle , which are both effective for annual periods beginning on or after 1 July 2014. Accounting for Acquisitions of Interests in Joint Operations, Amendments to IFRS 11 and Clarification of Acceptable Methods of Depreciation and Amortisation, Amendment to IAS 16 and IAS 38 , which are effective for accounting periods on or after 1 January 2016, will be adopted by the Group on 1 April 2016.

Phase I of IFRS 9 Financial Instruments was issued in November 2009 and has subsequently been updated and amended. The effective date of the standard is to be confirmed 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. None of the new pronouncements discussed above have been endorsed for use in the EU.

2. Segmental analysis

The Group s businesses are managed on a geographical basis. Selected financial data is presented on this basis below.

The Group s operating segments are established on the basis of those components of the Group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. 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. Transactions between operating segments are charged at arm s length prices.

Segment information is provided on the basis of geographic areas, being the basis on which the Group manages its worldwide interests, with each country in which the Group operates treated as an operating segment. The aggregation of operating segments into the Europe and AMAP regions reflects, in the opinion of management, the similar economic characteristics within each of those regions as well the similar products and services offered and supplied, classes of customers and the regulatory environment. In the case of the Europe region this largely reflects membership of the European Union, whilst for the AMAP region this largely includes emerging and developing economies that are in the process of rapid growth and industrialisation.

This note contains information on a management basis which includes the results of the Group s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis, including a five month contribution from Verizon Wireless. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis, and includes a five month contribution from Verizon Wireless which is treated as discontinued operations.

Certain financial information is provided separately within the Europe region for Germany, Italy, the UK and Spain and within the AMAP region for India and Vodacom, as these operating segments are individually material for the Group.

During the year ended 31 March 2014 the Group changed its organisational structure, merging its Northern and Central Europe and Southern Europe regions into one Europe region and moved its Turkish operating company into the AMAP region given its emerging market characteristics. The tables below present segmental information on the revised basis with prior years restated accordingly.

Accounting policies

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 receivable, 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:

g the Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and

g 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.

2. Segmental analysis (continued)

Segmental revenue

	Management basis[1]							Statutory basis[1]
	Segment revenue £m	Intra-region revenue £m	Regional revenue £m	Inter-region revenue £m	Group Revenue £m	Presentation adjustments[2] £m	Discontinued operations[2] £m	Revenue £m
31 March 2014								
Germany	8,272	(9)	8,263	(11)	8,252			8,252
Italy	4,312	(8)	4,304	(1)	4,303	(3,782)		521
UK	6,427	(10)	6,417	(3)	6,414	(131)		6,283
Spain	3,518	(17)	3,501	(2)	3,499	3		3,502
Other Europe	5,525	(13)	5,512	(4)	5,508	136		5,644
Europe	**28,054**	**(57)**	**27,997**	**(21)**	**27,976**	**(3,774)**		**24,202**
India	4,394		4,394	(3)	4,391	(449)		3,942
Vodacom	4,718		4,718		4,718			4,718
Other AMAP	5,860	(1)	5,859	(12)	5,847	(1,047)		4,800
AMAP	**14,972**	**(1)**	**14,971**	**(15)**	**14,956**	**(1,496)**		**13,460**
Non-Controlled Interests and Common Functions	686		686	(2)	684			684
Group	**43,712**	**(58)**	**43,654**	**(38)**	**43,616**	**(5,270)**		**38,346**
Discontinued operations								
Verizon Wireless[3]	*9,955*							
31 March 2013 restated								
Germany	7,857	(27)	7,830	(6)	7,824	2		7,826
Italy	4,755	(21)	4,734	(1)	4,733	(4,733)		
UK	5,150	(30)	5,120	(4)	5,116	(23)		5,093

Spain	3,904	(40)	3,864	(2)	3,862	5	3,867
Other Europe	7,115	(61)	7,054	(6)	7,048	32	7,080
Europe	**28,781**	**(179)**	**28,602**	**(19)**	**28,583**	**(4,717)**	**23,866**
India	4,324		4,324	(4)	4,320	(417)	3,903
Vodacom	5,206		5,206		5,206		5,206
Other AMAP	5,884	(1)	5,883	(28)	5,855	(1,270)	4,585
AMAP	**15,414**	**(1)**	**15,413**	**(32)**	**15,381**	**(1,687)**	**13,694**
Non-Controlled Interests and Common Functions	481		481		481		481
Group	**44,676**	**(180)**	**44,496**	**(51)**	**44,445**	**(6,404)**	**38,041**
Discontinued operations							
Verizon Wireless[3]	*21,972*						
31 March 2012 restated							
Germany	8,233	(43)	8,190	(2)	8,188	5	8,193
Italy	5,658	(27)	5,631	(2)	5,629	(5,629)	
UK	5,397	(36)	5,361	(7)	5,354	5	5,359
Spain	4,763	(52)	4,711	(4)	4,707	7	4,714
Other Europe	6,469	(40)	6,429	(5)	6,424	8	6,432
Europe	**30,520**	**(198)**	**30,322**	**(20)**	**30,302**	**(5,604)**	**24,698**
India	4,265		4,265	(6)	4,259	(295)	3,964
Vodacom	5,638		5,638	(8)	5,630	1	5,631
Other AMAP	5,669	(1)	5,668	(54)	5,614	(1,456)	4,158
AMAP	**15,572**	**(1)**	**15,571**	**(68)**	**15,503**	**(1,750)**	**13,753**
Non-Controlled Interests and Common Functions	614		614	(2)	612	(242)	370
Group	**46,706**	**(199)**	**46,507**	**(90)**	**46,417**	**(7,596)**	**38,821**
Discontinued operations							
Verizon Wireless[3]	*20,187*						

Notes:

1 Management basis includes the results of the Group s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis.

2 Presentation adjustments relate to the restatement of the Group s joint ventures from a proportionate consolidation basis to an equity accounted basis. Discontinued items relate to the results of Verizon Wireless.

3 Values shown for Verizon Wireless, which was an associate, are not included in the calculation of Group revenue.

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Segmental profit

The reconciliation of management basis adjusted EBITDA to statutory adjusted operating profit is shown below.

	Management basis[1]					Statuto
	Adjusted EBITDA[2]	Depreciation, amortisation and loss on disposal of fixed assets	Share of results in associates and joint ventures	Presentation adjustments[4]	Discontinued operations[4]	Adjusted op
	£m	£m	£m	£m	£m	
n						
	2,698					
	1,536					
	1,418					
	787					
rope	1,736					
	8,175					
	1,397					
	1,716					
IAP	1,567					
	4,680					
trolled and						
	(24)					
	12,831	**(8,181)**	**3,224**	**(395)**	**(3,169)**	
nued ns						
	4,274					

n						
ated						
	2,831					
	1,917					
	1,210					
	1,021					
rope	2,120					
	9,099					
	1,240					
	1,891					
IAP	1,401					
	4,532					
trolled						
and						
	(65)					
	13,566	**(7,543)**	**6,554**		**(487)**	**(6,500)**
nued						
ns						
	8,831					
n						
ated						
	3,034					
	2,521					
	1,294					
	1,210					
rope	2,160					
	10,219					
	1,122					
	1,933					
IAP	1,338					
	4,393					
trolled						
and						
	(6)					
	14,606	**(7,625)**	**5,049**		**(690)**	**(4,953)**
nued						
ns						
	7,689					

Notes:

1 Management basis includes the results of the Group s joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis, including a five month contribution from Verizon Wireless. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis, and includes a five month contribution from Verizon Wireless which is treated as discontinued operations.

2

The Group s measure of segment profit, adjusted EBITDA, excludes depreciation, amortisation and loss on disposal of fixed assets and the Group s share of results in associates and joint ventures. Adjusted EBITDA and adjusted operating profit have been restated to exclude restructuring costs.

3 Discontinued operations comprise our US Group whose principal asset was a 45% interest in Verizon Wireless. We sold our US Group on 21 February 2014. Refer to note 7 Discontinued operations for further details.

4 Presentation adjustments relate to the restatement of the Group s joint ventures from a proportionate consolidation basis to an equity accounted basis. Discontinued items relate to the results of Verizon Wireless.

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2. Segmental analysis (continued)

A reconciliation of adjusted operating profit to operating (loss)/profit is shown below. For a reconciliation of operating (loss)/profit to profit for the financial year, see the consolidated income statement on page 96.

	2014	Restated 2013	Restated 2012
	£m	£m	£m
Adjusted operating profit	**4,310**	**5,590**	**6,387**
Impairment loss	(6,600)	(7,700)	(4,050)
Restructuring costs	(355)	(311)	(144)
Amortisation of acquired customer base and brand intangible assets	(551)	(249)	(280)
Other income and expense	(717)	468	3,705
Operating (loss)/profit	**(3,913)**	**(2,202)**	**5,618**

Segmental assets

	Non-current assets[1]	Capital expenditure[2]	Other expenditure on intangible assets	Depreciation and amortisation	Impairment loss
	£m	£m	£m	£m	£m
31 March 2014					
Germany	22,780	1,312	3	2,036	4,900

Italy	7,984	180		164	
UK	8,031	932		1,290	
Spain	3,653	511		587	800
Other Europe	8,736	800	273	1,047	900
Europe	**51,184**	**3,735**	**276**	**5,124**	**6,600**
India	7,824	633	1,938	828	
Vodacom	4,560	663	3	593	
Other AMAP	4,850	711	11	932	
AMAP	**17,234**	**2,007**	**1,952**	**2,353**	
Non-Controlled Interests and Common Functions	1,121	571		83	
Group	**69,539**	**6,313**	**2,228**	**7,560**	**6,600**
31 March 2013 restated					
Germany	19,109	1,073	2	1,423	
Italy					4,500
UK	8,365	601	863	888	
Spain	4,599	377		590	3,200
Other Europe	9,786	993	1,335	1,291	
Europe	**41,859**	**3,044**	**2,200**	**4,192**	**7,700**
India	7,388	462	130	914	
Vodacom	5,668	703	10	696	
Other AMAP	5,826	678	90	894	
AMAP	**18,882**	**1,843**	**230**	**2,504**	
Non-Controlled Interests and Common Functions	982	405		(35)	
Group	**61,723**	**5,292**	**2,430**	**6,661**	**7,700**
31 March 2012 restated					
Germany	19,151	880	4	1,469	
Italy					2,450
UK	6,430	575		880	
Spain	8,069	429	71	626	900
Other Europe	8,543	823	313	1,122	700
Europe	**42,193**	**2,707**	**388**	**4,097**	**4,050**
India	7,847	710		967	
Vodacom	6,469	723		840	
Other AMAP	5,362	709		782	
AMAP	**19,678**	**2,142**		**2,589**	
Non-Controlled Interests and Common Functions	715	395		35	
Group	**62,586**	**5,244**	**388**	**6,721**	**4,050**

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 intangibles. Excludes licences and spectrum additions.

3. Operating (loss)/profit

Detailed below are the key amounts recognised in arriving at our operating (loss)/profit.

	2014	Restated 2013	Restated 2012
	£m	£m	£m
Net foreign exchange losses	16	21	33
Depreciation of property, plant and equipment (note 11):			
Owned assets	3,990	3,600	3,583
Leased assets	48	37	74
Amortisation of intangible assets (note 10)	3,522	3,024	3,064
Impairment of goodwill in subsidiaries, associates and joint arrangements (note 4)	6,600	7,700	3,848
Impairment of licences and spectrum (note 4)			121
Impairment of property, plant and equipment (note 4)			81
Negative goodwill (note 28)		(473)	
Research and development expenditure	214	307	304
Staff costs (note 25)	3,875	3,620	3,352
Operating lease rentals payable:			
Plant and machinery	651	506	500
Other assets including fixed line rentals	1,502	1,297	1,255
Loss on disposal of property, plant and equipment	85	77	51
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(455)	(356)	(312)

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:

	2014	2013	2012
	£m	£m	£m
Parent company	1	1	1
Subsidiaries	8	7	6
Audit fees:	**9**	**8**	**7**
Audit-related assurance services[1]	1	1	1

Other assurance services[2]	3		
Taxation advisory services[3]			
Other non-audit services[3]			1
Non-audit fees:	**4**	**1**	**2**
Total fees	**13**	**9**	**9**

Notes:

1 Relates to fees for statutory and regulatory filings.
2 Primarily arising from regulatory filings and shareholder documentation requirements in respect of the disposal of Verizon Wireless and the acquisition of the outstanding minority stake in Vodafone Italy.
3 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 £0.3 million

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 64.

4. Impairment losses

Impairment occurs when the carrying value of assets is greater than the present value of the net cash flows they are expected to generate. We review the carrying value of assets for each country in which we operate at least annually. For further details on our impairment review process see Critical accounting judgements in note 1 Basis of preparation to the consolidated financial statements.

Accounting policies

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 and 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 and an impairment loss reversal is recognised immediately in the income statement.

Impairment losses

Following our annual impairment review, the net impairment losses recognised in the consolidated income statement within operating profit, in respect of goodwill, licences and spectrum fees, and property, plant and equipment are stated below. The impairment losses were based on value in use calculations.

		2014	2013	2012
Cash generating unit	Reportable segment	**£m**	£m	£m
Germany	Germany	4,900		
Italy	Italy		4,500	2,450
Spain	Spain	800	3,200	900
Portugal	Other Europe	500		250
Czech Republic	Other Europe	200		
Romania	Other Europe	200		
Greece	Other Europe			450
		6,600	**7,700**	**4,050**

Goodwill

The remaining carrying value of goodwill at 31 March was as follows:

		Restated
	2014	2013
	£m	£m
Germany	10,306	11,703
Italy	3,017	
Spain	1,662	2,515
	14,985	**14,218**
Other	8,330	10,172
	23,315	**24,390**

Key assumptions used in the value in use calculations

The key assumptions used in determining the value in use are:

Assumption	How determined
Budgeted, adjusted EBITDA	Budgeted, adjusted EBITDA has been based on past experience adjusted for the following: g 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; g 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 g 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	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 rates for the country of operation; and
- the long-term compound annual growth rate in adjusted EBITDA in years six to ten estimated by management.

Pre-tax risk adjusted discount rate	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.
	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.
	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.

Year ended 31 March 2014

During the year ended 31 March 2014 impairment charges of £4,900 million, £800 million, £500 million, £200 million and £200 million were recorded in respect of the Group s investments in Germany, Spain, Portugal, Czech Republic and Romania respectively. The impairment charges relate solely to goodwill. The recoverable amount of Germany, Spain, Portugal, Czech Republic and Romania were £23.0 billion, £3.3 billion, £1.3 billion, £0.6 billion and £1.2 billion respectively.

The impairment charges are driven by lower projected cash flows within the business plans resulting in our reassessment of expected future business performance in the light of current trading and economic conditions.

The table below shows the key assumptions used in the value in use calculations.

	Assumptions used in value in use calculation						
	Germany	Italy	Spain	Portugal	Czech Republic	Romania	Greece
	%	%	%	%	%	%	%
Pre-tax risk adjusted discount rate	7.7	10.5	9.9	11.1	8.0	11.0	24.3
Long-term growth rate	0.5	1.0	1.9	1.5	0.8	1.0	1.0
Budgeted, adjusted EBITDA[1]	2.8	(2.2)	(0.7)	(0.8)	(0.6)	1.7	4.7

Budgeted capital expenditure[2]	12.5	21.7	11.1	25.5	9.0	23.5	11.0	28.3	15.9	21.2	10.5	17.3	7.6	12.2

Notes:

1 Budgeted, adjusted 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.

4. Impairment losses (continued)

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 estimated recoverable amounts of the Group s operations in Germany, Italy, Spain, Portugal, Czech Republic, Romania and Greece are equal to, or not materially greater than, their carrying values; consequently, any adverse change in key assumptions would, in isolation, cause a further impairment loss to be recognised.

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 2014.

	Germany		Spain		Portugal	
	Increase by 2pps	Decrease by 2pps	Increase by 2pps	Decrease by 2pps	Increase by 2pps	Decrease by 2pps
	£bn	£bn	£bn	£bn	£bn	£bn
Pre-tax risk adjusted discount rate	(7.1)	4.9	(0.9)	0.8	(0.3)	0.4
Long-term growth rate	4.9	(5.2)	0.8	(0.8)	0.4	(0.2)
Budgeted, adjusted EBITDA[1]	0.8	(0.8)	0.2	(0.2)	0.1	(0.1)
Budgeted capital expenditure[2]	(2.4)	2.4	(0.8)	0.8	(0.2)	0.2

	Czech Republic		Romania	
	Increase	Decrease	Increase	Decrease

	by 2pps	by 2pps	by 2pps	by 2pps
	£bn	£bn	£bn	£bn
Pre-tax risk adjusted discount rate	(0.2)	0.2	(0.2)	0.2
Long-term growth rate	0.2	(0.2)	0.2	(0.2)
Budgeted, adjusted EBITDA[1]			0.1	(0.1)
Budgeted capital expenditure[2]				

Notes:

1 Budgeted, adjusted 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 cash-generating units of the plans used for impairment testing.

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 recoverable amounts of Italy and Spain were £8.9 billion and £4.2 billion respectively. 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, adjusted 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, adjusted 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.

The pre-tax adjusted discount rate used for Czech Republic was 5.6%.

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 estimated recoverable amounts of the Group s operations in Italy, Spain, Portugal and Greece are equal to, or not materially greater than, their carrying values; 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	Romania
	pps	pps
Pre-tax risk adjusted discount rate	0.4	1.0
Long-term growth rate	(0.5)	(1.2)
Budgeted, adjusted EBITDA[1]	(0.7)	(1.7)
Budgeted capital expenditure[2]	1.1	2.8

Notes:

1 Budgeted, adjusted 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.

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	Decrease by 2pps	Increase by 2pps	Decrease by 2pps	Increase by 2pps	Decrease by 2pps
	£bn	£bn	£bn	£bn	£bn	£bn

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, adjusted 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, adjusted 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 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 in Greece to licence intangible assets (£121 million) and property, plant and equipment (£81 million). The recoverable amounts of Italy, Spain, Greece and Portugal were £13.5 billion, £7.4 billion, £0.4 billion and £1.8 billion respectively.

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, adjusted 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, adjusted 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.

5. Investment income and financing costs

Investment income comprises interest received from short-term investments, bank deposits, government bonds and gains from foreign exchange contracts which are used to hedge net debt. Financing costs mainly arise from interest due on bonds and commercial paper issued, bank loans and the results of hedging transactions used to manage foreign exchange and interest rate movements.

	2014 £m	Restated 2013 £m	Restated 2012 £m
Investment income:			
Available-for-sale investments:			
Dividends received	10	2	2
Loans and receivables at amortised cost	184	124	168
Fair value through the income statement (held for trading):			
Derivatives foreign exchange contracts	82	115	121
Other[1]	70	64	165
	346	**305**	**456**
Financing costs:			
Items in hedge relationships:			
Other loans	265	228	210
Interest rate swaps	(196)	(184)	(178)
Fair value hedging instrument	386	(81)	(539)
Fair value of hedged item	(363)	112	511
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts[2]	557	584	628
Other loans[3]	770	736	785
Interest credit on settlement of tax issues[4]	(15)	(91)	23

Equity put rights and similar arrangements[5]	143	136	81
Fair value through the income statement (held for trading):			
Derivatives forward starting swaps and futures	1	105	244
Other[1]	6	51	3
	1,554	**1,596**	**1,768**
Net financing costs	**1,208**	**1,291**	**1,312**

Notes:

1 Amounts for 2014 include net foreign exchange gains of £21 million (2013 £91 million loss; 2012 £55 million gain) arising from net foreign exchange movements on certain intercompany balances. Amounts for 2012 include foreign exchange gains arising on investments held following the disposal of Vodafone Japan to SoftBank Corp.
2 The Group capitalised £3 million of interest expense in the year (2013: £8 million; 2012: £25 million). The interest rate used to determine the amount of borrowing costs eligible for capitalisation was 5.4%.
3 Amounts for 2014 include foreign exchange losses of £201 million.
4 Amounts for 2014 and 2013 include a reduction of the provision for potential interest on tax issues.
5 Includes amounts in relation to the Group s arrangements with its non-controlling interest partners in India.

6. 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.

Accounting policies

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 arrangements, 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 the Group s assessment 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.

Income tax expense

	2014 **£m**	Restated 2013 £m	Restated 2012 £m
United Kingdom corporation tax expense/(income):			
Current year			
Adjustments in respect of prior years	17	24	(4)
	17	**24**	**(4)**
Overseas current tax expense/(income):			
Current year	3,114	1,062	1,118
Adjustments in respect of prior years	(25)	(249)	(42)
	3,089	**813**	**1,076**
Total current tax expense	**3,106**	**837**	**1,072**
Deferred tax on origination and reversal of temporary differences:			
United Kingdom deferred tax	57	(52)	(8)
Overseas deferred tax	(19,745)	(309)	(359)
Total deferred tax income	**(19,688)**	**(361)**	**(367)**
Total income tax (income)/expense	**(16,582)**	**476**	**705**

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 £6.8 billion of spectrum payments to the UK government in 2000 and 2013.

6. Taxation (continued)

Tax on discontinued operations

	2014	2013	2012
	£m	£m	£m
Tax charge on profit from ordinary activities of discontinued operations	1,709	1,750	1,289
Tax charge relating to the gain or loss of discontinuance			
Total tax charge on discontinued operations	**1,709**	**1,750**	**1,289**

Tax charged/(credited) directly to other comprehensive income

	2014	Restated 2013	Restated 2012
	£m	£m	£m
Current tax charge/(credit)		4	(4)
Deferred tax charge/(credit)	23	(37)	(116)
Total tax charged/(credited) directly to other comprehensive income	**23**	**(33)**	**(120)**

Tax charged/(credited) directly to equity

	2014	Restated 2013	Restated 2012
	£m	£m	£m
Current tax charge/(credit)	12	(17)	(1)
Deferred tax credit		(1)	(1)

Total tax charged/(credited) directly to equity	**12**	**(18)**	**(2)**

Factors affecting the tax expense for the year

The table below explains the differences between the expected tax expense at the UK statutory tax rate of 23% (2013: 24% and 2012: 26%), and the Group s total tax expense for each year.

	2014	Restated 2013	Restated 2012
	£m	£m	£m
Continuing (loss)/profit before tax as shown in the consolidated income statement	**(5,270)**	**(3,483)**	**4,144**
Expected income tax (income)/expense at UK statutory tax rate	(1,212)	(836)	1,077
Effect of different statutory tax rates of overseas jurisdictions	(328)	(9)	456
Impairment losses with no tax effect	1,958	2,664	1,053
Disposal of Group investments[1]	211	(10)	(718)
Effect of taxation of associates and joint ventures, reported within operating profit	61	129	78
Recognition of deferred tax assets in Luxembourg and Germany[2]	(19,318)		
Tax charge on rationalisation and re-organisation of non-US assets prior to VZW disposal[3]	1,365		
Deferred tax impact of previously unrecognised temporary differences including losses	(164)	(625)	(634)
Current tax impact of previously unrecognised temporary differences including losses		(74)	
Effect of unrecognised temporary differences	215	(184)	(285)
Adjustments in respect of prior years	(43)	(234)	(110)
Gain on acquisition of CWW with no tax effect		(164)	
Effect of secondary and irrecoverable taxes	37	94	159
Deferred tax on overseas earnings	4	(4)	
Effect of current year changes in statutory tax rates	158	(2)	(3)
Expenses not deductible for tax purposes and other items	210	104	199
Tax on income derived from discontinued operations	418		
Exclude taxation of associates	(154)	(373)	(567)
Income tax (income)/expense	**(16,582)**	**476**	**705**

Notes:

1 2014 relates to deemed disposal of Italy. 2012 relates to the disposal of SFR and Polkomtel.
2 See commentary regarding deferred tax asset recognition on page 122.
3 Includes the US tax charge of £2,210 million on the rationalisation and reorganisation of non-US assets prior to the disposal of our interest in Verizon Wireless.

Deferred tax

Analysis of movements in the net deferred tax balance during the year:

	£m
1 April 2013 restated	(3,823)
Exchange movements	151
Credited to the income statement (continuing operations)	19,688
Charged to the income statement (discontinued operations)	(567)
Charged directly to other comprehensive income	(23)
Arising on acquisition and disposals	4,434
31 March 2014	**19,860**

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	(123)	993	(1,597)	(40)	(644)
Intangible assets	255	72	(1,409)	1	(1,336)
Tax losses	19,433	28,569		(7,418)	21,151
Deferred tax on overseas earnings	(2)				
Other temporary differences	125	1,186	(343)	(154)	689
31 March 2014	**19,688**	**30,820**	**(3,349)**	**(7,611)**	**19,860**

Deferred tax assets and liabilities are analysed in the statement of financial position, after offset of balances within countries, as follows:

	£m
Deferred tax asset	20,607
Deferred tax liability	(747)

31 March 2014	**19,860**

At 31 March 2013, 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	58	1,071	(4,962)		(3,891)
Intangible assets	85	126	(1,403)		(1,277)
Tax losses	164	28,077		(25,977)	2,100
Deferred tax on overseas earnings	(5)		(1,812)		(1,812)
Other temporary differences	59	2,848	(193)	(1,598)	1,057
31 March 2013	**361**	**32,122**	**(8,370)**	**(27,575)**	**(3,823)**

At 31 March 2013 deferred tax assets and liabilities were analysed in the statement of financial position, after offset of balances within countries, as follows:

	£m
Deferred tax asset	2,848
Deferred tax liability	(6,671)
31 March 2013	**(3,823)**

6. Taxation (continued)

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. See note 30 Contingent liabilities to the consolidated financial statements.

At 31 March 2014, the gross amount and expiry dates of losses available for carry forward are as follows:

	Expiring within 5 years	Expiring within 6 10 years	Unlimited	Total
	£m	£m	£m	£m
Losses for which a deferred tax asset is recognised	274	461	79,115	79,850
Losses for which no deferred tax is recognised	1,281	519	26,318	28,118
	1,555	**980**	**105,433**	**107,968**

At 31 March 2013, the gross amount and expiry dates of losses available for carry forward are as follows:

	Expiring within 5 years	Expiring within 6 10 years	Unlimited	Total
	£m	£m	£m	£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	94,135	96,671
	2,188	**691**	**102,558**	**105,437**

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 £15,290 million (2013: £3,236 million) are included in the above table on which we have recognised a deferred tax asset as we expect the German business to continue to generate future taxable profits against which we can utilise these losses. In 2013 the Group did not recognise a deferred tax asset on £12,346 million of the losses as it was uncertain that these losses would be utilised.

Included above are losses amounting to £6,651 million (2013: £7,104 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. We have recognised a deferred tax asset against £442 million of these losses in the current year.

The losses above also include £73,734 million (2013: £70,644 million) that have arisen in overseas holding companies as a result of revaluations of those companies investments for local GAAP purposes. A deferred tax asset of £18,150 million (2013: £1,325 million) has been recognised in respect of £62,980 million (2013: £4,535 million) of these losses which relate to tax groups in Luxembourg where we expect the members of these tax groups to generate future taxable profits against which these losses will be used. No deferred tax asset is recognised in respect of the remaining £10,754 million of these losses as it is uncertain whether these losses will be utilised.

In addition to the above, we hold £7,642 million of losses in overseas holding companies from a former Cable & Wireless Worldwide Group company, for which no deferred tax asset has been recognised as it is uncertain whether these losses will be utilised.

The recognition of the additional deferred tax assets, which arose from losses in earlier years, was triggered by the agreement to dispose of the US Group whose principal asset was its 45% interest in Verizon Wireless, which removes significant uncertainty around both the availability of the losses in Germany and the future income streams in Luxembourg. The Group expects to use the losses over a significant number of years; the actual use of the losses is dependent on many factors which may change, including the level of profitability in both Germany and Luxembourg, changes in tax law and changes to the structure of the Group.

The remaining losses relate to a number of other jurisdictions across the Group. There are also £339 million (2013: £5,918 million) of unrecognised other temporary differences.

The Group holds no deferred tax liability (2013: £1,812 million) in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint arrangements were to be realised after the balance sheet date (see table above) following the Group s disposal of its 45% stake in Verizon Wireless. No deferred tax liability has been recognised in respect of a further £22,985 million (2013: £47,978 million) of unremitted earnings of subsidiaries, associates and joint arrangements 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.

7. Discontinued operations

On 21 February 2014, we completed the sale of our US Group whose principal asset was its 45% interest in Verizon Wireless. The results of these discontinued operations are detailed below.

Income statement and segment analysis of discontinued operations

	2014	2013	2012
	£m	£m	£m
Share of result in associates	3,191	6,422	4,867
Net financing income/(costs)	27	(56)	(23)
Profit before taxation	**3,218**	**6,366**	**4,844**
Taxation relating to performance of discontinued operations	(1,709)	(1,750)	(1,289)
Post-tax profit from discontinued operations	**1,509**	**4,616**	**3,555**

Gain on disposal of discontinued operations

	2014	2013	2012
	£m	£m	£m
Gain on disposal of discontinued operations before taxation (see note 28)	**44,996**		
Other items arising from the disposal[1]	1,603		
Net gain on disposal of discontinued operations	**46,599**		

Note:

1 Includes dividends received from Verizon Wireless after the date of the announcement of the disposal

Profit for the financial year from discontinued operations

	2014	2013	2012
	£m	£m	£m
Profit for the financial year from discontinued operations	1,509	4,616	3,555
Net gain on disposal of discontinued operations	46,599		
Profit for the financial year from discontinued operations	**48,108**	**4,616**	**3,555**

Earnings per share from discontinued operations

	2014	2013	2012
	Pence per share	Pence per share	Pence per share
Basic	181.74p	17.20p	12.87p
Diluted	180.30p	17.20p	12.73p

Total comprehensive income for the financial year from discontinued operations

	2014	2013	2012
	£m	£m	£m
Equity shareholders funds	**48,108**	**4,616**	**3,555**

Cash flows from discontinued operations

	2014	2013	2012
	£m	£m	£m
Net cash flows from operating activities	(2,617)	(1,464)	(175)
Net cash flows from investing activities	4,830	4,798	4,318
Net cash flows from financing activities	(2,225)	(5,164)	(2,364)
Net (decrease)/increase in cash and cash equivalents	**(12)**	**(1,830)**	**1,779**
Cash and cash equivalents at the beginning of the financial year		1,721	
Exchange gain/(loss) on cash and cash equivalents	12	109	(58)
Cash and cash equivalents at the end of the financial year			**1,721**

8. Earnings per share

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

	2014 Millions	Restated 2013 Millions	Restated 2012 Millions
Weighted average number of shares for basic earnings per share	26,472	26,831	27,624
Effect of dilutive potential shares: restricted shares and share options	210		314
Weighted average number of shares for diluted earnings per share	**26,682**	**26,831**	**27,938**

	2014 £m	Restated 2013 £m	Restated 2012 £m
Earnings for basic and diluted earnings per share	**59,254**	**413**	**6,948**
Basic earnings per share	223.84p	1.54p	25.15p
Diluted earnings per share	222.07p	1.54p	24.87p

On 19 February 2014, we announced a 6 for 11 share consolidation effective 24 February 2014. This had the effect of reducing the number of shares in issue from 52,821,751,216 ordinary shares (including 4,351,833,492 ordinary shares held in Treasury) as at the close of business on 18 February 2014 to 28,811,864,298 new ordinary shares in issue immediately after the share consolidation on 24 February 2014. Prior year comparatives have been restated.

9. Equity dividends

Dividends are one type of shareholder return, historically paid to our shareholders in February and August. For information on shareholder returns in the form of share buybacks, see the Commentary on the consolidated

statement of changes in equity on page 101.

	2014	2013	2012
	£m	£m	£m
Declared during the financial year:			
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)	3,365	3,193	3,102
Interim dividend for the year ended 31 March 2014: 3.53 pence per share (2013: 3.27 pence per share, 2012: 3.05 pence per share)	1,711	1,608	1,536
Second interim dividend share for the year ended 31 March 2014: nil (2013: nil pence per share, 2012: 4.00 pence per share)			2,016
Special dividend for the year ended 31 March 2014: 172.94 US cents per share (see below) (2013: nil, 2012: nil)	35,490		
	40,566	**4,801**	**6,654**
Proposed after the end of the reporting period and not recognised as a liability:			
Final dividend for the year ended 31 March 2014: 7.47 pence per share (2013: 6.92 pence per share, 2012: 6.47 pence per share)	1,975	3,377	3,195

On 2 September 2013 Vodafone announced that it had reached agreement to dispose of its US Group whose principal asset was its 45% interest in Verizon Wireless (VZW) to Verizon Communications Inc. (Verizon), for a total consideration of US$130 billion (£79 billion).

At a General Meeting of the Company on 28 January 2014, shareholders approved the transactions and following completion on 21 February 2014, Vodafone shareholders received all of the Verizon shares and US$23.9 billion (£14.3 billion) of cash (the Return of Value) totalling US$85.2 billion (£51.0 billion).

The Return of Value was carried out in the form of a B share scheme pursuant to a Court-approved scheme of arrangement and associated reduction of capital (the Scheme). The Scheme provided shareholders (other than shareholders in the United States and certain other jurisdictions) with the flexibility to receive their proceeds as either an income or capital return. Under the Scheme, Vodafone shareholders were issued unlisted, non-voting bonus shares, which were shortly thereafter either cancelled in consideration of the relevant amount of Verizon shares and cash or the holders received the relevant amount of Verizon shares and cash in satisfaction of a special distribution on the bonus shares, depending on shareholder elections and subject to applicable securities laws.

10. Intangible assets

Our statement of financial position contains significant intangible assets, mainly in relation to goodwill and licences and spectrum. Goodwill, which arises when we acquire a business and pay a higher amount than the fair value of its net assets primarily due to the synergies we expect to create, is not amortised but is subject to annual impairment reviews. Licences and spectrum are amortised over the life of the licence. For further details see Critical accounting judgements in note 1 Basis of preparation to the consolidated financial statements.

Accounting policies

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 not subject to amortisation but is tested for impairment or whenever there is evidence that it may be required. Goodwill is denominated in the currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

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:

g an asset is created that can be separately identified;

g it is probable that the asset created will generate future economic benefits; and

g 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:

g Licence and spectrum fees	3	25 years
g Computer software	3	5 years
g Brands	1	10 years
g Customer bases	2	7 years

10. Intangible assets (continued)

	Goodwill £m	Licences and spectrum £m	Computer software £m	Other £m	Total £m
Cost:					
1 April 2012 restated	72,840	26,480	8,018	2,783	110,121
Exchange movements	417	(62)	49	(213)	191
Arising on acquisition	59	28	63	335	485
Additions		2,430	1,307		3,737
Disposals of subsidiaries		(9)	(554)		(563)
Disposals			(4)		(4)
Other		4			4
31 March 2013 restated	**73,316**	**28,871**	**8,879**	**2,905**	**113,971**
Exchange movements	(3,054)	(1,757)	(375)	(434)	(5,620)
Arising on acquisition	6,859	1,319	464	2,861	11,503
Additions		2,228	1,437		3,665
Disposals		(74)	(296)		(370)
Other		5	103		108
31 March 2014	**77,121**	**30,592**	**10,212**	**5,332**	**123,257**
Accumulated impairment losses and amortisation:					
1 April 2012 restated	45,024	10,886	5,471	2,162	63,543
Exchange movements	702	30	38	(153)	617
Amortisation charge for the year		1,623	1,150	251	3,024
Impairment losses	3,200				3,200
Disposals of subsidiaries		(5)	(545)		(550)
Disposals			(3)		(3)
Other			1		1

31 March 2013 restated	**48,926**	**12,534**	**6,112**	**2,260**	**69,832**
Exchange movements	(1,720)	(732)	(261)	(338)	(3,051)
Amortisation charge for the year		1,683	1,282	557	3,522
Impairment losses	6,600				6,600
Disposals		(65)	(278)		(343)
Other			9		9
31 March 2014	**53,806**	**13,420**	**6,864**	**2,479**	**76,569**
Net book value:					
31 March 2013 restated	**24,390**	**16,337**	**2,767**	**645**	**44,139**
31 March 2014	**23,315**	**17,172**	**3,348**	**2,853**	**46,688**

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 £3,885 million (2013: £2,707 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	**2014** **£m**	Restated 2013 £m
Germany	2016/2020/2025	3,743	4,329
Italy	2015/2021/2029	1,301	
UK	2021/2033	3,425	3,782
India	2014 2030	3,885	2,702
Qatar	2028	945	1,111
Netherlands	2016/2029/2030	1,188	1,329

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 spectrum licences can be found on page 194.

11. 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, see Critical accounting judgements in note 1 Basis of preparation to the consolidated financial statements.

Accounting policies

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:

Land and buildings

g Freehold buildings	25 50 years
g Leasehold premises	the term of the lease

Equipment, fixtures and fittings

g Network infrastructure	3 25 years
g 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.

11. Property, plant and equipment (continued)

	Land and buildings £m	Equipment, fixtures and fittings £m	Total £m
Cost:			
1 April 2012 restated	1,426	38,776	40,202
Exchange movements	(20)	(41)	(61)
Arising on acquisition	52	1,503	1,555
Additions	122	3,862	3,984
Disposals of subsidiaries	(1)	(28)	(29)
Disposals	(18)	(1,481)	(1,499)
Other	37	(143)	(106)
31 March 2013 restated	**1,598**	**42,448**	**44,046**
Exchange movements	(99)	(2,900)	(2,999)
Arising on acquisition	113	6,286	6,399
Additions	127	4,743	4,870
Disposals of subsidiaries		(15)	(15)
Disposals	(93)	(1,224)	(1,317)
Transfer of assets to joint operations		(672)	(672)
Other		(103)	(103)
31 March 2014	**1,646**	**48,563**	**50,209**
Accumulated depreciation and impairment:			
1 April 2012 restated	584	23,610	24,194
Exchange movements	1	106	107
Charge for the year	97	3,540	3,637

Disposals of subsidiaries	(1)	(14)	(15)
Disposals	(13)	(1,329)	(1,342)
Other	31	(150)	(119)
31 March 2013 restated	**699**	**25,763**	**26,462**
Exchange movements	(20)	(1,477)	(1,497)
Charge for the year	99	3,939	4,038
Disposals of subsidiaries		(15)	(15)
Disposals	(46)	(1,099)	(1,145)
Transfer of assets to joint operations		(476)	(476)
Other		(9)	(9)
31 March 2014	**732**	**26,626**	**27,358**
Net book value:			
31 March 2013 restated	**899**	**16,685**	**17,584**
31 March 2014	**914**	**21,937**	**22,851**

The net book value of land and buildings and equipment, fixtures and fittings includes £48 million and £413 million respectively (2013: £62 million and £281 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 £70 million and £1,617 million respectively (2013: £19 million and £1,399 million). Property, plant and equipment with a net book value of £1 million (2013: £357 million) has been pledged as security against borrowings.

12. Investments in associates and joint ventures

We hold interests in several associates where we have significant influence, including Verizon Wireless which was disposed of on 21 February 2014, as well as interests in a number of joint arrangements where we share control with one or more third parties, with our business in Italy being the most significant prior to the acquisition of the remaining interests as part of the Verizon Wireless disposal. For further details see Critical accounting judgements in note 1 Basis of preparation to the consolidated financial statements.

Accounting policies

Interests in joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the relevant activities that significantly affect the investee s returns require the unanimous consent of the parties sharing control. Joint arrangements are either joint operations or joint ventures.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have the rights to the assets, and obligations for the liabilities, relating to the arrangement or that other facts and circumstances indicate that this is the case. The Group s share of assets, liabilities, revenue, expenses and cash flows 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.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control have the rights to the net assets of the arrangement.

At the date of acquisition, 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 joint venture is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures 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 joint venture, less any impairment in the value of the investment. The Group s share of post-tax profits or losses are recognised in the consolidated income statement. Losses of a joint venture in excess of the Group s interest in that joint venture are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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 do not have control or joint control over those policies.

At the date of acquisition, 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 is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

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. The Group s share of post-tax profits or losses are recognised in the consolidated income statement. Losses of an associate in excess of the Group s interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Joint operations

The Company s principal joint operation has share capital consisting solely of ordinary shares and is indirectly held, and principally operates in the UK. The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Name of joint operation	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Cornerstone Telecommunications Infrastructure Limited	Network infrastructure	UK	50.0

Note:

1 Effective ownership percentages of Vodafone Group Plc at 31 March 2014, rounded to the nearest tenth of one percent.

12. Investments in associates and joint ventures (continued)

	2014	Restated 2013
	£m	£m
Investment in joint ventures	(158)	7,812
Investment in associates	272	38,635
31 March	**114**	**46,447**

Joint ventures

The financial and operating activities of the Group s joint ventures are jointly controlled by the participating shareholders. The participating shareholders have rights to the net assets of the joint ventures though their equity shareholdings. Unless otherwise stated, the Company s principal joint ventures all have share capital consisting solely of ordinary shares and are all indirectly held. The country of incorporation or registration of all joint ventures is also their principal place of operation.

Name of joint venture	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Indus Towers Limited	Network infrastructure	India	37.4[2]
Vodafone Hutchison Australia Pty Limited[3]	Network operator	Australia	50.0
Vodafone Fiji Limited	Network operator	Fiji	49.0[4]

Notes:

1

Effective ownership percentages of Vodafone Group Plc at 31 March 2014, rounded to the nearest tenth of one percent.

2 42% of Indus Towers Limited is held by Vodafone India Limited (VIL) in which the Group had a 89% interest.

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.

The summarised financial information for equity accounted joint ventures on a 100% ownership basis is set out below including the Group s 76.9% ownership interest in Vodafone Omnitel B.V. until 21 February 2014. On 21 February 2014, the Group acquired the remaining 23.1% interest upon which date, the results of the wholly acquired entity have been consolidated in the Group s financial statements. Refer to note 28 Acquisitions and disposals for further information.

	Vodafone Omnitel B.V.		**Indus Towers Limited**		**Vodafone Hutchison Australia Pty Limited**		**Other joint ventures**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Income statement and statement of comprehensive income										
Revenue	4,931	6,186	1,547	1,489	2,032	2,497				
Depreciation and amortisation	(937)	(999)	(507)	(256)	(423)	(454)				
Interest income	1	2	20	8	10	6				
Interest expense	(15)	(6)	(124)	(103)	(212)	(191)				
Income tax (expense)/income	(174)	(430)	39	(53)	1	3				
Profit or loss from continuing operations	339	951	51	34	(132)	(446)				
Other comprehensive (expense)/income		(6)				6				
Total comprehensive income/(expense)	339	945	51	34	(132)	(440)				
Statement of financial position										
Non-current assets		4,870	1,798	1,542	1,916	1,865				
Current assets		1,722	423	417	590	528				
Non-current liabilities		(176)	(801)	(1,297)	(3,150)	(1,688)				
Current liabilities		(3,067)	(532)	(724)	(661)	(2,154)				
Equity shareholders funds		(3,349)	(888)	62	1,305	1,449				
Statement of financial position										
Cash and cash equivalents within current assets		20	143	65	60	96				
		(97)	(701)	(1,147)	(3,060)	(1,560)				

Non-current liabilities excluding trade and other payables and provisions										
Current liabilities excluding trade and other payables and provisions		(772)	(258)	(34)	(97)	(1,412)				
Summary										
Investment in joint ventures		8,441	373	(26)	(559)	(609)	28	6	(158)	7,812
Profit/(loss) from continuing operations	261	731	21	15	(66)	(223)	5	(3)	221	520
Other comprehensive (expense)/income		(5)				3		2		
Total comprehensive income/(expense)	261	726	21	15	(66)	(220)	5	(1)	221	520

Note:

1 Prior to 21 February 2013, the other participating shareholder held substantive veto rights such that the Group did not unilaterally control the financial and operating policies of Vodafone Omnitel B.V.

The Group received a dividend of £26 million in the year to 31 March 2014 (2013: £46 million; 2012: £nil) from Indus Towers.

Associates

Unless otherwise stated, the Company s principal associates all have share capital consisting solely of ordinary shares and are all indirectly held. The country of incorporation or registration of all associates is also their principal place of operation.

Name of associate	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Safaricom Limited[2,3]	Network operator	Kenya	40.0

Notes:

1 Effective ownership percentages of Vodafone Group Plc at 31 March 2014, rounded to the nearest tenth of one percent.
2 The Group also holds two non-voting shares.
3 At 31 March 2014 the fair value of Safaricom Limited was KES 198 billion (£1,371 million) based on the closing quoted share price on the Nairobi Stock Exchange.

On 21 February 2014, the Group disposed of its 45% interest in Cellco Partnership which traded under the name Verizon Wireless. Consequently, comparative information has been restated to reflect the continuing operations of the business. Results from discontinued operations are disclosed in note 7 Discontinued operations to the consolidated financial statements. The summarised financial information showing the Group s share of equity accounted associates is set out below.

	Cellco Partnership		**Other associates**			**Total**
	2014	2013	**2014**	2013	**2014**	2013
	£m	£m	**£m**	£m	**£m**	£m
Income statement and statement of comprehensive income						
Revenue	22,122	48,827				
Depreciation and amortisation	(2,186)	(5,145)				
Interest income	1	3				
Interest expense	(38)	(60)				

Income tax (expense)/income	(111)	29				
Post-tax profit of loss from discontinued operations	7,092	14,272				
Other comprehensive expense	(2)					
Total comprehensive income	7,090	14,272				
Statement of financial position						
Non-current assets		72,755				
Current assets		9,764				
Non-current liabilities		(6,328)				
Current liabilities		(9,267)				
Non-controlling interests		(1,366)				
Equity shareholders funds		(65,558)				
Statement of financial position						
Cash and cash equivalents within current assets		2,894				
Non-current liabilities excluding trade and other payables and provisions		(5,034)				
Current liabilities excluding trade and other payables and provisions		(3,208)				
Summary						
Investment in associates		38,373	272	262	272	38,635
Profit or loss from continuing operations			57	55	57	55
Post-tax profit from discontinued operations	3,191	6,422			3,191	6,422
Other comprehensive expense	(1)				(1)	
Total comprehensive income	3,190	6,422	57	55	3,247	6,477

The Group received £4,828 million of dividends in the year to 31 March 2014 (2013: £4,798 million, 2012: £3,820 million) from Cellco Partnership.

13. Other investments

We hold a number of other listed and unlisted investments, mainly comprising US$5.25 billion of loan notes from Verizon Communications.

Accounting policies

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 fair value, 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.

	2014 **£m**	Restated 2013 £m
Included within non-current assets:		
Listed securities:		
Equity securities	13	3
Unlisted securities:		

Equity securities	228	570
Public debt and bonds	141	134
Other debt and bonds	3,171	66
	3,553	**773**

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 which are not quoted in an active market, are classified as loans and receivables.

Unlisted equity investments are recorded at fair value where appropriate.

Other debt and bonds includes loan notes of US$5.25 billion (£3,151 million) issued by Verizon Communications Inc. as part of the Group s disposal of its interest in Verizon Wireless.

Current other investments comprise the following, of which public debt and bonds are classified as held for trading.

	2014 £m	Restated 2013 £m
Included within current assets:		
Public debt and bonds	938	1,130
Other debt and bonds	2,957	3,816
Cash held in restricted deposits	524	404
	4,419	**5,350**

Other debt and bonds includes £2,953 million of assets held for trading which include £1,979 million (2013: £3,000 million) of assets held in managed investment funds with liquidity of up to 90 days, £830 million (2013: £643 million) of short-term securitised investments with original maturities of up to six months, and collateral paid on derivative financial instruments of £144 million (2013: £169 million).

Current public debt and bonds include government bonds of £852 million (2013: £1,076 million) which consist of highly liquid index linked gilts with less than four 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.

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14. Inventory

Our inventory primarily consists of mobile handsets and is presented net of an allowance for obsolete products.

Accounting policies

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.

	2014	Restated 2013
	£m	£m
Goods held for resale	441	353

Inventory is reported net of allowances for obsolescence, an analysis of which is as follows:

	2014	Restated 2013	Restated 2012
	£m	£m	£m
1 April	(89)	(92)	(99)
Exchange movements	6	(6)	7
Amounts credited to the income statement	(5)	9	
31 March	**(88)**	**(89)**	**(92)**

Cost of sales includes amounts related to inventory amounting to £5,340 million (2013: £5,107 million; 2012: £5,409 million).

15. 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.

Accounting policies

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.

	2014	Restated 2013
	£m	£m
Included within non-current assets:		
Trade receivables	232	40
Amounts owed by associates and joint ventures	51	1,065
Other receivables	150	284
Prepayments and accrued income	592	499
Derivative financial instruments	2,245	2,944
	3,270	**4,832**
Included within current assets:		
Trade receivables	3,627	3,277
Amounts owed by associates and joint ventures	68	281
Other receivables	1,233	908
Prepayments and accrued income	3,760	3,464

Derivative financial instruments	198	88
	8,886	**8,018**

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:

	2014	Restated 2013	Restated 2012
	£m	£m	£m
1 April	770	799	826
Exchange movements	(67)	(10)	(54)
Amounts charged to administrative expenses	347	360	357
Trade receivables written off	(461)	(379)	(330)
31 March	**589**	**770**	**799**

The carrying amounts of trade and other receivables approximate their fair value. Trade and other receivables are predominantly non-interest bearing.

	2014	Restated 2013
	£m	£m
Included within Derivative financial instruments :		
Fair value through the income statement (held for trading):		
Interest rate swaps	1,262	1,508
Cross currency interest rate swaps	158	319
Foreign exchange contracts	68	88
	1,488	**1,915**
Designated hedge relationships:		
Interest rate swaps	609	1,117
Cross currency interest rate swaps	346	
	2,443	**3,032**

In the absence of a quoted price in an active market for the same derivatives, 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 derived from similar transactions.

16. 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.

Accounting policies

Trade payables are not interest bearing and are stated at their nominal value.

	2014 £m	Restated 2013 £m
Included within non-current liabilities:		
Derivative financial instruments	811	982
Other payables	72	105
Accruals and deferred income	456	220
	1,339	**1,307**
Included within current liabilities:		
Trade payables	4,710	3,781
Amounts owed to associates and joint ventures	51	54
Other taxes and social security payable	1,047	1,059
Derivative financial instruments	70	119
Other payables	678	447
Accruals and deferred income	8,900	8,472
	15,456	**13,932**

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.

	2014 £m	Restated 2013 £m
Included within Derivative financial instruments :		

Fair value through the income statement (held for trading):		
Interest rate swaps	430	1,013
Cross currency interest rate swaps	12	
Foreign exchange contracts	29	44
	471	**1,057**
Designated hedge relationships		
Interest rate swaps	205	44
Cross currency interest rate swaps	205	
	881	**1,101**

17. 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, and is therefore often estimated. The main provisions we hold are in relation to asset retirement obligations, which include the cost of returning network infrastructure sites to their original condition at the end of the lease, and claims for legal and regulatory matters. For further details see Critical accounting judgements in note 1 Basis of preparation to the consolidated financial statements.

Accounting policies

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.

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 de-commissioning. 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 see note 30 Contingent liabilities to the consolidated financial statements.

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.

	Asset retirement obligations	Legal and regulatory	Other	Total
	£m	£m	£m	£m
1 April 2012 restated	288	265	466	1,019
Exchange movements	(3)	6	(6)	(3)
Arising on acquisition	147	8	109	264
Amounts capitalised in the year	41			41
Amounts charged to the income statement		42	272	314
Utilised in the year payments	(3)	(34)	(167)	(204)
Amounts released to the income statement		(17)	(23)	(40)
Other	(3)	180	2	179
31 March 2013 restated	**467**	**450**	**653**	**1,570**
Exchange movements	(14)	(33)	(27)	(74)
Arising on acquisition	62	92	5	159
Amounts capitalised in the year	14			14
Amounts charged to the income statement		140	374	514
Utilised in the year payments	(26)	(35)	(186)	(247)
Amounts released to the income statement		(32)	(61)	(93)
Other	(18)	(25)	9	(34)
31 March 2014	**485**	**557**	**767**	**1,809**

Provisions have been analysed between current and non-current as follows:

31 March 2014

	Asset retirement obligations £m	Legal and regulatory £m	Other £m	Total £m
Current liabilities	14	271	678	963
Non-current liabilities	471	286	89	846
	485	**557**	**767**	**1,809**

31 March 2013

	Asset retirement obligations £m	Legal and regulatory £m	Other £m	Total £m
Current liabilities	11	209	495	715
Non-current liabilities	456	241	158	855
	467	**450**	**653**	**1,570**

18. Called up share capital

Called up share capital is the number of shares in issue at their par value. A number of shares were allotted during the year in relation to employee share schemes.

Accounting policies

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs

	2014 Number	2014 £m	2013 Number	2013 £m
Ordinary shares of 20 $^{20}/_{21}$ US cents each allotted, issued and fully paid:[1]				
1 April	53,820,386,309	3,866	53,815,007,289	3,866
Allotted during the year	1,423,737		5,379,020	
Consolidated during the year[2]	(24,009,886,918)			
Cancelled during the year	(1,000,000,000)	(74)		
31 March	**28,811,923,128**	**3,792**	**53,820,386,309**	**3,866**

Note:

1 At 31 March 2014, the Group held 2,371,962,907 (2013: 4,901,767,844) treasury shares with a nominal value of £312 million (2013: £352 million). The market value of shares held was £5,225 million (2013: £9,147 million). During the year 103,748,921 (2013: 161,289,620) treasury shares were reissued under Group share option schemes.

2 On 19 February 2014, we announced a 6 for 11 share consolidation effective 24 February 2014. This had the effect of reducing the number of shares in issue from 52,821,751,216 ordinary shares (including 4,351,833,492 ordinary shares held in Treasury) as at the close of business on 18 February 2014 to 28,811,864,298 new ordinary shares in issue immediately after the share consolidation on 24 February 2014.

During the year, we issued 14,732,741,283 B shares of US$1.88477 per share and 33,737,176,433 C shares of US$0.00001 per share as part of the Return of Value following the disposal of our US Group, whose principal asset was its 45% stake in Verizon Wireless. The B shares were cancelled as part of the Return of Value. The C shares were reclassified as deferred shares with no substantive rights as part of the Return of Value and transferred to LDC (Shares) Limited (LDC). After 22 February 2015 and without prior notice we may repurchase, or be required by LDC to repurchase, and then subsequently cancel all deferred shares for a total price of not more than one cent for all deferred shares repurchased.

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
UK share awards			
US share awards	1,423,737		
Total share awards	**1,423,737**		

Notes to the consolidated financial statements (continued)

19. 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.

	2014	Restated 2013	Restated 2012
	£m	£m	£m
Profit for the financial year	59,420	657	6,994
Adjustments for:			
Share-based payments	92	124	133
Depreciation and amortisation	7,560	6,661	6,721
Loss on disposal of property, plant and equipment	85	77	51
Share of result of equity accounted associates and joint ventures	(3,469)	(6,997)	(5,996)
Impairment losses	6,600	7,700	4,050
Other income and expense[1]	(45,979)	(468)	(3,705)
Non-operating income and expense	149	(10)	162
Investment income	(346)	(305)	(456)
Financing costs	1,527	1,652	1,791
Income tax (income)/expense	(14,873)	2,226	1,994
Decrease/(increase) in inventory	4	56	(8)
Decrease/(increase) in trade and other receivables	526	(199)	(664)
Increase in trade and other payables	851	320	849
Cash generated by operations	**12,147**	**11,494**	**11,916**
Tax paid	(5,920)	(2,670)	(1,619)
Net cash flow from operating activities	**6,227**	**8,824**	**10,297**

Note:

1 Includes a net gain on disposal of Verizon Wireless of £44,996 million.

20. Cash and cash equivalents

The majority of the Group s cash is held in bank deposits, money market funds or in repurchase agreements which have a maturity of three months or less to enable us to meet our short-term liquidity requirements.

Accounting policies

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.

		Restated
	2014	2013
	£m	£m
Cash at bank and in hand	1,498	1,304
Money market funds	3,648	3,494
Repurchase agreements	4,799	2,550
Short-term securitised investments	189	183
Cash and cash equivalents as presented in the statement of financial position	**10,134**	**7,531**
Bank overdrafts	(22)	(25)
Cash and cash equivalents as presented in the statement of cash flows	**10,112**	**7,506**

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.

21. 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 including bond and commercial paper issues and bank loans. 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. The Group enters into foreign exchange contracts to mitigate the impact of exchange rate movements on certain monetary items.

Accounting policies

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 designated hedge relationship. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

Carrying value and fair value information

						Restated
			2014			2013
	Short-term borrowings	**Long-term borrowings**	**Total**	Short-term borrowings	Long-term borrowings	Total
	£m	**£m**	**£m**	£m	£m	£m
Financial liabilities measured at amortised cost:						
Bank loans	1,263	4,647	5,910	2,440	3,077	5,517
Bank overdrafts	22		22	25		25
Redeemable preference shares					1,355	1,355
Commercial paper	950		950	4,054		4,054
Bonds	1,783	4,465	6,248	2,133	15,698	17,831
Other liabilities[1,2]	3,729	110	3,839	3,148	753	3,901
Bonds in designated hedge relationships		12,232	12,232		7,021	7,021
	7,747	**21,454**	**29,201**	**11,800**	**27,904**	**39,704**

Notes:

1 At 31 March 2014, amount includes £1,185 million (2013: £1,151 million) in relation to collateral support agreements.
2 At 31 March 2014, amount includes £882 million (2013: £899 million) in relation to the Piramal Healthcare option disclosed in note 22 Liquidity and capital resources .

Bank loans include INR 425 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 agreements between the Group, the Department of Telecommunications, and the Government of India including certain share pledges of the shares within the VIL Group. 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 of debt contracted by the other entities.

The fair value and carrying value of the Group s short-term borrowings is as follows:

	Sterling equivalent nominal value		Fair value		Carrying value	
		Restated		Restated		Restated
	2014	2013	**2014**	2013	**2014**	2013
	£m	£m	**£m**	£m	**£m**	£m
Financial liabilities measured at amortised cost	**5,655**	**9,385**	**5,964**	**9,790**	**5,964**	**9,667**
Bonds:	1,756	2,094	1,771	2,150	1,783	2,133
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
Euro floating rate note due June 2014	929		930		930	
4.625% sterling 350 million bond due September 2014	302		307		315	
4.625% sterling 525 million bond due September 2014	525		534		538	
Short-term borrowings	**7,411**	**11,479**	**7,735**	**11,940**	**7,747**	**11,800**

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21. Borrowings (continued)

The fair value and carrying value of the Group s long-term borrowings is as follows:

	Sterling equivalent nominal value	Restated	Fair value	Restated	Carrying value	Restated
	2014	2013	**2014**	2013	**2014**	2013
	£m	£m	**£m**	£m	**£m**	£m
Financial liabilities measured at amortised cost:						
Bank loans	4,788	3,017	4,707	3,122	4,647	3,077
Redeemable preference shares		1,086		1,020		1,355
Other liabilities	110	731	110	821	110	753
Bonds:	4,272	14,456	4,620	15,986	4,465	15,698
Euro floating rate note due June 2014		949		952		951
4.15% US dollar 1,250 million bond due June 2014		795		828		810
4.625% sterling 350 million bond due September 2014		304		319		320
4.625% sterling 525 million bond due September 2014		525		552		541
5.125% euro 500 million bond due April 2015	413	422	432	461	435	446
5.0% US dollar 750 million bond due September 2015		494		543		521
3.375% US dollar 500 million bond due November 2015		329		349		331

6.25% euro 1,250 million bond due January 2016	1,032	949	1,020	1,091	943	964
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		416		394
5.75% US dollar 750 million bond due March 2016		494		561		536
4.75% euro 500 million bond due June 2016	302	422	328	474	441	455
5.625% US dollar 1,300 million bond due February 2017		856		995		937
1.625% US dollar 1,000 million bond due March 2017		658		665		655
6.5% euro 400 million bond due July 2017	330		351		347	
1.25% US dollar 1,000 million bond due September 2017		658		654		655
5.375% sterling 600 million bond due December 2017	548	552	611	646	569	571
1.5% US dollar 1,400 million bond due February 2018		921		922		917
5% euro 750 million bond due June 2018	619	633	716	750	644	658
6.5% euro 700 million bond due June 2018	578		604		606	
4.625% US dollar 500 million bond due July 2018		329		376		387
8.125% sterling 450 million bond due November 2018	450	450	558	598	480	483
4.375% US dollar 500 million bond due March 2021		329		371		327
7.875% US dollar 750 million bond due February 2030		494		699		778
6.25% US dollar 495 million bond due November 2032		326		399		442
6.15% US dollar 1,700 million bond due February 2037		1,119		1,313		1,566
Bonds in designated hedge relationships:	10,951	6,287	11,797	6,969	12,232	7,021
2.15% Japanese yen 3,000 million bond due April 2015	17	21	18	22	18	21
5.375% US dollar 900 million bond due January 2015		592		641		633
US dollar floating rate note due February 2016	420		420		420	
5.625% US dollar 1,300 million bond due February 2017	779		874		836	
	599		607		597	

1.625% US dollar 1,000 million bond due March 2017						
1.25% US dollar 1,000 million bond due September 2017	599		594		597	
1.5% US dollar 1,400 million bond due February 2018	839		827		837	
4.625% US dollar 500 million bond due July 2018	300		332		343	
5.45% US dollar 1,250 million bond due June 2019	749	823	859	980	833	957
4.375% US dollar 500 million bond due March 2021	300		322		296	
4.65% euro 1,250 million bond due January 2022	1,032	1,055	1,213	1,270	1,194	1,236
5.375% euro 500 million bond due June 2022	413	422	509	530	536	558
2.5% US dollar 1,000 million bond due September 2022	599	658	551	633	557	643
2.95% US dollar 1,600 million bond due February 2023	959	1,053	903	1,050	939	1,054
5.625% sterling 250 million bond due December 2025	250	250	284	308	313	338
6.6324% euro 50 million bond due December 2028	41	42	93	94	81	77
7.875% US dollar 750 million bond due February 2030	450		603		698	
5.9% sterling 450 million bond due November 2032	450	450	519	560	561	598
6.25% US dollar 495 million bond due November 2032	297		341		399	
6.15% US dollar 1,700 million bond due February 2037	1,019		1,166		1,416	
4.375% US dollar 1,400 million bond due February 2043	839	921	762	881	761	906
Long-term borrowings	**20,121**	**25,577**	**21,234**	**27,918**	**21,454**	**27,904**

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.

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 designated hedge relationships £m	Total £m
Within one year	1,286		954	2,191	3,758	453	8,642
In one to two years	695			1,709	11	890	3,305
In two to three years	375			591	7	1,228	2,201
In three to four years	1,164			1,075	8	2,468	4,715
In four to five years	2,710			1,724	8	668	5,110
In more than five years	592				69	11,087	11,748
	6,822		**954**	**7,290**	**3,861**	**16,794**	**35,721**
Effect of discount/financing rates	(912)		(4)	(1,042)		(4,562)	(6,520)
31 March 2014	**5,910**		**950**	**6,248**	**3,861**	**12,232**	**29,201**
Within one year	2,269	56	4,070	2,946	2,263	277	11,881
In one to two years	402	56		3,313	138	870	4,779
In two to three years	305	56		4,753	1,101	266	6,481
In three to four years	230	56		1,636	599	245	2,766
In four to five years	1,007	56		3,156	72	245	4,536
In more than five years	1,835	1,212		5,877	52	7,913	16,889
	6,048	**1,492**	**4,070**	**21,681**	**4,225**	**9,816**	**47,332**
Effect of discount/financing rates	(531)	(137)	(16)	(3,850)	(299)	(2,795)	(7,628)
31 March 2013 restated	**5,517**	**1,355**	**4,054**	**17,831**	**3,926**	**7,021**	**39,704**

The maturity profile of the Group s financial derivatives (which include interest rate and foreign exchange swaps), using undiscounted cash flows, is as follows:

	2014 Payable £m	Receivable £m	2013 Payable £m	Receivable £m
Within one year	1,284	1,442	10,671	11,020
In one to two years	2,454	3,656	1,014	1,214

In two to three years	4,489	3,920	1,308	1,495
In three to four years	5,040	3,138	2,803	3,087
In four to five years	1,729	2,137	581	780
In more than five years	14,799	12,737	3,579	4,454
	29,795	**27,030**	**19,956**	**22,050**

The currency split of the Group s foreign exchange derivatives is as follows:

		2014		2013
	Payable	**Receivable**	Payable	Receivable
	£m	**£m**	£m	£m
Sterling	8,955	9,222	2,365	4,477
Euro	5,342	11,364	6,583	602
US dollar	10,613	4,330	348	6,130
Japanese yen	589	17	669	1,296
Other	1,880	2,765	3,945	1,768
	27,379	**27,698**	**13,910**	**14,273**

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The £319 million (2013: £363 million) net receivable in relation to foreign exchange financial instruments in the table above is split £246 million (2013: £44 million) within trade and other payables and £565 million (2013: £407 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:

	2014	2013
	£m	£m
Within one year	21	37
In two to five years	34	42
In more than five years	69	53

21. Borrowings (continued)

Interest rate and currency of borrowings

Currency	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings[1] £m	Other borrowings[2] £m
Sterling	2,801	885	1,910	6
Euro	16,225	4,557	10,220	1,448
US dollar	4,537	4,330	207	
Other	5,638	2,768	1,988	882
31 March 2014	**29,201**	**12,540**	**14,325**	**2,336**
Sterling	2,915	955	1,951	9
Euro	10,810	5,271	5,539	
US dollar	20,991	8,019	12,866	106
Other	4,988	2,198	1,891	899
31 March 2013 restated	**39,704**	**16,443**	**22,247**	**1,014**

Notes:

1 The weighted average interest rate for the Group s sterling denominated fixed rate borrowings is 5.7% (2013: 5.7%). The weighted average time for which these rates are fixed is 2.5 years (2013: 3.5 years). The weighted average interest rate for the Group s euro denominated fixed rate borrowings is 4.4% (2013: 4.3%). The weighted average time for which the rates are fixed is 2.6 years (2013: 2.4 years). The weighted average interest rate for the Group s US dollar denominated fixed rate borrowings is 2.9% (2013: 4.3%). The weighted average time for which the rates are fixed is 5.7 years (2013: 6.3 years). The weighted average interest rate for the Group s other currency fixed rate borrowings is 10.2% (2013: 9.6%). The weighted average time for which the rates are fixed is 1.4 years (2013: 1.5 years).

2 At 31 March 2014 other borrowings of £2,336 million include liabilities for amounts payable under the domination agreement in relation to Kabel Deutschland. At 31 March 2013 other borrowings of £1,014 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 futures. Cross currency interest rate swaps are used to change the currency of certain fixed interest rate cash flows.

	2014		2013		**2014**		2013	
	US$[1]		US$[1]		**EUR[1]**		EUR[1]	
	Interest rate futures £m	**Interest rate swaps[2] £m**	Interest rate futures £m	Interest rate swaps £m	**Interest rate futures £m**	**Interest rate swaps[2] £m**	Interest rate futures £m	Interest rate swaps £m
Within one year		(5,722)	(4,722)	2,073	(3,716)	5,814	1,677	696
In one to two years		(5,722)	(823)	1,703	(619)	5,814	3,164	696
In two to three years		(5,722)	(1,940)	1,621	1,726	5,814	5,525	696
In three to four years		(3,744)	2,222	148	4,979	3,806	4,254	422
In four to five years		(2,755)	2,632	(247)	103	2,802	6,123	105
In more than five years[3]		(2,605)		(329)		2,207		

Notes:

1 In the table above, figures shown as positive indicate an increase in fixed interest debt and figures shown in brackets indicate a reduction in fixed interest debt.

2 Includes cross currency interest rate swaps.

3 Figures shown as in more than five years relate to the periods from March 2019 to December 2043 and March 2018 to December 2021, at March 2014 and March 2013 respectively.

Borrowing facilities

Committed facilities expiry

	2014 Drawn £m	2014 Undrawn £m	Restated 2013 Drawn £m	Restated 2013 Undrawn £m
Within one year	590	70	1,994	298
In one to two years	451	13	1,306	50
In two to three years	171	2,643	1,288	3,569
In three to four years	565	35	559	2,794
In four to five years		3,188		
In more than five years	1,728	582	1,037	422
31 March	**3,505**	**6,531**	**6,184**	**7,133**

At 31 March the Group s most significant committed facilities comprised two revolving credit facilities which remain undrawn throughout the period of US$4,245 million (£2,545 million) and 3,860 million (£3,188 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 Italian, German, Turkish and Romanian operations (1,560 million in aggregate) and the undrawn facilities in the Group s UK and Irish operations (totalling £450 million) are similar to those of the US dollar and euro revolving credit facilities. Further information on these facilities can be found in note 22 Liquidity and capital resources .

22. Liquidity and capital resources

This section includes an analysis of net debt, which we use to manage capital, and committed borrowing facilities.

Net debt

Net debt was £13.7 billion at 31 March 2014 and includes liabilities for amounts payable under the domination agreement in relation to Kabel Deutschland (£1.4 billion) and deferred spectrum licence costs in India (£1.5 billion). This decreased by £11.7 billion in the year as the proceeds from the disposal of the US sub-group including our interest in Verizon Wireless, positive free cash flow and favourable foreign exchange movements more than offset the impact of the acquisition of Kabel Deutschland, payments for licences and spectrum, equity shareholder dividends, the return of value and share buybacks.

Net debt represented 23.5% of our market capitalisation at 31 March 2014 compared to 27.8% at 31 March 2013. Average net debt at month end accounting dates over the 12 month period ended 31 March 2014 was £22.9 billion and ranged between net debt of £30.4 billion and a net surplus of funds of £2.7 billion.

Our consolidated net debt position at 31 March was as follows:

	2014 **£m**	Restated 2013 £m
Cash and cash equivalents	**10,134**	**7,531**
Short-term borrowings		
Bonds	(1,783)	(2,133)
Commercial paper[1]	(950)	(4,054)
Put options over non-controlling interests	(2,330)	(938)
Bank loans	(1,263)	(2,438)
Other short-term borrowings[2]	(1,421)	(2,237)
	(7,747)	**(11,800)**
Long-term borrowings		
Put options over non-controlling interests	(6)	(77)
Bonds, loans and other long-term borrowings	(21,448)	(27,827)
	(21,454)	**(27,904)**
Other financial instruments[3]	5,367	6,819
Net debt	**(13,700)**	**(25,354)**

Notes:

1 At 31 March 2014 US$578 million was drawn under the US commercial paper programme and 731 million was drawn under the euro commercial paper programme.
2 At 31 March 2014 the amount includes £1,185 million (2013: £1,151 million) in relation to cash received under collateral support agreements.
3 Comprises mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables (2014: £2,443 million; 2013: £3,032 million) and trade and other payables (2014: £881 million; 2013: £1,101 million) and short-term investments primarily in index linked government bonds and managed investment funds included as a component of other investments (2014: £3,805 million; 2013: £4,888 million).

22. Liquidity and capital resources (continued)

At 31 March 2014 we had £10,134 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 2014 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 23 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 2014 amounts external to the Group of 731 million (£604 million) were drawn under the euro commercial paper programme and US$578 million (£346 million) were drawn down under the US commercial paper programme, with such funds being provided by counterparties external to the Group. 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. The commercial paper facilities were supported by US$4.2 billion (£2.5 billion) and 3.9 billion (£3.2 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 2014 the total amounts in issue under these programmes split by currency were US$14.6 billion, £2.6 billion and 6.2 billion.

At 31 March 2014 we had bonds outstanding with a nominal value of £16,979 million (2013: £22,837 million). No bonds were issued in the year ended 31 March 2014.

Share buyback programmes

Following the receipt of a US$3.8 billion (£2.4 billion) dividend from Verizon Wireless in December 2012, we initiated a £1.5 billion share buyback programme under the authority granted by our shareholders at the 2012 annual general meeting. The Group placed irrevocable purchase instructions to enable shares to be repurchased on our behalf when we may otherwise have been prohibited from buying in the market. The share buyback programme concluded at the end of June 2013.

Details of the shares purchased under the programme, including those purchased under irrevocable instructions, are shown below:

Date of share purchase	Number of shares purchased[1,4] 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
April 2013	43,000	192.54	314,651	968
May 2013	204,750	196.09	519,401	567
June 2013	304,300	180.52	823,701	
Total	**552,050**	**187.23**	**823,701**	

Notes:

1 The nominal value of shares purchased is $11^{3}/_{7}$ 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 1.1% of our issued share capital, excluding treasury shares, at the end of June 2013.

The Group held a maximum of 5,099 million shares during the year which represents 9.5% of issued share capital at that time.

Committed facilities

In aggregate we have committed facilities of approximately £10,033 million, of which £6,530 million was undrawn and £3,503 million was drawn at 31 March 2014. The following table summarises the committed bank facilities available to us at 31 March 2014.

Committed bank facilities	Amounts drawn	Terms and conditions
28 March 2014		
3.9 billion syndicated revolving credit facility, maturing 28 March 2019.	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 euro 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. The facility matures on 28 March 2019, with each lender having the option to (i) extend the Facility for a further year prior to the first anniversary of the Facility and should such extension be exercised, to (ii) extend the Facility for a further year prior to the second anniversary of the Facility, in both cases if requested by the Company.
27 November 2013		
£0.5 billion loan facility, maturing on the seven year anniversary of the first drawing.	This facility is undrawn and has an availability period of eighteen months. The facility is available to finance a project to upgrade and expand the network in the UK and Ireland.	As the syndicated revolving credit facilities with the addition that, should our UK and Irish operating companies spend less than the equivalent of £0.9 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% 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 was drawn down in full on 5 June 2013.	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 18 September 2019.	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 4 December 2020.	This facility was drawn down in full on 4 December 2013.	

22. 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 2014 Vodafone India had facilities of INR 207 billion (£2.1 billion) of which INR 179 billion (£1.8 billion) was drawn. Vodafone Egypt had an undrawn revolving credit facility of US$120 million (£71 million) . Vodacom had fully drawn facilities of ZAR 1.0 billion (£57 million) and US$37 million (£22 million). Ghana had a facility of US$217 million (£130 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 2014 are included in note 21 Borrowings .

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, other than ongoing dividend obligations to the KDG minority shareholders should they continue to hold their minority stake, we do not have existing obligations under shareholders agreements to pay dividends to non-controlling interest partners of our subsidiaries or joint ventures.

The amount of dividends received and paid in the year are disclosed in the consolidated statement of cash flows.

Potential cash outflows from option agreements and similar arrangements

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. In April 2014 Piramal sold its total shareholding in VIL to Vodafone Group. The combined consideration for these shares and the indirect equity interest held by Analjit Singh and Neelu Analjit Singh (completed in March 2014) was £1.0 billion.

Under the terms of the sale and purchase agreement governing the disposal of the US Group, including the 45% interest in Verizon Wireless, the Group retains the responsibility for any tax liabilities of the US Group, excluding those relating to the Verizon Wireless partnership, for periods up to the completion of the transaction on 21 February 2014.

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 29 and 30 for a discussion of our commitments and contingent liabilities.

23. 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.

Accounting policies

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.

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.

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.

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.

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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); or
- hedges of highly probable forecast transactions or hedges of foreign currency or interest rate risks 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.

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, cross currency swaps 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.

Capital management

The following table summarises the capital of the Group:

		Restated
	2014	2013
	£m	£m
Financial assets:		
Cash and cash equivalents	(10,134)	(7,531)
Fair value through the income statement (held for trading)	(5,293)	(6,803)
Derivative instruments in designated hedge relationships	(955)	(1,117)
Financial liabilities:		
Fair value through the income statements (held for trading)	471	1,057
Derivative instruments in designated hedge relationships	410	44
Financial liabilities held at amortised cost	29,201	39,704
Net debt	**13,700**	**25,354**
Equity	71,781	72,488
Capital	**85,481**	**97,842**

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 and we expect these ratios to be complied with in the next 12 months.

23. Capital and financial risk management (continued)

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 Financial Controller, 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:

		Restated
	2014	2013
	£m	£m
Bank deposits	1,498	1,304
Repurchase agreements	4,799	2,550
Cash held in restricted deposits	524	404
UK government bonds	852	1,076
Money market fund investments	3,648	3,494

Derivative financial instruments	2,443	3,032
Other investments debt and bonds	5,525	3,427
Trade receivables	3,859	3,317
Other receivables	1,546	1,765
Short-term securitised investments	1,019	826
	25,713	**21,195**

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 2014.

		Restated
	2014	2013
	£m	£m
Sovereign	4,464	2,081
Supranational	335	469
	4,799	**2,550**

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 2014:

	2014	2013
	£m	£m
Cash collateral	1,185	1,151

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 2014 £2,360 million (2013: £1,733 million) of trade receivables were not yet due for payment. Total trade receivables consisted of £1,219 million (2013: £1,265 million) relating to the Europe region, and £280 million (2013: £319 million) relating to the AMAP 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.

			2014			Restated 2013
	Gross receivables	**Less provisions**	**Net receivables**	Gross receivables	Less provisions	Net receivables
	£m	**£m**	**£m**	£m	£m	£m
30 days or less	1,327	(356)	971	1,460	(390)	1,070
Between 31 60 days	218	(27)	191	166	(14)	152
Between 61 180 days	187	(53)	134	222	(44)	178
Greater than 180 days	516	(313)	203	609	(424)	185
	2,248	**(749)**	**1,499**	**2,457**	**(872)**	**1,585**

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 2014 were £347 million (2013: £360 million; 2012: £357 million) (see note 15 Trade and other receivables).

As discussed in note 30 Contingent liabilities , 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 2014 the Group had 3.9 billion and US$4.2 billion syndicated committed undrawn bank facilities and US$15 billion and £5 billion commercial paper programmes, supported by the 3.9 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.

The 3.9 billion syndicated committed facility has a maturity date of 28 March 2019 with the option to (i) extend the facility for a further year prior to the first anniversary of the facility and should such extension be exercised, to (ii) extend the Facility for a further year prior to the second anniversary of the Facility, in both cases if requested by the Company. The US$4.1 billion syndicated committed facility 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 29 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 2014, amounted to £10,134 million (2013: £7,531 million).

23. Capital and financial risk management (continued)

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 2014 there would be a reduction or increase in profit before tax by approximately £42 million (2013: increase or reduce by £144 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, 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 a greater proportion of debt in emerging market currencies will be drawn.

The disposal of our US Group in February 2014 necessitated a restructuring of the Group s outstanding US dollar debt, which was achieved via i) the repayment of certain US dollar debt obligations and ii) the use of cross currency swaps to eliminate the US dollar currency risk on certain remaining US dollar debt items. Prior to the disposal date a significant proportion of the Group s future value was derived from its US assets. Going forward the Group will only hold US dollar debt to hedge future US dollar receipts, which primarily consist of floating rate notes as issued by Verizon Communications, received as part of the disposal consideration.

At 31 March 2014, 164% of net debt was denominated in currencies other than sterling (96% euro, 37% India rupee 19% US dollar and 12% other) while 64% of net debt had been purchased forward in sterling in anticipation of sterling denominated shareholder returns via dividends. 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 on net investment hedging instruments 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 adjusted operating profit to a strengthening of the Group s major currency in which it transacts. The percentage movement applied to the 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 euro.

		2014
		£m
Euro 3% change	Adjusted operating profit	**60**

At 31 March 2013, sensitivity of the Group s adjusted operating profit was analysed for a strengthening of the euro by 3% and the US dollar by 4%, which represented movements of £106 million and £257 million respectively.

Equity risk

The Group has equity investments, which are subject to equity risk. See note 13 Other investments for further details.

Fair value of financial instruments

The table below sets out the valuation basis[1] of financial instruments held at fair value by the Group at 31 March 2014.

	Level 1[2]	Level 1[2]	Level 2[3]	Level 2[3]	Total	Total
	2014	Restated 2013	**2014**	Restated 2013	**2014**	Restated 2013
	£m	£m	**£m**	£m	**£m**	£m
Financial assets:						
Fair value through the income statement (held for trading)			3,792	4,836	3,792	4,836
Derivative financial instruments:						
Interest rate swaps			1,871	2,625	1,871	2,625
Cross currency interest rate swaps			504	319	504	319
Foreign exchange contracts			68	88	68	88
Interest rate futures			13	52	13	52
			6,248	**7,920**	**6,248**	**7,920**
Financial investments available-for-sale:						
Listed equity securities[4]	6	3			6	3
Unlisted equity securities[4]			154	498	154	498
	6	**3**	**154**	**498**	**160**	**501**
	6	**3**	**6,402**	**8,418**	**6,408**	**8,421**
Financial liabilities:						
Derivative financial instruments:						
Interest rate swaps			635	1,060	635	1,057
Cross currency interest rate swaps			217		217	
Foreign exchange contracts			29	44	29	44
			881	**1,104**	**881**	**1,101**

Notes:

1 There were no changes made during the year to valuation methods or the processes to determine classification and no transfers were made between the levels in the fair value hierarchy.

2

Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.

3 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.

4 Details of listed and unlisted equity securities are included in note 13 Other Investments .

Offsetting of financial assets and financial liabilities

Financial assets and liabilities included in the table above do not meet the required criteria to offset in the balance sheet but derivative financial assets at 31 March of up to £678 million (2013: £857 million) would be settled net in certain circumstances under ISDA (International Swaps and Derivatives Association) agreements where each party has the option to settle amounts on a net basis in the event of default from the other. Under the Group s collateral support agreements described above, under credit risk collateral has been posted of £130 million (2013: £117 million) and received of £1,185 million (2013: £1,151 million). Collateral may be offset and net settled against derivative financial instruments in the event of default by either party. The aforementioned collateral balances are recorded in other short-term investments or short-term debt respectively.

24. Directors and key management compensation

This note details the total amounts earned by the Company s directors and members of the Executive Committee.

Directors

Aggregate emoluments of the directors of the Company were as follows:

	2014	Restated 2013	Restated 2012
	£m	£m	£m
Salaries and fees	4	5	5
Incentive schemes[1]	2	2	3
Other benefits[2]	1	1	1
	7	**8**	**9**

Notes:

1 Amounts payable under incentive schemes have been restated to exclude £5 million and £1 million of cash in lieu of long-term incentive scheme dividends for the years ended 31 March 2013 and 31 March 2012, respectively.

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 2014 by directors who served during the year was £4 million (2013: £2 million; 2012: £nil).

24. Directors and key management compensation (continued)

Key management compensation

Aggregate compensation for key management, being the directors and members of the Executive Committee, was as follows:

	2014	Restated 2013	Restated 2012
	£m	£m	£m
Short-term employee benefits[1]	17	17	16
Share-based payments	21	23	26
	38	**40**	**42**

Notes:

1 Amounts payable under short-term employee benefits have been restated to exclude £8 million and £2 million of cash in lieu of long-term incentive scheme dividends for the years ended 31 March 2013 and 31 March 2012, respectively.

25. 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.

	2014	Restated	Restated

	Employees	2013 Employees	2012 Employees
By activity:			
Operations	14,947	13,736	12,952
Selling and distribution	31,342	29,658	27,190
Customer care and administration	42,857	39,198	37,003
	89,146	**82,592**	**77,145**
By segment:			
Germany	10,623	11,088	12,115
Italy	1,123		
Spain	3,552	4,223	4,379
UK	12,979	8,319	8,151
Other Europe	15,392	19,995	16,668
Europe	**43,669**	**43,625**	**41,313**
India	11,925	11,339	10,704
Vodacom	7,176	7,311	7,437
Other Africa, Middle East and Asia Pacific	16,002	12,659	11,431
Africa, Middle East and Asia Pacific	**35,103**	**31,309**	**29,572**
Non-Controlled Interests and Common Functions	10,374	7,658	6,260
Total	**89,146**	**82,592**	**77,145**

The cost incurred in respect of these employees (including directors) was:

		Restated	Restated
	2014	2013	2012
	£m	£m	£m
Wages and salaries	3,261	2,989	2,774
Social security costs	364	350	323
Other pension costs (note 26)	158	157	122
Share-based payments (note 27)	92	124	133
	3,875	**3,620**	**3,352**

The Group has dialogue with recognised labour unions if required. In particular there are regular meetings with the Vodafone Employee Consultative Council (the EECC). The delegates of this body are locally elected Vodafone employee representatives, most of them union and works council members.

There has been no material disruption to operations as a result of union activity during the financial year.

26. 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. For further details see Critical accounting judgements in note 1 Basis of preparation to the consolidated financial statements.

Accounting policies

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, were recognised in the statement of financial position.

Background

At 31 March 2014 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, India, Ireland, Italy, the UK and the United States. Defined contribution pension schemes are currently provided in Australia, Egypt, Germany, Greece, Hungary, India, Ireland, Italy, the Netherlands, New Zealand, Portugal, South Africa, Spain and the UK.

Income statement expense

	2014	Restated 2013	Restated 2012
	£m	£m	£m
Defined contribution schemes	124	118	113
Defined benefit schemes	34	39	9
Total amount charged to income statement (note 25)	**158**	**157**	**122**

Defined benefit schemes

The Group s principal defined benefit pension schemes are in the UK (the UK Schemes), being the Vodafone Group Pension Scheme (Vodafone UK plan) and the Cable & Wireless Worldwide Retirement Plan (CWWRP). The Vodafone UK plan and the CWWRP plan closed to future accrual on 31 March 2010 and 30 November 2013, respectively. Until 30 November 2013 the CWWRP allowed employees to accrue a pension at a rate of 1/85th of their final salary for each year of service until the retirement age of 60 with a maximum pension of two thirds of final salary. Employees contributed 5% of their salary into the scheme. The CWWRP is expected to merge with the Vodafone UK plan during the second quarter of 2014.

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

The defined benefit pension schemes expose the Group to actuarial risks such as longer than expected longevity of members, lower than expected return on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans.

26. Post employment benefits (continued)

Actuarial assumptions

The Group s scheme liabilities are measured using the projected unit credit method using the principal actuarial assumptions set out below:

	2014 %	2013 %	2012 %
Weighted average actuarial assumptions used at 31 March[1]:			
Rate of inflation[2]	3.2	3.3	3.0
Rate of increase in salaries	3.1	3.8	2.9
Discount rate	4.2	4.3	4.7

Notes:

1 Figures shown represent a weighted average assumption of the individual schemes.
2 The rate of increase in pensions in payment and deferred payment is the rate of inflation.

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) are 23.3 /24.7 years (2013: 23.6/25.3 years; 2012: 23.6/24.4 years) for a male/female pensioner currently aged 65 and 25.9/27.5 years (2013: 26.8/27.9 years; 2012: 27.2/26.7 years) from age 65 for a male/female non-pensioner member currently aged 40.

Charges made to the consolidated income statement and consolidated statement of comprehensive income (SOCI) on the basis of the assumptions stated above are:

		Restated	Restated
	2014	2013	2012
	£m	£m	£m
Current service cost	14	27	12
Net interest charge/(credit)	20	12	(3)
Total included within staff costs	**34**	**39**	**9**
Actuarial (gains)/losses recognised in the SOCI	(57)	238	352

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:

		Restated	Restated
	2014	2013	2012
	£m	£m	£m
Movement in pension assets:			
1 April	3,723	1,604	1,558
Exchange rate movements	(13)	6	(22)
Interest income	162	125	86
Return on plan assets excluding interest income	(114)	210	(17)
Employer cash contributions	51	100	31
Member cash contributions	7	8	6
Benefits paid	(81)	(60)	(39)
Assets assumed in business combinations		1,730	
Other movements	107		1
31 March	**3,842**	**3,723**	**1,604**
Movement in pension liabilities:			
1 April	4,251	1,865	1,501
Exchange rate movements	(17)	9	(30)
Service cost	14	27	12
Interest cost	182	137	83
Member cash contributions	7	8	6
Remeasurements:			
Actuarial losses/(gains) arising from changes in demographic assumptions	(35)		
Actuarial losses/(gains) arising from changes in financial assumptions	(44)	441	314
Actuarial losses/(gains) arising from experience adjustments	(92)	7	21
Benefits paid	(81)	(60)	(39)
Liabilities assumed in business combinations	121	1,772	2
Other movements	85	45	(5)
31 March	**4,391**	**4,251**	**1,865**

An analysis of net (deficit)/assets is provided below for the Group s two largest defined benefit pension schemes in the UK and for the Group as a whole.

	CWWRP		Vodafone UK plan									Grou
									Restated	Restated	Restated	Restate
	2014	2013	**2014**	2013	2012	2011	2010	**2014**	2013	2012	2011	201
	£m	£m	**£m**	£m	£m	£m	£m	**£m**	£m	£m	£m	£
alysis of net ficit)/assets:												
al fair value cheme assets	1,780	1,827	1,343	1,328	1,218	1,180	1,131	3,842	3,723	1,604	1,558	1,48
sent value of ded scheme bilities	(1,732)	(1,874)	(1,677)	(1,647)	(1,444)	(1,127)	(1,276)	(4,325)	(4,239)	(1,853)	(1,488)	(1,62
t ficit)/assets funded emes	**48**	**(47)**	**(334)**	**(319)**	**(226)**	**53**	**(145)**	**(483)**	**(516)**	**(249)**	**70**	**(13**
sent value of unded eme bilities								(66)	(12)	(12)	(13)	(1
t ficit)/assets	**48**	**(47)**	**(334)**	**(319)**	**(226)**	**53**	**(145)**	**(549)**	**(528)**	**(261)**	**57**	**(15**
t ficit)/assets analysed												
ets	48					53		35	52	31	97	3
bilities		(47)	(334)	(319)	(226)		(145)	(584)	(580)	(292)	(40)	(18

26. Post employment benefits (continued)

Funding plans are individually agreed for each of the Group s defined benefit pension schemes with the respective trustees, taking into account local regulatory requirements. It is expected that contributions of £400 million will be paid into the Group s defined benefit pension schemes during the year ending 31 March 2015, including a special one-off contribution of £325 million payable into the Vodafone UK plan and £40 million into the CWWRP in April 2014. These one-off contributions represent accelerated funding amounts that would have been due for each scheme over the period to 31 March 2020. The Group has also provided certain guarantees in respect of the UK schemes; further details are provided in note 30, Contingent liabilities .

Duration of the benefit obligations

The weighted average duration of the defined benefit obligation at 31 March 2014 is 21.7 years (2013: 21.4 years, 2012: 23.6 years).

Fair value of pension assets

	2014	2013
	£m	£m
Cash and cash equivalents	65	117
Equity investments:		
With quoted prices in an active market	1,318	1,310
Without quoted prices in an active market	102	129
Debt instruments:		
With quoted prices in an active market	1,320	1,129
Without quoted prices in an active market		
Property	20	36
Derivatives[1]	541	485
Annuity policies	476	517
Total	**3,842**	**3,723**

Note:

1 Derivatives include collateral held in the form of cash.
The schemes have no direct investments in the Group s equity securities or in property currently used by the Group.

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

The actual return on plan assets over the year to 31 March 2014 was £48 million (2013: £335 million).

Sensitivity analysis

Measurement of the Group s defined benefit retirement obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase or decrease in a particular assumption would, in isolation, result in an increase or decrease in the present value of the defined benefit obligation as at 31 March 2014.

	Rate of inflation		Rate of increase in salaries		Discount rate		Life expectancy	
	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%	Increase by 1 year	Decrease by 1 year
	£m	£m	£m	£m	£m	£m	£m	£m
(Decrease)/increase in present value of defined obligation	(349)	382	(18)	20	512	(439)	103	(103)

The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

In presenting this sensitivity analysis, the present value of the defined benefit obligation has been calculated on the same basis as prior years using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

27. Share-based payments

We have a number of share plans used to award shares to directors and employees as part of their remuneration package. A charge is recognised over the vesting period in the consolidated income statement to record the cost of these, based on the fair value of the award on the grant date.

Accounting policies

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. A corresponding increase in retained earnings is also recognised.

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

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.

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 2014.

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 was 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.

27. Share-based payments (continued)

Movements in outstanding ordinary share and ADS options

	ADS options			Ordinary share options		
	2014	2013	2012	**2014**	2013	2012
	Millions	Millions	Millions	**Millions**	Millions	Millions
1 April		1	1	40	84	171
Granted during the year				12	7	5
Forfeited during the year				(1)	(1)	(1)
Exercised during the year		(1)		(22)	(41)	(55)
Expired during the year				(2)	(9)	(36)
31 March			**1**	**27**	**40**	**84**
Weighted average exercise price:						
1 April	US$22.16	US$15.20	US$14.82	£1.41	£1.18	£1.32
Granted during the year				£1.49	£1.45	£1.31
Forfeited during the year				£1.34	£1.64	£1.07
Exercised during the year	US$29.31	US$13.88		£1.43	£1.05	£1.37
Expired during the year				£1.37	£0.98	£1.56
31 March		**US$22.16**	**US$15.20**	**£1.42**	**£1.41**	**£1.18**

Summary of options outstanding and exercisable at 31 March 2014

	Outstanding			Exercisable		
	Outstanding shares Millions	Weighted average exercise price	Weighted average remaining contractual	Exercisable shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months

			life			
			Months			
Vodafone Group savings related and Sharesave Plan:						
£0.01 £1.00	2	£0.94	11			
£1.01 £2.00	21	£1.43	37			
	23	**£1.38**	**34**			
Vodafone Group 1999 Long-Term Stock Incentive Plan:						
£1.01 £2.00	4	£1.60	34	4	£1.60	34

Share awards

Movements in non-vested shares are as follows:

		2014		2013		2012
	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	294	£1.27	352	£1.08	387	£1.00
Granted	84	£1.58	91	£1.49	120	£1.29
Vested	(81)	£1.11	(118)	£0.91	(116)	