

Notes to the Company financial statements continued

2. Significant accounting policies continued

Fair value hedges

The Company's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings.

The Company designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the profit and loss account for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. The ineffective portion is recognised immediately in the profit and loss account.

Share-based payments

The Group operates a number of equity settled share-based compensation plans for the employees of subsidiaries using the Company's equity instruments. The fair value of the compensation given in respect of these share-based compensation plans is recognised as a capital contribution to the Company's subsidiaries over the vesting period. The capital contribution is reduced by any payments received from subsidiaries in respect of these share-based payments.

Dividends paid and received

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

Pensions

The Company is the sponsoring employer of the Vodafone Group pension scheme, a defined benefit pension scheme. The Company is unable to identify its share of the underlying assets and liabilities of the Vodafone Group pension scheme on a consistent and reasonable basis. Therefore, the Company has applied the guidance within FRS 17 to account for defined benefit schemes as if they were defined contribution schemes and recognise only the contribution payable each year. The Company had no contributions payable for the years ended 31 March 2011 and 31 March 2010.

3. Fixed assets

Shares in Group undertakings

	£m
Cost:	
1 April 2010	70,716
Capital contributions arising from share-based payments	156
Contributions received in relation to share-based payments	(129)
31 March 2011	70,743
Amounts provided for:	
1 April 2010	5,631
Amounts provided for during the year	–
31 March 2011	5,631
Net book value:	
31 March 2010	65,085
31 March 2011	65,112

At 31 March 2011 the Company had the following principal subsidiary:

Name	Principal activity	Country of incorporation	Percentage shareholding
Vodafone European Investments	Holding company	England	100

4. Debtors

	2011 £m	2010 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	133,246	116,521
Taxation recoverable	158	200
Other debtors	146	184
	133,550	116,905
Amounts falling due after more than one year:		
Deferred taxation	2	12
Other debtors	1,754	1,902
	1,756	1,914