Contents

Directors' statement of responsibility

Financial statements and accounting records

Company law of England and Wales requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the IASB, in accordance with IFRS as adopted for use in the EU and Article 4 of the EU IAS Regulations;
- state for the Company financial statements whether applicable UK accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the EU IAS Regulation. They are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement

The Board confirms to the best of its knowledge:

- the consolidated financial statements, prepared in accordance with IFRS as issued by the International Accounting Standards Board ('IASB') and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

Neither the Company nor the directors accept any liability to any person in relation to the annual report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

Disclosure of information to auditor

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

After reviewing the Group's and Company's budget for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. Further detail is included within liquidity and capital resources on pages 55 to 59 and notes 21 and 22 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.

Management's report on internal control over financial reporting

As required by section 404 of the Sarbanes-Oxley Act management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group.

The Group's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS, as adopted by the EU and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorisation of management and the directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the financial statements.

Any internal control framework, no matter how well designed, has inherent limitations including the possibility of human error and the circumvention or overriding of the controls and procedures, and may not prevent or detect misstatements. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the internal control over financial reporting at 31 March 2012 based on the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO'). Based on management's assessment management has concluded that the internal control over financial reporting was effective at 31 March 2012.

Management has excluded from its assessment the internal control over financial reporting of entities which are accounted for under the equity method, including Verizon Wireless, because the Group does not have the ability to dictate or modify the controls at these entities and does not have the ability to assess, in practice, the controls at these entities. Accordingly, the internal controls of these entities, which contributed a net profit of £4,963 million (2011: £5,059 million) to the profit for the financial year, have not been assessed, except relating to controls over the recording of amounts relating to the investments that are recorded in the Group's consolidated financial statements.

During the period covered by this document there were no changes in the Group's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over financial reporting.

The Group's internal control over financial reporting at 31 March 2012 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 90.

By Order of the Board

Rosemary Martin
Company Secretary

22 May 2012

Audit report on internal controls

Report of independent registered public accounting firm to the members of Vodafone Group Plc

We have audited the internal control over financial reporting of Vodafone Group Plc and subsidiaries and applicable joint ventures (the 'Group') as of 31 March 2012 based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in management's report on internal control over financial reporting, management has excluded from its assessment the internal control over financial reporting of those entities that are accounted for under the equity method, including Verizon Wireless, because the Group does not have the ability to dictate or modify controls at these entities and does not have the ability to assess, in practice, the controls at these entities. Accordingly, the internal control over financial reporting of these entities, which contributed a net profit of £4,963 million to the profit for the financial year, have not been assessed, except relating to the Group's controls over the recording and related disclosures of amounts relating to the investments that are recorded in the consolidated financial statements.

The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of 31 March 2012, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Group as of and for the year ended 31 March 2012, prepared in conformity with International Financial Reporting Standards ('IFRS'), as adopted by the European Union and IFRS as issued by the International Accounting Standards Board. Our report dated 22 May 2012 expressed an unqualified opinion on those financial statements.

Deloitte LLP
London
United Kingdom

22 May 2012

Please refer to our Form 20-F to be filed with the Securities and Exchange Commission on 1 June 2012 for the audit opinion over the consolidated financial statements of the Group as of 31 March 2012 and 2011 and for each of the three years in the period ended 31 March 2012 issued in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Critical accounting estimates

The Group prepares its consolidated financial statements in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, the application of which often requires judgements to be made by management when formulating the Group's financial position and results. Under IFRS, the directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each below.

The discussion below should also be read in conjunction with the Group's disclosure of significant IFRS accounting policies which is provided in note 2 to the consolidated financial statements, "Significant accounting policies".

Management has discussed its critical accounting estimates and associated disclosures with the Company's Audit and Risk Committee.

Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

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

The Group prepares and approves formal five year management plans for its operations, which are used in the value in use calculations. In certain developing markets the fifth year of the management plan may not be indicative of the long-term future performance as operations may not have reached maturity. For these operations, the Group extends the plan data for an additional five year period.

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

- the nominal GDP rates for the country of operation; and
- the long-term compound annual growth rate in EBITDA in years six to ten estimated by management.

For businesses where the plan data is extended for an additional five years for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:

- the nominal GDP rates for the country of operation; and
- the compound annual growth rate in EBITDA in years nine to ten of the management plan.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in note 10 to the consolidated financial statements.

Revenue recognition and presentation

Arrangements with multiple deliverables

In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate units of accounting and the arrangement consideration is allocated to each unit of accounting based on its relative fair value.

Determining the fair value of each deliverable can require complex estimates due to the nature of the goods and services provided. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis after considering volume discounts where appropriate.

Presentation: gross versus net

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost.

Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis with revenue representing the margin earned.

Taxation

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of the Group's structure makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result there can be substantial differences between the tax charge in the consolidated income statement and tax payments.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting judgement include recognition of a deferred tax asset in respect of losses in Germany (see note 6 of the consolidated financial statements) and the recognition of a deferred tax asset in respect of losses in Luxembourg (see note 6 to the consolidated financial statements). The amounts recognised in the consolidated financial statements in respect of each matter are derived from the Group's best estimation and judgement as described above.

Critical accounting estimates (continued)

Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

Historical differences between forecast and actual taxable profits have not resulted in material adjustments to the recognition of deferred tax assets.

Business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the income statement.

Goodwill

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

On transition to IFRS the Group elected not to apply IFRS 3, "Business combinations", retrospectively as the difficulty in applying these requirements to the large number of business combinations completed by the Group from incorporation through to 1 April 2004 exceeded any potential benefits. Goodwill arising before the date of transition to IFRS, after adjusting for items including the impact of proportionate consolidation of joint ventures, amounted to £78,753 million.

If the Group had elected to apply the accounting for business combinations retrospectively it may have led to an increase or decrease in goodwill and increase in licences, customer bases, brands and related deferred tax liabilities recognised on acquisition.

Finite lived intangible assets

Other intangible assets include the Group's aggregate amounts spent on the acquisition of licences and spectrum, computer software, customer bases, brands and development costs. These assets arise from both separate purchases and from acquisition as part of business combinations.

On the acquisition of mobile network operators the identifiable intangible assets may include licences, customer bases and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

The relative size of the Group's intangible assets, excluding goodwill, makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance.

At 31 March 2012 intangible assets, excluding goodwill, amounted to £21,164 million (2011: £23,322 million) and represented 15.2% (2011: 15.4%) of the Group's total assets.

Estimation of useful life

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The basis for determining the useful life for the most significant categories of intangible assets is as follows:

Licences and spectrum fees

The estimated useful life is generally the term of the licence unless there is a presumption of renewal at negligible cost. Using the licence term reflects the period over which the Group will receive economic benefit. For technology specific licences with a presumption of renewal at negligible cost, the estimated useful economic life reflects the Group's expectation of the period over which the Group will continue to receive economic benefit from the licence. The economic lives are periodically reviewed taking into consideration such factors as changes in technology. Historically any changes to economic lives have not been material following these reviews.

Customer bases

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge. Historically changes to the estimated useful lives have not had a significant impact on the Group's results and financial position.

Capitalised software

The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of expected term over which the Group will receive benefits from the software, but not exceeding the licence term. For unique software products controlled by the Group, the life is based on historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. Historically changes in useful lives have not resulted in material changes to the Group's amortisation charge.

Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the asset base of the Group being 13.4% (2011: 13.3%) of the Group's total assets. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance.

Estimation of useful life

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated income statement.

The useful lives and residual values of Group assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology. Furthermore, network infrastructure is only depreciated over a period that extends beyond the expiry of the associated licence under which the operator provides telecommunications services if there is a reasonable expectation of renewal or an alternative future use for the asset.

Historically changes in useful lives and residual values have not resulted in material changes to the Group's depreciation charge.

Provisions and contingent liabilities

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 29 to the consolidated financial statements). Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Audit report on the consolidated financial statements

Independent auditor's report to the members of Vodafone Group Plc

We have audited the consolidated financial statements of Vodafone Group Plc for the year ended 31 March 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' statement of responsibilities, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the consolidated financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ('IASB').

In our opinion the consolidated financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the listing rules we are required to review:

- the directors' statement contained within the directors' report in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Vodafone Group Plc for the year ended 31 March 2012 and on the information in the directors' remuneration report that is described as having been audited.

Panos Kakoullis FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

22 May 2012

Consolidated income statement

for the years ended 31 March

	Note	2012 £m	2011 £m	2010 £m
Revenue	3	**46,417**	**45,884**	**44,472**
Cost of sales		(31,546)	(30,814)	(29,439)
Gross profit		**14,871**	**15,070**	**15,033**
Selling and distribution expenses		(3,227)	(3,067)	(2,981)
Administrative expenses		(5,075)	(5,300)	(5,328)
Share of result in associates	14	4,963	5,059	4,742
Impairment losses	10	(4,050)	(6,150)	(2,100)
Other income and expense	26	3,705	(16)	114
Operating profit	4	**11,187**	**5,596**	**9,480**
Non-operating income and expense	15	(162)	3,022	(10)
Investment income	5	456	1,309	716
Financing costs	5	(1,932)	(429)	(1,512)
Profit before taxation		**9,549**	**9,498**	**8,674**
Income tax expense	6	(2,546)	(1,628)	(56)
Profit for the financial year		**7,003**	**7,870**	**8,618**
Attributable to:				
– Equity shareholders		6,957	7,968	8,645
– Non-controlling interests		46	(98)	(27)
		7,003	**7,870**	**8,618**
Basic earnings per share	8	**13.74p**	**15.20p**	**16.44p**
Diluted earnings per share	8	**13.65p**	**15.11p**	**16.36p**

Consolidated statement of comprehensive income

for the years ended 31 March

	2012 £m	2011 £m	2010 £m
(Losses)/gains on revaluation of available-for-sale investments, net of tax	(17)	310	206
Foreign exchange translation differences, net of tax	(3,673)	(2,132)	(1,021)
Net actuarial (losses)/gains on defined benefit pension schemes, net of tax	(272)	136	(104)
Revaluation gain	–	–	860
Foreign exchange gains transferred to the income statement	(681)	(630)	(84)
Fair value (gains)/losses transferred to the income statement	–	(2,192)	3
Other, net of tax	(10)	19	67
Other comprehensive loss	**(4,653)**	**(4,489)**	**(73)**
Profit for the financial year	7,003	7,870	8,618
Total comprehensive income for the year	**2,350**	**3,381**	**8,545**
Attributable to:			
– Equity shareholders	2,383	3,567	8,312
– Non-controlling interests	(33)	(186)	233
	2,350	**3,381**	**8,545**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

at 31 March

	Note	2012 £m	2011 £m
Non-current assets			
Goodwill	9	38,350	45,236
Other intangible assets	9	21,164	23,322
Property, plant and equipment	11	18,655	20,181
Investments in associates	14	35,108	38,105
Other investments	15	791	1,381
Deferred tax assets	6	1,970	2,018
Post employment benefits	23	31	97
Trade and other receivables	17	3,482	3,877
		119,551	**134,217**
Current assets			
Inventory	16	486	537
Taxation recoverable		334	281
Trade and other receivables	17	10,744	9,259
Other investments	15	1,323	674
Cash and cash equivalents	18	7,138	6,252
		20,025	**17,003**
Total assets		**139,576**	**151,220**
Equity			
Called up share capital	19	3,866	4,082
Additional paid-in capital		154,123	153,760
Treasury shares		(7,841)	(8,171)
Retained losses		(84,184)	(77,661)
Accumulated other comprehensive income		10,971	15,545
Total equity shareholders' funds		**76,935**	**87,555**
Non-controlling interests		2,090	2,880
Put options over non-controlling interests		(823)	(2,874)
Total non-controlling interests		**1,267**	**6**
Total equity		**78,202**	**87,561**
Non-current liabilities			
Long-term borrowings	22	28,362	28,375
Taxation liabilities		250	350
Deferred tax liabilities	6	6,597	6,486
Post employment benefits	23	337	87
Provisions	24	479	482
Trade and other payables	25	1,324	804
		37,349	**36,584**
Current liabilities			
Short-term borrowings	22	6,258	9,906
Taxation liabilities		1,898	1,912
Provisions	24	633	559
Trade and other payables	25	15,236	14,698
		24,025	**27,075**
Total equity and liabilities		**139,576**	**151,220**

The consolidated financial statements were approved by the Board of directors and authorised for issue on 22 May 2012 and were signed on its behalf by:

Vittorio Colao
Chief Executive

Andy Halford
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the years ended 31 March

	Share capital £m	Additional paid-in capital[1] £m	Treasury shares £m	Retained losses £m	Other comprehensive income: Currency reserve £m	Pensions reserve £m	Investment reserve £m	Revaluation surplus £m	Other £m	Equity share-holders' funds £m	Non-controlling interests £m	Total £m
1 April 2009	4,153	153,348	(8,036)	(83,820)	18,451	(259)	2,148	180	(3)	86,162	(1,385)	84,777
Issue or reissue of shares	–	–	189	(119)	–	–	–	–	–	70	–	70
Share-based payment	–	161[2]	–	–	–	–	–	–	–	161	–	161
Acquisition of non-controlling interest	–	–	–	(133)	–	–	–	–	–	(133)	1,636	1,503
Comprehensive income	–	–	–	8,645	(1,365)	(104)	209	860	67	8,312	233	8,545
Profit/(loss)	–	–	–	8,645	–	–	–	–	–	8,645	(27)	8,618
OCI – before tax	–	–	–	–	(1,320)	(149)	377	860	79	(153)	260	107
OCI – taxes	–	–	–	–	39	45	(171)	–	(12)	(99)	–	(99)
Transfer to the income statement	–	–	–	–	(84)	–	3	–	–	(81)	–	(81)
Dividends	–	–	–	(4,131)	–	–	–	–	–	(4,131)	(56)	(4,187)
Other	–	–	37	(97)	–	–	–	–	–	(60)	1	(59)
31 March 2010	**4,153**	**153,509**	**(7,810)**	**(79,655)**	**17,086**	**(363)**	**2,357**	**1,040**	**64**	**90,381**	**429**	**90,810**
Issue or reissue of shares	–	–	232	(125)	–	–	–	–	–	107	–	107
Redemption or cancellation of shares	(71)	71	1,532	(1,532)	–	–	–	–	–	–	–	–
Purchase of own shares	–	–	(2,125)	–	–	–	–	–	–	(2,125)	–	(2,125)
Share-based payment	–	180[2]	–	–	–	–	–	–	–	180	–	180
Acquisition of non-controlling interest	–	–	–	(120)	–	–	–	–	–	(120)	35	(85)
Comprehensive income	–	–	–	7,968	(2,669)	136	(1,882)	–	14	3,567	(186)	3,381
Profit/(loss)	–	–	–	7,968	–	–	–	–	–	7,968	(98)	7,870
OCI – before tax	–	–	–	–	(2,053)	190	347	–	14	(1,502)	(88)	(1,590)
OCI – taxes	–	–	–	–	14	(54)	(37)	–	–	(77)	–	(77)
Transfer to the income statement	–	–	–	–	(630)	–	(2,192)[3]	–	–	(2,822)	–	(2,822)
Dividends	–	–	–	(4,468)	–	–	–	–	–	(4,468)	(328)	(4,796)
Other	–	–	–	271	–	–	(238)	–	–	33	56	89
31 March 2011	**4,082**	**153,760**	**(8,171)**	**(77,661)**	**14,417**	**(227)**	**237**	**1,040**	**78**	**87,555**	**6**	**87,561**
Issue or reissue of shares	–	2	277	(208)	–	–	–	–	–	71	–	71
Redemption or cancellation of shares	(216)	216	4,724	(4,724)	–	–	–	–	–	–	–	–
Purchase of own shares	–	–	(4,671)[4]	–	–	–	–	–	–	(4,671)	–	(4,671)
Share-based payment	–	145[2]	–	–	–	–	–	–	–	145	–	145
Acquisition of non-controlling interest	–	–	–	(1,908)	–	–	–	–	–	(1,908)	1,599	(309)
Comprehensive income	–	–	–	6,957	(4,279)	(272)	(17)	–	(6)	2,383	(33)	2,350
Profit	–	–	–	6,957	–	–	–	–	–	6,957	46	7,003
OCI – before tax	–	–	–	–	(3,629)	(365)	(17)	–	(14)	(4,025)	(71)	(4,096)
OCI – taxes	–	–	–	–	31	93	–	–	8	132	(8)	124
Transfer to the income statement	–	–	–	–	(681)	–	–	–	–	(681)	–	(681)
Dividends	–	–	–	(6,654)	–	–	–	–	–	(6,654)	(305)	(6,959)
Other	–	–	–	14	–	–	–	–	–	14	–	14
31 March 2012	**3,866**	**154,123**	**(7,841)**	**(84,184)**	**10,138**	**(499)**	**220**	**1,040**	**72**	**76,935**	**1,267**	**78,202**

Notes:
1 Includes share premium, capital redemption reserve and merger reserve. The merger reserve was derived from acquisitions made prior to 31 March 2004 and subsequently allocated to additional paid-in capital on adoption of IFRS.
2 Includes a £2 million tax credit (2011: £24 million, 2010: £11 million).
3 Amounts for 2011 include a £208 million tax credit.
4 Amount includes a commitment for the purchase of own shares of £1,091 million (2011: £nil).

Consolidated statement of cash flows

for the years ended 31 March

	Note	2012 £m	2011 £m	2010 £m
Net cash flow from operating activities	27	**12,755**	**11,995**	**13,064**
Cash flows from investing activities				
Purchase of interests in subsidiaries and joint ventures, net of cash acquired		(149)	(46)	(1,777)
Other investing activities in relation to purchase of subsidiaries		310	(356)	–
Purchase of interests in associates		(5)	–	–
Purchase of intangible assets		(3,090)	(4,290)	(2,134)
Purchase of property, plant and equipment		(4,762)	(4,350)	(4,841)
Purchase of investments		(417)	(318)	(522)
Disposal of interests in subsidiaries and joint ventures, net of cash disposed		832	–	–
Disposal of interests in associates		6,799	–	–
Disposal of property, plant and equipment		117	51	48
Disposal of investments		66	4,467	17
Dividends received from associates		4,023	1,424	1,436
Dividends received from investments		3	85	141
Interest received		322	1,659	195
Taxation on investing activities		(206)	(208)	–
Net cash flow from investing activities		**3,843**	**(1,882)**	**(7,437)**
Cash flows from financing activities				
Issue of ordinary share capital and reissue of treasury shares		71	107	70
Net movement in short-term borrowings		1,206	(573)	227
Proceeds from issue of long-term borrowings		1,642	4,861	4,217
Repayment of borrowings		(3,520)	(4,064)	(5,184)
Purchase of treasury shares		(3,583)	(2,087)	–
Equity dividends paid		(6,643)	(4,468)	(4,139)
Dividends paid to non-controlling shareholders in subsidiaries		(304)	(320)	(56)
Contributions from non-controlling shareholders in subsidiaries		–	–	613
Other transactions with non-controlling shareholders in subsidiaries		(2,605)	(137)	–
Interest paid		(1,633)	(1,578)	(1,601)
Net cash flow from financing activities		**(15,369)**	**(8,259)**	**(5,853)**
Net cash flow		1,229	1,854	(226)
Cash and cash equivalents at beginning of the financial year	18	6,205	4,363	4,846
Exchange loss on cash and cash equivalents		(346)	(12)	(257)
Cash and cash equivalents at end of the financial year	18	**7,088**	**6,205**	**4,363**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Basis of preparation

The consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board and are also prepared in accordance with IFRS adopted by the European Union ('EU'), the Companies Act 2006 and Article 4 of the EU IAS Regulations. The consolidated financial statements are prepared on a going concern basis.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. For a discussion on the Group's critical accounting estimates see "Critical accounting estimates" on pages 91 to 92. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Amounts in the consolidated financial statements are stated in pounds sterling.

Vodafone Group Plc is registered in England (No. 1833679).

2. Significant accounting policies

Accounting convention

The consolidated financial statements are prepared on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

New accounting pronouncements adopted

On 1 April 2011 the Group adopted new accounting policies to comply with:

- "Improvements to IFRS" issued in May 2010.
- Amendments to IAS 24 "State-controlled entities and the definition of a related party".
- Amendments to IFRIC 14 "Prepayments on a minimum funding requirement".
- IFRIC 19 "Extinguishing financial liabilities with equity instruments".

These changes have no material impact on the consolidated results, financial position or cash flows of the Group.

New accounting pronouncements not yet adopted

Phase I of IFRS 9 "Financial Instruments" was issued in November 2009 and has subsequently been updated and amended. The standard is effective for annual periods beginning on or after 1 January 2015 and has not yet been endorsed for use in the EU. The standard introduces changes to the classification and measurement of financial assets and the requirements relating to financial liabilities in relation to the presentation of changes in fair value due to credit risks and the removal of an exemption from measuring certain derivative liabilities at fair value. The Group is currently assessing the impact of the standard on its results, financial position and cash flows.

The Group has not adopted the following pronouncements, which have been issued by the IASB or the IFRIC. These pronouncements have not yet been endorsed for use in the EU. The Group does not currently believe the adoption of these pronouncements will have a material impact on the consolidated results, financial position or cash flows of the Group.

- Amendments to IAS 1, "Presentation of items of other comprehensive income", effective for annual periods beginning on or after 1 July 2012.
- Amendment to IAS 12, "Deferred tax: recovery of underlying assets", effective for annual periods beginning on or after 1 January 2012.
- Amendments to IAS 32, "Offsetting financial assets and financial liabilities", effective for annual periods beginning on or after 1 January 2014.
- IFRIC 20, "Stripping costs in the production phase of a surface mine", effective for annual periods beginning on or after 1 January 2013.
- Amendment to IFRS 1, "Severe hyperinflation and removal of fixed dates for first-timer adopters", effective for annual periods beginning on or after 1 July 2011.
- Amendment to IFRS 1, "Government loans", effective for annual periods beginning on or after 1 January 2013.
- Amendments to IFRS 7, "Financial Instruments: Disclosure", effective for annual periods beginning on or after 1 July 2011.
- "Improvements to IFRS 2009 – 2011 Cycle", effective for annual periods beginning on or after 1 January 2013.

The Group has also not adopted the following pronouncements which are effective for annual periods beginning on or after 1 January 2013 and have not yet been endorsed for use in the EU. The Group has not completed its assessment of the impact of these pronouncements on the consolidated results, financial position or cash flows of the Group. However, the Group currently expects that IFRS 11, "Joint Arrangements", will have a material impact on the presentation of the Group's interests in its joint ventures owing to the Group's significant investments in joint ventures as discussed in note 13.

- IFRS 10, "Consolidated Financial Statements", which replaces parts of IAS 27, "Consolidated and Separate Financial Statements" and all of SIC-12, "Consolidation – Special Purpose Entities", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The remainder of IAS 27, "Separate Financial Statements", now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable in the Group's consolidated financial statements.
- IFRS 11, "Joint Arrangements", which replaces IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers", requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. The proportionate consolidation method currently applied to the Group's interests in joint ventures is prohibited. IAS 28, "Investments in Associates and Joint Ventures", was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment.
- IFRS 12, "Disclosure of Interest in Other Entities", is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11.
- IFRS 13, "Fair Value Measurement", provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.
- Amendments to IAS 19, "Employee benefits", require a revised allocation of costs for defined benefit pension schemes between the income statement and other comprehensive income and prohibit the use of the "corridor approach" to spread the recognition of actuarial gains and losses, which is not used by the Group, and require a different measurement basis for asset returns. The amendments also include a revised definition of short- and long-term benefits to employees and revised criteria for the recognition of termination benefits.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled, both unilaterally and jointly, by the Company.

Accounting for subsidiaries

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group. Acquisition-related costs are recognised in the income statement as incurred. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date.

The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Acquisition of interests from non-controlling shareholders

In transactions with non-controlling parties that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity.

Notes to the consolidated financial statements (continued)

2. Significant accounting policies (continued)

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined with the equivalent items in the results 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.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Group's interest in that associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The licences of the Group's associate in the US, Verizon Wireless, are indefinite lived assets as they are subject to perfunctory renewal. Accordingly, they are not subject to amortisation but are tested annually for impairment, or when indicators exist that the carrying value is not recoverable.

Intangible assets

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is denominated in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Goodwill arising before the date of transition to IFRS, on 1 April 2004, has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Finite lived intangible assets

Intangible assets with finite lives are stated at acquisition or development cost, less accumulated amortisation. The amortisation period and method is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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 service of the network.

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 a related item of hardware equipment is accounted for as property, plant and equipment.

Costs associated with maintaining computer software programs are recognised as an expense when they are incurred.

Internally developed software is recognised only if all of the following conditions are met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives from the date the software is available for use.

Other intangible assets

Other intangible assets, including brands and customer bases, are recorded at fair value at the date of acquisition. Amortisation is charged to the income statement , over the estimated useful lives of intangible assets from the date they are available for use, on a straight-line basis, with the exception of customer relationships which are amortised on a sum of digits basis. The amortisation basis adopted for each class of intangible asset reflects the Group's consumption of the economic benefit from that asset.

Estimated useful lives

The estimated useful lives of finite lived intangible assets are as follows:

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

Property, plant and equipment

Land and buildings held for use are stated in the statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Amounts for equipment, fixtures and fittings, which includes network infrastructure assets and which together comprise an all but insignificant amount of the Group's property, plant and equipment, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, using the straight-line method, over their estimated useful lives, as follows:

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

Equipment, fixtures and fittings:

Network infrastructure	3 – 25 years
Other	3 – 10 years

Depreciation is not provided on freehold land.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of assets

Goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

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.

Notes to the consolidated financial statements (continued)

2. Significant accounting policies (continued)

Property, plant and equipment and finite lived intangible assets

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

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

Revenue

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

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data services and information provision, connection fees and equipment sales. Products and services may be sold separately or in bundled packages.

Revenue for access charges, airtime usage and messaging by contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised at the time the services are performed.

Revenue from data services and information provision is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised together with related equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue for device sales is recognised when the device is delivered to the end customer and the sale is considered complete. For device sales made to intermediaries, revenue is recognised if the significant risks associated with the device are transferred to the intermediary and the intermediary has no general right of return. If the significant risks are not transferred, revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of the right of return.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (1) the deliverable has value to the customer on a stand-alone basis and (2) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value.

Commissions

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing customers.

For intermediaries who do not purchase products and services from the Group, such cash incentives are accounted for as an expense. Such cash incentives to other intermediaries are also accounted for as an expense if:

- the Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and
- the Group can reliably estimate the fair value of that benefit.

Cash incentives that do not meet these criteria are recognised as a reduction of the related revenue.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average costs and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

The consolidated financial statements are presented in sterling, which is the parent company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognised in the income statement and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets, such as investments in equity securities, classified as available-for-sale are reported as part of the fair value gain or loss and are included in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of entities with a functional currency other than sterling are expressed in sterling using exchange rates prevailing at the reporting period date. Income and expense items and cash flows are translated at the average exchange rates for the period and exchange differences arising are recognised directly in equity. On disposal of a foreign entity, the cumulative amount previously recognised in equity relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

In respect of all foreign operations, any exchange differences that have arisen before 1 April 2004, the date of transition to IFRS, are deemed to be nil and will be excluded from the determination of any subsequent profit or loss on disposal.

The net foreign exchange gain recognised in the consolidated income statement for the year ended 31 March 2012 is £702 million (2011: £1,022 million, 2010: £35 million). The net gains are recorded within operating income (2012: £34 million charge, 2011: £14 million charge, 2010: £29 million credit), other income and expense and non-operating income and expense (2012: £681 million credit, 2011: £630 million credit, 2010: £84 million credit), investment and financing income (2012: £55 million credit, 2011: £405 million credit, 2010: £78 million charge) and income tax expense (2011: £1 million credit). The foreign exchange gains included within other income and expense and non-operating income and expense arise on the disposal of interests in joint ventures, associates and investments from the recycling of foreign exchange gains previously recorded in the consolidated statement of comprehensive income.

Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Post employment benefits

For defined benefit retirement plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or liability on the statement of financial position. Scheme liabilities are assessed using the projected unit funding method and applying the principal actuarial assumptions at the reporting period date. Assets are valued at market value.

Actuarial gains and losses are taken to the statement of comprehensive income as incurred. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any curtailment or settlements. The interest cost less the expected return on assets is also charged to the income statement. The amount charged to the income statement in respect of these plans is included within operating costs or in the Group's share of the results of equity accounted operations as appropriate.

The Group's contributions to defined contribution pension plans are charged to the income statement as they fall due.

Cumulative actuarial gains and losses at 1 April 2004, the date of transition to IFRS, have been recognised in the statement of financial position.

Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using UK and foreign tax rates and laws that have been enacted or substantively enacted by the reporting period date.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of non-tax deductible goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the consolidated financial statements (continued)

2. Significant accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognised in other comprehensive income or in equity.

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

Other investments

Other investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Other investments classified as held for trading and available-for-sale are stated at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, determined using the weighted average cost method, is included in the net profit or loss for the period.

Other investments classified as loans and receivables are stated at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

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

Trade payables

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

Equity instruments

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

Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. Changes in values of all derivatives of a financing nature are included within investment income and financing costs in the income statement. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Group designates certain derivatives as:

→ hedges of the change of fair value of recognised assets and liabilities ('fair value hedges');

→ hedges of highly probable forecast transactions or hedges of foreign currencies risk of firm commitments ("cash flow hedges"); or

→ hedges of net investments in foreign operations.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting, or 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. The ineffective portion is 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 effective portion of changes in the fair value of derivatives that are designated and qualify as 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 and recognised in the same line. However, when the hedged forecast 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 and foreign exchange contracts) designated as hedges of the net investments in foreign operations are recognised in equity to the extent that the hedging relationship is effective. These amounts are included in exchange differences on translation of foreign operations as stated in the statement of comprehensive income. Gains and losses relating to hedge ineffectiveness are recognised immediately in the income statement for the period. Gains and losses accumulated in the translation reserve are included in the income statement when the foreign operation is disposed of.

Put option arrangements
The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than 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 fair 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 fair value of the option over any consideration received, as a financing cost.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Share-based payments
The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured using a binomial pricing model, being a lattice-based option valuation model, which is calibrated using a Black-Scholes framework. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group uses historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behaviour are considered separately for valuation purposes. The expected life of options granted is derived from the output of the option valuation model and represents the period of time that options are expected to be outstanding. Expected volatilities are based on implied volatilities as determined by a simple average of no less than three international banks, excluding the highest and lowest numbers. The risk free rates for periods within the contractual life of the option are based on the UK gilt yield curve in effect at the time of grant.

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 volatility of the ranking over a three year period is used to determine the probable weighted percentage number of shares that could be expected to vest and hence affect fair value.

The fair value of awards of non-vested shares is equal to the closing price of the Vodafone's shares on the date of grant, adjusted for the present value of future dividend entitlements where appropriate.

Notes to the consolidated financial statements (continued)

3. Segment analysis

The Group has a single group of related services and products being the supply of communications services and products. Segment information is provided on the basis of geographic areas, being the basis on which the Group manages its worldwide interests. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue. Inter-segment sales are charged at arm's length prices.

	Segment revenue £m	Intra-region revenue £m	Regional revenue £m	Inter-region revenue £m	Group revenue £m	EBITDA[1] £m
31 March 2012						
Germany	8,233	(44)	8,189	(1)	8,188	2,965
Italy	5,658	(28)	5,630	(1)	5,629	2,514
Spain	4,763	(54)	4,709	(3)	4,706	1,193
UK	5,397	(37)	5,360	(6)	5,354	1,294
Other Europe	8,352	(59)	8,293	(5)	8,288	2,479
Europe	**32,403**	**(222)**	**32,181**	**(16)**	**32,165**	**10,445**
India	4,265	–	4,265	(6)	4,259	1,122
Vodacom	5,638	–	5,638	(8)	5,630	1,930
Other Africa, Middle East and Asia Pacific	3,965	–	3,965	(23)	3,942	1,063
Africa, Middle East and Asia Pacific	**13,868**	**–**	**13,868**	**(37)**	**13,831**	**4,115**
Non-Controlled Interests and Common Functions	423	–	423	(2)	421	(85)
Group	**46,694**	**(222)**	**46,472**	**(55)**	**46,417**	**14,475**
Verizon Wireless[2]	*20,187*					*7,689*
31 March 2011						
Germany	7,900	(51)	7,849	(2)	7,847	2,952
Italy	5,722	(31)	5,691	(3)	5,688	2,643
Spain	5,133	(62)	5,071	(2)	5,069	1,562
UK	5,271	(50)	5,221	(7)	5,214	1,233
Other Europe	8,253	(70)	8,183	(3)	8,180	2,433
Europe	**32,279**	**(264)**	**32,015**	**(17)**	**31,998**	**10,823**
India	3,855	(1)	3,854	(11)	3,843	985
Vodacom	5,479	–	5,479	(8)	5,471	1,844
Other Africa, Middle East and Asia Pacific	3,971	–	3,971	(27)	3,944	1,170
Africa, Middle East and Asia Pacific	**13,305**	**(1)**	**13,304**	**(46)**	**13,258**	**3,999**
Non-Controlled Interests and Common Functions	659	–	659	(31)	628	(152)
Group	**46,243**	**(265)**	**45,978**	**(94)**	**45,884**	**14,670**
Verizon Wireless[2]	*18,711*					*7,313*
31 March 2010						
Germany	8,008	(41)	7,967	(8)	7,959	3,122
Italy	6,027	(40)	5,987	(2)	5,985	2,843
Spain	5,713	(81)	5,632	(2)	5,630	1,956
UK	5,025	(47)	4,978	(10)	4,968	1,141
Other Europe	8,357	(88)	8,269	(5)	8,264	2,582
Europe	**33,130**	**(297)**	**32,833**	**(27)**	**32,806**	**11,644**
India	3,114	(1)	3,113	(20)	3,093	807
Vodacom	4,450	–	4,450	(7)	4,443	1,528
Other Africa, Middle East and Asia Pacific	3,526	–	3,526	(30)	3,496	977
Africa, Middle East and Asia Pacific	**11,090**	**(1)**	**11,089**	**(57)**	**11,032**	**3,312**
Non-Controlled Interests and Common Functions	667	–	667	(33)	634	(221)
Group	**44,887**	**(298)**	**44,589**	**(117)**	**44,472**	**14,735**
Verizon Wireless[2]	*17,222*					*6,689*

Notes:
1 The Group's measure of segment profit, EBITDA, excludes the Group's share of results in associates. The Group's share of results in associates, by segment, for the year ended 31 March 2012 is Other Europe £3 million (2011: £nil; 2010 £nil), Vodacom £nil (2011: £nil; 2010: £(2) million), Other Africa, Middle East and Asia Pacific £36 million (2011: £51 million; 2010: £56 million) and Non-Controlled Interests and Common Functions £4,924 million (2011: £5,008 million; 2010: £4,688 million).
2 Values shown for Verizon Wireless, which is an associate, are not included in the calculation of Group revenue or EBITDA.

A reconciliation of EBITDA to operating profit is shown below. For a reconciliation of operating profit to profit before taxation, see the consolidated income statement on page 94.

	2012 £m	2011 £m	2010 £m
EBITDA	**14,475**	**14,670**	**14,735**
Depreciation, amortisation and loss on disposal of fixed assets	(7,906)	(7,967)	(8,011)
Share of results in associates	4,963	5,059	4,742
Impairment losses	(4,050)	(6,150)	(2,100)
Other income and expense	3,705	(16)	114
Operating profit	**11,187**	**5,596**	**9,480**

	Non-current assets[1] £m	Capital expenditure[2] £m	Other expenditure on intangible assets £m	Depreciation and amortisation £m	Impairment loss/ (reversal) £m
31 March 2012					
Germany	19,151	880	4	1,469	–
Italy	13,978	621	875	783	2,450
Spain	8,069	429	71	626	900
UK	6,430	575	–	880	–
Other Europe	10,146	1,092	313	1,389	700
Europe	**57,774**	**3,597**	**1,263**	**5,147**	**4,050**
India	8,431	805	–	1,066	–
Vodacom	6,469	723	–	840	–
Other Africa, Middle East and Asia Pacific	4,735	793	–	771	–
Africa, Middle East and Asia Pacific	**19,635**	**2,321**	**–**	**2,677**	**–**
Non-Controlled Interests and Common Functions	760	447	–	35	–
Group	**78,169**	**6,365**	**1,263**	**7,859**	**4,050**
31 March 2011					
Germany	20,764	824	1,214	1,361	–
Italy	16,645	590	12	732	1,050
Spain	9,596	517	–	641	2,950
UK	6,665	516	–	874	–
Other Europe	11,438	1,230	59	1,406	2,150
Europe	**65,108**	**3,677**	**1,285**	**5,014**	**6,150**
India	9,882	870	1,851	973	–
Vodacom	7,382	572	19	1,013	–
Other Africa, Middle East and Asia Pacific	4,797	754	2	793	–
Africa, Middle East and Asia Pacific	**22,061**	**2,196**	**1,872**	**2,779**	**–**
Non-Controlled Interests and Common Functions	1,570	346	9	83	–
Group	**88,739**	**6,219**	**3,166**	**7,876**	**6,150**
31 March 2010					
Germany	20,211	766	18	1,422	–
Italy	17,941	610	60	732	–
Spain	12,746	543	–	638	–
UK	6,977	494	–	963	–
Other Europe	13,883	1,282	228	1,467	(200)
Europe	**71,758**	**3,695**	**306**	**5,222**	**(200)**
India	8,665	853	–	848	2,300
Vodacom	7,783	520	–	1,005	–
Other Africa, Middle East and Asia Pacific	5,062	694	–	683	–
Africa, Middle East and Asia Pacific	**21,510**	**2,067**	**–**	**2,536**	**2,300**
Non-Controlled Interests and Common Functions	1,632	430	19	152	–
Group	**94,900**	**6,192**	**325**	**7,910**	**2,100**

Notes:
1 Comprises goodwill, other intangible assets and property, plant and equipment.
2 Includes additions to property, plant and equipment and computer software, reported within intangible assets.

Notes to the consolidated financial statements (continued)

4. Operating profit

Operating profit has been arrived at after charging/(crediting):

	2012 £m	2011 £m	2010 £m
Net foreign exchange losses/(gains)	34	14	(29)
Depreciation of property, plant and equipment (note 11):			
Owned assets	4,284	4,318	4,412
Leased assets	79	54	44
Amortisation of intangible assets (note 9)	3,496	3,504	3,454
Impairment of goodwill in subsidiaries and associates (note 10)	3,848	6,150	2,300
Impairment/(reversal of impairment) of licences and spectrum (note 10)	121	–	(200)
Impairment of property, plant and equipment (note 10)	81	–	–
Research and development expenditure	304	287	303
Staff costs (note 32)	3,843	3,642	3,770
Operating lease rentals payable:			
Plant and machinery	173	127	71
Other assets including fixed line rentals	1,672	1,761	1,587
Loss on disposal of property, plant and equipment	47	91	101
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(374)	(331)	(296)

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:

	2012 £m	2011 £m	2010 £m
Audit fees:			
Parent company	1	1	1
Subsidiaries	6	7	7
	7	**8**	**8**
Audit-related assurance services[1]	1	1	1
Audit and audit-related fees	**8**	**9**	**9**
Taxation advisory services	–	1	1
Other non-audit services	1	–	–
Total fees	**9**	**10**	**10**

Note:
1 Relates to fees for statutory and regulatory filings.

In addition to the above, the Group's joint ventures and associates paid fees totalling £2 million (2011: £1 million, 2010: £2 million) and £5 million (2011: £5 million, 2010: £7 million) respectively to Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited during the year. Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited have also received amounts totalling less than £1 million in each of the last three years in respect of services provided to pension schemes and 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 70.

5. Investment income and financing costs

	2012 £m	2011 £m	2010 £m
Investment income:			
Available-for-sale investments:			
Dividends received	2	83	145
Loans and receivables at amortised cost	168	339	423
Gain on settlement of loans and receivables[1]	–	472	–
Fair value through the income statement (held for trading):			
Derivatives – foreign exchange contracts	121	38	3
Other[2]	165	263	92
Equity put rights and similar arrangements[3]	–	114	53
	456	**1,309**	**716**
Financing costs:			
Items in hedge relationships:			
Other loans	211	746	888
Interest rate swaps	(178)	(338)	(464)
Dividends on redeemable preference shares	56	58	56
Fair value hedging instrument	(539)	(47)	228
Fair value of hedged item	511	40	(183)
Cash flow hedges transferred from equity	–	17	82
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts[4]	769	629	591
Other loans[2]	785	121	185
Potential interest credit on settlement of tax issues[5]	(9)	(826)	(178)
Equity put rights and similar arrangements[2,3]	81	19	94
Finance leases	1	9	7
Fair value through the income statement (held for trading):			
Derivatives – forward starting swaps and futures	244	1	206
	1,932	**429**	**1,512**
Net financing costs/(investment income)	**1,476**	**(880)**	**796**

Notes:
1 Gain on settlement of loans and receivables issued by SoftBank Mobile Corp.
2 Amounts for 2012 include net foreign exchange gains of £55 million (2011: £405 million gain; 2010 £78 million loss) arising from net investments in foreign operations, investments held following the disposal of Vodafone Japan to SoftBank Corp. and net foreign exchange movements on certain intercompany balances.
3 Includes amounts in relation to the Group's arrangements with its minority partners in India.
4 The Group capitalised £25 million of interest expense in the year (2011: £138 million; 2010: £1 million). The interest rate used to determine the amount of borrowing costs eligible for capitalisation was 5.0%.
5 Amounts for 2012, 2011 and 2010 include a reduction of the provision for potential interest on tax issues.

6. Taxation

Income tax expense

	2012 £m	2011 £m	2010 £m
United Kingdom corporation tax (income)/expense:			
Current year	–	141	40
Adjustments in respect of prior years	(4)	(5)	(4)
	(4)	**136**	**36**
Overseas current tax expense/(income):			
Current year	2,440	2,152	2,377
Adjustments in respect of prior years	(231)	(477)	(1,718)
	2,209	1,675	659
Total current tax expense	**2,205**	**1,811**	**695**
Deferred tax on origination and reversal of temporary differences:			
United Kingdom deferred tax	(8)	(275)	(166)
Overseas deferred tax	349	92	(473)
Total deferred tax expense/(income)	**341**	**(183)**	**(639)**
Total income tax expense	**2,546**	**1,628**	**56**

Notes to the consolidated financial statements (continued)

6. Taxation (continued)

Tax (credited)/charged directly to other comprehensive income

	2012 £m	2011 £m	2010 £m
Current tax credit	(5)	(14)	(38)
Deferred tax (credit)/charge	(119)	(117)	137
Total tax (credited)/charged directly to other comprehensive income	**(124)**	**(131)**	**99**

Tax credited directly to equity

	2012 £m	2011 £m	2010 £m
Current tax credit	(1)	(5)	(1)
Deferred tax credit	(1)	(19)	(10)
Total tax credited directly to equity	**(2)**	**(24)**	**(11)**

Factors affecting tax expense for the year

The table below explains the differences between the expected tax expense, at the UK statutory tax rate of 26% (2011 and 2010: 28%), and the Group's total tax expense for each year. Further discussion of the current year tax expense can be found in the section titled "Operating results" on page 41.

	2012 £m	2011 £m	2010 £m
Profit before tax as shown in the consolidated income statement	**9,549**	**9,498**	**8,674**
Expected income tax expense at UK statutory tax rate	2,483	2,659	2,429
Effect of taxation of associates, reported within operating profit	78	145	160
Impairment losses with no tax effect	1,053	1,722	588
Disposal of Group investments[1]	(718)	(763)	–
Impact of agreement of German write down losses	–	–	(2,103)
Effect of different statutory tax rates of overseas jurisdictions	675	371	370
Deferred tax impact of previously unrecognised temporary differences including losses[2]	(634)	(1,247)	(198)
Current tax impact of previously unrecognised temporary differences including losses	–	(734)	(261)
Effect of unrecognised temporary differences	(285)	366	(260)
Adjustments in respect of prior years	(210)	(1,088)	(387)
Effect of secondary and irrecoverable taxes	159	91	49
Effect of current year changes in statutory tax rates	(3)	29	35
Deferred tax on overseas earnings	15	143	5
Assets revalued for tax purposes	–	121	–
Expenses not deductible for tax purposes and other items	235	332	201
Exclude taxation of associates	(302)	(519)	(572)
Income tax expense	**2,546**	**1,628**	**56**

Notes:
1 Relates to the disposal of SFR and Polkomtel. 2011 relates to the disposal of China Mobile Limited and SoftBank.
2 See note regarding deferred tax asset recognition on page 111.

Deferred tax

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

	£m
1 April 2011	(4,468)
Exchange movements	26
Charged to the income statement	(341)
Credited directly to other comprehensive income	119
Credited directly to equity	1
Reclassifications	10
Arising on acquisition and disposals	26
31 March 2012	**(4,627)**

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	(792)	198	(4,595)	–	(4,397)
Intangible assets	178	620	(2,061)	(275)	(1,716)
Tax losses	254	24,742	–	(22,515)	2,227
Deferred tax on overseas earnings	(13)	–	(1,796)	–	(1,796)
Other short-term temporary differences	32	3,254	(877)	(1,322)	1,055
31 March 2012	**(341)**	**28,814**	**(9,329)**	**(24,112)**	**(4,627)**

Analysed in the statement of financial position, after offset of balances within countries, as:

	£m
Deferred tax asset	1,970
Deferred tax liability	(6,597)
31 March 2012	**(4,627)**

	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	(1,374)	253	(3,682)	–	(3,429)
Intangible assets	(140)	815	(2,449)	(335)	(1,969)
Tax losses	1,198	27,882	–	(25,784)	2,098
Deferred tax on overseas earnings	764	–	(1,775)	–	(1,775)
Other short-term temporary differences	(265)	4,075	(395)	(3,073)	607
31 March 2011	**183**	**33,025**	**(8,301)**	**(29,192)**	**(4,468)**

Analysed in the statement of financial position, after offset of balances within countries, as:

	£m
Deferred tax asset	2,018
Deferred tax liability	(6,486)
31 March 2011	**(4,468)**

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 opportunities, corporate acquisitions and disposals, the use of brought forward tax losses and changes in tax legislation and tax rates.

The Group is routinely subject to audit by tax authorities in the territories in which it operates, and specifically, in India these are usually resolved through the Indian legal system. The Group considers each issue on its merits and, where appropriate, holds provisions in respect of the potential tax liability that may arise. However, the amount ultimately paid may differ materially from the amount accrued and could therefore affect the Group's overall profitability and cash flows in future periods.

At 31 March 2012 the gross amount and expiry dates of losses available for carry forward are as follows:

	Expiring within 5 years £m	Expiring within 6-10 years £m	Unlimited £m	Total £m
Losses for which a deferred tax asset is recognised	68	31	8,317	8,416
Losses for which no deferred tax is recognised	1,838	670	82,912	85,420
	1,906	**701**	**91,229**	**93,836**

The losses arising on the write down of investments in Germany are available to use against both German federal and trade tax liabilities. Losses of £3,804 million (2011: £3,892 million) are included in the above table on which a deferred tax asset has been recognised. The Group has not recognised a deferred tax asset on £11,547 million (2011: £13,389 million) of the losses as it is uncertain that these losses will be utilised.

Included above are losses amounting to £1,907 million (2011: £1,907 million) in respect of UK subsidiaries which are only available for offset against future capital gains and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised.

The losses above also include £72,696 million (2011: £82,725 million) that have arisen in overseas holding companies as a result of revaluations of those companies' investments for local GAAP purposes. No deferred tax asset is recognised in respect of £68,653 million of these losses as it is uncertain whether these losses will be utilised. A deferred tax asset has been recognised for the remainder of these losses (see page 112).

Notes to the consolidated financial statements (continued)

6. Taxation (continued)

A total deferred tax asset of £1,164 million (2011: £1,143 million) has been recognised in relation to some of the losses of a fiscal unity in Luxembourg as we expect the members of this fiscal unity to generate taxable profits against which these losses will be used. £791 million (2011: £856 million) of the asset has been recognised as a result of the agreement reached with the UK tax authorities in respect of the CFC tax case in the prior year.

The Group holds provisions in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint ventures were to be realised after the year end reporting date. No deferred tax liability has been recognised in respect of a further £40,515 million (2011: £41,607 million) of unremitted earnings of subsidiaries, joint ventures and associates 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. Equity dividends

	2012 £m	2011 £m	2010 £m
Declared during the financial year:			
Final dividend for the year ended 31 March 2011: 6.05 pence per share			
(2010: 5.65 pence per share, 2009: 5.20 pence per share)	3,102	2,976	2,731
Interim dividend for the year ended 31 March 2012: 3.05 pence per share			
(2011: 2.85 pence per share, 2010: 2.66 pence per share)	1,536	1,492	1,400
Second interim dividend share for the year ended 31 March 2012: 4.00 pence per share			
(2011: nil, 2010: nil)	2,016	–	–
	6,654	**4,468**	**4,131**
Proposed after the end of reporting period and not recognised as a liability:			
Final dividend for the year ended 31 March 2012: 6.47 pence per share			
(2011: 6.05 pence per share, 2010: 5.65 pence per share)	3,195	3,106	2,976

8. Earnings per share

	2012 Millions	2011 Millions	2010 Millions
Weighted average number of shares for basic earnings per share	50,644	52,408	52,595
Effect of dilutive potential shares: restricted shares and share options	314	340	254
Weighted average number of shares for diluted earnings per share	**50,958**	**52,748**	**52,849**

	£m	£m	£m
Earnings for basic and diluted earnings per share	**6,957**	**7,968**	**8,645**

9. Intangible assets

	Goodwill £m	Licences and spectrum £m	Computer software £m	Other £m	Total £m
Cost:					
1 April 2010	104,996	27,547	8,244	3,245	144,032
Exchange movements	(1,120)	(545)	(16)	8	(1,673)
Arising on acquisition	24	–	17	–	41
Additions	–	3,157	1,493	9	4,659
Disposals	–	–	(424)	(1)	(425)
Other	–	–	635	8	643
31 March 2011	**103,900**	**30,159**	**9,949**	**3,269**	**147,277**
Exchange movements	(6,398)	(1,804)	(539)	(306)	(9,047)
Arising on acquisition	87	–	19	33	139
Additions	–	1,263	1,653	10	2,926
Disposals	–	–	(653)	(18)	(671)
Disposals of subsidiaries and joint ventures	(358)	(139)	(52)	(24)	(573)
Other	–	–	81	32	113
31 March 2012	**97,231**	**29,479**	**10,458**	**2,996**	**140,164**
Accumulated impairment losses and amortisation:					
1 April 2010	53,158	8,918	5,924	1,774	69,774
Exchange movements	(644)	(104)	(14)	(6)	(768)
Amortisation charge for the year	–	1,809	1,166	529	3,504
Impairment losses	6,150	–	–	–	6,150
Disposals	–	–	(426)	–	(426)
Other	–	–	485	–	485
31 March 2011	**58,664**	**10,623**	**7,135**	**2,297**	**78,719**
Exchange movements	(3,601)	(645)	(371)	(220)	(4,837)
Amortisation charge for the year	–	1,891	1,298	307	3,496
Impairment losses	3,818	121	–	–	3,939
Disposals	–	–	(634)	(16)	(650)
Disposals of subsidiaries and joint ventures	–	(34)	(23)	(20)	(77)
Other	–	–	55	5	60
31 March 2012	**58,881**	**11,956**	**7,460**	**2,353**	**80,650**
Net book value:					
31 March 2011	**45,236**	**19,536**	**2,814**	**972**	**68,558**
31 March 2012	**38,350**	**17,523**	**2,998**	**643**	**59,514**

For licences and spectrum and other intangible assets, amortisation is included within the cost of sales line within the consolidated income statement. Licences and spectrum with a net book value of £2,991 million (2011: £3,845 million) have been pledged as security against borrowings.

The net book value at 31 March 2012 and expiry dates of the most significant licences are as follows:

	Expiry date	**2012 £m**	2011 £m
Germany	December 2020/2025	4,778	5,540
UK	December 2021	3,250	3,581
India	September 2030	1,455	1,746
Qatar	June 2028	1,125	1,187
Italy	December 2021/2029	1,771	1,002

The remaining amortisation period for each of the licences in the table above corresponds to the expiry date of the respective licence.

Acquisitions

During the 2012 financial year the Group completed a number of smaller acquisitions for net cash consideration of £149 million, all of which was paid during the year. The aggregate fair values of goodwill, identifiable assets and liabilities of the acquired operations were £87 million, £98 million and £36 million, respectively. In addition, the Group completed the acquisition of certain non-controlling interests for net cash consideration of £2,605 million.

10. Impairment

Impairment losses

The net impairment losses recognised in the consolidated income statement, as a separate line item within operating profit, in respect of goodwill, licences and spectrum fees, and property, plant and equipment are as follows:

Cash generating unit	Reportable segment	2012 £m	2011[1] £m	2010 £m
Italy	Italy	2,450	1,050	–
Spain	Spain	900	2,950	–
Greece	Other Europe[2]	450	800	–
Portugal	Other Europe[2]	250	350	–
Ireland	Other Europe[2]	–	1,000	–
Turkey	Other Europe	–	–	(200)
India	India	–	–	2,300
		4,050	**6,150**	**2,100**

Notes:
1 Impairment charges for the year ended 31 March 2011 relate solely to goodwill.
2 Total impairment losses in the Other Europe segment were £700 million in the year ended 31 March 2012 (2011: £2,150 million).

Year ended 31 March 2012

The impairment losses were based on value in use calculations. The pre-tax adjusted discount rates used in the most recent value in use calculation in the year ended 31 March 2012 are as follows:

	Pre-tax adjusted discount rate
Italy	12.1%
Spain	10.6%
Greece	22.8%
Portugal	16.9%

During the year ended 31 March 2012, impairment charges in relation to the Group's investments in Italy, Spain, Greece and Portugal of £2,450 million, £900 million, £450 million and £250 million, respectively, were reported. Of the total charge, £3,848 million relates to goodwill, and £202 million is allocated to licence intangible assets and property, plant and equipment in Greece.

The impairment charges were primarily driven by increased discount rates as a result of increases in bond rates, with the exception of Spain where rates have 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 pre-tax risk adjusted discount rates used in the previous value in use calculations at 31 March 2011 are disclosed below.

Year ended 31 March 2011

The net impairment losses were based on value in use calculations. The pre-tax adjusted discount rates used in the value in use calculation in the year ended 31 March 2011 were as follows:

	Pre-tax adjusted discount rate
Italy	11.9%
Spain	11.5%
Greece	14.0%
Ireland	14.5%
Portugal	14.0%

During the year ended 31 March 2011 the goodwill in relation to the Group's investments in Italy, Spain, Greece, Ireland and Portugal was impaired by £1,050 million, £2,950 million, £800 million, £1,000 million and £350 million, respectively. The impairment charges were primarily driven by increased discount rates as a result of increases in government bond rates. In addition, business valuations were negatively impacted by lower cash flows within business plans, reflecting weaker country-level macroeconomic environments.

Year ended 31 March 2010

The net impairment loss was based on value in use calculations. The pre-tax adjusted discount rates used in the value in use calculation in the year ended 31 March 2010 were as follows:

	Pre-tax adjusted discount rate
India	13.8%
Turkey	17.6%

During the year ended 31 March 2010 the goodwill in relation to the Group's operations in India was impaired by £2,300 million primarily due to intense price competition following the entry of a number of new operators into the market. The pre-tax risk adjusted discount rate used in the previous value in use calculation at 31 March 2009 was 12.3%.

In addition, impairment losses of £200 million, previously recognised in respect of intangible assets in relation to the Group's operations in Turkey, were reversed. The reversal was in relation to licences and spectrum and was as a result of favourable changes in the discount rate. The cash flow projections within the business plans used for impairment testing were substantially unchanged from those used at 31 March 2009. The pre-tax risk adjusted discount rate used in the previous value in use calculation at 31 March 2009 was 19.5%.

Goodwill

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

	2012 £m	2011 £m
Germany	11,566	12,200
Italy	10,400	13,615
Spain	5,833	7,133
	27,799	**32,948**
Other	10,551	12,288
	38,350	**45,236**

Key assumptions used in the value in use calculations

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

Assumption	How determined
Budgeted EBITDA	Budgeted EBITDA has been based on past experience adjusted for the following:
	→ voice and messaging revenue is expected to benefit from increased usage from new customers, especially in emerging markets, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be offset by increased competitor activity, which may result in price declines, and the trend of falling termination and other regulated rates;
	→ non-messaging data revenue is expected to continue to grow as the penetration of 3G (plus 4G where available) enabled devices and smartphones rise along with higher data bundle attachment rates, and new products and services are introduced; and
	→ margins are expected to be impacted by negative factors such as the cost of acquiring and retaining customers in increasingly competitive markets and the expectation of further termination rate cuts by regulators and by positive factors such as the efficiencies expected from the implementation of Group initiatives.
Budgeted capital expenditure	The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to roll out networks in emerging markets, to provide enhanced voice and data products and services and to meet the population coverage requirements of certain of the Group's licences. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Long-term growth rate	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 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.

Notes to the consolidated financial statements (continued)

10. Impairment (continued)

Sensitivity to changes in assumptions

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.

31 March 2012

The estimated recoverable amounts of the Group's operations in Italy, Spain, Greece and Portugal equalled their respective carrying values and, consequently, any adverse change in key assumption would, in isolation, cause a further impairment loss to be recognised. The estimated recoverable amounts of the Group's operations in India and Romania exceeded their carrying values by approximately £2,060 million and £66 million respectively.

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 adjusted discount rate	8.5	12.1	10.6	22.8	16.9	15.1	11.5
Long-term growth rate	1.5	1.2	1.6	1.0	2.3	6.8	3.0
Budgeted EBITDA[1]	2.3	(1.2)	3.9	(6.1)	0.2	15.0	0.8
Budgeted capital expenditure[2]	8.5–11.8	10.1–12.3	10.3–11.7	9.3–12.7	12.5–14.0	11.4–14.4	12.0–14.3

Notes:
1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash generating units of the plans used for impairment testing.
2 Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash generating units of the plans used for impairment testing.

The table below shows, for India and Romania, the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value.

	Change required for carrying value to equal the recoverable amount	
	India pps	Romania pps
Pre-tax adjusted discount rate	1.1	0.3
Long-term growth rate	(1.6)	(0.4)
Budgeted EBITDA[1]	(3.3)	(0.6)
Budgeted capital expenditure[2]	3.6	1.0

Notes:
1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash generating units of the plans used for impairment testing.
2 Budgeted capital expenditure is expressed as a percentage of revenue in the initial five years for all the cash generating units of the plans used for impairment testing.

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 2012:

	Italy		Spain		Greece		Portugal	
	Increase by 2pps £bn	Decrease by 2pps £bn	Increase by 2pps £bn	Decrease by 2pps £bn	Increase by 2pps £bn	Decrease by 2pps £bn	Increase by 2pps £bn	Decrease by 2pps £bn
Pre-tax adjusted discount rate	(2.22)	2.45	(1.42)	0.90	(0.03)	0.06	(0.23)	0.25
Long-term growth rate	2.45	(2.16)	0.90	(1.31)	0.04	(0.01)	0.25	(0.18)
Budgeted EBITDA[1]	1.70	(1.64)	0.30	(0.28)	0.04	(0.01)	0.22	(0.20)
Budgeted capital expenditure[2]	(1.00)	0.94	(0.93)	0.90	(0.05)	0.07	(0.13)	0.14

Notes:
1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash generating units of the plans used for impairment testing.
2 Budgeted capital expenditure is expressed as a percentage of revenue in the initial five years for all cash generating units of the plans used for impairment testing.

31 March 2011

The estimated recoverable amounts of the Group's operations in Italy, Spain, Greece, Ireland and Portugal equalled their respective carrying values and, 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 Turkey, India and Ghana exceeded their carrying values by approximately £1,481 million, £977 million and £138 million, respectively.

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

	Assumptions used in value in use calculation							
	Italy %	Spain %	Greece %	Ireland %	Portugal %	Turkey %	India %	Ghana %
Pre-tax adjusted discount rate	11.9	11.5	14.0	14.5	14.0	14.1	14.2	20.8
Long-term growth rate	0.8	1.6	2.0	2.0	1.5	6.1	6.3	6.3
Budgeted EBITDA[1]	(1.0)	–	1.2	2.4	(1.2)	16.8	16.5	41.4
Budgeted capital expenditure[2]	9.6–11.3	7.8–10.6	10.7–12.3	9.4–11.6	12.4–14.1	10.0–16.6	12.9–22.7	7.3–41.3

Notes:
1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial ten years for Turkey and Ghana and the initial five years for all other 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 ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.

The table below shows, for Turkey, India and Ghana, the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value.

	Change required for the carrying value to equal the recoverable amount[1]		
	Turkey pps	India pps	Ghana pps
Pre-tax adjusted discount rate	5.6	1.1	6.9
Long-term growth rate	(19.6)	(1.0)	n/a
Budgeted EBITDA[2]	(4.7)	(2.2)	(8.7)
Budgeted capital expenditure[3]	7.0	2.5	8.9

Notes:
1 The recoverable amount for Greece, which was impaired at 30 September 2010, equals the carrying value at 31 March 2011.
2 Budgeted EBITDA is expressed as the compound annual growth rates in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.
3 Budgeted capital expenditure is expressed as a percentage of revenue in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.

11. Property, plant and equipment

	Land and buildings £m	Equipment, fixtures and fittings £m	Total £m
Cost:			
1 April 2010	1,577	46,845	48,422
Exchange movements	(16)	(678)	(694)
Additions	122	4,604	4,726
Disposals	(21)	(3,001)	(3,022)
Reclassifications	69	(732)	(663)
31 March 2011	**1,731**	**47,038**	**48,769**
Exchange movements	(89)	(2,933)	(3,022)
Arising on acquisition	2	5	7
Additions	140	4,562	4,702
Disposals	(29)	(1,458)	(1,487)
Disposals of subsidiaries and joint ventures	–	(604)	(604)
Other	(53)	(45)	(98)
31 March 2012	**1,702**	**46,565**	**48,267**
Accumulated depreciation and impairment:			
1 April 2010	633	27,147	27,780
Exchange movements	(4)	(114)	(118)
Charge for the year	99	4,273	4,372
Disposals	(19)	(2,942)	(2,961)
Other	–	(485)	(485)
31 March 2011	**709**	**27,879**	**28,588**
Exchange movements	(33)	(1,652)	(1,685)
Charge for the year	98	4,265	4,363
Impairment losses	–	81	81
Disposals	(23)	(1,252)	(1,275)
Disposals of subsidiaries and joint ventures	–	(400)	(400)
Other	–	(60)	(60)
31 March 2012	**751**	**28,861**	**29,612**
Net book value:			
31 March 2011	**1,022**	**19,159**	**20,181**
31 March 2012	**951**	**17,704**	**18,655**

The net book value of land and buildings and equipment, fixtures and fittings includes £58 million and £233 million respectively (2011: £131 million and £155 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 £28 million and £2,037 million respectively (2011: £38 million and £2,375 million). Property, plant and equipment with a net book value of £893 million (2011: £972 million) has been pledged as security against borrowings.

Notes to the consolidated financial statements (continued)

12. Principal subsidiaries

At 31 March 2012 the Company had the following principal subsidiaries carrying on businesses which affect the profits and assets of the Group. The Group comprises a large number of subsidiaries and it is not practical to include all of them in the list below. The list therefore only includes those principal subsidiaries which affected the Group accounts. A full list of subsidiaries with significant holdings and associated undertakings (both as defined in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) as at 15 August 2012 will be annexed to the Company's next annual return filed with the Registrar of Companies. No subsidiaries are excluded from the Group consolidation. Unless otherwise stated the Company's principal subsidiaries all have share capital consisting solely of ordinary shares and are indirectly held. The country of incorporation or registration of all subsidiaries is also their principal place of operation.

Name	Principal activity	Country of incorporation or registration	Percentage shareholdings[1]
Vodafone D2 GmbH	Network operator	Germany	100.0
Vodafone España S.A.U.	Network operator	Spain	100.0
Vodafone Limited	Network operator	England	100.0
Vodafone Albania Sh.A.	Network operator	Albania	99.9
Vodafone Czech Republic a.s.	Network operator	Czech Republic	100.0
Vodafone-Panafon Hellenic Telecommunications Company S.A.	Network operator	Greece	99.9
Vodafone Magyarorszag Mobile Tavkozlesi Zartkoruen Mukodo Reszvenytarsasag[2]	Network operator	Hungary	100.0
Vodafone Ireland Limited	Network operator	Ireland	100.0
Vodafone Malta Limited	Network operator	Malta	100.0
Vodafone Libertel B.V.	Network operator	Netherlands	100.0
Vodafone Portugal-Comunicações Pessoais, S.A.[3]	Network operator	Portugal	100.0
Vodafone Romania S.A.	Network operator	Romania	100.0
Vodafone Telekomunikasyon A.S.	Network operator	Turkey	100.0
Vodafone India Limited[4]	Network operator	India	84.5
Vodacom Group Limited	Network operator	South Africa	65.0
Vodacom Congo (RDC) s.p.r.l.[5,6,7]	Network operator	The Democratic Republic of Congo	33.2
Vodacom Tanzania Limited[5,7]	Network operator	Tanzania	42.3
VM, S.A.[5,8]	Network operator	Mozambique	55.3
Vodacom Lesotho (Pty) Limited[5]	Network operator	Lesotho	52.0
Vodacom Business Africa Group (PTY) Limited[5]	Holding company	South Africa	65.0
Vodafone Egypt Telecommunications S.A.E.	Network operator	Egypt	54.9
Ghana Telecommunications Company Limited	Network operator	Ghana	70.0
Vodafone New Zealand Limited	Network operator	New Zealand	100.0
Vodafone Qatar Q.S.C.[7]	Network operator	Qatar	23.0
Vodafone Group Services Limited[9]	Global products and services provider	England	100.0
Vodafone Marketing S.a.r.l.	Provider of partner market services	Luxembourg	100.0
Vodafone Holding GmbH	Holding company	Germany	100.0
Vodafone Holdings Europe S.L.U.	Holding company	Spain	100.0
Vodafone Europe B.V.	Holding company	Netherlands	100.0
Vodafone International Holdings B.V.	Holding company	Netherlands	100.0
Vodafone Investments Luxembourg S.a.r.l.	Holding company	Luxembourg	100.0
Vodafone Procurement Company S.a.r.l.	Group services provider	Luxembourg	100.0
Vodafone Roaming Services S.a.r.l.	Group services provider	Luxembourg	100.0
Vodafone Americas Inc.[10]	Holding company	US	100.0

Notes:
1 Effective ownership percentages of Vodafone Group Plc at 31 March 2012, rounded to nearest tenth of one percent.
2 Trades as Vodafone Hungary Mobile Telecommunications Company Limited.
3 38.6% of the issued share capital of Vodafone Portugal-Comunicações Pessoais, S.A. is directly held by Vodafone Group Plc.
4 At 31 March 2012, the Group had a 64.4% interest in Vodafone India Limited (name changed from Vodafone Essar Limited on 11 October 2011) ('VIL') through wholly owned subsidiaries and a further 20.1% indirectly through less than 50% owned entities giving an aggregate 84.5% interest. The Group has call options to acquire shareholdings in companies which indirectly own a further 4.5% interest in VIL. The shareholders of these companies also have put options which, if exercised, would require Vodafone to purchase the remaining shares in the respective company. If these options were exercised, which can only be done in accordance with the Indian law prevailing at the time of exercise, the Group would have a direct and indirect interest of 89.0% of VIL.
5 Shareholding is indirect through Vodacom Group Limited. The indirect shareholding is calculated using the 65.0% ownership interest in Vodacom.
6 The share capital of Vodacom Congo (RDC) s.p.r.l. consists of 1,000,000 ordinary shares and 75,470,588 preference shares.
7 The Group has rights that enable it to control the strategic and operating decisions of Vodafone Qatar Q.S.C., Vodacom Congo (RDC) s.p.r.l. and Vodacom Tanzania Limited.
8 The share capital of VM, S.A. consists of 60,000,000 ordinary shares and 547,294,533 preference shares.
9 Share capital consists of 600 ordinary shares and one deferred share, of which 100% of the shares are indirectly held by Vodafone Group Plc.
10 Share capital consists of 395,834,251 ordinary shares and 1.65 million class D and E redeemable preference shares, of which 100% of the ordinary shares are indirectly held by Vodafone Group Plc.

13. Investments in joint ventures

Principal joint ventures

At 31 March 2012 the Company had the following joint ventures carrying on businesses which affect the profits and assets of the Group. Unless otherwise stated the Company's principal joint ventures all have share capital consisting solely of ordinary shares, which are indirectly held, and the country of incorporation or registration is also their principal place of operation.

Name	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Indus Towers Limited	Network infrastructure	India	35.5[2]
Vodafone Hutchison Australia Pty Limited[3]	Network operator	Australia	50.0
Vodafone Fiji Limited	Network operator	Fiji	49.0[4]
Vodafone Omnitel N.V.[5]	Network operator	Netherlands	76.9[6]

Notes:
1 Effective ownership percentages of Vodafone Group Plc at 31 March 2012, rounded to the nearest tenth of one percent.
2 42% of Indus Towers Limited is held by Vodafone India Limited ('VIL') in which, as discussed in note 12, footnote 4, the Group had a 64.4% interest through wholly owned subsidiaries and a further 20.1% indirectly through less than 50% owned entities.
3 Vodafone Hutchison Australia Pty Limited has a year end of 31 December.
4 The Group holds substantive participating rights which provide it with a veto over the significant financial and operating policies of Vodafone Fiji Limited and which ensure it is able to exercise joint control over Vodafone Fiji Limited with the majority shareholder.
5 The principal place of operation of Vodafone Omnitel N.V. is Italy.
6 The Group considered the existence of substantive participating rights held by the non-controlling shareholder provide that shareholder with a veto right over the significant financial and operating policies of Vodafone Omnitel N.V., and determined that, as a result of these rights, the Group does not have control over the financial and operating policies of Vodafone Omnitel N.V., despite the Group's 76.9% ownership interest.

Effect of proportionate consolidation of joint ventures

The following table presents, on a condensed basis, the effect on the consolidated financial statements of including joint ventures using proportionate consolidation. The results of Vodacom Group Limited are included until 18 May 2009 when it became a subsidiary. The results of Australia are included from 9 June 2009 following its merger with Hutchison 3G Australia. The results of Polkomtel are included until its disposal on 9 November 2011.

	2012 £m	2011 £m	2010 £m
Revenue	**7,436**	**7,849**	**7,896**
Cost of sales	(4,483)	(4,200)	(4,216)
Gross profit	**2,953**	**3,649**	**3,680**
Selling, distribution and administrative expenses	(1,231)	(1,624)	(1,369)
Impairment losses	(2,450)	(1,050)	–
Other income and expense	296	–	(12)
Operating profit	**(432)**	**975**	**2,299**
Net financing costs	(141)	(146)	(152)
Profit before tax	**(573)**	**829**	**2,147**
Income tax expense	(552)	(608)	(655)
Profit for the financial year	**(1,125)**	**221**	**1,492**

	2012 £m	2011 £m
Non-current assets	15,707	19,043
Current assets	911	1,908
Total assets	**16,618**	**20,951**
Total shareholders' funds and total equity	**12,574**	**16,389**
Non-current liabilities	1,721	1,887
Current liabilities	2,323	2,675
Total liabilities	**4,044**	**4,562**
Total equity and liabilities	**16,618**	**20,951**

14. Investments in associates

At 31 March 2012 the Company had the following principal associates carrying on businesses which affect the profits and assets of the Group. The Company's principal associates all have share capital consisting solely of ordinary shares, unless otherwise stated, and are all indirectly held. The country of incorporation or registration of all associates is also their principal place of operation.

Name	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Cellco Partnership[2]	Network operator	US	45.0
Safaricom Limited[3 4]	Network operator	Kenya	40.0

Notes:
1 Effective ownership percentages of Vodafone Group Plc at 31 March 2012, rounded to the nearest tenth of one percent.
2 Cellco Partnership trades under the name Verizon Wireless.
3 The Group also holds two non-voting shares.
4 At 31 March 2012 the fair value of Safaricom Limited was KES 51 billion (£386 million) based on the closing quoted share price on the Nairobi Stock Exchange.

The Group's share of the aggregated financial information of equity accounted associates is set out below.

	2012 £m	2011 £m	2010 £m
Share of revenue in associates	20,601	24,213	23,288
Share of result in associates	4,963	5,059	4,742
Share of discontinued operations in associates	–	18	93

	2012 £m	2011 £m
Non-current assets	38,788	45,446
Current assets	3,764	5,588
Share of total assets	**42,552**	**51,034**
Non-current liabilities	3,990	5,719
Current liabilities	2,888	6,656
Non-controlling interests	566	554
Share of total liabilities and non-controlling interests	**7,444**	**12,929**
Share of equity shareholders' funds in associates	**35,108**	**38,105**

15. Other investments

Non-current other investments comprise the following, all of which are classified as available-for-sale, with the exception of public debt and bonds, and other debt and bonds, which are classified as loans and receivables, and cash held in restricted deposits:

	2012 £m	2011 £m
Included within non-current assets:		
Listed securities:		
Equity securities	1	1
Unlisted securities:		
Equity securities	671	967
Public debt and bonds	54	3
Other debt and bonds	65	72
Cash held in restricted deposits	–	338
	791	**1,381**

Unlisted equity securities include a 26% interest in Bharti Infotel Private Limited through which the Group has a 4.39% economic interest in Bharti Airtel Limited. Unlisted equity investments are recorded at fair value where appropriate, or at cost if their fair value cannot be reliably measured as there is no active market from which their fair values can be derived.

In the year ended 31 March 2011 the Group sold its 3.2% interest in China Mobile for £4,264 million generating a £3,019 million income statement gain, including income statement recognition of foreign exchange rate gains previously recognised in equity.

For public debt and bonds, other debt and bonds and cash held in restricted deposits, the carrying amount approximates fair value.

Current other investments comprise the following, of which public debt and bonds are classified as held for trading. Other debt and bonds includes £87 million of assets held for trading (2011: £64 million):

	2012 £m	2011 £m
Included within current assets:		
Public debt and bonds	900	610
Other debt and bonds	90	64
Cash held in restricted deposits	333	–
	1,323	**674**

Current public debt and bonds include Government Bonds of £900 million (2011: £610 million) which consist of index linked gilts with less than six years to maturity held on an effective floating rate basis.

For public debt and bonds, other debt and bonds and cash held in restricted deposits, the carrying amount approximates fair value.

16. Inventory

	2012 £m	2011 £m
Goods held for resale	**486**	**537**

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

	2012 £m	2011 £m	2010 £m
1 April	117	120	111
Exchange movements	(8)	(1)	5
Amounts (credited)/charged to the income statement	–	(2)	4
31 March	**109**	**117**	**120**

Cost of sales includes amounts related to inventory amounting to £6,327 million (2011: £5,878 million; 2010: £5,268 million).

17. Trade and other receivables

	2012 £m	2011 £m
Included within non-current assets:		
Trade receivables	120	92
Other receivables	235	1,719
Prepayments and accrued income	326	137
Derivative financial instruments	2,801	1,929
	3,482	**3,877**
Included within current assets:		
Trade receivables	3,885	4,185
Amounts owed by associates	15	53
Other receivables	2,984	1,606
Prepayments and accrued income	3,702	3,299
Derivative financial instruments	158	116
	10,744	**9,259**

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:

	2012 £m	2011 £m	2010 £m
1 April	1,006	929	874
Exchange movements	(64)	(30)	(27)
Amounts charged to administrative expenses	458	460	465
Trade receivables written off	(386)	(353)	(383)
31 March	**1,014**	**1,006**	**929**

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

Notes to the consolidated financial statements (continued)

17. Trade and other receivables (continued)

	2012 £m	2011 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	1,514	1,292
Foreign exchange swaps	128	99
	1,642	**1,391**
Fair value hedges:		
Interest rate swaps	1,317	654
	2,959	**2,045**

The fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at 31 March.

18. Cash and cash equivalents

	2012 £m	2011 £m
Cash at bank and in hand	2,762	896
Money market funds	3,190	5,015
Repurchase agreements	600	–
Other	586	341
Cash and cash equivalents as presented in the statement of financial position	**7,138**	**6,252**
Bank overdrafts	(50)	(47)
Cash and cash equivalents as presented in the statement of cash flows	**7,088**	**6,205**

Bank balances and money market funds comprise cash held by the Group on a short-term basis with original maturity of three months or less. The carrying amount of cash and cash equivalents approximates their fair value.

Repurchase agreements have an original maturity of less than three months and the carrying value approximates the fair value.

19. Called up share capital

	2012		2011	
	Number	£m	Number	£m
Ordinary shares of 11 3/7 US cents each allotted, issued and fully paid:[1]				
1 April	56,811,123,429	4,082	57,809,246,732	4,153
Allotted during the year	3,883,860	–	1,876,697	–
Cancelled during the year	(3,000,000,000)	(216)	(1,000,000,000)	(71)
31 March	**53,815,007,289**	**3,866**	**56,811,123,429**	**4,082**

Note:
1 At 31 March 2012 the Group held 4,169,067,107 (2011: 5,233,597,599) treasury shares with a nominal value of £299 million (2011: £376 million). The market value of shares held was £7,179 million (2011: £9,237 million). During the year 166,003,556 (2011: 150,404,079) treasury shares were reissued under Group share option schemes.

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
Share awards and option scheme awards[1]	3,883,860	–	7

Note:
1. Shares allotted during the year were in relation to US share awards and option schemes.

20. Share-based payments

The Company currently uses a number of equity settled share plans to grant options and shares to its directors and employees.

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 2012.

There are options outstanding under the Vodafone Group 1999 Long-Term Stock Incentive Plan and the Vodafone Global Incentive Plan. These options are normally exercisable between three and ten years from the date of grant. The vesting of some of these options is subject to satisfaction of performance conditions. Grants made to US employees are made in respect of ADSs.

Vodafone Group Sharesave Plan

The Vodafone Group 2008 Sharesave Plan and its predecessor, the Vodafone Group 1998 Sharesave Scheme, enable UK staff to acquire shares in the Company through monthly savings of up to £250 over a three or five year period, at the end of which they also receive a tax free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the Company's shares.

Share plans

Vodafone Group executive plans

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

Vodafone Share Incentive Plan

The Vodafone Share Incentive Plan enables UK staff to acquire shares in the Company through monthly purchases of up to £125 per month or 5% of salary, whichever is lower. For each share purchased by the employee, the Company provides a free matching share.

Movements in ordinary share options and ADS options outstanding

	ADS options			Ordinary share options		
	2012 Millions	2011 Millions	2010 Millions	**2012 Millions**	2011 Millions	2010 Millions
1 April	1	1	1	171	266	334
Granted during the year	–	–	–	5	4	13
Forfeited during the year	–	–	–	(1)	(1)	(2)
Exercised during the year	–	–	–	(55)	(72)	(47)
Expired during the year	–	–	–	(36)	(26)	(32)
31 March	**1**	**1**	**1**	**84**	**171**	**266**
Weighted average exercise price:						
1 April	$14.82	$15.07	$15.37	£1.32	£1.41	£1.41
Granted during the year	–	–	–	£1.31	£1.14	£0.94
Forfeited during the year	–	–	–	£1.07	£1.10	£1.50
Exercised during the year	–	–	–	£1.37	£1.33	£1.11
Expired during the year	–	–	–	£1.56	£2.25	£1.67
31 March	**$15.20**	**$14.82**	**$15.07**	**£1.18**	**£1.32**	**£1.41**

Summary of options outstanding and exercisable at 31 March 2012

	Outstanding			Exercisable		
	Outstanding shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months	Exercisable shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months
Vodafone Group savings related and Sharesave Plan:						
£0.01 – £1.00	9	£0.94	19	–	–	–
£1.01 – £2.00	10	£1.24	33	–	–	–
	19	**£1.09**	**26**	**–**	**–**	**–**
Vodafone Group 1999 Long-Term Stock Incentive Plan:						
£0.01 – £1.00	30	£0.90	3	30	£0.90	3
£1.01 – £2.00	35	£1.45	49	35	£1.45	49
	65	**£1.20**	**28**	**65**	**£1.20**	**28**
Other share option plans:						
£1.01 – greater than £3.01	**–**	**£2.72**	**1**	**–**	**£1.51**	**1**
Vodafone Group 1999 Long-Term Stock Incentive Plan:						
$10.01 – $30.00	**1**	**$15.20**	**6**	**1**	**$15.20**	**6**

Notes to the consolidated financial statements (continued)

20. Share-based payments (continued)

Fair value of options granted

	Ordinary share options		
	2012	2011	2010
Expected life of option (years)	3–5	3–5	3–5
Expected share price volatility	25.4–25.6%	27.5–27.6%	32.5–33.5%
Dividend yield	5.44%	5.82%	6.62%
Risk free rates	1.1–1.9%	1.3–2.2%	2.5–3.0%
Exercise price	£1.31	£1.14	£0.94

The fair value of options granted is estimated at the date of grant using a lattice-based option valuation model which incorporates ranges of assumptions for inputs as disclosed above.

Share awards

Movements in non-vested shares during the year ended 31 March 2012 are as follows:

	Global AllShare Plan		Other		Total	
	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 2011	17	£1.02	370	£1.00	387	£1.00
Granted	–	–	120	£1.29	120	£1.29
Vested	(17)	£1.02	(99)	£1.14	(116)	£1.12
Forfeited	–	–	(39)	£0.81	(39)	£0.81
31 March 2012	**–**	**–**	**352**	**£1.08**	**352**	**£1.08**

Other information

The weighted average grant date fair value of options granted during the 2012 financial year was £0.30 (2011: £0.27; 2010: £0.26).

The total fair value of shares vested during the year ended 31 March 2012 was £130 million (2011: £113 million; 2010: £100 million).

The compensation cost included in the consolidated income statement in respect of share options and share plans was £143 million (2011: £156 million; 2010: £150 million) which is comprised entirely of equity-settled transactions.

The average share price for the year ended 31 March 2012 was 169.9 pence (2011: 159.5 pence, 2010: 132 pence).

21. Capital and financial risk management

Capital management

The following table summarises the capital of the Group:

	2012 £m	2011 £m
Financial assets:		
Cash and cash equivalents	(7,138)	(6,252)
Fair value through the income statement (held for trading)	(2,629)	(2,065)
Derivative instruments in designated hedge relationships	(1,317)	(654)
Financial liabilities:		
Fair value through the income statements (held for trading)	889	495
Derivative instruments in designated hedge relationships	–	53
Financial liabilities held at amortised cost	34,620	38,281
Net debt	**24,425**	**29,858**
Equity	78,202	87,561
Capital	**102,627**	**117,419**

The Group's policy is to borrow centrally using a mixture of long-term and short-term capital market issues and borrowing facilities to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries. The Board has approved three internal debt protection ratios being: net interest to operating cash flow (plus dividends from associates); retained cash flow (operating cash flow plus dividends from associates less interest, tax, dividends to non-controlling shareholders and equity dividends) to net debt; and operating cash flow (plus dividends from associates) to net debt. These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and are shared with the Group's debt rating agencies being Moody's, Fitch Ratings and Standard & Poor's. The Group complied with these ratios throughout the financial year.

Financial risk management

The Group's treasury function provides a centralised service to the Group for funding, foreign exchange, interest rate management and counterparty risk management.

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Board, most recently on 27 March 2012. A treasury policy committee comprising of the Group's Chief Financial Officer, Group General Counsel and Company Secretary, Group Treasury Director and Director of Financial Reporting meets at least annually 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:

	2012 £m	2011 £m
Bank deposits	2,762	896
Repurchase agreements	600	–
Cash held in restricted deposits	333	338
Government bonds	900	610
Money market fund investments	3,190	5,015
Derivative financial instruments	2,959	2,045
Other investments – debt and bonds	160	75
Trade receivables	4,005	4,277
Other receivables	3,219	3,325
Other	586	341
	18,714	**16,922**

The Group invests in UK index linked government bonds on the basis that they generate a swap return in excess of £ LIBOR and are amongst the most creditworthy of investments available.

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 AAA rated EU countries denominated in euros 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 2012.

	2012 £m	2011 £m
Sovereign	575	–
Supranational	25	–
	600	**–**

In respect of financial instruments used by the Group's treasury function, the aggregate credit risk the Group may have with one counterparty is limited by (i) reference to the long-term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's, (ii) that counterparty's five year credit default swap ('CDS') spread, and (iii) the sovereign credit rating of that counterparty's principal operating jurisdiction. Furthermore, collateral support agreements were introduced from the fourth quarter of 2008. Under collateral support agreements the Group's exposure to a counterparty with whom a collateral support agreement is in place is reduced to the extent that the counterparty must post cash collateral when there is value due to the Group under outstanding derivative contracts that exceeds a contractually agreed threshold amount. When value is due to the counterparty the Group is required to post collateral on identical terms. Such cash collateral is adjusted daily as necessary.

In the event of any default ownership of the cash collateral would revert to the respective holder at that point. Detailed below is the value of the cash collateral, which is reported within short-term borrowings, held by the Group at 31 March 2012:

	2012 £m	2011 £m
Cash collateral	980	531

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 2012 £1,806 million (2011: £2,233 million) of trade receivables were not yet due for payment. Total trade receivables consisted of £2,672 million (2011: £2,852 million) relating to the Europe region and £1,333 million (2011: £1,425 million) relating to the Africa, Middle East and Asia Pacific region. Accounts are monitored by management and provisions for bad and doubtful debts raised where it is deemed appropriate.

Notes to the consolidated financial statements (continued)

21. Capital and financial risk management (continued)

The following table presents ageing of receivables that are past due and provisions for doubtful receivables that have been established.

	2012			2011		
	Gross receivables £m	Less provisions £m	Net receivables £m	Gross receivables £m	Less provisions £m	Net receivables £m
30 days or less	1,914	(390)	1,524	1,933	(372)	1,561
Between 31 – 60 days	192	(21)	171	140	(40)	100
Between 61 – 180 days	435	(96)	339	157	(72)	85
Greater than 180 days	598	(433)	165	778	(480)	298
	3,139	**(940)**	**2,199**	**3,008**	**(964)**	**2,044**

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 2012 were £458 million (2011: £460 million, 2010: £465 million) (see note 17).

The Group's investments in preferred equity and a subordinated loan received as part of the disposal of Vodafone Japan to SoftBank in the 2007 financial year were disposed of in the prior year. The Group has a receivable of £1,514 million (2011: £1,488 million) in relation to the second tranche of consideration receivable in relation to the disposal. This amount was received on 2 April 2012.

As discussed in note 29 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 2012 the Group had €4.2 billion and US$4.2 billion syndicated committed undrawn bank facilities and US$15 billion and £5 billion commercial paper programmes, supported by the €4.2 billion and US$4.2 billion syndicated committed bank facilities, available to manage its liquidity. The Group uses commercial paper and bank facilities to manage short-term liquidity and manages long-term liquidity by raising funds in the capital markets.

€4.2 billion of the syndicated committed facility has a maturity date of 1 July 2015. US$4.2 billion has a maturity of 9 March 2016; during the year US$4.1 billion of this facility was extended by one year, now maturing 9 March 2017. 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 25 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 2012 amounted to £7,138 million (2011: £6,252 million).

Market risk

Interest rate management

Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in euros, US dollars and sterling are maintained on a floating rate basis except for periods up to six years where interest rate fixing has to be undertaken in accordance with treasury policy. Where assets and liabilities are denominated in other currencies interest rates may also be fixed. In addition, fixing is undertaken for longer periods when interest rates are statistically low.

For each one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 March 2012 there would be a reduction or increase in profit before tax by approximately £33 million (2011: increase or reduce by £30 million) including mark-to-market revaluations of interest rate and other derivatives and the potential interest on outstanding tax issues. There would be no material impact on equity.

Foreign exchange management

As Vodafone's primary listing is on the London Stock Exchange its share price is quoted in sterling. Since the sterling share price represents the value of its future multi-currency cash flows, principally in euro, US dollars, South African rand, Indian rupee and sterling, the Group maintains the currency of debt and interest charges in proportion to its expected future principal multi-currency cash flows and has a policy to hedge external foreign exchange risks on transactions denominated in other currencies above certain de minimis levels. As the Group's future cash flows are increasingly likely to be derived from emerging markets it is likely that more debt in emerging market currencies will be drawn.

As such, at 31 March 2012 140% of net debt was denominated in currencies other than sterling (54% euro, 54% US dollar and 32% other) while 40% of net debt had been purchased forward in sterling in anticipation of sterling denominated shareholder returns via dividends and share buybacks. This allows euro, US dollar and other debt to be serviced in proportion to expected future cash flows and therefore provides a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies. Yen debt is used as a hedge against the value of yen assets as the Group has minimal yen cash flows.

Under the Group's foreign exchange management policy foreign exchange transaction exposure in Group companies is generally maintained at the lower of €5 million per currency per month or €15 million per currency over a six month period.

The Group recognises foreign exchange movements in equity for the translation of net investment hedging instruments and balances treated as investments in foreign operations. However, there is no net impact on equity for exchange rate movements as there would be an offset in the currency translation of the foreign operation.

The following table details the Group's sensitivity of the Group's operating profit to a strengthening of the Group's major currencies in which it transacts. The percentage movement applied to each currency is based on the average movements in the previous three annual reporting periods. Amounts are calculated by retranslating the operating profit of each entity whose functional currency is either euro or US dollar.

	2012 £m
Euro 3% change – Operating profit[1]	140
US dollar 4% change – Operating profit[1]	195

Note:
1 Operating profit before impairment losses and other income and expense

At 31 March 2011 sensitivity of the Group's operating profit was analysed for a strengthening of the euro by 4% and the US dollar by 13%, which represented movements of £230 million and £594 million respectively.

Equity risk

The Group has equity investments, primarily in Bharti Infotel Private Limited, which is subject to equity risk. See note 15 to the consolidated financial statements for further details on the carrying value of this investment.

Fair value of financial instruments

The table below sets out the valuation basis of financial instruments held at fair value by the Group at 31 March 2012.

	Level 1[1]		Level 2[2]		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Financial assets:						
Fair value through the income statement (held for trading)	–	–	949	674	949	674
Derivative financial instruments:						
Interest rate swaps	–	–	2,831	1,946	2,831	1,946
Foreign exchange contracts	–	–	128	99	128	99
Interest rate futures	–	–	38	31	38	31
	–	**–**	**3,946**	**2,750**	**3,946**	**2,750**
Financial investments available-for-sale:						
Listed equity securities[3]	1	1	–	–	1	1
Unlisted equity securities[3]	–	–	591	703	591	703
	1	**1**	**591**	**703**	**592**	**704**
	1	**1**	**4,537**	**3,453**	**4,538**	**3,454**
Financial liabilities:						
Derivative financial instruments:						
Interest rate swaps	–	–	800	395	800	395
Foreign exchange contracts	–	–	89	153	89	153
	–	**–**	**889**	**548**	**889**	**548**

Notes:
1 Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.
2 Level 2 classification comprises where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Fair values for unlisted equity securities are derived from observable quoted market prices for similar items. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.
3 Details of listed and unlisted equity securities are included in note 15 "Other Investments".

Notes to the consolidated financial statements (continued)

22. Borrowings

Carrying value and fair value information

	2012 Short-term borrowings £m	2012 Long-term borrowings £m	2012 Total £m	2011 Short-term borrowings £m	2011 Long-term borrowings £m	2011 Total £m
Financial liabilities measured at amortised cost:						
Bank loans	1,635	5,624	7,259	2,070	5,872	7,942
Bank overdrafts	50	–	50	47	–	47
Redeemable preference shares	–	1,281	1,281	–	1,169	1,169
Commercial paper	2,272	–	2,272	1,660	–	1,660
Bonds	1,289	14,463	15,752	2,470	16,046	18,516
Other liabilities[1 2]	1,012	2,417	3,429	3,659	1,023	4,682
Bonds in fair value hedge relationships	–	4,577	4,577	–	4,265	4,265
	6,258	**28,362**	**34,620**	**9,906**	**28,375**	**38,281**

Notes:
1 At 31 March 2012 amount includes £980 million (2011: £531 million) in relation to collateral support agreements.
2 Amounts at 31 March 2012 includes £840 million (2011: £3,190 million) in relation to the options disclosed in note 12.

Bank loans include INR 273 billion of loans held by Vodafone India Limited ('VIL') and its subsidiaries (the 'VIL Group'). The VIL Group has a number of security arrangements supporting certain licences secured under the terms of tri-party agreements between the relevant borrower, the department of telecommunications, Government of India and the agent representing the secured lenders and certain share pledges of the shares under VIL. The terms and conditions of the security arrangements mean that should members of the VIL Group not meet all of their loan payment and performance obligations, the lenders may sell the pledged shares and enforce rights over the certain licences under the terms of the tri-party agreements to recover their losses, with any remaining sales proceeds being returned to the VIL Group. Each of the eight legal entities within the VIL Group provide cross guarantees to the lenders in respect to debt contracted by the other seven.

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

	Sterling equivalent nominal value 2012 £m	Sterling equivalent nominal value 2011 £m	Fair value 2012 £m	Fair value 2011 £m	Carrying value 2012 £m	Carrying value 2011 £m
Financial liabilities measured at amortised cost	4,915	7,316	4,977	7,425	4,969	7,436
Bonds:	1,267	2,444	1,288	2,463	1,289	2,470
1.15% US dollar 100 million bond due August 2012	63	–	63	–	63	–
3.625% euro 1,250 million bond due November 2012	1,032	–	1,051	–	1,050	–
6.75% Australian dollar 265 million bond due January 2013	172	–	174	–	176	–
US dollar floating rate note due June 2011	–	171	–	171	–	171
5.5% US dollar 750 million bond due June 2011	–	467	–	471	–	478
1% US dollar 100 million bond due August 2011	–	45	–	45	–	45
Euro floating rate note due January 2012	–	1,144	–	1,146	–	1,148
US dollar floating rate note due February 2012	–	306	–	306	–	306
5.35% US dollar 500 million bond due February 2012	–	311	–	324	–	322
Short-term borrowings	**6,182**	**9,760**	**6,265**	**9,888**	**6,258**	**9,906**

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

	Sterling equivalent nominal value		Fair value		Carrying value	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Financial liabilities measured at amortised cost:						
Bank loans	5,336	5,728	5,625	5,872	5,624	5,873
Redeemable preference shares	1,032	1,027	1,199	1,054	1,281	1,169
Other liabilities	2,325	1,022	2,472	1,023	2,417	1,022
Bonds:	13,184	14,581	14,746	15,578	14,463	16,046
3.625% euro 1,250 million bond due November 2012	–	1,104	–	1,125	–	1,132
6.75% Australian dollar 265 million bond due January 2013	–	171	–	173	–	176
Czech kurona floating rate note due June 2013	18	19	18	19	18	19
Euro floating rate note due September 2013	638	751	641	752	638	752
5.0% US dollar 1,000 million bond due December 2013	625	623	669	676	657	667
6.875% euro 1,000 million bond due December 2013	763	883	834	970	786	922
Euro floating rate note due June 2014	938	1,104	939	1,099	938	1,105
4.15% US dollar 1,250 million bond due June 2014	755	778	808	826	773	802
4.625% sterling 350 million bond due September 2014	304	350	325	367	326	382
4.625% sterling 525 million bond due September 2014	525	525	562	551	541	544
5.125% euro 500 million bond due April 2015	417	442	463	475	442	470
5.0% US dollar 750 million bond due September 2015	469	467	528	506	505	512
3.375% US dollar 500 million bond due November 2015	313	311	335	317	314	312
6.25% euro 1,250 million bond due January 2016	938	1,104	1,094	1,230	953	1,139
2.875% US dollar 600 million bond due March 2016	375	374	393	371	374	371
5.75% US dollar 750 million bond due March 2016	469	467	543	523	522	532
4.75% euro 500 million bond due June 2016	417	442	469	463	455	487
5.625% US dollar 1,300 million bond due February 2017	813	809	954	897	908	920
1.625% US dollar 1,000 million bond due March 2017	625	–	624	–	621	–
5.375% sterling 600 million bond due December 2017	552	600	632	638	573	629
5% euro 750 million bond due June 2018	625	663	726	697	650	689
8.125% sterling 450 million bond due November 2018	450	450	589	550	485	488
4.375% US dollar 500 million bond due March 2021	313	311	348	307	310	309
7.875% US dollar 750 million bond due February 2030	469	467	648	591	751	759
6.25% US dollar 495 million bond due November 2032	310	308	377	332	424	425
6.15% US dollar 1,700 million bond due February 2037	1,063	1,058	1,227	1,123	1,499	1,503
Bonds in fair value hedge relationships:	3,882	3,962	4,541	4,199	4,577	4,265
2.15% Japanese yen 3,000 million bond due April 2015	23	23	24	24	23	23
5.375% US dollar 900 million bond due January 2015	563	560	628	616	621	621
4.625% US dollar 500 million bond due July 2018	313	311	354	327	367	338
5.45% US dollar 1,250 million bond due June 2019	782	778	920	850	898	823
4.65% euro 1,250 million bond January 2022	1,042	1,104	1,203	1,115	1,172	1,114
5.375% euro 500 million bond June 2022	417	442	501	470	532	505
5.625% sterling 250 million bond due December 2025	250	250	294	258	324	284
6.6324% euro 50 million bond due December 2028	42	44	86	68	67	57
5.9% sterling 450 million bond due November 2032	450	450	531	471	573	500
Long-term borrowings	**25,759**	**26,320**	**28,583**	**27,726**	**28,362**	**28,375**

Fair values are calculated using quoted market prices or discounted cash flows with a discount rate based upon forward interest rates available to the Group at the reporting date.

Notes to the consolidated financial statements (continued)

22. Borrowings (continued)

Maturity of borrowings

The maturity profile of the anticipated future cash flows including interest in relation to the Group's non-derivative financial liabilities on an undiscounted basis, which, therefore, differs from both the carrying value and fair value, is as follows:

	Bank loans £m	Redeemable preference shares £m	Commercial paper £m	Bonds £m	Other liabilities £m	Loans in fair value hedge relationships £m	Total £m
Within one year	684	56	2,283	2,000	1,044	199	6,266
In one to two years	2,983	56	–	2,828	771	199	6,837
In two to three years	567	56	–	3,197	–	762	4,582
In three to four years	1,316	56	–	3,536	1,235	191	6,334
In four to five years	1,574	56	–	1,541	726	169	4,066
In more than five years	1,466	1,214	–	6,780	69	4,465	13,994
	8,590	**1,494**	**2,283**	**19,882**	**3,845**	**5,985**	**42,079**
Effect of discount/financing rates	(1,331)	(213)	(11)	(4,130)	(366)	(1,408)	(7,459)
31 March 2012	**7,259**	**1,281**	**2,272**	**15,752**	**3,479**	**4,577**	**34,620**
Within one year	947	52	1,670	3,292	3,766	203	9,930
In one to two years	1,914	52	–	2,009	191	203	4,369
In two to three years	2,748	52	–	2,919	60	203	5,982
In three to four years	529	52	–	3,251	60	763	4,655
In four to five years	987	52	–	3,613	901	195	5,748
In more than five years	2,197	1,240	–	7,725	–	4,752	15,914
	9,322	**1,500**	**1,670**	**22,809**	**4,978**	**6,319**	**46,598**
Effect of discount/financing rates	(1,380)	(331)	(10)	(4,293)	(249)	(2,054)	(8,317)
31 March 2011	**7,942**	**1,169**	**1,660**	**18,516**	**4,729**	**4,265**	**38,281**

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

	2012		2011	
	Payable £m	**Receivable £m**	Payable £m	Receivable £m
Within one year	14,357	14,498	14,840	15,051
In one to two years	675	786	631	829
In two to three years	561	678	724	882
In three to four years	540	641	667	770
In four to five years	402	520	619	690
In more than five years	2,533	3,566	3,715	4,592
	19,068	**20,689**	**21,196**	**22,814**

The currency split of the Group's foreign exchange derivatives, all of which mature in less than one year, is as follows:

	2012		2011	
	Payable £m	**Receivable £m**	Payable £m	Receivable £m
Sterling	1,287	7,070	–	10,198
Euro	4,793	2,613	11,422	2,832
US dollar	4,415	2,445	13	387
Japanese yen	2,207	23	2,164	23
Other	962	1,552	727	832
	13,664	**13,703**	**14,326**	**14,272**

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The £39 million net receivable (2011: £54 million net payable) in relation to foreign exchange financial instruments in the table above is split £89 million (2011: £153 million) within trade and other payables and £128 million (2011: £99 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:

	2012 £m	2011 £m
Within one year	18	14
In two to five years	34	45
In more than five years	34	6

Interest rate and currency of borrowings

Currency	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings[1] £m	Other borrowings[2] £m
Sterling	2,838	912	1,926	–
Euro	10,696	4,408	6,288	–
US dollar	14,085	4,521	9,495	69
Japanese yen	23	23	–	–
Other	6,978	3,489	2,718	771
31 March 2012	**34,620**	**13,353**	**20,427**	**840**
Sterling	2,831	906	1,925	–
Euro	12,361	4,198	8,163	–
US dollar	16,030	9,488	3,352	3,190
Japanese yen	807	807	–	–
Other	6,252	2,920	3,332	–
31 March 2011	**38,281**	**18,319**	**16,772**	**3,190**

Notes:
1 The weighted average interest rate for the Group's sterling denominated fixed rate borrowings is 5.7% (2011: 5.7%). The weighted average time for which these rates are fixed is 4.5 years (2011: 5.4 years). The weighted average interest rate for the Group's euro denominated fixed rate borrowings is 4.2% (2011: 4.3%). The weighted average time for which the rates are fixed is 2.8 years (2011: 3.8 years). The weighted average interest rate for the Group's US dollar denominated fixed rate borrowings is 5.1% (2011: 5.4%). The weighted average time for which the rates are fixed is 10.0 years (2011: 9.7 years). The weighted average interest rate for the Group's other currency fixed rate borrowings is 10.1% (2011: 9.2%). The weighted average time for which the rates are fixed is 2.7 years (2011: 2.0 years).
2 Other borrowings of £840 million (2011: £3,190 million) are the 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.

At 31 March 2012 the Group had entered into foreign exchange contracts to decrease its sterling and other currency borrowings above by £5,783 million and £590 million respectively, and to increase its euro, US dollar and Japanese yen currency borrowings above by amounts equal to £2,180 million, £1,970 million and £2,184 million respectively.

At 31 March 2011 the Group had entered into foreign exchange contracts to decrease its sterling, US dollar and other currency borrowings above by £10,198 million and amounts equal to £374 million and £105 million respectively, and to increase its euro and Japanese yen currency borrowings above by amounts equal to £8,590 million and £2,141 million respectively.

Further protection from euro and US dollar interest rate movements is provided by interest rate swaps. At 31 March 2012 the Group had euro denominated interest rate swaps covering the period from June 2012 to June 2016 for an amount equal to £685 million. US dollar denominated interest swaps provide cover for the periods March 2012 to June 2012, June 2012 to September 2015, September 2015 to March 2016 and March 2016 to June 2016 for amounts equal to £653 million, £1,894 million, £1,241 million and £914 million respectively. Additionally US dollar denominated interest rate swaps reduce the level of fixed rate debt during the periods June 2016 to December 2019 by an amount equal to £327 million and sterling interest rate swaps reduce the level of fixed debt during the periods December 2016 to December 2017 and December 2017 to December 2018 by amounts of £1,050 million and £450 million respectively.

At 31 March 2011 further protection from euro and US dollar interest rate movements was provided by interest rate swaps. The Group had euro denominated interest rate swaps covering periods June 2015 to December 2015 equal to £833 million. US dollar denominated interest swaps cover the period March 2011 to December 2011 and December 2011 to December 2015 for amounts equal to £1,282 million and £641 million respectively.

The Group has entered into euro and US dollar denominated interest rate futures. The euro denominated interest rate futures provide cover for the periods March 2012 to June 2012, June 2012 to September 2012, September 2012 to December 2012, December 2012 to March 2013, March 2013 to June 2013, June 2013 to September 2013, September 2013 to December 2013, December 2013 to March 2014, June 2014 to December 2014, December 2014 to March 2015, March 2015 to June 2015, June 2015 to September 2015, September 2015 to December 2015, December 2015 to March 2016, March 2016 to June 2016, June 2016 to September 2016 and September 2016 to December 2016 for amounts equal to £7,435 million, £422 million, £976 million, £1,806 million, £1,640 million, £1,391 million, £2,076 million, £2,326 million, £3,738 million, £831 million, £2,396 million, £3,472 million, £2,650 million, £1,819 million, £154 million, £3,196 million and £328 million respectively. The US dollar denominated interest rate futures cover the periods March 2014 to June 2014, December 2015 to March 2016, March 2016 to June 2016, June 2016 to September 2016, September 2016 to December 2016 and December 2016 to March 2017 for amounts equal to £653 million, £3,060 million, £2,505 million, £2,351 million, £1,988 million and £1,976 million respectively.

At 31 March 2011 the Group had entered into euro and US dollar denominated interest rate futures. The euro denominated interest rate futures covered the periods September 2011 to December 2011, December 2011 to March 2012, March 2012 to June 2012 and June 2012 to September 2012 for amounts equal to £2,083 million, £833 million, £7,185 million and £6,811 million respectively. Additional cover was provided for the period March 2013 to March 2014 and March 2015 to March 2016 for average amounts for each period equal to £2,006 million and £2,331 million respectively. The US dollar denominated interest rate futures covered the periods June 2011 to September 2011, June 2013 to September 2013 and September 2013 to December 2013 for amounts equal to £3,601 million, £1,923 million and £833 million respectively.

The Group has entered into interest rate swaps to alter the level of protection against interest rate movements during future periods. US dollar interest rate futures reduce the level of fixed debt during the periods March 2012 to June 2012, June 2012 to September 2012, September 2012 to December 2012, December 2012 to September 2013, September 2013 to December 2013, June 2015 to September 2015 and September 2015 to December 2015 for amounts equal to £1,894 million, £1,306 million, £9,494 million, £3,919 million, £3,070 million, £4,385 million and £2,133 million respectively. Additionally sterling interest rate futures reduced fixed debt in the periods March 2012 to June 2012 and December 2013 to March 2014 by amounts of £7,289 million and £667 million respectively.

Notes to the consolidated financial statements (continued)

22. Borrowings (continued)

At 31 March 2011 the Group had entered into interest rate swaps to alter the level of protection against interest rate movements during future periods. During the period June 2016 to December 2016 euro denominated interest rate swaps reduced the level of fixed rate debt in the Group by an amount equal to £833 million. US dollar denominated swaps reduced the level of fixed rate debt during the period March 2016 to March 2019 for an amount equal to £321 million. US dollar denominated interest rate futures reduced the level of fixed rate debt during the periods September 2012 to December 2012 and December 2013 to March 2014 for amounts equal to £4,487 million and £1,282 million respectively.

Borrowing facilities

At 31 March 2012 the Group's most significant committed borrowing facilities comprised two bank facilities which remained undrawn throughout the period of €4,230 million (£3,527 million) and US$4,245 million (£2,654 million) both expiring between three and five years (2011: two bank facilities of €4,150 million (£3,666 million) and US$4,170 million (£2,596 million)), a US$515 million (£322 million) bank facility which expires in more than five years (2011: US$650 million (£405 million)), two loan facilities of €400 million (£334 million) and €350 million (£292 million) both expiring between two and five years (2011: two loan facilities of €400 million (£353 million) and €350 million (£309 million) and a loan facility of €410 million (£342 million) which expires in more than five years (2011: €410 million (£362 million)), The €400 million and €350 million loan facilities were fully drawn on 14 February 2007 and 12 August 2008 respectively and the €410 million facility was drawn on 30 July 2010. During the year two new facilities were negotiated for €400 million (£334 million) and €300 million (£250 million) which remain undrawn and expire in more than 5 years.

Under the terms and conditions of the €4,230 million and US$4,245 million bank facilities, lenders have the right, but not the obligation, to cancel their commitment 30 days from the date of notification of a change of control of the Company and have outstanding advances repaid on the last day of the current interest period.

The facility agreements provide for certain structural changes that do not affect the obligations of the Company to be specifically excluded from the definition of a change of control. This is in addition to the rights of lenders to cancel their commitment if the Company has committed an event of default.

The terms and conditions of the drawn facilities in the Group's Turkish and Italian operating companies of €400 million and €350 million respectively and the Group's German, Italian and Romanian fixed line operations of €410 million, €400 million and €300 million respectively, are similar to those of the US dollar bank facilities. In addition should the Group's Turkish operating company spend less than the equivalent of US$800 million on capital expenditure the Group will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure and should the Group's Italian operating company spend less than the equivalent of €1,500 million on capital expenditure, the Group will be required to repay the drawn amount of the facility that exceeds 18% of the capital expenditure. Similarly should the Group's German, Italian or Romanian fixed line operations spend less that the equivalent of €824 million, €1,252 million and €1,246 million on capital expenditure respectively, the Group will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.

In addition to the above, certain of the Group's subsidiaries had committed facilities at 31 March 2012 of £7,842 million (2011: £7,152 million) in aggregate, of which £1,100 million (2011: £667 million) was undrawn. Of the total committed facilities £2,353 million (2011: £2,137 million) expires in less than one year, £4,078 million (2011: £3,719 million) expires between two and five years, and £1,411 million (2011: £1,296 million) expires in more than five years.

Redeemable preference shares

Redeemable preference shares comprise class D and E preferred shares issued by Vodafone Americas, Inc. An annual dividend of US$51.43 per class D and E preferred share is payable quarterly in arrears. The dividend for the year amounted to £56 million (2011: £58 million). The aggregate redemption value of the class D and E preferred shares is US$1.65 billion. The holders of the preferred shares are entitled to vote on the election of directors and upon each other matter coming before any meeting of the shareholders on which the holders of ordinary shares are entitled to vote. Holders are entitled to vote on the basis of twelve votes for each share of class D or E preferred stock held. The maturity date of the 825,000 class D preferred shares is 6 April 2020. The 825,000 class E preferred shares have a maturity date of 1 April 2020. The class D and E preferred shares have a redemption price of US$1,000 per share plus all accrued and unpaid dividends.

23. Post employment benefits

Background

At 31 March 2012 the Group operated a number of pension plans for the benefit of its employees throughout the world, which vary depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through both defined benefit and defined contribution arrangements. Defined benefit schemes provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

The Group operates defined benefit schemes in Germany, Ghana, Ireland, Italy, India, the United Kingdom and the United States. Defined contribution pension schemes are currently provided in Australia, Egypt, Greece, Hungary, Ireland, Italy, Kenya, Malta, the Netherlands, New Zealand, Portugal, South Africa, Spain, the United Kingdom and the United States. The Group's principal defined benefit pension scheme in the United Kingdom was closed to new entrants from 1 January 2006 and closed to future accrual for existing members on 31 March 2010.

Income statement expense

	2012 £m	2011 £m	2010 £m
Defined contribution schemes	145	130	110
Defined benefit schemes	(2)	4	50
Total amount charged to the income statement (note 32)	**143**	**134**	**160**

Defined benefit schemes

The principal actuarial assumptions used for estimating the Group's benefit obligations are set out below:

	2012[1] %	2011[1] %	2010[1] %
Weighted average actuarial assumptions used at 31 March:			
Rate of inflation	3.0	3.1	3.5
Rate of increase in salaries	2.9	2.9	4.6
Rate of increase in pensions in payment and deferred pensions	3.0	3.1	3.5
Discount rate	4.7	5.6	5.7
Expected rates of return:			
Equities	7.4	8.2	8.5
Bonds[2]	4.2	5.1	5.1

Notes:
1 Figures shown represent a weighted average assumption of the individual schemes.
2 For the year ended 31 March 2012 the expected rate of return for bonds consisted of a 4.6% rate of return for corporate bonds (2011: 5.3%; 2010: 5.5%) and a 2.6% rate of return for government bonds (2011: 3.6%; 2010: 4.0%).

The expected return on assets assumptions are derived by considering the expected long-term rates of return on plan investments. The overall rate of return is a weighted average of the expected returns of the individual investments made in the Group plans. The long-term rates of return on equities are derived from considering current risk free rates of return with the addition of an appropriate future risk premium from an analysis of historic returns in various countries. The long-term rates of return on bonds are set in line with market yields currently available at the statement of financial position date.

Mortality assumptions used are consistent with those recommended by the individual scheme actuaries and reflect the latest available tables, adjusted for the experience of the Group where appropriate. The largest scheme in the Group is the UK scheme and the tables used for this scheme indicate a further life expectancy for a male/female pensioner currently aged 65 of 23.6/24.4 years (2011: 23.5/24.3 years, 2010: 22.3/25.4 years) and a further life expectancy from age 65 for a male/female non-pensioner member currently aged 40 of 27.2/26.7 years (2011: 27.0/26.6 years, 2010: 24.6/27.9 years).

Measurement of the Group's defined benefit retirement obligations are particularly sensitive to changes in certain key assumptions including the discount rate. An increase or decrease in the discount rate of 0.5% would result in a £203 million increase or a £230 million decrease in the defined benefit obligation respectively.

Charges made to the consolidated income statement and consolidated statement of comprehensive income ('SOCI') on the basis of the assumptions stated above are:

	2012 £m	2011 £m	2010 £m
Current service cost	11	12	29
Interest cost	85	95	77
Expected return on pension assets	(99)	(103)	(76)
Curtailment/settlement	1	–	20
Total included within staff costs	**(2)**	**4**	**50**
Actuarial losses/(gains) recognised in the SOCI	365	(190)	149
Cumulative actuarial losses recognised in the SOCI	671	306	496

Notes to the consolidated financial statements (continued)

23. Post employment benefits (continued)

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:

	2012 £m	2011 £m	2010 £m
Movement in pension assets:			
1 April	1,558	1,487	1,100
Exchange rate movements	(22)	(2)	(10)
Expected return on pension assets	99	103	76
Actuarial (losses)/gains	(30)	(6)	286
Employer cash contributions	34	24	133
Member cash contributions	6	5	12
Benefits paid	(42)	(51)	(45)
Other movements	1	(2)	(65)
31 March	**1,604**	**1,558**	**1,487**
Movement in pension liabilities:			
1 April	1,548	1,690	1,332
Exchange rate movements	(33)	(4)	(15)
Current service cost	11	12	29
Interest cost	85	95	77
Member cash contributions	6	5	12
Actuarial losses/(gains)	335	(196)	435
Benefits paid	(42)	(51)	(79)
Other movements	–	(3)	(101)
31 March	**1,910**	**1,548**	**1,690**

An analysis of net (deficit)/assets is provided below for the Group's principal defined benefit pension scheme in the UK and for the Group as a whole.

	UK					Group				
	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Analysis of net (deficit)/assets:										
Total fair value of scheme assets	1,218	1,180	1,131	755	934	1,604	1,558	1,487	1,100	1,271
Present value of funded scheme liabilities	(1,444)	(1,127)	(1,276)	(815)	(902)	(1,852)	(1,488)	(1,625)	(1,196)	(1,217)
Net (deficit)/assets for funded schemes	**(226)**	**53**	**(145)**	**(60)**	**32**	**(248)**	**70**	**(138)**	**(96)**	**54**
Present value of unfunded scheme liabilities	–	–	–	(8)	–	(58)	(60)	(65)	(136)	(93)
Net (deficit)/assets	**(226)**	**53**	**(145)**	**(68)**	**32**	**(306)**	**10**	**(203)**	**(232)**	**(39)**
Net (deficit)/assets are analysed as:										
Assets	–	53	–	–	32	31	97	34	8	65
Liabilities	(226)	–	(145)	(68)	–	(337)	(87)	(237)	(240)	(104)

It is expected that contributions of £34 million will be paid into the Group's defined benefit retirement schemes during the year ending 31 March 2013. The assets of the schemes are held in external trustee administered funds.

Actual return on pension assets

	2012 £m	2011 £m	2010 £m
Actual return on pension assets	69	97	362
Analysis of pension assets at 31 March is as follows:	%	%	%
Equities	60.1	61.6	59.6
Bonds	37.1	36.5	37.5
Property	0.3	0.3	0.3
Other	2.5	1.6	2.6
	100.0	**100.0**	**100.0**

The schemes have no direct investments in the Group's equity securities or in property currently used by the Group.

History of experience adjustments

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Experience adjustments on pension liabilities:					
Amount	(21)	23	8	6	(5)
Percentage of pension liabilities	(1%)	1%	–	–	–
Experience adjustments on pension assets:					
Amount	(30)	(6)	286	(381)	(176)
Percentage of pension assets	(2%)	–	19%	(35%)	(14%)

24. Provisions

	Asset retirement obligations £m	Legal and regulatory £m	Other £m	Total £m
1 April 2010	370	184	440	994
Exchange movements	(4)	(1)	(11)	(16)
Amounts capitalised in the year	4	–	–	4
Amounts charged to the income statement	–	88	212	300
Utilised in the year – payments	(8)	(12)	(181)	(201)
Amounts released to the income statement	–	(30)	(29)	(59)
Other	(47)	41	25	19
31 March 2011	**315**	**270**	**456**	**1,041**
Exchange movements	(19)	(12)	(26)	(57)
Amounts capitalised in the year	37	–	–	37
Amounts charged to the income statement	–	50	209	259
Utilised in the year – payments	(4)	(25)	(164)	(193)
Amounts released to the income statement	–	(6)	(47)	(53)
Other	(10)	33	55	78
31 March 2012	**319**	**310**	**483**	**1,112**

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

31 March 2012

	Asset retirement obligations £m	Legal and regulatory £m	Other £m	Total £m
Current liabilities	15	225	393	633
Non-current liabilities	304	85	90	479
	319	**310**	**483**	**1,112**

31 March 2011

	Asset retirement obligations £m	Legal and regulatory £m	Other £m	Total £m
Current liabilities	7	215	337	559
Non-current liabilities	308	55	119	482
	315	**270**	**456**	**1,041**

Asset retirement obligations

In the course of the Group's activities a number of sites and other assets are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in periods up to twenty five years from when the asset is brought into use.

Legal and regulatory

The Group is involved in a number of legal and other disputes, including notifications of possible claims. The directors of the Company, after taking legal advice, have established provisions after taking into account the facts of each case. The timing of cash outflows associated with the majority of legal claims are typically less than one year, however, for some legal claims the timing of cash flows may be long term in nature. For a discussion of certain legal issues potentially affecting the Group refer to note 29.

Other provisions

Other provisions comprises various provisions including restructuring costs and property, none of which are individually material. 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.

25. Trade and other payables

	2012 £m	2011 £m
Included within non-current liabilities:		
Other payables	193	80
Accruals and deferred income	357	329
Derivative financial instruments	774	395
	1,324	**804**
Included within current liabilities:		
Trade payables	4,526	4,453
Amounts owed to associates	18	23
Other taxes and social security payable	1,075	1,140
Other payables	541	520
Accruals and deferred income	8,961	8,409
Derivative financial instruments	115	153
	15,236	**14,698**

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.

	2012 £m	2011 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	800	342
Foreign exchange swaps	89	153
	889	**495**
Fair value hedges:		
Interest rate swaps	–	53
	889	**548**

26. Disposals

France – Société Française du Radiotéléphone S.A. ('SFR')

On 16 June 2011 the Group sold its entire 44% shareholding in SFR to Vivendi for a cash consideration of €7,750 million (£6,805 million) before tax and transaction costs and also received a final dividend of €200 million (£178 million) on completion of the transaction. The Group recognised a net gain on disposal of £3,419 million, reported in other income and expense.

	SFR £m
Net assets disposed	(3,953)
Total cash consideration	6,805
Other effects[1]	567
Net gain on disposal[2]	**3,419**

Notes:
1 Other effects include foreign exchange gains and losses transferred to the income statement and professional fees related to the disposal.
2 Reported in other income and expense in the consolidated income statement.

Poland – Polkomtel S.A.

On 9 November 2011 the Group sold its entire 24.4% interest in Polkomtel S.A. to Spartan Capital Holdings SP. z o.o for a cash consideration of €918 million (£784 million) before tax and transaction costs. The Group recognised a net gain on disposal of £296 million, reported in other income and expense.

	Polkomtel £m
Net assets disposed	(579)
Total cash consideration	784
Other effects[1]	91
Net gain on disposal[2]	**296**

Notes:
1 Other effects include foreign exchange gains and losses transferred to the income statement and professional fees related to the disposal.
2 Reported in other income and expense in the consolidated income statement.

27. Reconciliation of net cash flow from operating activities

	2012 £m	2011 £m	2010 £m
Profit for the financial year	7,003	7,870	8,618
Adjustments for:			
Share-based payments	143	156	150
Depreciation and amortisation	7,859	7,876	7,910
Loss on disposal of property, plant and equipment	47	91	101
Share of result in associates	(4,963)	(5,059)	(4,742)
Impairment losses	4,050	6,150	2,100
Other income and expense	(3,705)	16	(114)
Non-operating income and expense	162	(3,022)	10
Investment income	(456)	(1,309)	(716)
Financing costs	1,932	429	1,512
Income tax expense	2,546	1,628	56
Decrease/(increase) in inventory	24	(107)	2
Increase in trade and other receivables	(689)	(387)	(714)
Increase in trade and other payables	871	1,060	1,164
Cash generated by operations	**14,824**	**15,392**	**15,337**
Tax paid	(2,069)	(3,397)	(2,273)
Net cash flow from operating activities	**12,755**	**11,995**	**13,064**

28. Commitments

Operating lease commitments

The Group has entered into commercial leases on certain properties, network infrastructure, motor vehicles and items of equipment. The leases have various terms, escalation clauses, purchase options and renewal rights, none of which are individually significant to the Group.

Future minimum lease payments under non-cancellable operating leases comprise:

	2012 £m	2011 £m
Within one year	1,110	1,225
In more than one year but less than two years	893	958
In more than two years but less than three years	740	746
In more than three years but less than four years	624	638
In more than four years but less than five years	528	602
In more than five years	2,246	2,344
	6,141	**6,513**

The total of future minimum sublease payments expected to be received under non-cancellable subleases is £252 million (2011: £240 million).

Capital commitments

	Company and subsidiaries		Share of joint ventures		Group	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Contracts placed for future capital expenditure not provided in the financial statements[1]	1,735	1,786	283	338	2,018	2,124

Note:
1 Commitment includes contracts placed for property, plant and equipment and intangible assets.

The commitments of Cellco Partnership ('Cellco'), which trades under the name of Verizon Wireless, are disclosed within the consolidated financial statements of Cellco for the year ended 31 December 2011, which are included as an exhibit to our 2012 annual report on Form 20-F filed with the SEC.

Notes to the consolidated financial statements (continued)

29. Contingent liabilities

	2012 £m	2011 £m
Performance bonds	270	94
Credit guarantees – third party indebtedness	77	114
Other guarantees and contingent liabilities	551	1,527

Performance bonds

Performance bonds require the Group to make payments to third parties in the event that the Group does not perform what is expected of it under the terms of any related contracts or commercial arrangements.

Credit guarantees – third party indebtedness

Credit guarantees comprise guarantees and indemnities of bank or other facilities including those in respect of the Group's associates and investments.

Other guarantees and contingent liabilities

At 31 March 2011 other guarantees principally comprised of commitments to the India Supreme Court of INR 85 billion (£1,188 million) pending final adjudication in relation to the case with the Indian Tax Authority, see "Legal Proceedings".

The Group also enters into lease arrangements in the normal course of business which are principally in respect of land, buildings and equipment. Further details on the minimum lease payments due under the non-cancellable operating lease arrangements can be found in note 28.

The Company has covenanted to provide security in favour of the Trustee of the Vodafone Group UK Pension Scheme whilst there is a deficit in the scheme. The deficit is measured on a prescribed basis agreed between the Company and Trustee. In 2010 the Company and Trustee agreed security of a charge over UK index linked gilts ('ILG') held by the Company. An initial charge in favour of the Trustee was agreed over ILG 2016 with a notional value of £100 million and ILG 2013 with a notional value of £48.9 million to secure the deficit at that time of approximately £450 million. In December 2011, the security was increased by an additional charge over ILG 2017 with a notional value of £177.7 million due to an increase in the deficit. The security may be substituted either on a voluntary or mandatory basis. As and when alternative security is provided, the Company has agreed that the security cover should include additional headroom of 33%, although if cash is used as the security asset the ratio will revert to 100% of the relevant liabilities or where the proposed replacement security asset is listed on an internationally recognised stock exchange in certain core jurisdictions, the Trustee may decide to agree a lower ratio than 133%.

Legal proceedings

The Company and its subsidiaries are currently, and may be from time to time, involved in a number of legal proceedings including inquiries from, or discussions with, governmental authorities that are incidental to their operations. However, save as disclosed below, the Company and its subsidiaries are not currently involved in any legal or arbitration proceedings (including any governmental proceedings which are pending or known to be contemplated) which may have, or have had in the 12 months preceding the date of this report, a significant effect on the financial position or profitability of the Company and its subsidiaries. Due to inherent uncertainties, no accurate quantification of any cost, or timing of such cost, which may arise from any of the legal proceedings outlined below can be made.

In October 2009 Telecom Egypt commenced arbitration against Vodafone Egypt in Cairo alleging breach of non-discrimination provisions in an interconnection agreement as a result of allegedly lower interconnection rates paid to Vodafone Egypt by Mobinil. Telecom Egypt has also sought to join Vodafone International Holdings BV ('VIHBV'), Vodafone Europe BV ('VEBV') and Vodafone Group Plc (who Telecom Egypt alleges should be held jointly liable with Vodafone Egypt) to the arbitration. VIHBV, VEBV and Vodafone Group Plc deny that they were subject to the interconnection agreement or any arbitration agreement with Telecom Egypt. Telecom Egypt initially quantified its claim at approximately €190 million in 2009. This was subsequently amended and increased to €551 million in January 2011 and further increased to its current value of just over €1.2 billion in November 2011. The Company disputes Telecom Egypt's claim (and assertion of jurisdiction over VIHBV, VEBV and Vodafone Group Plc) and will continue to defend its position vigorously. Final submissions are due on 29 June 2012 and the arbitration hearing is currently scheduled to last ten days, commencing 6 September 2012.

Vodafone India Limited ('VIL') and VIHBV each received notices in August 2007 and September 2007, respectively, from the Indian tax authority alleging potential liability in connection with alleged failure by VIHBV to deduct withholding tax from consideration paid to the Hutchison Telecommunications International Limited group ('HTIL') in respect of HTIL's gain on its disposal to VIHBV of its interests in a wholly-owned subsidiary that indirectly holds interests in VIL. Following the receipt of such notices, VIL and VIHBV each filed writs seeking orders that their respective notices be quashed and that the Indian tax authority take no further steps under the notices. Initial hearings were held before the Bombay High Court and, in the case of VIHBV, the Bombay High Court admitted the writ for final hearing in June 2008. In December 2008, the Bombay High Court dismissed VIHBV's writ. VIHBV subsequently filed a special leave petition to the Supreme Court to appeal the Bombay High Court's dismissal of the writ. On 23 January 2009 the Supreme Court referred the question of the tax authority's jurisdiction to seek to pursue tax back to the tax authority for adjudication on the facts, with permission granted to VIHBV to appeal that decision back to the Bombay High Court should VIHBV disagree with the tax authority's findings. On 30 October 2009 VIHBV received a notice from the tax authority requiring VIHBV to show cause as to why it believed that the Indian tax authority did not have competent jurisdiction to proceed against VIHBV for the default of non-deduction of withholding tax from consideration paid to HTIL. VIHBV provided a response on 29 January 2010. On 31 May 2010 VIHBV received an order from the Indian tax authority confirming their view that they did have jurisdiction to proceed against VIHBV, as well as a further notice alleging that VIHBV should be treated as the agent of HTIL for the purpose of recovering tax on the transaction. VIHBV appealed this ruling to the Bombay High Court, as well as filed a new writ petition against the notice seeking to treat it as an agent of HTIL. On 8 September 2010 the Bombay High Court ruled that the tax authority had jurisdiction to decide whether the transaction or some part of the transaction could be taxable in India. VIHBV appealed this decision to the Supreme Court on 14 September 2010. A hearing before the Supreme Court took place on 27 September 2010 at which time the Supreme Court noted the appeal and asked the Indian tax authority to quantify any liability. On 22 October 2010 the Indian tax authority quantified the alleged tax liability and issued a demand for payment of INR 112.2 billion (£1.6 billion) of tax and interest. VIHBV contested the amount of such demand both on the basis of the calculation and on the basis that no tax was due in any event. On 15 November 2010 VIHBV was asked to make a deposit with the Supreme Court of INR 25 billion (£356 million) and provide a guarantee for INR 85 billion (£1.2 billion) pending final adjudication of the case, which request it duly complied with. On 23 March 2011 the Indian tax authority also initiated proceedings against VIHBV to impose a penalty of 100% of the alleged tax liability. VIHBV challenged this demand to the Indian Commissioner of Income Tax and filed a writ petition in the Bombay High Court. The Supreme Court heard the appeal on the issue of jurisdiction as well as on the challenge to quantification during July and August 2011. In January 2012 the Supreme Court handed down its judgment, holding that VIHBV's interpretation of the Income Tax Act 1961 was correct, that the transaction was not taxable in India and that, consequently, VIHBV had no obligation to withhold tax from consideration paid to HTIL in respect of the transaction. The Supreme Court quashed the relevant notices and demands issued to VIHBV in respect of withholding tax. Separate proceedings taken against VIHBV to seek to treat it as an agent of HTIL in respect of its alleged tax on the same transaction, as well as on the penalties for the alleged failure to have withheld such taxes, are still technically pending and awaiting adjudication by the Supreme Court and the Indian Commissioner of Income Tax, and are expected to be quashed as a result of the Supreme Court decision. Similarly, VEL's writ to quash the relevant notice is also pending, and should be decided upon at the same time as VIHBV's writ. In March 2012 the Indian government introduced proposed legislation (Finance Bill 2012) which seeks to overturn the Supreme Court judgment in VIHBV's favour with retrospective effect. The Finance Bill 2012 has been passed by both Houses of the Indian Parliament and awaits Presidential approval which is expected imminently after which the Bill will become law. VIHBV is considering domestic (Indian) and international remedies available to it. VIHBV believes that neither it nor any other member of the Group is liable for such withholding tax, or is liable to be made an agent of HTIL; however, the Finance Bill 2012 introduces substantial uncertainty, and there can be no assurance that any outcome will be favourable to VIHBV or the Group.

The Group did not carry any provision in respect of this litigation at 31 March 2012 or at previous reporting dates, as it believed it had no obligation to withhold tax on the acquisition under applicable Indian law at the time of the transaction.

30. Directors and key management compensation

Directors

Aggregate emoluments of the directors of the Company were as follows:

	2012 £m	2011 £m	2010 £m
Salaries and fees	5	5	5
Incentive schemes[1]	4	3	3
Other benefits[2]	1	1	1
	10	**9**	**9**

Note:
1 Includes the value of the cash in lieu of global long-term incentive plan dividends.
2 Includes the value of the cash allowance taken by some individuals in lieu of pension contributions.

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 31 March 2012 by directors who served during the year was £nil (2011: £nil, 2010: £1 million).

Further details of directors' emoluments can be found in "Directors' remuneration" on pages 74 to 87.

Key management compensation

Aggregate compensation for key management, being the directors and members of the Executive Committee, was as follows:

	2012 £m	2011 £m	2010 £m
Short-term employee benefits	17	18	21
Post employment benefits – defined contribution schemes	–	1	1
Share-based payments	26	22	20
	43	**41**	**42**

Notes to the consolidated financial statements (continued)

31. Related party transactions

The Group's related parties are its joint ventures (see note 13), associates (see note 14), pension schemes, directors and Executive Committee members. Group contributions to pension schemes are disclosed in note 23. Compensation paid to the Company's Board and members of the Executive Committee is disclosed in note 30.

Transactions with joint ventures and associates

Related party transactions with the Group's joint ventures and associates primarily comprise fees for the use of products and services including network airtime and access charges, and cash pooling arrangements.

No related party transactions have been entered into during the year which might reasonably affect any decisions made by the users of these consolidated financial statements except as disclosed below. Transactions between the Company and its joint ventures are not material to the extent that they have not been eliminated through proportionate consolidation or disclosed below.

	2012	2011	2010
	£m	£m	£m
Sales of goods and services to associates	195	327	281
Purchase of goods and services from associates	107	171	159
Purchase of goods and services from joint ventures	207	206	194
Net interest receivable from joint ventures[1]	(7)	(14)	(44)
Trade balances owed:			
by associates	15	52	24
to associates	18	23	17
by joint ventures	9	27	27
to joint ventures	89	67	40
Other balances owed by joint ventures[1]	365	176	751

Note:
1 Amounts arise primarily through Vodafone Italy, Vodafone Hutchison Australia and Indus Towers and represent amounts not eliminated on consolidation. Interest is paid in line with market rates.

Amounts owed by and owed to associates are disclosed within notes 17 and 25. Dividends received from associates are disclosed in the consolidated statement of cash flows.

Transactions with directors other than compensation

During the three years ended 31 March 2012, and as of 21 May 2012, neither any director nor any other executive officer, nor any associate of any director or any other executive officer, was indebted to the Company.

During the three years ended 31 March 2012, and as of 21 May 2012, the Company has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel (including directors, any other executive officer, senior manager, any spouse or relative of any of the foregoing or any relative of such spouse) had or was to have a direct or indirect material interest.

32. Employees

The average employee headcount during the year by nature of activity and by segment is shown below.

	2012 Employees	2011 Employees	2010 Employees
By activity:			
Operations	14,522	14,171	14,099
Selling and distribution	30,286	28,311	27,398
Customer care and administration	41,565	41,380	43,493
	86,373	**83,862**	**84,990**
By segment:			
Germany	12,115	12,594	13,507
Italy	5,838	6,121	6,207
Spain	4,379	4,389	4,326
UK	8,151	8,174	9,766
Other Europe	20,061	18,953	18,582
Europe	**50,544**	**50,231**	**52,388**
India	11,234	10,743	10,132
Vodacom	7,437	7,320	6,833
Other Africa, Middle East and Asia Pacific	10,886	10,896	10,887
Africa, Middle East and Asia Pacific	**29,557**	**28,959**	**27,852**
Non-Controlled Interests and Common Functions	6,272	4,672	4,750
Total	**86,373**	**83,862**	**84,990**

The cost incurred in respect of these employees (including directors) was:

	2012 £m	2011 £m	2010 £m
Wages and salaries	3,158	2,960	3,045
Social security costs	399	392	415
Share-based payments (note 20)	143	156	150
Other pension costs (note 23)	143	134	160
	3,843	**3,642**	**3,770**

33. Subsequent events

SoftBank consideration

On 2 April 2012 the Group received the remaining consideration of Yen 200 billion (£1.5 billion) from the sale of its SoftBank Mobile Corp. interests.

Offer for Cable & Wireless Worldwide plc ('CWW')

On 23 April 2012 Vodafone Europe B.V ('VEBV') announced a recommended cash offer to acquire the entire issued and to be issued share capital of CWW (the 'Offer'). It is intended that the Offer will be effected by way of a court-sanctioned scheme of arrangement (the 'Scheme') under Part 26 of the Companies Act. Under the terms of the Offer, CWW shareholders will be entitled to receive 38 pence in cash for each CWW share held. The Offer values the entire issued ordinary share capital of CWW at approximately £1,045 million.

On 21 May 2012 CWW and VEBV announced that the circular relating to the Scheme was being sent to CWW shareholders that day. The Scheme circular sets out, among other things, the full terms and conditions of the Scheme, an explanatory statement, notices of the required meetings, a timetable of principal events and details of the action to be taken by CWW Shareholders.

Subject to approval at the relevant meetings, court approval and the satisfaction or waiver of the other conditions set out in the Scheme circular (including competition and regulatory approvals), the Scheme is expected to become effective on or around 27 July 2012.

On 21 May 2012 VEBV also announced, in order to satisfy its obligation under Rule 15 of the United Kingdom City Code on Takeovers and Mergers, a recommended convertible bond cash offer to the holders of all of the outstanding CWW £230 million 5.75 per cent. convertible bonds due 2014, convertible into ordinary shares of CWW.

Audit report on the Company financial statements

Independent auditor's report to the members of Vodafone Group Plc

We have audited the parent company financial statements of Vodafone Group Plc for the year ended 31 March 2012 which comprise the balance sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' statement of responsibilities, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 March 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of Vodafone Group Plc for the year ended 31 March 2012.

Panos Kakoullis FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

22 May 2012

Company financial statements of Vodafone Group Plc

at 31 March

	Note	2012 £m	2011 £m
Fixed assets			
Shares in Group undertakings	3	65,036	65,112
Current assets			
Debtors: amounts falling due after more than one year	4	2,443	1,756
Debtors: amounts falling due within one year	4	145,584	133,550
Other investments	5	49	64
Cash at bank and in hand		72	1,430
		148,148	**136,800**
Creditors: amounts falling due within one year	6	(100,271)	(94,151)
Net current assets		**47,877**	**42,649**
Total assets less current liabilities		**112,913**	**107,761**
Creditors: amounts falling due after more than one year	6	(21,584)	(21,760)
		91,329	**86,001**
Capital and reserves			
Called up share capital	7	3,866	4,082
Share premium account	9	43,051	43,028
Capital redemption reserve	9	10,388	10,172
Capital reserve	9	88	88
Other reserves	9	946	1,015
Own shares held	9	(7,889)	(8,202)
Profit and loss account	9	40,879	35,818
Equity shareholders' funds		**91,329**	**86,001**

The Company financial statements were approved by the Board of directors on 22 May 2012 and were signed on its behalf by:

Vittorio Colao
Chief Executive

Andy Halford
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

Notes to the Company financial statements

1. Basis of preparation

The separate financial statements of the Company are drawn up in accordance with the Companies Act 2006 and UK GAAP.

The preparation of Company financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Company financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company is not presented in this annual report. These separate financial statements are not intended to give a true and fair view of the profit or loss or cash flows of the Company. The Company has not published its individual cash flow statement as its liquidity, solvency and financial adaptability are dependent on the Group rather than its own cash flows.

The Company has taken advantage of the exemption contained in FRS 8 "Related Party Disclosures" and has not reported transactions with fellow Group undertakings.

The Company has taken advantage of the exemption contained in FRS 29 "Financial Instruments: Disclosures" and has not produced any disclosures required by that standard, as disclosures that comply with FRS 29 are available in the Vodafone Group Plc annual report for the year ended 31 March 2012.

2. Significant accounting policies

The Company's significant accounting policies are described below.

Accounting convention

The Company financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards of the UK Accounting Standards Board and pronouncements of the Urgent Issues Task Force.

Investments

Shares in Group undertakings are stated at cost less any provision for impairment.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, determined using the weighted average cost method, is included in the net profit or loss for the period.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the Company's functional currency at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit and loss account for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss account for the period.

Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that exist at the balance sheet date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Company financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Company balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception) and are subsequently measured at amortised cost using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

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

Derivative financial instruments and hedge accounting
The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Company designates certain derivatives as hedges of the change of fair value of recognised assets and liabilities ("fair value hedges"). Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting or the Company chooses to end the hedging relationship.

Fair value hedges

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

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

Share-based payments

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

Dividends paid and received

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

Pensions

The Company is the sponsoring employer of the Vodafone Group pension scheme, a defined benefit pension scheme. The Company is unable to identify its share of the underlying assets and liabilities of the Vodafone Group pension scheme on a consistent and reasonable basis. Therefore, the Company has applied the guidance within FRS 17 to account for defined benefit schemes as if they were defined contribution schemes and recognise only the contribution payable each year. The Company had no contributions payable for the years ended 31 March 2012 and 31 March 2011.

3. Fixed assets

Shares in Group undertakings

	£m
Cost:	
1 April 2011	70,743
Capital contributions arising from share-based payments	143
Contributions received in relation to share-based payments	(212)
Disposals	(7)
31 March 2012	**70,667**
Amounts provided for:	
1 April 2011 and 31 March 2012	**5,631**
Net book value:	
31 March 2011	**65,112**
31 March 2012	**65,036**

At 31 March 2012 the Company had the following principal subsidiary:

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

Notes to the Company financial statements (continued)

4. Debtors

	2012 £m	2011 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	145,200	133,246
Taxation recoverable	207	158
Other debtors	177	146
	145,584	**133,550**
Amounts falling due after more than one year:		
Deferred taxation	2	2
Other debtors	2,441	1,754
	2,443	**1,756**

5. Other investments

	2012 £m	2011 £m
Investments	**49**	**64**

6. Creditors

	2012 £m	2011 £m
Amounts falling due within one year:		
Bank loans and other loans	4,576	4,739
Amounts owed to subsidiaries	94,432	89,194
Other creditors	127	166
Accruals and deferred income	1,136	52
	100,271	**94,151**
Amounts falling due after more than one year:		
Other loans	20,821	21,367
Other creditors	763	393
	21,584	**21,760**

Included in amounts falling due after more than one year are other loans of £9,326 million, which are due in more than five years from 1 April 2012 and are payable otherwise than by instalments. Interest payable on these loans ranges from 4.375% to 8.125%.

7. Share capital

	2012		2011	
	Number	£m	Number	£m
Ordinary shares of 11 $\frac{3}{7}$ US cents each allotted, issued and fully paid:[1 2]				
1 April	56,811,123,429	4,082	57,809,246,732	4,153
Allotted during the year	3,883,860	–	1,876,697	–
Cancelled during the year	(3,000,000,000)	(216)	(1,000,000,000)	(71)
31 March	**53,815,007,289**	**3,866**	**56,811,123,429**	**4,082**

Notes:
1 50,000 (2011: 50,000) 7% cumulative fixed rate shares of £1 each were allotted, issued and fully paid by the Company.
2 At 31 March 2012 the Company held 4,169,067,107 (2011: 5,233,597,599) treasury shares with a nominal value of £299 million (2011: £376 million).

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
Share awards and option scheme awards[1]	3,883,860	–	7

Note:
1 Shares allocated during the year were in relation to US share awards and option schemes.

8. Share-based payments

The Company currently uses a number of equity-settled share plans to grant options and shares to the directors and employees of its subsidiaries.

At 31 March 2012 the Company had 84 million ordinary share options outstanding (2011: 171 million) and 1 million ADS options outstanding (2011: 1 million).

The Company has made a capital contribution to its subsidiaries in relation to share-based payments. At 31 March 2012 the cumulative capital contribution net of payments received from subsidiaries was £317 million (2011: £386 million). During the year ended 31 March 2012 the capital contribution arising from share-based payments was £143 million (2011: £156 million), with payments of £212 million (2011: £129 million) received from subsidiaries.

Full details of share-based payments, share option schemes and share plans are disclosed in note 20 to the consolidated financial statements.

9. Reserves and reconciliation of movements in equity shareholders' funds

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital reserve £m	Other reserves £m	Own shares held £m	Profit and loss account £m	Total equity shareholders' funds £m
1 April 2011	4,082	43,028	10,172	88	1,015	(8,202)	35,818	86,001
Allotment of shares	–	6	–	–	–	–	–	6
Own shares released on vesting of share awards	–	–	–	–	–	277	–	277
Profit for the financial year	–	–	–	–	–	–	16,441	16,441
Dividends	–	–	–	–	–	–	(6,654)	(6,654)
Capital contribution given relating to share-based payments	–	–	–	–	143	–	–	143
Contribution received relating to share-based payments	–	–	–	–	(212)	–	–	(212)
Purchase of own shares[1]	–	–	–	–	–	(4,671)	–	(4,671)
Cancellation of own shares held	(216)	–	216	–	–	4,724	(4,724)	–
Other movements	–	17	–	–	–	(17)	(2)	(2)
31 March 2012	**3,866**	**43,051**	**10,388**	**88**	**946**	**(7,889)**	**40,879**	**91,329**

Note:
1 Amount includes a commitment for the purchase of own shares of £1,091 million (2011: £nil).

The profit for the financial year dealt with in the accounts of the Company is £16,441 million (2011: £10,019 million). Under English law, the amount available for distribution to shareholders is based upon the profit and loss reserve of the Company and is reduced by the amount of own shares held and is limited by statutory or other restrictions.

The auditor's remuneration for the current year in respect of audit and audit related services was £0.5 million (2011: £0.6 million) and for non-audit services was £0.3 million (2011: £0.4 million).

The directors are remunerated by the Company for their services to the Group as a whole. No remuneration was paid to them specifically in respect of their services to Vodafone Group Plc for either year. Full details of the directors' remuneration are disclosed in "Directors' remuneration" on pages 74 to 87.

There were no employees other than directors of the Company throughout the current or the preceding year.

Notes to the Company financial statements (continued)

10. Equity dividends

	2012 £m	2011 £m
Declared during the financial year:		
Final dividend for the year ended 31 March 2011: 6.05 pence per share (2010: 5.65 pence per share)	3,102	2,976
Interim dividend for the year ended 31 March 2012: 3.05 pence per share (2011: 2.85 pence per share)	1,536	1,492
Second interim dividend for the year ended 31 March 2012: 4.00 pence per share (2011: nil)	2,016	–
	6,654	**4,468**
Proposed after the balance sheet date and not recognised as a liability:		
Final dividend for the year ended 31 March 2012: 6.47 pence per share (2011: 6.05 pence per share)	3,195	3,106

11. Contingent liabilities

	2012 £m	2011 £m
Performance bonds	165	3
Other guarantees and contingent liabilities	1,655	3,113

Performance bonds

Performance bonds require the Company to make payments to third parties in the event that the Company or its subsidiaries do not perform what is expected of them under the terms of any related contracts.

Other guarantees and contingent liabilities

Other guarantees at 31 March 2012 principally comprise the Company's guarantee of the Group's 50% share of a AUD 1.7 billion loan facility of its joint venture, Vodafone Hutchison Australia Pty Limited, and the counter indemnification by the Company of guarantees provided by an indirect subsidiary of the Company to Piramal Healthcare Limited ('Piramal') for INR 89.2 billion (£1,096 million). The guarantees to Piramal were made in respect to its acquisition of approximately 11% shareholding in Vodafone India Limited ('VIL') during the 2012 financial year. The acquisition agreements dated 10 August 2011 and 28 December 2011 contemplate various exit mechanisms for Piramal including participating in an initial public offering by VIL or, if such initial public offering has not completed by 18 August 2013 or 8 February 2014 respectively or Piramal chooses not to participate in such initial public offering, Piramal selling its shareholding to the Vodafone Group in two tranches of 5.485% for an aggregate price of between approximately INR 70 billion (£0.8 billion) and INR 83 billion (£1.0 billion).

Other guarantees at March 2011 comprised the Company's guarantee over underwritten put options over 33% of VIL owned by the Essar Group. The total consideration due under these options was US$5 billion (£3.1 billion). The transfer of a 22% shareholding in VIL to Vodafone was completed in two tranches on 1 June 2011 and 1 July 2011. Under separate agreement, the Essar Group sold a 11% shareholding in VIL to Piramal as described above.

As discussed in note 29 to the consolidated financial statements the Company 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.

Legal proceedings

Details regarding certain legal actions which involve the Company are set out in note 29 to the consolidated financial statements.