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 Number	2012 £m	2011 Number	2011 £m
Ordinary shares of 11 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.