

Contents

The “Consolidated financial statements” on pages 96 to 170 are presented on a statutory basis which, under IFRS accounting principles, includes the financial results of the Group’s joint ventures using the equity accounting basis. As detailed in “Financial highlights” on page 3, this differs from the management basis used in the discussion of our results in the strategic report, which includes the results of the Group’s joint ventures on a proportionate basis, which is how the business is managed and operated and performance reported to management. See note 2 “Segmental analysis” to the consolidated financial statements for further information and reconciliations between the management and statutory basis.

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Reporting our financial performance

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

Directors' statement of responsibility

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

Financial statements and accounting records

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

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

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

Directors' responsibility statement

The Board confirms to the best of its knowledge:

- the consolidated financial statements, prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, prepared in accordance with United Kingdom generally accepted accounting practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit and Risk Committee, the Board considers the report and accounts, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

Disclosure of information to the auditor

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

Going concern

The Group's business activities, performance, position and principal risks and uncertainties and how these are managed or mitigated are set out in the strategic report on pages 1 to 47.

In addition, the financial position of the Group is included within "Commentary on the consolidated statement of cash flows" on page 103, "Borrowings", "Liquidity and capital resources" and "Capital and financial risk management" in notes 21, 22 and 23 respectively to the consolidated financial statements, which include disclosure in relation to the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

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

Management's report on internal control over financial reporting

As required by section 404 of the Sarbanes-Oxley Act, management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. The Group's internal control over financial reporting includes policies and procedures that:

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

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

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

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

The Group's internal control over financial reporting at 31 March 2014 has been audited by Deloitte LLP, an independent registered public accounting firm who also audit the Group's consolidated financial statements. Their audit report on internal control over financial reporting is on page 90.

By Order of the Board



Rosemary Martin
Company Secretary
20 May 2014

Audit report on internal control over financial reporting

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

We have audited the internal control over financial reporting of Vodafone Group Plc and subsidiaries and applicable joint ventures (the "Group") as of 31 March 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in management's report on internal control over financial reporting, management excluded from its assessment the internal control over financial reporting at Kabel Deutschland Holding AG, which became a subsidiary during the year and which accounted for £9,741 million of total assets, £4,709 million of net assets, £735 million of revenue and £242 million of loss for the financial year of the consolidated financial statement amounts as of and for the year ended 31 March 2014. Accordingly our audit did not include the internal control over financial reporting at Kabel Deutschland Holding AG.

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

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

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

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

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of 31 March 2014, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Group as of and for the year ended 31 March 2014 prepared in conformity with International Financial Reporting Standards ('IFRS') as adopted by the European Union and IFRS as issued by the International Accounting Standards Board. Our report dated 20 May 2014 expressed an unqualified opinion on those financial statements.



Deloitte LLP

London
United Kingdom

20 May 2014

Please refer to our Form 20-F to be filed with the Securities and Exchange Commission in June 2014 for the audit opinion over the consolidated financial statements of the Group as of 31 March 2014 and 2013 and for each of the three years in the period ended 31 March 2014 issued in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Audit report on the consolidated and parent company financial statements

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated statement of financial position and parent company balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the related Group notes 1 to 34 and the related parent company notes 1 to 10. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 89 that the Group is a going concern.

We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

Our risk assessment process continues throughout the audit and, as a result, we have identified three additional risks of material misstatement in the current year that had a significant effect on our audit strategy. These relate to the disposal of the investment in Verizon Wireless, the acquisition of Kabel Deutschland Holding AG and judgements in respect of provisions and contingent liabilities. In addition, we identified deficiencies in IT controls in relation to privileged user access which also impacted our audit strategy. The remaining risks were assessed as continuing risks from our audit of the previous year's financial statements.

The procedures described in our response to each risk are not exhaustive and we have focused on those procedures that we consider address areas of judgement or subjectivity. As part of our audit of the Group, in addition to substantive tests, we also test the design and operating effectiveness of internal controls over financial reporting in each of the risk areas.

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Audit report on the consolidated and parent company financial statements (continued)

Our significant findings in respect of each risk are communicated to the Audit and Risk Committee and a high level summary is as follows.

Risk	How the scope of our audit responded to the risk
<p>The assessment of the carrying value of goodwill and intangible assets required significant judgement.</p> <p>During the year the Group recorded impairment charges in Europe as a result of challenging economic conditions and continuing downward pressure on prices.</p>	<p>Our work focused on detailed analysis and challenge of the assumptions used by management in conducting the impairment review as described in Note 4 to the Group financial statements.</p> <p>This included:</p> <ul style="list-style-type: none"> → challenging forecasts, with particular attention paid to the European businesses, where we have evaluated recent performance, carried out trend analysis and compared to market expectations; → using our valuations specialists to independently develop expectations for the key macroeconomic assumptions driving the analysis, in particular discount rates, and comparing the independent expectations to those used by management; and → comparing growth rates against those achieved historically and external market data where available. <p>We have also evaluated the sensitivity analysis performed by management and the disclosures relating to the impairment review.</p>
<p>The key judgements in respect of the transaction to dispose of the Group's investment in Verizon Wireless relate to the valuation of the consideration and calculation of the related gain on disposal.</p> <p>There are a number of additional accounting complexities including assessment of embedded derivatives, the tax effect of the disposal, and the related acquisition of a controlling interest in Vodafone Italy.</p>	<p>We have involved our valuation, financial instruments and tax specialists in responding to this risk and focused our work on:</p> <ul style="list-style-type: none"> → assessing the appropriateness of the fair values assigned to each element of the consideration received by reference to third party data as applicable; → evaluating management's assessment of embedded derivatives within the sale and purchase agreement; → challenging the fair value of Vodafone Italy and the related allocation of the purchase price to the assets and liabilities acquired by reference to the key assumptions used; and → testing of controls around the transaction process. <p>We also evaluated the presentation and disclosure of the transactions within the Group financial statements.</p>
<p>The tax affairs of the Group are complex, particularly as they relate to the legal claim in respect of withholding tax on the acquisition of Hutchison Essar Limited and the recognition and measurement of deferred tax assets in Germany and Luxembourg.</p> <p>Evaluation of the legal claim in respect of the withholding tax on the acquisition of Hutchinson Essar Limited is subject to significant uncertainty.</p> <p>The recognition of deferred tax assets in Germany and Luxembourg requires assessment of both the availability of losses and future profitability.</p>	<p>Our approach was to use our tax specialists to evaluate tax provisions and potential exposures for the year ended 31 March 2014, challenging the Group's assumptions and judgements through our knowledge of the tax circumstances and a review of relevant correspondence.</p> <p>In particular, we have assessed legal advice obtained by management to support the judgement taken in relation to the withholding tax case in India, which included discussion with external counsel. We also considered the adequacy of disclosure in this respect.</p> <p>In respect of deferred tax assets, we have considered the appropriateness of management's assumptions and estimates. We have assessed management's view of the likelihood of generating suitable future taxable profits to support the recognition of deferred tax assets, including a consideration of whether the changing circumstances of the Group affect the conclusion, in particular with regard to recent acquisitions, disposals and impairment charges.</p>
<p>The accounting for the acquisition of Kabel Deutschland Holding AG required a significant amount of management estimation.</p> <p>Key judgements relate to the allocation of the purchase price to the assets and liabilities acquired and adjustments made to align accounting policies.</p>	<p>We have made use of our valuations specialists to support a review of the acquisition accounting and in particular the purchase price allocation. This involved challenging both the identification and valuation of tangible and intangible assets.</p> <p>We also reviewed the work of the local auditors and conducted additional audit procedures to assess other aspects of the accounting including the adjustments made to align accounting policies with those of the Group.</p>
<p>We identified deficiencies in certain privileged user access controls at the IT infrastructure level that could have a negative impact on the Group's controls and financial reporting systems. A number of the Group's significant IT applications depend upon the infrastructure affected.</p>	<p>Where these deficiencies affected specific applications within our audit scope, we extended our controls testing to provide assurance over both compensating controls and the completeness and accuracy of management information used in other key controls. In addition, and where appropriate, we extended the scope of our substantive procedures.</p>

We have identified three critical judgement areas in relation to revenue recognition and the associated presumption of fraud risk, namely:

- accounting for new products and tariff plans, including multiple element arrangements;
- the timing of revenue recognition; and
- the accounting judgements associated with dealer and agency relationships including the presentation of revenue on a net or gross basis and the treatment of discounts, incentives and commissions.

We have provided component audit teams with detailed instructions regarding the audit of revenue, which is performed as part of each full scope and statutory audit at component level.

Our approach included both controls testing and substantive procedures covering, in particular:

- audit of the switch to bill process to assess the revenue and costs accruals made at the year end;
- testing of the process for capturing and assessing the accounting impact of new tariff plans, combined with substantive testing of a sample of related transactions;
- scrutinising a sample of dealer and agency contracts and the associated accounting assessments; and
- testing of the controls around the significant revenue and billing systems by our IT specialists.

In addition to these procedures performed locally, we review the results of their work and attend the full scope audit close meetings; we also perform a detailed review to check that the Group accounting policies for revenue recognition comply with IFRS.

The continued threatened and actual legal, regulatory and tax cases brought against the Group, and the high level of judgement required to establish the level of provisioning, increases the risk that **provisions and contingent liabilities** may not be appropriately provided against or adequately disclosed.

Due to the lower materiality level applied in our audit for the year ended 31 March 2014 this is now considered a risk that has a significant impact on our audit strategy.

In responding to this risk, our key audit procedures included:

- testing key controls surrounding litigation, regulatory and tax procedures;
- meeting with management in each of the significant local markets and review of subsequent Group correspondence;
- meetings with the Group litigation, regulatory and tax teams;
- meetings with regional management; and
- circularisation of legal letters to relevant third party legal representatives and direct discussion regarding any material cases;

The Audit and Risk Committee's consideration of these risks is set out on page 62.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and the findings we described do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £250 million, which is below 5% of adjusted profit before tax, below 5% of statutory loss before tax and below 1% of equity. Profit before tax has been adjusted for separately disclosed items, notably impairment charges and the trading results of Verizon Wireless prior to its classification as a discontinued operation. We consider this adjusted measure to be a key driver of business value and a focus for shareholders. Materiality is lower than for the year ended 31 March 2013 primarily as a result of the disposal of Verizon Wireless.

The Audit and Risk Committee requested that we include in our audit report all identified unadjusted audit differences in excess of £5 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on the disclosure matters that we identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee would have increased loss before tax by £24 million, decreased net assets by £18 million and increased opening equity by £6 million.

Materiality (£m)



Audit report on the consolidated and parent company financial statements (continued)

An overview of the scope of our audit

The Group operates in 27 countries across two geographic regions. The Group has centralised certain transaction processing to finance shared service centres in Hungary and India, with key judgements and the remaining transactions accounted for at the country or Group level. We have centralised our audit procedures in the same locations and employed analytics technology to support the audit of the majority of the operating companies in the Group.

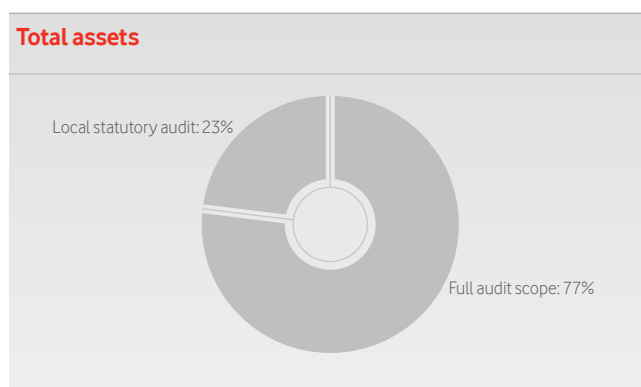
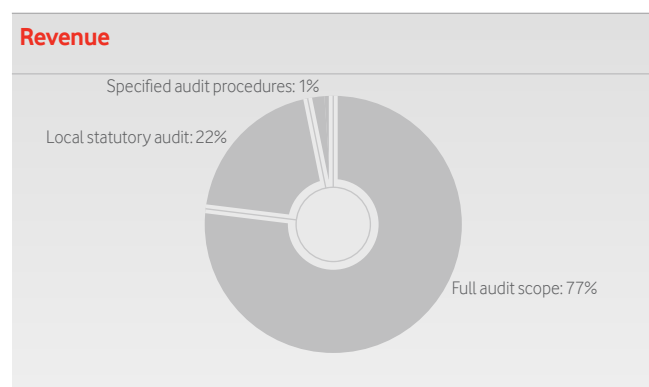
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Our Group audit scope focused on the shared service centres, the Group functions and a further seven operating locations: the UK, Germany, Italy, Spain, India, Vodacom and Turkey. The scope for the year ended 31 March 2014 included the addition of Turkey and Cable & Wireless Worldwide (through the UK business) when compared to the scope for the year ended 31 March 2013. All of these were subject to a full scope audit for the year ended 31 March 2014.

Together with the Group functions, which were also subject to a full scope audit, these operating locations represent the principal business units of the Group and account for 77% of the Group's revenue and 77% of the Group's total assets. Audits of these operating locations were carried out at a component materiality level of £100 million which is 40% of the Group audit materiality, or the local statutory materiality if lower.

In addition, audits are performed for local statutory purposes at a further 13 locations, which represent a further 22% of the Group's revenue and 23% of the Group's total assets. Audits of these locations are performed at a local materiality level calculated by reference to the scale of the business concerned. Where possible, the timing of statutory audits is aligned to the full scope timetable and any significant findings are reported to us.

In order to support our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit, we tested the consolidation process and carried out analytical procedures at the parent entity level. The disposal of the Group's interest in Verizon Wireless was also audited at this level, supported by review procedures on the trading results of the business conducted in the United States.

The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor or his designate visits each of the seven locations where the Group audit scope was focused at least twice a year. Other locations are visited on the basis of ongoing risk-assessment. Our visits are timed to allow the Group audit team to be involved in the planning process for the year end audit, including assessment of risks of material misstatement and planned response, to attend the audit closing meetings and to assist in the resolution of audit and accounting issues. We also ensure we have on-going communication with component teams throughout the year.



Impact of changes to materiality on audit scope

We consider that, if materiality were to be reduced to £125 million, full scope component audits would be required in the Netherlands and Egypt which would add 7% of revenue and 4% of total assets to the overall full scope coverage.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

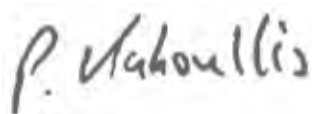
Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the 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 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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.

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 and 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Panos Kakoullis FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom

20 May 2014

Consolidated income statement

for the years ended 31 March

	Note	2014 £m	Restated ¹ 2013 £m	Restated ¹ 2012 £m
Revenue	2	38,346	38,041	38,821
Cost of sales		(27,942)	(26,567)	(27,201)
Gross profit		10,404	11,474	11,620
Selling and distribution expenses		(3,033)	(2,860)	(2,755)
Administrative expenses		(4,245)	(4,159)	(4,031)
Share of results of equity accounted associates and joint ventures		278	575	1,129
Impairment losses	4	(6,600)	(7,700)	(4,050)
Other income and expense		(717)	468	3,705
Operating (loss)/profit	3	(3,913)	(2,202)	5,618
Non-operating income and expense		(149)	10	(162)
Investment income	5	346	305	456
Financing costs	5	(1,554)	(1,596)	(1,768)
(Loss)/profit before taxation		(5,270)	(3,483)	4,144
Income tax credit/(expense)	6	16,582	(476)	(705)
Profit/(loss) for the financial year from continuing operations		11,312	(3,959)	3,439
Profit for the financial year from discontinued operations	7	48,108	4,616	3,555
Profit for the financial year		59,420	657	6,994
Attributable to:				
– Equity shareholders		59,254	413	6,948
– Non-controlling interests ²		166	244	46
Profit for the financial year		59,420	657	6,994
Earnings/(loss) per share				
From continuing operations:				
– Basic		42.10p	(15.66p)	12.28p
– Diluted		41.77p	(15.66p)	12.14p
Total Group:				
– Basic	8	223.84p	1.54p	25.15p
– Diluted	8	222.07p	1.54p	24.87p

Notes:

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

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

Consolidated statement of comprehensive income

for the years ended 31 March

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

Note:

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

Commentary on the consolidated income statement and statement of comprehensive income

The consolidated income statement includes the majority of our income and expenses for the year with the remainder recorded in the consolidated statement of comprehensive income.

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

Revenue

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

Operating loss

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

Income tax expense

We recorded an income tax credit on continuing operations of £16.6 billion compared with a £0.5 billion charge in 2013. The credit primarily arises from the recognition of £19.3 billion of deferred tax assets for tax losses in Germany and Luxembourg partly offset by taxes arising from the disposal of the Group's investment in Verizon Wireless (see note 6 "Taxation"). Our adjusted effective tax rate, a non-GAAP measure used by management to measure the rate of tax on our adjusted profit before tax, increased to 27.3% from 24.5%. Further information on how our adjusted effective tax charge is determined is provided within the operating results discussion on page 44.

Profit for the year from discontinued operations

Discontinued operations includes the £45.0 billion profit arising on the disposal of the Group's investment in Verizon Wireless, £1.7 billion of dividends receivable since the disposal and the post-tax profits of the Group's share of Verizon Wireless and entities in the US Group sold to Verizon Communications as part of the overall disposal transaction up until 2 September 2013 when the proposed disposal was announced. The profit from discontinued operations for the year ended 31 March 2014 has increased to £48.1 billion from £4.6 billion, primarily due to the profit arising from the disposal of the Group's investment in Verizon Wireless. Further information is provided in note 7 "Discontinued operations" and note 28 "Acquisitions and disposals".

Earnings per share

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

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

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

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

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

Profit for the financial year

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

Foreign exchange differences, net of tax

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

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

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

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

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

Consolidated statement of financial position

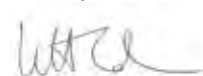
at 31 March

	Note	31 March 2014 £m	Restated ¹ 31 March 2013 £m	Restated ¹ 1 April 2012 £m
Non-current assets				
Goodwill	10	23,315	24,390	27,816
Other intangible assets	10	23,373	19,749	18,762
Property, plant and equipment	11	22,851	17,584	16,008
Investments in associates and joint ventures	12	114	46,447	47,682
Other investments	13	3,553	773	790
Deferred tax assets	6	20,607	2,848	1,894
Post employment benefits	26	35	52	31
Trade and other receivables	15	3,270	4,832	3,436
		97,118	116,675	116,419
Current assets				
Inventory	14	441	353	375
Taxation recoverable		808	397	275
Trade and other receivables	15	8,886	8,018	10,007
Other investments	13	4,419	5,350	1,323
Cash and cash equivalents	20	10,134	7,531	7,051
Assets held for sale		34	—	—
		24,722	21,649	19,031
Total assets		121,840	138,324	135,450
Equity				
Called up share capital	18	3,792	3,866	3,866
Additional paid-in capital		116,973	154,279	154,123
Treasury shares		(7,187)	(9,029)	(7,841)
Accumulated losses		(51,428)	(88,834)	(84,217)
Accumulated other comprehensive income		8,652	11,195	11,004
Total equity shareholders' funds		70,802	71,477	76,935
Non-controlling interests		1,733	1,890	2,090
Put options over non-controlling interests		(754)	(879)	(823)
Total non-controlling interests		979	1,011	1,267
Total equity		71,781	72,488	78,202
Non-current liabilities				
Long-term borrowings	21	21,454	27,904	26,882
Taxation liabilities		50	150	250
Deferred tax liabilities	6	747	6,671	6,572
Post employment benefits	26	584	580	292
Provisions	17	846	855	448
Trade and other payables	16	1,339	1,307	1,181
		25,020	37,467	35,625
Current liabilities				
Short-term borrowings	21	7,747	11,800	6,232
Taxation liabilities		873	1,922	1,888
Provisions	17	963	715	571
Trade and other payables	16	15,456	13,932	12,932
		25,039	28,369	21,623
Total equity and liabilities		121,840	138,324	135,450

Note:

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

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



Vittorio Colao
Chief Executive



Nick Read
Chief Financial Officer

Commentary on the consolidated statement of financial position

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

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

Assets

Goodwill and other intangible assets

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

Property, plant and equipment

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

Investments in associates and joint ventures

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

Other non-current assets

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

Total equity and liabilities

Total equity

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

Borrowings

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

Deferred taxation liabilities

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

Other current liabilities

Other current liabilities increased to £16.4 billion (2013: £14.6 billion). Trade payables at 31 March 2014 were equivalent to 40 days (2013: 37 days) outstanding, calculated by reference to the amount owed to suppliers as a proportion of the amounts invoiced by suppliers during the year. It is our policy to agree terms of transactions, including payment terms, with suppliers and it is our normal practice that payment is made accordingly.

Contractual obligations and contingencies

A summary of our principal contractual financial obligations is shown below and details of the Group's contingent liabilities are included in note 30 "Contingent liabilities".

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

Notes:

¹ This table includes commitments in respect of options over interests in Group businesses held by non-controlling shareholders (see "Potential cash outflows from option agreements and similar arrangements" on page 146) and obligations to pay dividends to non-controlling shareholders (see "Dividends from associates and to non-controlling shareholders" on page 146). The table excludes current and deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 6 "Taxation" and 26 "Post employment benefits" respectively. The table also excludes the contractual obligations of associates and joint ventures.

² See note 21 "Borrowings".

³ See note 29 "Commitments".

⁴ Primarily related to network infrastructure.

Consolidated statement of changes in equity

for the years ended 31 March

	Share capital £m	Additional paid-in capital ² £m	Treasury shares £m	Retained losses £m	Currency reserve £m	Pensions reserve £m	Investment reserve £m	Revaluation surplus £m	Other comprehensive income Other £m	Equity share-holders' funds £m	Non-controlling interests £m	Total £m
1 April 2011 restated ¹	4,082	153,760	(8,171)	(77,685)	14,417	(203)	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 ³	—	—	—	—	—	—	—	145	—	145
Transactions with non-controlling interests in subsidiaries	—	—	—	(1,908)	—	—	—	—	—	(1,908)	1,599	(309)
Comprehensive income	—	—	—	6,948	(4,279)	(263)	(17)	—	(6)	2,383	(33)	2,350
Profit	—	—	—	6,948	—	—	—	—	—	6,948	46	6,994
OCI – before tax	—	—	—	—	(3,629)	(352)	(17)	—	(14)	(4,012)	(71)	(4,083)
OCI – taxes	—	—	—	—	31	89	—	—	8	128	(8)	120
Transfer to the income statement	—	—	—	—	(681)	—	—	—	—	(681)	—	(681)
Dividends	—	—	—	(6,654)	—	—	—	—	—	(6,654)	(305)	(6,959)
Other	—	—	—	14	—	—	—	—	—	14	—	14
31 March 2012 restated¹	3,866	154,123	(7,841)	(84,217)	10,138	(466)	220	1,040	72	76,935	1,267	78,202
Issue or reissue of shares	—	2	287	(237)	—	—	—	—	—	52	—	52
Purchase of own shares	—	—	(1,475) ⁴	—	—	—	—	—	—	(1,475)	—	(1,475)
Share-based payment	—	152 ³	—	—	—	—	—	—	—	152	—	152
Transactions with non-controlling interests in subsidiaries	—	—	—	(7)	—	—	—	—	—	(7)	(17)	(24)
Comprehensive income	—	—	—	413	462	(182)	(85)	—	(4)	604	145	749
Profit	—	—	—	413	—	—	—	—	—	413	244	657
OCI – before tax	—	—	—	—	482	(238)	(73)	—	(6)	165	(95)	70
OCI – taxes	—	—	—	—	(21)	56	—	—	2	37	(4)	33
Transfer to the income statement	—	—	—	—	1	—	(12)	—	—	(11)	—	(11)
Dividends	—	—	—	(4,801)	—	—	—	—	—	(4,801)	(384)	(5,185)
Other	—	2	—	15	—	—	—	—	—	17	—	17
31 March 2013 restated¹	3,866	154,279	(9,029)	(88,834)	10,600	(648)	135	1,040	68	71,477	1,011	72,488
Issue or reissue of shares	—	2	194	(173)	—	—	—	—	—	23	—	23
Redemption or cancellation of shares	(74)	74	1,648	(1,648)	—	—	—	—	—	—	—	—
Capital reduction and creation of B and C shares	16,613	(37,470)	—	20,857	—	—	—	—	—	—	—	—
Cancellation of B shares	(16,613)	—	—	1,115	—	—	—	—	—	(15,498)	—	(15,498)
Share-based payment	—	88 ³	—	—	—	—	—	—	—	88	—	88
Transactions with non-controlling interests in subsidiaries	—	—	—	(1,451)	—	—	—	—	—	(1,451)	260	(1,191)
Comprehensive income	—	—	—	59,254	(2,436)	37	(119)	—	(25)	56,711	(9)	56,702
Profit	—	—	—	59,254	—	—	—	—	—	59,254	166	59,420
OCI – before tax	—	—	—	—	(3,932)	57	(119)	—	3	(3,991)	(172)	(4,163)
OCI – taxes	—	—	—	—	3	(20)	—	—	(3)	(20)	(3)	(23)
Transfer to the income statement	—	—	—	—	1,493	—	—	—	(25)	1,468	—	1,468
Dividends	—	—	—	(40,566)	—	—	—	—	—	(40,566)	(284)	(40,850)
Other	—	—	—	18	—	—	—	—	—	18	1	19
31 March 2014	3,792	116,973	(7,187)	(51,428)	8,164	(611)	16	1,040	43	70,802	979	71,781

Notes:

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

² Includes share premium, capital redemption reserve and merger reserve. The merger reserve was derived from acquisitions made prior to 31 March 2004 and subsequently allocated to additional paid-in capital on adoption of IFRS.

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

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

Commentary on the consolidated statement of changes in equity

The consolidated statement of changes in equity shows the movements in equity shareholders' funds and non-controlling interests. Equity shareholders' funds decreased by £0.7 billion as the profits on the sale of our investment in Verizon Wireless ('VZW') and from the recognition of a large deferred tax asset were offset by the return of value to shareholders, regular ordinary dividends and goodwill impairment charges.

The major movements in the year are described below:

Redemption and cancellation of shares

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

Purchase of own shares

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

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

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

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

Issue of B and C shares

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

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

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

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

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

Transactions with non-controlling stakeholders in subsidiaries

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

Comprehensive income

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

Dividends

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

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

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

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

Consolidated statement of cash flows

for the years ended 31 March

	Note	2014 £m	Restated ¹ 2013 £m	Restated ¹ 2012 £m
Net cash flow from operating activities	19	6,227	8,824	10,297
Cash flows from investing activities				
Purchase of interests in subsidiaries, net of cash acquired	28	(4,279)	(1,432)	(149)
Other investing activities in relation to purchase of subsidiaries		—	—	310
Purchase of interests in associates and joint ventures		(11)	(6)	(5)
Purchase of intangible assets		(2,327)	(3,758)	(1,876)
Purchase of property, plant and equipment		(4,396)	(3,958)	(4,071)
Purchase of investments		(214)	(4,249)	(417)
Disposal of interests in subsidiaries, net of cash disposed		—	27	784
Disposal of interests in associates and joint ventures		34,919	—	6,799
Disposal of property, plant and equipment		79	105	91
Disposal of investments		1,483	1,523	66
Dividends received from associates and joint ventures		4,897	5,539	4,916
Dividends received from investments		10	2	3
Interest received		582	461	336
Taxation on investing activities		—	—	(206)
Net cash flow from investing activities		30,743	(5,746)	6,581
Cash flows from financing activities				
Issue of ordinary share capital and reissue of treasury shares		38	69	91
Net movement in short-term borrowings		(2,887)	1,581	1,517
Proceeds from issue of long-term borrowings		1,060	5,422	1,578
Repayment of borrowing		(9,788)	(1,720)	(3,424)
Purchase of treasury shares		(1,033)	(1,568)	(3,583)
B and C share payments		(14,291)	—	—
Equity dividends paid		(5,076)	(4,806)	(6,643)
Dividends paid to non-controlling shareholders in subsidiaries		(264)	(379)	(304)
Other transactions with non-controlling shareholders in subsidiaries		(111)	15	(2,605)
Other movements in loans with associates and joint ventures		—	168	(792)
Interest paid		(1,897)	(1,525)	(1,504)
Net cash flow from financing activities		(34,249)	(2,743)	(15,669)
Net cash flow		2,721	335	1,209
Cash and cash equivalents at beginning of the financial year	20	7,506	7,001	6,138
Exchange (loss)/gain on cash and cash equivalents		(115)	170	(346)
Cash and cash equivalents at end of the financial year	20	10,112	7,506	7,001

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

Note:

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

Commentary on the consolidated statement of cash flows

The consolidated statement of cash flows shows the cash flows from operating, investing and financing activities for the year. Closing net debt has reduced to £13.7 billion from £25.4 billion. The reduction has primarily been achieved as the result of cash retained from the sale of our interest in Verizon Wireless after the return of value to shareholders.

Our liquidity and working capital may be affected by a material decrease in cash flow due to a number of factors as outlined in "Principal risk factors and uncertainties" on pages 196 to 200. We do not use non-consolidated special purpose entities as a source of liquidity or for other financing purposes.

Purchase of interests in subsidiaries, net of cash acquired

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

Purchase of intangible assets

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

Purchase of investments

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

Disposal of interests in associates and joint ventures

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

Disposal of investments

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

Dividends received from joint ventures and associates

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

Movements in borrowings

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

Purchase of treasury shares

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

B and C share payments

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

Equity dividends paid

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

Other transactions with non-controlling shareholders in subsidiaries

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

Cash flow reconciliation

A reconciliation of cash generated by operations to free cash flow and net debt, two non-GAAP measures used by management, is shown below. Cash generated by operations increased by 5.7% to £12.1 billion, primarily driven by working capital improvements, partially offset by a reduction in EBITDA. Free cash flow decreased by 24% to £4.2 billion, the largest contributing factor being a £0.9 billion increase in tax payments principally arising from the early settlement of certain taxes payable in the United States due to the disposal of our US Group.

	2014 £m	Restated 2013 £m	%
EBITDA	11,084	11,466	(3.3)
Working capital	1,381	177	
Other	(318)	(149)	
Cash generated by operations	12,147	11,494	5.7
Cash capital expenditure	(5,857)	(5,217)	
Capital expenditure	(6,313)	(5,292)	
Working capital movement in respect of capital expenditure	456	75	
Disposal of property, plant and equipment	79	105	
Operating free cash flow	6,369	6,382	(0.2)
Taxation	(3,449)	(2,570)	
Dividends received from associates and investments	2,842	3,132	
Dividends paid to non-controlling shareholders in subsidiaries	(264)	(379)	
Interest received and paid	(1,315)	(1,064)	
Free cash flow	4,183	5,501	(24.0)
Tax settlement	(100)	(100)	
Licence and spectrum payments	(862)	(2,499)	
Acquisitions and disposals	27,372	(1,723)	
Equity dividends paid	(5,076)	(4,806)	
Special return	(14,291)	—	
Purchase of treasury shares	(1,033)	(1,568)	
Foreign exchange	2,423	(716)	
Income dividend from VZW	2,065	2,409	
Other	(3,027)	1,149	
Net debt decrease/(increase)	11,654	(2,353)	
Opening net debt	(25,354)	(23,001)	
Closing net debt	(13,700)	(25,354)	

Net debt

Net debt reduced by £11.7 billion to £13.7 billion, primarily as a result of cash we have retained from the sale of our interest Verizon Wireless after the return of value to shareholders, partially offset by cash payments for the acquisition of Kabel Deutschland and also as a result of the other cash movements discussed above.

Notes to the consolidated financial statements

1. Basis of preparation

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

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

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

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

Revenue recognition

Arrangements with multiple deliverables

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

Gross versus net presentation

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

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

Taxation

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge involves estimation and judgement in respect of certain matters where the tax impact is uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

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

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits, which are estimated using the latest available profit forecasts. Prior to recording deferred tax assets for tax losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting estimation and judgement include the recognition of deferred tax assets in respect of losses in Luxembourg, Germany, India, and Turkey, capital allowances in the United Kingdom and the tax liability on the rationalisation and re-organisation of the Group prior to the disposal of our US group, whose principal asset was its 45% interest in Verizon Wireless ('VZW'). See note 6 "Taxation" to the consolidated financial statements.

Business combinations and goodwill

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

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

On transition to IFRS the Group elected not to apply IFRS 3, "Business combinations", retrospectively as the difficulty in applying these requirements to business combinations completed by the Group from incorporation through to 1 April 2004 exceeded any potential benefits. Goodwill arising before the date of transition to IFRS amounted to £78,753 million.

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

Joint arrangements

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

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

Finite lived intangible assets

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

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

Estimation of useful life

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

Licences and spectrum fees

The estimated useful life is generally the term of the licence unless there is a presumption of renewal at negligible cost; this is adjusted if necessary, for example taking into account the impact of any expected changes in technology.

Customer bases

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

Capitalised software

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

Property, plant and equipment

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

Estimation of useful life

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

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

Post employment benefits

Management judgement is exercised when determining the Group's liabilities and expenses arising for defined benefit pension schemes.

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

Notes to the consolidated financial statements (continued)

1. Basis of preparation (continued)

Provisions and contingent liabilities

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 30 "Contingent liabilities" to the consolidated financial statements). Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

Impairment reviews

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

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

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

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

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

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

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

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

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence reported assets and profits or losses. Further details, including a sensitivity analysis is included in note 4 "Impairment losses" to the consolidated financial statements.

Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

Accounting convention

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

Basis of consolidation

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

Foreign currencies

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

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

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

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

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

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

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

The net foreign exchange loss recognised in the consolidated income statement for the year ended 31 March 2014 is £1,688 million (31 March 2013: £117 million loss; 2012: £703 million gain). The net losses and net gains are recorded within operating profit (2014: £16 million charge; 2013: £21 million charge; 2012: £33 million charge), other income and expense and non-operating income and expense (2014: £1,493 million charge; 2013: £1 million charge; 2012: £681 million credit), investment and financing income (2014: £180 million charge; 2013: £91 million charge; 2012: £55 million credit) and income tax expense (2014: £1 million credit; 2013: £4 million charge; 2012: £nil). The foreign exchange gains and losses included within other income and expense and non-operating income and expense arise on the disposal of interests in joint ventures, associates and investments from the recycling of foreign exchange gains previously recorded in the consolidated statement of comprehensive income.

New accounting pronouncements adopted

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

- Amendments to IAS 19, "Employee benefits", which requires revised accounting and disclosures for defined benefit pension schemes, including a different measurement basis for asset returns, replacing the expected return on plan assets and interest cost currently recorded in the consolidated income statement with net interest. This results in a revised allocation of costs between the income statement and other comprehensive income. The amendments also include a revised definition of short- and long-term benefits to employees and revised criteria for the recognition of termination benefits. The consolidated financial statements have been restated on the adoption of the amendments to IAS 19 (2013: reduced profit for the year by £16 million, 2012: £9 million).
- Changes to the standards governing the accounting for subsidiaries, joint arrangements and associates, including the introduction of IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements" and IFRS 12, "Disclosure of Interests in Other Entities" and amendments to IAS 28, "Investments in Associates and Joint Ventures". IFRS 11 generally requires interests in jointly controlled entities to be recorded using the equity method, which is consistent with the accounting treatment applied to investments in associates. Under IFRS 11, the Group's principal joint arrangements, excluding Cornerstone Telecommunications Infrastructure Limited (see note 12 "Investments in associates and joint ventures", are incorporated into the consolidated financial statements using the equity method of accounting rather than proportionate consolidation. The consolidated financial statements have been restated on the adoption of IFRS 11; the other changes to the standards governing the accounting for subsidiaries, joint arrangements and associates do not have a material impact on the Group. Adoption on 1 April 2013 is considered to be early adoption for the purposes of complying with IFRS as endorsed by the European Union.

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

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

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

	2013				2012			
	As reported £m	Adjustments £m	Discontinued operations ¹ £m	Restated £m	As reported £m	Adjustments £m	Discontinued operations ¹ £m	Restated £m
Consolidated income statement and statement of comprehensive income								
Revenue	44,445	(6,404)	—	38,041	46,417	(7,596)	—	38,821
Gross profit	13,940	(2,466)	—	11,474	14,871	(3,251)	—	11,620
Share of results of equity accounted associates and joint ventures	6,477	520	(6,422)	575	4,963	1,033	(4,867)	1,129
Operating profit/(loss)	4,728	(508)	(6,422)	(2,202)	11,187	(702)	(4,867)	5,618
Profit/(loss) before tax	3,255	(372)	(6,366)	(3,483)	9,549	(561)	(4,844)	4,144
Profit/(loss) for the financial year from continuing operations	673	(16)	(4,616)	(3,959)	7,003	(9)	(3,555)	3,439
Profit for the financial year from discontinued operations	—	—	4,616	4,616	—	—	3,555	3,555
Other comprehensive income/(expense)	76	16	—	92	(4,653)	9	—	(4,644)
Total comprehensive income	749	—	—	749	2,350	—	—	2,350

Note:

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

Notes to the consolidated financial statements (continued)

1. Basis of preparation (continued)

	2013			2012		
	As reported £m	Adjustments £m	Restated £m	As reported £m	Adjustments £m	Restated £m
Consolidated statement of financial position						
Non-current assets	119,411	(2,736)	116,675	119,551	(3,132)	116,419
Current assets	23,287	(1,638)	21,649	20,025	(994)	19,031
Total assets	142,698	(4,374)	138,324	139,576	(4,126)	135,450
Total equity	72,488	—	72,488	78,202	—	78,202
Non-current liabilities	38,986	(1,519)	37,467	37,349	(1,724)	35,625
Current liabilities	31,224	(2,855)	28,369	24,025	(2,402)	21,623
Total equity and liabilities	142,698	(4,374)	138,324	139,576	(4,126)	135,450
Consolidated statement of cash flows						
Net cash flow from operating activities	10,694	(1,870)	8,824	12,755	(2,458)	10,297
Net cash flow from investing activities	(7,398)	1,652	(5,746)	3,843	2,738	6,581
Net cash flow from financing activities	(2,956)	213	(2,743)	(15,369)	(300)	(15,669)
Net cash flow	340	(5)	335	1,229	(20)	1,209

New accounting pronouncements to be adopted on 1 April 2014

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

- Amendment to IAS 32, "Offsetting financial assets and financial liabilities".
- Amendments to IAS 39, "Novation of derivatives and continuation of hedge accounting".
- "Improvements to IFRS 2010 to 2012 cycle", elements are effective variously from 1 July 2014 and for annual periods beginning on or after 1 July 2014. All the amendments will be adopted by the Group from 1 April 2014, except an amendment to IFRS 8, "Operating Segments", which will be adopted on 1 April 2014. These amendments have not yet been endorsed by the EU.
- IFRIC 21, "Levies", which has not yet been endorsed by the EU.

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

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

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

Phase I of IFRS 9 "Financial Instruments" was issued in November 2009 and has subsequently been updated and amended. The effective date of the standard is to be confirmed and has not yet been endorsed for use in the EU. The standard introduces changes to the classification and measurement of financial assets, removes the restriction on electing to measure certain financial liabilities at fair value through the income statement from initial recognition and requires changes to the presentation of gains and losses relating to fair value changes.

The Group is currently assessing the impact of the above new pronouncements on its results, financial position and cash flows. None of the new pronouncements discussed above have been endorsed for use in the EU.

2. Segmental analysis

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

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has a single group of related services and products being the supply of communications services and products. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue. Transactions between operating segments are charged at arm's length prices.

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

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

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

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

Accounting policies

Revenue

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

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

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

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

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

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

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

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

Commissions

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

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

- 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.

Notes to the consolidated financial statements (continued)

2. Segmental analysis (continued)

Segmental revenue

	Management basis ¹					Statutory basis ¹		
	Segment revenue £m	Intra-region revenue £m	Regional revenue £m	Inter-region revenue £m	Group Revenue £m	Presentation adjustments ² £m	Discontinued operations ² £m	Revenue £m
31 March 2014								
Germany	8,272	(9)	8,263	(11)	8,252	—	—	8,252
Italy	4,312	(8)	4,304	(1)	4,303	(3,782)	—	521
UK	6,427	(10)	6,417	(3)	6,414	(131)	—	6,283
Spain	3,518	(17)	3,501	(2)	3,499	3	—	3,502
Other Europe	5,525	(13)	5,512	(4)	5,508	136	—	5,644
Europe	28,054	(57)	27,997	(21)	27,976	(3,774)	—	24,202
India	4,394	—	4,394	(3)	4,391	(449)	—	3,942
Vodacom	4,718	—	4,718	—	4,718	—	—	4,718
Other AMAP	5,860	(1)	5,859	(12)	5,847	(1,047)	—	4,800
AMAP	14,972	(1)	14,971	(15)	14,956	(1,496)	—	13,460
Non-Controlled Interests and Common Functions	686	—	686	(2)	684	—	—	684
Group	43,712	(58)	43,654	(38)	43,616	(5,270)	—	38,346
Discontinued operations								
Verizon Wireless ³	9,955							
31 March 2013 restated								
Germany	7,857	(27)	7,830	(6)	7,824	2	—	7,826
Italy	4,755	(21)	4,734	(1)	4,733	(4,733)	—	—
UK	5,150	(30)	5,120	(4)	5,116	(23)	—	5,093
Spain	3,904	(40)	3,864	(2)	3,862	5	—	3,867
Other Europe	7,115	(61)	7,054	(6)	7,048	32	—	7,080
Europe	28,781	(179)	28,602	(19)	28,583	(4,717)	—	23,866
India	4,324	—	4,324	(4)	4,320	(417)	—	3,903
Vodacom	5,206	—	5,206	—	5,206	—	—	5,206
Other AMAP	5,884	(1)	5,883	(28)	5,855	(1,270)	—	4,585
AMAP	15,414	(1)	15,413	(32)	15,381	(1,687)	—	13,694
Non-Controlled Interests and Common Functions	481	—	481	—	481	—	—	481
Group	44,676	(180)	44,496	(51)	44,445	(6,404)	—	38,041
Discontinued operations								
Verizon Wireless ³	21,972							
31 March 2012 restated								
Germany	8,233	(43)	8,190	(2)	8,188	5	—	8,193
Italy	5,658	(27)	5,631	(2)	5,629	(5,629)	—	—
UK	5,397	(36)	5,361	(7)	5,354	5	—	5,359
Spain	4,763	(52)	4,711	(4)	4,707	7	—	4,714
Other Europe	6,469	(40)	6,429	(5)	6,424	8	—	6,432
Europe	30,520	(198)	30,322	(20)	30,302	(5,604)	—	24,698
India	4,265	—	4,265	(6)	4,259	(295)	—	3,964
Vodacom	5,638	—	5,638	(8)	5,630	1	—	5,631
Other AMAP	5,669	(1)	5,668	(54)	5,614	(1,456)	—	4,158
AMAP	15,572	(1)	15,571	(68)	15,503	(1,750)	—	13,753
Non-Controlled Interests and Common Functions	614	—	614	(2)	612	(242)	—	370
Group	46,706	(199)	46,507	(90)	46,417	(7,596)	—	38,821
Discontinued operations								
Verizon Wireless ³	20,187							

Notes:

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

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

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

Segmental profit

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

	Management basis ¹				Statutory basis ¹		
	EBITDA ² £m	Depreciation, amortisation and loss on disposal of fixed assets £m	Share of results in associates and joint ventures £m	Adjusted operating profit £m	Presentation adjustments ⁴ £m	Discontinued operations ⁴ £m	Adjusted operating profit £m
31 March 2014							
Germany	2,698	(1,781)	1	918	—	—	918
Italy	1,536	(810)	—	726	(355)	—	371
UK	1,418	(1,216)	(15)	187	—	—	187
Spain	787	(606)	—	181	—	—	181
Other Europe	1,736	(1,062)	2	676	—	—	676
Europe	8,175	(5,475)	(12)	2,688	(355)	—	2,333
India	1,397	(1,043)	—	354	(28)	—	326
Vodacom	1,716	(488)	—	1,228	—	—	1,228
Other AMAP	1,567	(1,124)	67	510	(117)	—	393
AMAP	4,680	(2,655)	67	2,092	(145)	—	1,947
Non-Controlled Interests and Common Functions	(24)	(51)	3,169	3,094	105	(3,169)	30
Group	12,831	(8,181)	3,224	7,874	(395)	(3,169)	4,310
Discontinued operations							
Verizon Wireless ³	4,274						

31 March 2013 restated

Germany	2,831	(1,430)	—	1,401	—	—	1,401
Italy	1,917	(745)	—	1,172	(433)	—	739
UK	1,210	(907)	—	303	—	—	303
Spain	1,021	(600)	—	421	—	—	421
Other Europe	2,120	(1,244)	2	878	—	—	878
Europe	9,099	(4,926)	2	4,175	(433)	—	3,742
India	1,240	(1,019)	—	221	(63)	—	158
Vodacom	1,891	(559)	—	1,332	—	—	1,332
Other AMAP	1,401	(1,113)	52	340	(105)	—	235
AMAP	4,532	(2,691)	52	1,893	(168)	—	1,725
Non-Controlled Interests and Common Functions	(65)	74	6,500	6,509	114	(6,500)	123
Group	13,566	(7,543)	6,554	12,577	(487)	(6,500)	5,590
Discontinued operations							
Verizon Wireless ³	8,831						

31 March 2012 restated

Germany	3,034	(1,473)	—	1,561	—	—	1,561
Italy	2,521	(779)	—	1,742	(643)	—	1,099
UK	1,294	(888)	—	406	—	—	406
Spain	1,210	(627)	—	583	—	—	583
Other Europe	2,160	(1,145)	3	1,018	—	—	1,018
Europe	10,219	(4,912)	3	5,310	(643)	—	4,667
India	1,122	(1,062)	—	60	(68)	—	(8)
Vodacom	1,933	(595)	—	1,338	—	—	1,338
Other AMAP	1,338	(1,015)	36	359	(78)	—	281
AMAP	4,393	(2,672)	36	1,757	(146)	—	1,611
Non-Controlled Interests and Common Functions	(6)	(41)	5,010	4,963	99	(4,953)	109
Group	14,606	(7,625)	5,049	12,030	(690)	(4,953)	6,387
Discontinued operations							
Verizon Wireless ³	7,689						

Notes:

- 1 Management basis includes the results of the Group's joint ventures, Vodafone Italy, Vodafone Hutchison Australia, Vodafone Fiji and Indus Towers, on a proportionate basis, including a five month contribution from Verizon Wireless. The statutory basis includes the results of these joint ventures, using the equity accounting basis rather than on a proportionate consolidation basis, and includes a five month contribution from Verizon Wireless which is treated as discontinued operations.
- 2 The Group's measure of segment profit, EBITDA, excludes depreciation, amortisation and loss on disposal of fixed assets and the Group's share of results in associates and joint ventures. EBITDA and adjusted operating profit have been restated to exclude restructuring costs.
- 3 Discontinued operations comprise our US Group whose principal asset was a 45% interest in Verizon Wireless. We sold our US Group on 21 February 2014. Refer to note 7 "Discontinued operations" for further details.
- 4 Presentation adjustments relate to the restatement of the Group's joint ventures from a proportionate consolidation basis to an equity accounted basis. Discontinued items relate to the results of Verizon Wireless.

Notes to the consolidated financial statements (continued)

2. Segmental analysis (continued)

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

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

Segmental assets

	Non-current assets ¹ £m	Capital expenditure ² £m	Other expenditure on intangible assets £m	Depreciation and amortisation £m	Impairment loss £m
31 March 2014					
Germany	22,780	1,312	3	2,036	4,900
Italy	7,984	180	—	164	—
UK	8,031	932	—	1,290	—
Spain	3,653	511	—	587	800
Other Europe	8,736	800	273	1,047	900
Europe	51,184	3,735	276	5,124	6,600
India	7,824	633	1,938	828	—
Vodacom	4,560	663	3	593	—
Other AMAP	4,850	711	11	932	—
AMAP	17,234	2,007	1,952	2,353	—
Non-Controlled Interests and Common Functions	1,121	571	—	83	—
Group	69,539	6,313	2,228	7,560	6,600
31 March 2013 restated					
Germany	19,109	1,073	2	1,423	—
Italy	—	—	—	—	4,500
UK	8,365	601	863	888	—
Spain	4,599	377	—	590	3,200
Other Europe	9,786	993	1,335	1,291	—
Europe	41,859	3,044	2,200	4,192	7,700
India	7,388	462	130	914	—
Vodacom	5,668	703	10	696	—
Other AMAP	5,826	678	90	894	—
AMAP	18,882	1,843	230	2,504	—
Non-Controlled Interests and Common Functions	982	405	—	(35)	—
Group	61,723	5,292	2,430	6,661	7,700
31 March 2012 restated					
Germany	19,151	880	4	1,469	—
Italy	—	—	—	—	2,450
UK	6,430	575	—	880	—
Spain	8,069	429	71	626	900
Other Europe	8,543	823	313	1,122	700
Europe	42,193	2,707	388	4,097	4,050
India	7,847	710	—	967	—
Vodacom	6,469	723	—	840	—
Other AMAP	5,362	709	—	782	—
AMAP	19,678	2,142	—	2,589	—
Non-Controlled Interests and Common Functions	715	395	—	35	—
Group	62,586	5,244	388	6,721	4,050

Notes:

¹ Comprises goodwill, other intangible assets and property, plant and equipment.

² Includes additions to property, plant and equipment and computer software, reported within intangibles. Excludes licences and spectrum additions.

3. Operating (loss)/profit

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

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

The total remuneration of the Group's auditor, Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited for services provided to the Group is analysed below:

	2014 £m	2013 £m	2012 £m
Parent company	1	1	1
Subsidiaries	8	7	6
Audit fees:	9	8	7
Audit-related assurance services ¹	1	1	1
Other assurance services ²	3	—	—
Taxation advisory services ³	—	—	—
Other non-audit services ³	—	—	1
Non-audit fees:	4	1	2
Total fees	13	9	9

Notes:

1 Relates to fees for statutory and regulatory filings.

2 Primarily arising from regulatory filings and shareholder documentation requirements in respect of the disposal of Verizon Wireless and the acquisition of the outstanding minority stake in Vodafone Italy.

3 Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited were engaged during the year to provide a number of taxation advisory and other non-audit services. In aggregate, fees for these services amounted to £0.3 million

Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited have also received fees in each of the last three years in respect of audits of charitable foundations associated to the Group.

A description of the work performed by the Audit and Risk Committee in order to safeguard auditor independence when non-audit services are provided is set out in "Corporate governance" on page 64.

Notes to the consolidated financial statements (continued)

4. Impairment losses

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

Accounting policies**Goodwill**

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

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Property, plant and equipment and finite lived intangible assets

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

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

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

Impairment losses

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

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

Goodwill

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

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

Key assumptions used in the value in use calculations

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

Assumption	How determined
Budgeted EBITDA	<p>Budgeted EBITDA has been based on past experience adjusted for the following:</p> <ul style="list-style-type: none"> → voice and messaging revenue is expected to benefit from increased usage from new customers, especially in emerging markets, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be offset by increased competitor activity, which may result in price declines, and the trend of falling termination and other regulated rates; → non-messaging data revenue is expected to continue to grow as the penetration of 3G (plus 4G where available) enabled devices and smartphones rise along with higher data bundle attachment rates, and new products and services are introduced; and → margins are expected to be impacted by negative factors such as the cost of acquiring and retaining customers in increasingly competitive markets and the expectation of further termination rate cuts by regulators and by positive factors such as the efficiencies expected from the implementation of Group initiatives.
Budgeted capital expenditure	The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to roll out networks in emerging markets, to provide enhanced voice and data products and services and to meet the population coverage requirements of certain of the Group's licences. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Long-term growth rate	<p>For businesses where the five year management plans are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:</p> <ul style="list-style-type: none"> → the nominal GDP rates for the country of operation; and → the long-term compound annual growth rate in EBITDA in years six to ten estimated by management.
Pre-tax risk adjusted discount rate	<p>The discount rate applied to the cash flows of each of the Group's operations is generally based on the risk free rate for ten year bonds issued by the government in the respective market. Where government bond rates contain a material component of credit risk, high quality local corporate bond rates may be used.</p> <p>These rates are adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole.</p> <p>In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the Group's operations determined using an average of the betas of comparable listed mobile telecommunications companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration both studies by independent economists, the average equity market risk premium over the past ten years and the market risk premiums typically used by investment banks in evaluating acquisition proposals.</p>

Year ended 31 March 2014

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

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

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

	Assumptions used in value in use calculation						
	Germany %	Italy %	Spain %	Portugal %	Czech Republic %	Romania %	Greece %
Pre-tax risk adjusted discount rate	7.7	10.5	9.9	11.1	8.0	11.0	24.3
Long-term growth rate	0.5	1.0	1.9	1.5	0.8	1.0	1.0
Budgeted EBITDA ¹	2.8	(2.2)	(0.7)	(0.8)	(0.6)	1.7	4.7
Budgeted capital expenditure ²	12.5–21.7	11.1–25.5	9.0–23.5	11.0–28.3	15.9–21.2	10.5–17.3	7.6–12.2

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Notes to the consolidated financial statements (continued)

4. Impairment losses (continued)**Sensitivity analysis**

Other than as disclosed below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to exceed its recoverable amount.

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

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the aggregate impairment loss recognised in the year ended 31 March 2014.

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

	Czech Republic		Romania	
	Increase by 2pps Ebn	Decrease by 2pps Ebn	Increase by 2pps Ebn	Decrease by 2pps Ebn
Pre-tax risk adjusted discount rate	(0.2)	0.2	(0.2)	0.2
Long-term growth rate	0.2	(0.2)	0.2	(0.2)
Budgeted EBITDA ¹	—	—	0.1	(0.1)
Budgeted capital expenditure ²	—	—	—	—

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Year ended 31 March 2013

During the year ended 31 March 2013 impairment charges of £4,500 million and £3,200 million were recorded in respect of the Group's investments in Italy and Spain respectively. The impairment charges relate solely to goodwill. The recoverable amounts of Italy and Spain were £8.9 billion and £4.2 billion respectively. The impairment charges were driven by a combination of lower projected cash flows within business plans, resulting from our reassessment of expected future business performance in light of current trading and economic conditions and adverse movements in discount rates driven by the credit rating and yields on ten year government bonds.

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

	Assumptions used in value in use calculation					
	Italy %	Spain %	Germany %	Greece %	Portugal %	Romania %
Pre-tax risk adjusted discount rate	11.3	12.2	9.6	23.9	11.2	11.2
Long-term growth rate	0.5	1.9	1.4	1.0	0.4	3.0
Budgeted EBITDA ¹	(0.2)	1.7	2.5	0.4	(1.5)	0.8
Budgeted capital expenditure ²	9.9–15.2	11.2–15.2	11.3–12.6	7.8–11.0	10.0–18.9	10.1–15.5

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

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

Sensitivity analysis

Other than as disclosed below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to exceed its recoverable amount.

The estimated recoverable amounts of the Group's operations in Italy, Spain, Portugal and Greece are equal to, or not materially greater than, their carrying values; consequently, any adverse change in key assumptions would, in isolation, cause a further impairment loss to be recognised. The estimated recoverable amounts of the Group's operations in Germany and Romania exceeded their carrying values by approximately £1,034 million and £184 million respectively.

	Change required for carrying value to equal the recoverable amount	
	Germany pps	Romania pps
Pre-tax risk adjusted discount rate	0.4	1.0
Long-term growth rate	(0.5)	(1.2)
Budgeted EBITDA ¹	(0.7)	(1.7)
Budgeted capital expenditure ²	1.1	2.8

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the aggregate impairment loss recognised in the year ended 31 March 2013:

	Italy		Spain		Portugal	
	Increase by 2pps Ebn	Decrease by 2pps Ebn	Increase by 2pps Ebn	Decrease by 2pps Ebn	Increase by 2pps Ebn	Decrease by 2pps Ebn
Pre-tax risk adjusted discount rate	(1.4)	1.8	(0.7)	—	(0.3)	—
Long-term growth rate	1.8	(1.3)	—	(0.7)	—	(0.3)
Budgeted EBITDA ¹	0.5	(0.5)	—	(0.1)	—	(0.1)
Budgeted capital expenditure ²	(0.9)	0.9	(0.6)	—	(0.2)	—

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Year ended 31 March 2012

During the year ended 31 March 2012 impairment charges of £2,450 million, £900 million, £450 million and £250 million were recorded in respect of the Group's investments in Italy, Spain, Greece and Portugal, respectively. Of the total charge, £3,848 million related to goodwill, and £202 million was allocated in Greece to licence intangible assets (£121 million) and property, plant and equipment (£81 million). The recoverable amounts of Italy, Spain, Greece and Portugal were £13.5 billion, £7.4 billion, £0.4 billion and £1.8 billion respectively.

The impairment charges were primarily driven by increased discount rates as a result of increases in bond rates, with the exception of Spain where rates reduced marginally compared to 31 March 2011. In addition, business valuations were negatively impacted by lower cash flows within business plans reflecting challenging economic and competitive conditions, and faster than expected regulatory rate cuts, particularly in Italy.

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

	Assumptions used in value in use calculation						
	Germany %	Italy %	Spain %	Greece %	Portugal %	India %	Romania %
Pre-tax risk adjusted discount rate	8.5	12.1	10.6	22.8	16.9	15.1	11.5
Long-term growth rate	1.5	1.2	1.6	1.0	2.3	6.8	3.0
Budgeted EBITDA ¹	2.3	(1.2)	3.9	(6.1)	0.2	15.0	0.8
Budgeted capital expenditure ²	8.5–11.8	10.1–12.3	10.3–11.7	9.3–12.7	12.5–14.0	11.4–14.4	12.0–14.3

Notes:

1 Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

2 Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Notes to the consolidated financial statements (continued)

5. Investment income and financing costs

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

	2014 £m	Restated 2013 £m	Restated 2012 £m
Investment income:			
Available-for-sale investments:			
Dividends received	10	2	2
Loans and receivables at amortised cost	184	124	168
Fair value through the income statement (held for trading):			
Derivatives – foreign exchange contracts	82	115	121
Other ¹	70	64	165
	346	305	456
Financing costs:			
Items in hedge relationships:			
Other loans	265	228	210
Interest rate swaps	(196)	(184)	(178)
Fair value hedging instrument	386	(81)	(539)
Fair value of hedged item	(363)	112	511
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts ²	557	584	628
Other loans ³	770	736	785
Interest credit on settlement of tax issues ⁴	(15)	(91)	23
Equity put rights and similar arrangements ⁵	143	136	81
Fair value through the income statement (held for trading):			
Derivatives – forward starting swaps and futures	1	105	244
Other ¹	6	51	3
	1,554	1,596	1,768
Net financing costs	1,208	1,291	1,312

Notes:

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

6. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note also provides information on our expected future tax charges and sets out the tax assets held across the Group together with our view on whether or not we expect to be able to make use of these in the future.

Accounting policies

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

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

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of non-tax deductible goodwill.

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

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

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

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

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

Income tax expense

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

UK operating profits are more than offset by statutory allowances for capital investment in the UK network and systems plus ongoing interest costs including those arising from the £6.8 billion of spectrum payments to the UK government in 2000 and 2013.

Notes to the consolidated financial statements (continued)

6. Taxation (continued)

Tax on discontinued operations

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

Tax charged/(credited) directly to other comprehensive income

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

Tax charged/(credited) directly to equity

	2014 £m	Restated 2013 £m	Restated 2012 £m
Current tax charge/(credit)	12	(17)	(1)
Deferred tax credit	—	(1)	(1)
Total tax charged/(credited) directly to equity	12	(18)	(2)

Factors affecting the tax expense for the year

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

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

Notes:

¹ 2014 relates to deemed disposal of Italy. 2012 relates to the disposal of SFR and Polkomtel.

² See commentary regarding deferred tax asset recognition on page 122.

³ Includes the US tax charge of £2,210 million on the rationalisation and reorganisation of non-US assets prior to the disposal of our interest in Verizon Wireless.

Deferred tax

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

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

Deferred tax assets and liabilities, before offset of balances within countries, are as follows:

	Amount (charged)/ credited in income statement £m	Gross deferred tax asset £m	Gross deferred tax liability £m	Less amounts unrecognised £m	Net recognised deferred tax (liability)/ asset £m
Accelerated tax depreciation	(123)	993	(1,597)	(40)	(644)
Intangible assets	255	72	(1,409)	1	(1,336)
Tax losses	19,433	28,569	—	(7,418)	21,151
Deferred tax on overseas earnings	(2)	—	—	—	—
Other temporary differences	125	1,186	(343)	(154)	689
31 March 2014	19,688	30,820	(3,349)	(7,611)	19,860

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

	£m
Deferred tax asset	20,607
Deferred tax liability	(747)
31 March 2014	19,860

At 31 March 2013, deferred tax assets and liabilities, before offset of balances within countries, were as follows:

	Amount (charged)/ credited in income statement £m	Gross deferred tax asset £m	Gross deferred tax liability £m	Less amounts unrecognised £m	Net recognised deferred tax (liability)/ asset £m
Accelerated tax depreciation	58	1,071	(4,962)	—	(3,891)
Intangible assets	85	126	(1,403)	—	(1,277)
Tax losses	164	28,077	—	(25,977)	2,100
Deferred tax on overseas earnings	(5)	—	(1,812)	—	(1,812)
Other temporary differences	59	2,848	(193)	(1,598)	1,057
31 March 2013	361	32,122	(8,370)	(27,575)	(3,823)

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

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

Notes to the consolidated financial statements (continued)

6. Taxation (continued)

Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the impact of corporate restructurings, the resolution of open issues, future planning, corporate acquisitions and disposals, the use of brought forward tax losses and changes in tax legislation and tax rates.

The Group is routinely subject to audit by tax authorities in the territories in which it operates and, specifically, in India these are usually resolved through the Indian legal system. The Group considers each issue on its merits and, where appropriate, holds provisions in respect of the potential tax liability that may arise. However, the amount ultimately paid may differ materially from the amount accrued and could therefore affect the Group's overall profitability and cash flows in future periods. See note 30 "Contingent liabilities" to the consolidated financial statements.

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

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

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

	Expiring within 5 years £m	Expiring within 6–10 years £m	Unlimited £m	Total £m
Losses for which a deferred tax asset is recognised	343	—	8,423	8,766
Losses for which no deferred tax is recognised	1,845	691	94,135	96,671
	2,188	691	102,558	105,437

The losses arising on the write down of investments in Germany are available to use against both German federal and trade tax liabilities.

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

Included above are losses amounting to £6,651 million (2013: £7,104 million) in respect of UK subsidiaries which are only available for offset against future capital gains and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised. We have recognised a deferred tax asset against £442 million of these losses in the current year.

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

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

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

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

The Group holds no deferred tax liability (2013: £1,812 million) in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint arrangements were to be realised after the balance sheet date (see table above) following the Group's disposal of its 45% stake in Verizon Wireless. No deferred tax liability has been recognised in respect of a further £22,985 million (2013: £47,978 million) of unremitted earnings of subsidiaries, associates and joint arrangements because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.

7. Discontinued operations

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

Income statement and segment analysis of discontinued operations

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

Gain on disposal of discontinued operations

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

Note:

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

Profit for the financial year from discontinued operations

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

Earnings per share from discontinued operations

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

Total comprehensive income for the financial year from discontinued operations

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

Cash flows from discontinued operations

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

Notes to the consolidated financial statements (continued)

8. Earnings per share

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

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

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

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

9. Equity dividends

Dividends are one type of shareholder return, historically paid to our shareholders in February and August. For information on shareholder returns in the form of share buybacks, see the “Commentary on the consolidated statement of changes in equity” on page 101.

	2014 £m	2013 £m	2012 £m
Declared during the financial year:			
Final dividend for the year ended 31 March 2013: 6.92 pence per share (2012: 6.47 pence per share, 2011: 6.05 pence per share)	3,365	3,193	3,102
Interim dividend for the year ended 31 March 2014: 3.53 pence per share (2013: 3.27 pence per share, 2012: 3.05 pence per share)	1,711	1,608	1,536
Second interim dividend share for the year ended 31 March 2014: nil (2013: nil pence per share, 2012: 4.00 pence per share)	—	—	2,016
Special dividend for the year ended 31 March 2014: 172.94 US cents per share (see below) (2013: nil, 2012: nil)	35,490	—	—
	40,566	4,801	6,654
Proposed after the end of the reporting period and not recognised as a liability:			
Final dividend for the year ended 31 March 2014: 7.47 pence per share (2013: 6.92 pence per share, 2012: 6.47 pence per share)	1,975	3,377	3,195

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

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

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

10. Intangible assets

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

Accounting policies

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

Goodwill

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

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment or whenever there is evidence that it may be required. Goodwill is denominated in the currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

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

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

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

Finite lived intangible assets

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

Licence and spectrum fees

Amortisation periods for licence and spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives from the commencement of related network services.

Computer software

Computer software comprises computer software purchased from third parties as well as the cost of internally developed software.

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits are recognised as intangible assets. Direct costs include software development employee costs and directly attributable overheads.

Software integral to an item of hardware equipment is classified as property, plant and equipment.

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

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

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

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

Other intangible assets

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

Estimated useful lives

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

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

Notes to the consolidated financial statements (continued)

10. Intangible assets (continued)

	Goodwill £m	Licences and spectrum £m	Computer software £m	Other £m	Total £m
Cost:					
1 April 2012 restated	72,840	26,480	8,018	2,783	110,121
Exchange movements	417	(62)	49	(213)	191
Arising on acquisition	59	28	63	335	485
Additions	—	2,430	1,307	—	3,737
Disposals of subsidiaries	—	(9)	(554)	—	(563)
Disposals	—	—	(4)	—	(4)
Other	—	4	—	—	4
31 March 2013 restated	73,316	28,871	8,879	2,905	113,971
Exchange movements	(3,054)	(1,757)	(375)	(434)	(5,620)
Arising on acquisition	6,859	1,319	464	2,861	11,503
Additions	—	2,228	1,437	—	3,665
Disposals	—	(74)	(296)	—	(370)
Other	—	5	103	—	108
31 March 2014	77,121	30,592	10,212	5,332	123,257
Accumulated impairment losses and amortisation:					
1 April 2012 restated	45,024	10,886	5,471	2,162	63,543
Exchange movements	702	30	38	(153)	617
Amortisation charge for the year	—	1,623	1,150	251	3,024
Impairment losses	3,200	—	—	—	3,200
Disposals of subsidiaries	—	(5)	(545)	—	(550)
Disposals	—	—	(3)	—	(3)
Other	—	—	1	—	1
31 March 2013 restated	48,926	12,534	6,112	2,260	69,832
Exchange movements	(1,720)	(732)	(261)	(338)	(3,051)
Amortisation charge for the year	—	1,683	1,282	557	3,522
Impairment losses	6,600	—	—	—	6,600
Disposals	—	(65)	(278)	—	(343)
Other	—	—	9	—	9
31 March 2014	53,806	13,420	6,864	2,479	76,569
Net book value:					
31 March 2013 restated	24,390	16,337	2,767	645	44,139
31 March 2014	23,315	17,172	3,348	2,853	46,688

For licences and spectrum and other intangible assets, amortisation is included within the cost of sales line within the consolidated income statement. Licences and spectrum with a net book value of £3,885 million (2013: £2,707 million) have been pledged as security against borrowings.

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

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

The remaining amortisation period for each of the licences in the table above corresponds to the expiry date of the respective licence. A summary of the Group's most significant spectrum licences can be found on page 194.

11. Property, plant and equipment

We make significant investments in network equipment and infrastructure – the base stations and technology required to operate our networks – that form the majority of our tangible assets. All assets are depreciated over their useful economic lives. For further details on the estimation of useful economic lives, see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

Accounting policies

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

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

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

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

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

Land and buildings

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

Equipment, fixtures and fittings

→ Network infrastructure	3–25 years
→ Other	3–10 years

Depreciation is not provided on freehold land.

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

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

Notes to the consolidated financial statements (continued)

11. Property, plant and equipment (continued)

	Land and buildings £m	Equipment, fixtures and fittings £m	Total £m
Cost:			
1 April 2012 restated	1,426	38,776	40,202
Exchange movements	(20)	(41)	(61)
Arising on acquisition	52	1,503	1,555
Additions	122	3,862	3,984
Disposals of subsidiaries	(1)	(28)	(29)
Disposals	(18)	(1,481)	(1,499)
Other	37	(143)	(106)
31 March 2013 restated	1,598	42,448	44,046
Exchange movements	(99)	(2,900)	(2,999)
Arising on acquisition	113	6,286	6,399
Additions	127	4,743	4,870
Disposals of subsidiaries	—	(15)	(15)
Disposals	(93)	(1,224)	(1,317)
Transfer of assets to joint operations	—	(672)	(672)
Other	—	(103)	(103)
31 March 2014	1,646	48,563	50,209
Accumulated depreciation and impairment:			
1 April 2012 restated	584	23,610	24,194
Exchange movements	1	106	107
Charge for the year	97	3,540	3,637
Disposals of subsidiaries	(1)	(14)	(15)
Disposals	(13)	(1,329)	(1,342)
Other	31	(150)	(119)
31 March 2013 restated	699	25,763	26,462
Exchange movements	(20)	(1,477)	(1,497)
Charge for the year	99	3,939	4,038
Disposals of subsidiaries	—	(15)	(15)
Disposals	(46)	(1,099)	(1,145)
Transfer of assets to joint operations	—	(476)	(476)
Other	—	(9)	(9)
31 March 2014	732	26,626	27,358
Net book value:			
31 March 2013 restated	899	16,685	17,584
31 March 2014	914	21,937	22,851

The net book value of land and buildings and equipment, fixtures and fittings includes £48 million and £413 million respectively (2013: £62 million and £281 million) in relation to assets held under finance leases. Included in the net book value of land and buildings and equipment, fixtures and fittings are assets in the course of construction, which are not depreciated, with a cost of £70 million and £1,617 million respectively (2013: £19 million and £1,399 million). Property, plant and equipment with a net book value of £1 million (2013: £357 million) has been pledged as security against borrowings.

12. Investments in associates and joint ventures

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

Accounting policies

Interests in joint arrangements

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

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have the rights to the assets, and obligations for the liabilities, relating to the arrangement or that other facts and circumstances indicate that this is the case. The Group's share of assets, liabilities, revenue, expenses and cash flows are combined with the equivalent items in the financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Joint ventures

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

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

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

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but do not have control or joint control over those policies.

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

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. The Group's share of post-tax profits or losses are recognised in the consolidated income statement. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Joint operations

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

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

Note:

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

Notes to the consolidated financial statements (continued)

12. Investments in associates and joint ventures (continued)

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

Joint ventures

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

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

Notes:

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

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

3 Vodafone Hutchison Australia Pty Limited has a year end of 31 December.

4 The Group holds substantive participating rights which provide it with a veto over the significant financial and operating policies of Vodafone Fiji Limited and which ensure it is able to exercise joint control over Vodafone Fiji Limited with the majority shareholder.

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

	Vodafone Omnitel B.V. ¹		Indus Towers Limited		Vodafone Hutchison Australia Pty Limited		Other joint ventures		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Income statement and statement of comprehensive income										
Revenue	4,931	6,186	1,547	1,489	2,032	2,497				
Depreciation and amortisation	(937)	(999)	(507)	(256)	(423)	(454)				
Interest income	1	2	20	8	10	6				
Interest expense	(15)	(6)	(124)	(103)	(212)	(191)				
Income tax (expense)/income	(174)	(430)	39	(53)	1	3				
Profit or loss from continuing operations	339	951	51	34	(132)	(446)				
Other comprehensive (expense)/income	—	(6)	—	—	—	6				
Total comprehensive income/(expense)	339	945	51	34	(132)	(440)				
Statement of financial position										
Non-current assets	—	4,870	1,798	1,542	1,916	1,865				
Current assets	—	1,722	423	417	590	528				
Non-current liabilities	—	(176)	(801)	(1,297)	(3,150)	(1,688)				
Current liabilities	—	(3,067)	(532)	(724)	(661)	(2,154)				
Equity shareholders' funds	—	(3,349)	(888)	62	1,305	1,449				
Statement of financial position										
Cash and cash equivalents within current assets	—	20	143	65	60	96				
Non-current liabilities excluding trade and other payables and provisions	—	(97)	(701)	(1,147)	(3,060)	(1,560)				
Current liabilities excluding trade and other payables and provisions	—	(772)	(258)	(34)	(97)	(1,412)				
Summary										
Investment in joint ventures	—	8,441	373	(26)	(559)	(609)	28	6	(158)	7,812
Profit/(loss) from continuing operations	261	731	21	15	(66)	(223)	5	(3)	221	520
Other comprehensive (expense)/income	—	(5)	—	—	—	3	—	2	—	—
Total comprehensive income/(expense)	261	726	21	15	(66)	(220)	5	(1)	221	520

Note:

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

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

Associates

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

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

Notes:

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

2 The Group also holds two non-voting shares.

3 At 31 March 2014 the fair value of Safaricom Limited was KES 198 billion (£1,371 million) based on the closing quoted share price on the Nairobi Stock Exchange.

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

	Cellco Partnership		Other associates		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Income statement and statement of comprehensive income						
Revenue	22,122	48,827				
Depreciation and amortisation	(2,186)	(5,145)				
Interest income	1	3				
Interest expense	(38)	(60)				
Income tax (expense)/income	(111)	29				
Post-tax profit of loss from discontinued operations	7,092	14,272				
Other comprehensive expense	(2)	—				
Total comprehensive income	7,090	14,272				
Statement of financial position						
Non-current assets	—	72,755				
Current assets	—	9,764				
Non-current liabilities	—	(6,328)				
Current liabilities	—	(9,267)				
Non-controlling interests	—	(1,366)				
Equity shareholders' funds	—	(65,558)				
Statement of financial position						
Cash and cash equivalents within current assets	—	2,894				
Non-current liabilities excluding trade and other payables and provisions	—	(5,034)				
Current liabilities excluding trade and other payables and provisions	—	(3,208)				
Summary						
Investment in associates	—	38,373	272	262	272	38,635
Profit or loss from continuing operations	—	—	57	55	57	55
Post-tax profit from discontinued operations	3,191	6,422	—	—	3,191	6,422
Other comprehensive expense	(1)	—	—	—	(1)	—
Total comprehensive income	3,190	6,422	57	55	3,247	6,477

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

Notes to the consolidated financial statements (continued)

13. Other investments

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

Accounting policies

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

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

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

	2014 £m	Restated 2013 £m
Included within non-current assets:		
Listed securities:		
Equity securities	13	3
Unlisted securities:		
Equity securities	228	570
Public debt and bonds	141	134
Other debt and bonds	3,171	66
	3,553	773

The listed and unlisted securities are classified as available-for-sale. Public debt and bonds are classified as held for trading, and other debt and bonds which are not quoted in an active market, are classified as loans and receivables.

Unlisted equity investments are recorded at fair value where appropriate.

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

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

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

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

Current public debt and bonds include government bonds of £852 million (2013: £1,076 million) which consist of highly liquid index linked gilts with less than four years to maturity held on an effective floating rate basis.

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

14. Inventory

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

Accounting policies

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

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

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

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

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

Notes to the consolidated financial statements (continued)

15. Trade and other receivables

Our trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. Trade receivables are shown net of an allowance for bad or doubtful debts. Derivative financial instruments with a positive market value are reported within this note.

Accounting policies

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

	2014 £m	Restated 2013 £m
Included within non-current assets:		
Trade receivables	232	40
Amounts owed by associates and joint ventures	51	1,065
Other receivables	150	284
Prepayments and accrued income	592	499
Derivative financial instruments	2,245	2,944
	3,270	4,832
Included within current assets:		
Trade receivables	3,627	3,277
Amounts owed by associates and joint ventures	68	281
Other receivables	1,233	908
Prepayments and accrued income	3,760	3,464
Derivative financial instruments	198	88
	8,886	8,018

The Group's trade receivables are stated after allowances for bad and doubtful debts based on management's assessment of creditworthiness, an analysis of which is as follows:

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

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

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

In the absence of a quoted price in an active market for the same derivatives, the fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at 31 March derived from similar transactions.

16. Trade and other payables

Our trade and other payables mainly consist of amounts we owe to our suppliers that have been invoiced or are accrued. They also include taxes and social security amounts due in relation to our role as an employer. Derivative financial instruments with a negative market value are reported within this note.

Accounting policies

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

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

The carrying amounts of trade and other payables approximate their fair value. The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at 31 March.

	2014 £m	Restated 2013 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	430	1,013
Cross currency interest rate swaps	12	—
Foreign exchange contracts	29	44
	471	1,057
Designated hedge relationships		
Interest rate swaps	205	44
Cross currency interest rate swaps	205	—
	881	1,101

Notes to the consolidated financial statements (continued)

17. Provisions

A provision is a liability recorded in the statement of financial position, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to asset retirement obligations, which include the cost of returning network infrastructure sites to their original condition at the end of the lease, and claims for legal and regulatory matters. For further details see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

Accounting policies

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

Asset retirement obligations

In the course of the Group's activities, a number of sites and other assets are utilised which are expected to have costs associated with de-commissioning. The associated cash outflows are substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in periods up to 25 years from when the asset is brought into use.

Legal and regulatory

The Group is involved in a number of legal and other disputes, including notifications of possible claims. The directors of the Company, after taking legal advice, have established provisions after taking into account the facts of each case. The timing of cash outflows associated with the majority of legal claims are typically less than one year, however, for some legal claims the timing of cash flows may be long-term in nature. For a discussion of certain legal issues potentially affecting the Group see note 30 “Contingent liabilities” to the consolidated financial statements.

Other provisions

Other provisions comprises various provisions including those for restructuring costs and property. The associated cash outflows for restructuring costs are primarily less than one year. The timing of the cash flows associated with property is dependent upon the remaining term of the associated lease.

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

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

31 March 2014

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

31 March 2013

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

18. Called up share capital

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

Accounting policies

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

	2014		2013	
	Number	£m	Number	£m
Ordinary shares of 20²⁰/21 US cents each allotted, issued and fully paid:¹				
1 April	53,820,386,309	3,866	53,815,007,289	3,866
Allotted during the year	1,423,737	—	5,379,020	—
Consolidated during the year ²	(24,009,886,918)	—	—	—
Cancelled during the year	(1,000,000,000)	(74)	—	—
31 March	28,811,923,128	3,792	53,820,386,309	3,866

Note:

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

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

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

Allotted during the year

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

Notes to the consolidated financial statements (continued)

19. Reconciliation of net cash flow from operating activities

The table below shows how our profit for the year translates into cash flows generated from our operating activities.

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

Note:

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

20. Cash and cash equivalents

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

Accounting policies

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

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

Cash and cash equivalents are held by the Group on a short-term basis with all having an original maturity of three months or less. The carrying amount approximates their fair value.

21. Borrowings

The Group's sources of borrowing for funding and liquidity purposes come from a range of committed bank facilities and through short-term and long-term issuances in the capital markets including bond and commercial paper issues and bank loans. We manage the basis on which we incur interest on debt between fixed interest rates and floating interest rates depending on market conditions using interest rate derivatives. The Group enters into foreign exchange contracts to mitigate the impact of exchange rate movements on certain monetary items.

Accounting policies

Capital market and bank borrowings

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

Carrying value and fair value information

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

Notes:

1 At 31 March 2014, amount includes £1,185 million (2013: £1,151 million) in relation to collateral support agreements.

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

Bank loans include INR 425 billion of loans held by Vodafone India Limited ('VIL') and its subsidiaries (the 'VIL Group'). The VIL Group has a number of security arrangements supporting certain licences secured under the terms of agreements between the Group, the Department of Telecommunications, and the Government of India including certain share pledges of the shares within the VIL Group. The terms and conditions of the security arrangements mean that should members of the VIL Group not meet all of their loan payment and performance obligations, the lenders may sell the pledged shares and enforce rights over the certain licences under the terms of the tri-party agreements to recover their losses, with any remaining sales proceeds being returned to the VIL Group. Each of the eight legal entities within the VIL Group provide cross-guarantees to the lenders in respect of debt contracted by the other entities.

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

	Sterling equivalent nominal value		2014 £m	Fair value		Carrying value
	2014 £m	Restated 2013 £m		Restated 2013 £m	2014 £m	Restated 2013 £m
Financial liabilities measured at amortised cost	5,655	9,385	5,964	9,790	5,964	9,667
Bonds:	1,756	2,094	1,771	2,150	1,783	2,133
Czech koruna floating rate note due June 2013	—	18	—	18	—	18
Euro floating rate note due September 2013	—	646	—	647	—	645
5.0% US dollar 1,000 million bond due December 2013	—	658	—	679	—	678
6.875% euro 1,000 million bond due December 2013	—	772	—	806	—	792
Euro floating rate note due June 2014	929	—	930	—	930	—
4.625% sterling 350 million bond due September 2014	302	—	307	—	315	—
4.625% sterling 525 million bond due September 2014	525	—	534	—	538	—
Short-term borrowings	7,411	11,479	7,735	11,940	7,747	11,800

Notes to the consolidated financial statements (continued)

21. Borrowings (continued)

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

	Sterling equivalent nominal value		Fair value		Carrying value	
	2014 £m	Restated 2013 £m	2014 £m	Restated 2013 £m	2014 £m	Restated 2013 £m
Financial liabilities measured at amortised cost:						
Bank loans	4,788	3,017	4,707	3,122	4,647	3,077
Redeemable preference shares	—	1,086	—	1,020	—	1,355
Other liabilities	110	731	110	821	110	753
Bonds:	4,272	14,456	4,620	15,986	4,465	15,698
Euro floating rate note due June 2014	—	949	—	952	—	951
4.15% US dollar 1,250 million bond due June 2014	—	795	—	828	—	810
4.625% sterling 350 million bond due September 2014	—	304	—	319	—	320
4.625% sterling 525 million bond due September 2014	—	525	—	552	—	541
5.125% euro 500 million bond due April 2015	413	422	432	461	435	446
5.0% US dollar 750 million bond due September 2015	—	494	—	543	—	521
3.375% US dollar 500 million bond due November 2015	—	329	—	349	—	331
6.25% euro 1,250 million bond due January 2016	1,032	949	1,020	1,091	943	964
0.9% US dollar 900 million bond due February 2016	—	592	—	592	—	592
US dollar floating rate note due February 2016	—	461	—	460	—	461
2.875% US dollar 600 million bond due March 2016	—	395	—	416	—	394
5.75% US dollar 750 million bond due March 2016	—	494	—	561	—	536
4.75% euro 500 million bond due June 2016	302	422	328	474	441	455
5.625% US dollar 1,300 million bond due February 2017	—	856	—	995	—	937
1.625% US dollar 1,000 million bond due March 2017	—	658	—	665	—	655
6.5% euro 400 million bond due July 2017	330	—	351	—	347	—
1.25% US dollar 1,000 million bond due September 2017	—	658	—	654	—	655
5.375% sterling 600 million bond due December 2017	548	552	611	646	569	571
1.5% US dollar 1,400 million bond due February 2018	—	921	—	922	—	917
5% euro 750 million bond due June 2018	619	633	716	750	644	658
6.5% euro 700 million bond due June 2018	578	—	604	—	606	—
4.625% US dollar 500 million bond due July 2018	—	329	—	376	—	387
8.125% sterling 450 million bond due November 2018	450	450	558	598	480	483
4.375% US dollar 500 million bond due March 2021	—	329	—	371	—	327
7.875% US dollar 750 million bond due February 2030	—	494	—	699	—	778
6.25% US dollar 495 million bond due November 2032	—	326	—	399	—	442
6.15% US dollar 1,700 million bond due February 2037	—	1,119	—	1,313	—	1,566
Bonds in designated hedge relationships:	10,951	6,287	11,797	6,969	12,232	7,021
2.15% Japanese yen 3,000 million bond due April 2015	17	21	18	22	18	21
5.375% US dollar 900 million bond due January 2015	—	592	—	641	—	633
US dollar floating rate note due February 2016	420	—	420	—	420	—
5.625% US dollar 1,300 million bond due February 2017	779	—	874	—	836	—
1.625% US dollar 1,000 million bond due March 2017	599	—	607	—	597	—
1.25% US dollar 1,000 million bond due September 2017	599	—	594	—	597	—
1.5% US dollar 1,400 million bond due February 2018	839	—	827	—	837	—
4.625% US dollar 500 million bond due July 2018	300	—	332	—	343	—
5.45% US dollar 1,250 million bond due June 2019	749	823	859	980	833	957
4.375% US dollar 500 million bond due March 2021	300	—	322	—	296	—
4.65% euro 1,250 million bond due January 2022	1,032	1,055	1,213	1,270	1,194	1,236
5.375% euro 500 million bond due June 2022	413	422	509	530	536	558
2.5% US dollar 1,000 million bond due September 2022	599	658	551	633	557	643
2.95% US dollar 1,600 million bond due February 2023	959	1,053	903	1,050	939	1,054
5.625% sterling 250 million bond due December 2025	250	250	284	308	313	338
6.6324% euro 50 million bond due December 2028	41	42	93	94	81	77
7.875% US dollar 750 million bond due February 2030	450	—	603	—	698	—
5.9% sterling 450 million bond due November 2032	450	450	519	560	561	598
6.25% US dollar 495 million bond due November 2032	297	—	341	—	399	—
6.15% US dollar 1,700 million bond due February 2037	1,019	—	1,166	—	1,416	—
4.375% US dollar 1,400 million bond due February 2043	839	921	762	881	761	906
Long-term borrowings	20,121	25,577	21,234	27,918	21,454	27,904

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

Maturity of borrowings

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

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

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

	2014		2013	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	1,284	1,442	10,671	11,020
In one to two years	2,454	3,656	1,014	1,214
In two to three years	4,489	3,920	1,308	1,495
In three to four years	5,040	3,138	2,803	3,087
In four to five years	1,729	2,137	581	780
In more than five years	14,799	12,737	3,579	4,454
	29,795	27,030	19,956	22,050

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

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

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

The present value of minimum lease payments under finance lease arrangements under which the Group has leased certain of its equipment is analysed as follows:

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

Notes to the consolidated financial statements (continued)

21. Borrowings (continued)

Interest rate and currency of borrowings

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

Notes:

- 1 The weighted average interest rate for the Group's sterling denominated fixed rate borrowings is 5.7% (2013: 5.7%). The weighted average time for which these rates are fixed is 2.5 years (2013: 3.5 years). The weighted average interest rate for the Group's euro denominated fixed rate borrowings is 4.4% (2013: 4.3%). The weighted average time for which the rates are fixed is 2.6 years (2013: 2.4 years). The weighted average interest rate for the Group's US dollar denominated fixed rate borrowings is 2.9% (2013: 4.3%). The weighted average time for which the rates are fixed is 5.7 years (2013: 6.3 years). The weighted average interest rate for the Group's other currency fixed rate borrowings is 10.2% (2013: 9.6%). The weighted average time for which the rates are fixed is 1.4 years (2013: 1.5 years).
- 2 At 31 March 2014 other borrowings of £2,336 million include liabilities for amounts payable under the domination agreement in relation to Kabel Deutschland. At 31 March 2013 other borrowings of £1,014 million include liabilities arising under options over direct and indirect interests in Vodafone India.

The figures shown in the tables above take into account interest rate swaps used to manage the interest rate profile of financial liabilities. Interest on floating rate borrowings is generally based on national LIBOR equivalents or government bond rates in the relevant currencies.

Additional protection from euro and US dollar interest rate movements is provided by fixing interest rates or reduced by floating interest rates using interest rate swaps or interest rate futures. Cross currency interest rate swaps are used to change the currency of certain fixed interest rate cash flows.

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

Notes:

- 1 In the table above, figures shown as positive indicate an increase in fixed interest debt and figures shown in brackets indicate a reduction in fixed interest debt.
- 2 Includes cross currency interest rate swaps.
- 3 Figures shown as "in more than five years" relate to the periods from March 2019 to December 2043 and March 2018 to December 2021, at March 2014 and March 2013 respectively.

Borrowing facilities

Committed facilities expiry

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

At 31 March the Group's most significant committed facilities comprised two revolving credit facilities which remain undrawn throughout the period of US\$4,245 million (£2,545 million) and €3,860 million (£3,188 million) maturing in three and five years respectively. Under the terms of these bank facilities, lenders have the right, but not the obligation, to cancel their commitment 30 days from the date of notification of a change of control of the Company and have outstanding advances repaid on the last day of the current interest period. The facility agreements provide for certain structural changes that do not affect the obligations of the Company to be specifically excluded from the definition of a change of control. This is in addition to the rights of lenders to cancel their commitment if the Company has committed an event of default.

The terms and conditions of the drawn facilities in the Group's Italian, German, Turkish and Romanian operations (€1,560 million in aggregate) and the undrawn facilities in the Group's UK and Irish operations (totalling £450 million) are similar to those of the US dollar and euro revolving credit facilities. Further information on these facilities can be found in note 22 "Liquidity and capital resources".

22. Liquidity and capital resources

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

Net debt

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

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

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

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

Notes:

¹ At 31 March 2014 US\$578 million was drawn under the US commercial paper programme and €731 million was drawn under the euro commercial paper programme.

² At 31 March 2014 the amount includes £1,185 million (2013: £1,151 million) in relation to cash received under collateral support agreements.

³ Comprises mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables (2014: £2,443 million; 2013: £3,032 million) and trade and other payables (2014: £881 million; 2013: £1,101 million) and short-term investments primarily in index linked government bonds and managed investment funds included as a component of other investments (2014: £3,805 million; 2013: £4,888 million).

Notes to the consolidated financial statements (continued)

22. Liquidity and capital resources (continued)

At 31 March 2014 we had £10,134 million of cash and cash equivalents which are held in accordance with the counterparty and settlement risk limits of the Board approved treasury policy. The main forms of liquid investment at 31 March 2014 were managed investment funds, money market funds, UK index linked government bonds, tri-party repurchase agreements and bank deposits.

The cash received from collateral support agreements mainly reflects the value of our interest rate swap portfolio which is substantially net present value positive. See note 23 for further details on these agreements.

Commercial paper programmes

We currently have US and euro commercial paper programmes of US\$15 billion and £5 billion respectively which are available to be used to meet short-term liquidity requirements. At 31 March 2014 amounts external to the Group of €731 million (£604 million) were drawn under the euro commercial paper programme and US\$578 million (£346 million) were drawn down under the US commercial paper programme, with such funds being provided by counterparties external to the Group. At 31 March 2013 amounts external to the Group of €2,006 million (£1,693 million), US\$35 million (£23 million), £10 million and JPY 5 billion (£35 million) were drawn under the euro commercial paper programme and US\$3,484 million (£2,293 million) was drawn down under the US commercial paper programme. The commercial paper facilities were supported by US\$4.2 billion (£2.5 billion) and €3.9 billion (£3.2 billion) of syndicated committed bank facilities (see "Committed facilities" opposite). No amounts had been drawn under either bank facility.

Bonds

We have a €30 billion euro medium-term note programme and a US shelf programme which are used to meet medium to long-term funding requirements. At 31 March 2014 the total amounts in issue under these programmes split by currency were US\$14.6 billion, £2.6 billion and €6.2 billion.

At 31 March 2014 we had bonds outstanding with a nominal value of £16,979 million (2013: £22,837 million). No bonds were issued in the year ended 31 March 2014.

Share buyback programmes

Following the receipt of a US\$3.8 billion (£2.4 billion) dividend from Verizon Wireless in December 2012, we initiated a £1.5 billion share buyback programme under the authority granted by our shareholders at the 2012 annual general meeting. The Group placed irrevocable purchase instructions to enable shares to be repurchased on our behalf when we may otherwise have been prohibited from buying in the market. The share buyback programme concluded at the end of June 2013.

Details of the shares purchased under the programme, including those purchased under irrevocable instructions, are shown below:

Date of share purchase	Number of shares purchased ^{1,4} '000	Average price paid per share inclusive of transaction costs Pence	Total number of shares purchased under publicly announced share buyback programme ² '000	Maximum value of shares that may yet be purchased under the programme ³ £m
April 2013	43,000	192.54	314,651	968
May 2013	204,750	196.09	519,401	567
June 2013	304,300	180.52	823,701	—
Total	552,050	187.23	823,701	—

Notes:

1 The nominal value of shares purchased is 11½/ US cents each.

2 No shares were purchased outside the publicly announced share buyback programme.

3 In accordance with authorities granted by shareholders in general meeting.

4 The total number of shares purchased represents 1.1% of our issued share capital, excluding treasury shares, at the end of June 2013.

The Group held a maximum of 5,099 million shares during the year which represents 9.5% of issued share capital at that time.

Committed facilities

In aggregate we have committed facilities of approximately £10,033 million, of which £6,530 million was undrawn and £3,503 million was drawn at 31 March 2014. The following table summarises the committed bank facilities available to us at 31 March 2014.

Committed bank facilities	Amounts drawn	Terms and conditions
28 March 2014		
€3.9 billion syndicated revolving credit facility, maturing 28 March 2019.	No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions.	Lenders have the right, but not the obligation, to cancel their commitments and have outstanding advances repaid no sooner than 30 days after notification of a change of control. This is in addition to the rights of lenders to cancel their commitment if we commit an event of default; however, it should be noted that a material adverse change clause does not apply.
9 March 2011		
US\$4.2 billion syndicated revolving credit facility, with US\$0.1 billion maturing 9 March 2016 and US\$4.1 billion maturing 9 March 2017.	No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions.	The euro facility agreements provide for certain structural changes that do not affect the obligations to be specifically excluded from the definition of a change of control. The facility matures on 28 March 2019, with each lender having the option to (i) extend the Facility for a further year prior to the first anniversary of the Facility and should such extension be exercised, to (ii) extend the Facility for a further year prior to the second anniversary of the Facility, in both cases if requested by the Company.
27 November 2013		
€0.5 billion loan facility, maturing on the seven year anniversary of the first drawing.	This facility is undrawn and has an availability period of eighteen months. The facility is available to finance a project to upgrade and expand the network in the UK and Ireland.	As the syndicated revolving credit facilities with the addition that, should our UK and Irish operating companies spend less than the equivalent of €0.9 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.
28 July 2008		
€0.4 billion loan facility, maturing 12 August 2015.	This facility was drawn down in full on 12 August 2008.	As the syndicated revolving credit facilities with the addition that, should our Italian operating company spend less than the equivalent of €1.5 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 18% of the capital expenditure.
15 September 2009		
€0.4 billion loan facility, maturing 30 July 2017, for the German virtual digital subscriber line ('VDSL') project.	This facility was drawn down in full on 30 July 2010.	As the syndicated revolving credit facilities with the addition that, should our German operating company spend less than the equivalent of €0.8 billion on VDSL related capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the VDSL capital expenditure.
29 September 2009		
US\$0.7 billion export credit agency loan facility, final maturity date 19 September 2018.	This facility is fully drawn down and is amortising.	As the syndicated revolving credit facilities with the addition that the Company was permitted to draw down under the facility based upon the eligible spend with Ericsson up until the final draw down date of 30 June 2011. Quarterly repayments of the drawn balance commenced on 30 June 2012 with a final maturity date of 19 September 2018.
8 December 2011		
€0.4 billion loan facility, maturing on the seven year anniversary of the first drawing.	This facility was drawn down in full on 5 June 2013.	As the syndicated revolving credit facilities with the addition that, should our Italian operating company spend less than the equivalent of €1.3 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.
20 December 2011		
€0.3 billion loan facility, maturing 18 September 2019.	This facility was drawn down in full on 18 September 2012.	As the syndicated revolving credit facilities with the addition that, should our Turkish and Romanian operating companies spend less than the equivalent of €1.3 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.
4 March 2013		
€0.1 billion loan facility, maturing 4 December 2020.	This facility was drawn down in full on 4 December 2013.	

Notes to the consolidated financial statements (continued)

22. Liquidity and capital resources (continued)

Furthermore, certain of our subsidiaries are funded by external facilities which are non-recourse to any member of the Group other than the borrower. These facilities may only be used to fund their operations. At 31 March 2014 Vodafone India had facilities of INR 207 billion (£2.1 billion) of which INR 179 billion (£1.8 billion) was drawn. Vodafone Egypt had an undrawn revolving credit facility of US\$120 million (£71 million). Vodacom had fully drawn facilities of ZAR 1.0 billion (£57 million) and US\$37 million (£22 million). Ghana had a facility of US\$217 million (£130 million) which was fully drawn.

We believe that we have sufficient funding for our expected working capital requirements for at least the next 12 months. Further details regarding the maturity, currency and interest rates of the Group's gross borrowings at 31 March 2014 are included in note 21 "Borrowings".

Dividends from associates and to non-controlling shareholders

Dividends from our associates are generally paid at the discretion of the Board of directors or shareholders of the individual operating and holding companies and we have no rights to receive dividends except where specified within certain of the Group's shareholders' agreements. Similarly, other than ongoing dividend obligations to the KDG minority shareholders should they continue to hold their minority stake, we do not have existing obligations under shareholders' agreements to pay dividends to non-controlling interest partners of our subsidiaries or joint ventures.

The amount of dividends received and paid in the year are disclosed in the consolidated statement of cash flows.

Potential cash outflows from option agreements and similar arrangements

In respect of our interest in Vodafone India Limited ('VIL'), Piramal Healthcare ('Piramal') acquired approximately 11% shareholding in VIL from Essar during the 2012 financial year. In April 2014 Piramal sold its total shareholding in VIL to Vodafone Group. The combined consideration for these shares and the indirect equity interest held by Analjit Singh and Neelu Analjit Singh (completed in March 2014) was £1.0 billion.

Under the terms of the sale and purchase agreement governing the disposal of the US Group, including the 45% interest in Verizon Wireless, the Group retains the responsibility for any tax liabilities of the US Group, excluding those relating to the Verizon Wireless partnership, for periods up to the completion of the transaction on 21 February 2014.

Off-balance sheet arrangements

We do not have any material off-balance sheet arrangements as defined in item 5.E.2. of the SEC's Form 20-F. Please refer to notes 29 and 30 for a discussion of our commitments and contingent liabilities.

23. Capital and financial risk management

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

Accounting policies

Financial instruments

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

Financial liabilities and equity instruments

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

Put option arrangements

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary.

The amount that may become payable under the option on exercise is initially recognised at present value within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries. The Group recognises the cost of writing such put options, determined as the excess of the present value of the option over any consideration received, as a financing cost.

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

Derivative financial instruments and hedge accounting

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

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

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

- hedges of the change of fair value of recognised assets and liabilities ("fair value hedges"); or
- hedges of highly probable forecast transactions or hedges of foreign currency or interest rate risks of firm commitments ("cash flow hedges"); or
- hedges of net investments in foreign operations.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting, or if the Company chooses to end the hedging relationship.

Fair value hedges

The Group's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings. The Group designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the income statement for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. Gains or losses relating to any ineffective portion are recognised immediately in the income statement.

Cash flow hedges

Cash flow hedging is used by the Group to hedge certain exposures to variability in future cash flows. The portion of gains or losses relating to changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges is recognised in other comprehensive income; gains or losses relating to any ineffective portion are recognised immediately in the income statement.

When the hedged item is recognised in the income statement amounts previously recognised in other comprehensive income and accumulated in equity for the hedging instrument are reclassified to the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

When hedge accounting is discontinued, any gain or loss recognised in other comprehensive income at that time remains in equity and is recognised in the income statement when the hedged transaction is ultimately recognised in the income statement. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

Net investment hedges

Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in equity. Gains and losses on those hedging instruments (which include bonds, commercial paper, cross currency swaps and foreign exchange contracts) designated as hedges of the net investments in foreign operations are recognised in equity to the extent that the hedging relationship is effective; these amounts are included in exchange differences on translation of foreign operations as stated in the statement of comprehensive income. Gains and losses relating to hedge ineffectiveness are recognised immediately in the income statement for the period. Gains and losses accumulated in the translation reserve are included in the income statement when the foreign operation is disposed of.

Capital management

The following table summarises the capital of the Group:

	2014 €m	Restated 2013 €m
Financial assets:		
Cash and cash equivalents	(10,134)	(7,531)
Fair value through the income statement (held for trading)	(5,293)	(6,803)
Derivative instruments in designated hedge relationships	(955)	(1,117)
Financial liabilities:		
Fair value through the income statements (held for trading)	471	1,057
Derivative instruments in designated hedge relationships	410	44
Financial liabilities held at amortised cost	29,201	39,704
Net debt	13,700	25,354
Equity	71,781	72,488
Capital	85,481	97,842

The Group's policy is to borrow centrally using a mixture of long-term and short-term capital market issues and borrowing facilities to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries. The Board has approved three internal debt protection ratios being: net interest to operating cash flow (plus dividends from associates); retained cash flow (operating cash flow plus dividends from associates less interest, tax, dividends to non-controlling shareholders and equity dividends) to net debt; and operating cash flow (plus dividends from associates) to net debt. These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and are shared with the Group's debt rating agencies being Moody's, Fitch Ratings and Standard & Poor's. The Group complied with these ratios throughout the financial year and we expect these ratios to be complied with in the next 12 months.

Notes to the consolidated financial statements (continued)

23. Capital and financial risk management (continued)**Financial risk management**

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

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Board, most recently on 27 March 2012. A treasury risk committee comprising of the Group's Chief Financial Officer, Group General Counsel and Company Secretary, Group Financial Controller, Group Treasury Director and Director of Financial Reporting meets three times a year to review treasury activities and its members receive management information relating to treasury activities on a quarterly basis. The Group's accounting function, which does not report to the Group Treasury Director, provides regular update reports of treasury activity to the Board. The Group's internal auditor reviews the internal control environment regularly.

The Group uses a number of derivative instruments for currency and interest rate risk management purposes only that are transacted by specialist treasury personnel. The Group mitigates banking sector credit risk by the use of collateral support agreements.

Credit risk

The Group considers its exposure to credit risk at 31 March to be as follows:

	2014 £m	Restated 2013 £m
Bank deposits	1,498	1,304
Repurchase agreements	4,799	2,550
Cash held in restricted deposits	524	404
UK government bonds	852	1,076
Money market fund investments	3,648	3,494
Derivative financial instruments	2,443	3,032
Other investments – debt and bonds	5,525	3,427
Trade receivables	3,859	3,317
Other receivables	1,546	1,765
Short-term securitised investments	1,019	826
	25,713	21,195

The Group invested in UK index linked government bonds on the basis that they generated a floating rate return in excess of £ LIBOR and are amongst the most creditworthy of investments available.

The Group has a managed investment fund. This fund holds fixed income sterling securities and the average credit quality is high double A.

Money market investments are in accordance with established internal treasury policies which dictate that an investment's long-term credit rating is no lower than mid BBB. Additionally, the Group invests in AAA unsecured money market mutual funds where the investment is limited to 7.5% of each fund.

The Group has investments in repurchase agreements which are fully collateralised investments. The collateral is sovereign and supranational debt of major EU countries with at least one AAA rating denominated in euros, sterling and US dollars and can be readily converted to cash. In the event of any default, ownership of the collateral would revert to the Group. Detailed below is the value of the collateral held by the Group at 31 March 2014.

	2014 £m	Restated 2013 £m
Sovereign	4,464	2,081
Supranational	335	469
	4,799	2,550

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

In the event of any default ownership of the cash collateral would revert to the respective holder at that point. Detailed below is the value of the cash collateral, which is reported within short-term borrowings, held by the Group at 31 March 2014:

	2014 £m	2013 £m
Cash collateral	1,185	1,151

The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from consumers and business customers. At 31 March 2014 £2,360 million (2013: £1,733 million) of trade receivables were not yet due for payment. Total trade receivables consisted of £1,219 million (2013: £1,265 million) relating to the Europe region, and £280 million (2013: £319 million) relating to the AMAP region. Accounts are monitored by management and provisions for bad and doubtful debts raised where it is deemed appropriate.

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

	2014			Restated 2013		
	Gross receivables £m	Less provisions £m	Net receivables £m	Gross receivables £m	Less provisions £m	Net receivables £m
30 days or less	1,327	(356)	971	1,460	(390)	1,070
Between 31–60 days	218	(27)	191	166	(14)	152
Between 61–180 days	187	(53)	134	222	(44)	178
Greater than 180 days	516	(313)	203	609	(424)	185
	2,248	(749)	1,499	2,457	(872)	1,585

Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated. Due to this management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables. Amounts charged to administrative expenses during the year ended 31 March 2014 were £347 million (2013: £360 million; 2012: £357 million) (see note 15 "Trade and other receivables").

As discussed in note 30 "Contingent liabilities", the Group has covenanted to provide security in favour of the Trustee of the Vodafone Group UK Pension Scheme in respect of the funding deficit in the scheme. The security takes the form of an English law pledge over UK index linked government bonds.

Liquidity risk

At 31 March 2014 the Group had €3.9 billion and US\$4.2 billion syndicated committed undrawn bank facilities and US\$15 billion and £5 billion commercial paper programmes, supported by the €3.9 billion and US\$4.2 billion syndicated committed bank facilities, available to manage its liquidity. The Group uses commercial paper and bank facilities to manage short-term liquidity and manages long-term liquidity by raising funds in the capital markets.

The €3.9 billion syndicated committed facility has a maturity date of 28 March 2019 with the option to (i) extend the facility for a further year prior to the first anniversary of the facility and should such extension be exercised, to (ii) extend the Facility for a further year prior to the second anniversary of the Facility, in both cases if requested by the Company. The US\$4.1 billion syndicated committed facility has a maturity of 9 March 2017; the remaining US\$0.1 billion has a maturity of 9 March 2016. Both facilities have remained undrawn throughout the financial year and since year end and provide liquidity support.

The Group manages liquidity risk on long-term borrowings by maintaining a varied maturity profile with a cap on the level of debt maturing in any one calendar year, therefore minimising refinancing risk. Long-term borrowings mature between one and 29 years.

Liquidity is reviewed daily on at least a 12 month rolling basis and stress tested on the assumption that all commercial paper outstanding matures and is not reissued. The Group maintains substantial cash and cash equivalents which at 31 March 2014, amounted to £10,134 million (2013: £7,531 million).

Notes to the consolidated financial statements (continued)

23. Capital and financial risk management (continued)**Market risk****Interest rate management**

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

For each one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 March 2014 there would be a reduction or increase in profit before tax by approximately £42 million (2013: increase or reduce by £144 million) including mark-to-market revaluations of interest rate and other derivatives and the potential interest on outstanding tax issues. There would be no material impact on equity.

Foreign exchange management

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

The disposal of our US Group in February 2014 necessitated a restructuring of the Group's outstanding US dollar debt, which was achieved via i) the repayment of certain US dollar debt obligations and ii) the use of cross currency swaps to eliminate the US dollar currency risk on certain remaining US dollar debt items. Prior to the disposal date a significant proportion of the Group's future value was derived from its US assets. Going forward the Group will only hold US dollar debt to hedge future US dollar receipts, which primarily consist of floating rate notes as issued by Verizon Communications, received as part of the disposal consideration.

At 31 March 2014, 164% of net debt was denominated in currencies other than sterling (96% euro, 37% India rupee 19% US dollar and 12% other) while 64% of net debt had been purchased forward in sterling in anticipation of sterling denominated shareholder returns via dividends. This allows euro, US dollar and other debt to be serviced in proportion to expected future cash flows and therefore provides a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies.

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

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

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

	2014 £m
Euro 3% change – Operating profit¹	60

Note:

¹ Operating profit before impairment losses and other income and expense.

At 31 March 2013, sensitivity of the Group's operating profit was analysed for a strengthening of the euro by 3% and the US dollar by 4%, which represented movements of £106 million and £257 million respectively.

Equity risk

The Group has equity investments, which are subject to equity risk. See note 13 "Other investments" for further details.

Fair value of financial instruments

The table below sets out the valuation basis¹ of financial instruments held at fair value by the Group at 31 March 2014.

	Level 1 ²		Level 2 ³		Total	
	2014 £m	Restated 2013 £m	2014 £m	Restated 2013 £m	2014 £m	Restated 2013 £m
Financial assets:						
Fair value through the income statement (held for trading)	—	—	3,792	4,836	3,792	4,836
Derivative financial instruments:						
Interest rate swaps	—	—	1,871	2,625	1,871	2,625
Cross currency interest rate swaps	—	—	504	319	504	319
Foreign exchange contracts	—	—	68	88	68	88
Interest rate futures	—	—	13	52	13	52
	—	—	6,248	7,920	6,248	7,920
Financial investments available-for-sale:						
Listed equity securities ⁴	6	3	—	—	6	3
Unlisted equity securities ⁴	—	—	154	498	154	498
	6	3	154	498	160	501
	6	3	6,402	8,418	6,408	8,421
Financial liabilities:						
Derivative financial instruments:						
Interest rate swaps	—	—	635	1,060	635	1,057
Cross currency interest rate swaps	—	—	217	—	217	—
Foreign exchange contracts	—	—	29	44	29	44
	—	—	881	1,104	881	1,101

Notes:

1 There were no changes made during the year to valuation methods or the processes to determine classification and no transfers were made between the levels in the fair value hierarchy.

2 Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.

3 Level 2 classification comprises where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Fair values for unlisted equity securities are derived from observable quoted market prices for similar items. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.

4 Details of listed and unlisted equity securities are included in note 13 "Other Investments".

Offsetting of financial assets and financial liabilities

Financial assets and liabilities included in the table above do not meet the required criteria to offset in the balance sheet but derivative financial assets at 31 March of up to £678 million (2013: £857 million) would be settled net in certain circumstances under ISDA (International Swaps and Derivatives Association) agreements where each party has the option to settle amounts on a net basis in the event of default from the other. Under the Group's collateral support agreements described above, under "credit risk" collateral has been posted of £130 million (2013: £117 million) and received of £1,185 million (2013: £1,151 million). Collateral may be offset and net settled against derivative financial instruments in the event of default by either party. The aforementioned collateral balances are recorded in "other short-term investments" or "short-term debt" respectively.

24. Directors and key management compensation

This note details the total amounts earned by the Company's directors and members of the Executive Committee.

Directors

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

	2014 £m	Restated 2013 £m	Restated 2012 £m
Salaries and fees	4	5	5
Incentive schemes ¹	2	2	3
Other benefits ²	1	1	1
	7	8	9

Notes:

1 Amounts payable under incentive schemes have been restated to exclude £5 million and £1 million of cash in lieu of long-term incentive scheme dividends for the years ended 31 March 2013 and 31 March 2012, respectively.

2 Includes the value of the cash allowance taken by some individuals in lieu of pension contributions.

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 31 March 2014 by directors who served during the year was £4 million (2013: £2 million; 2012: £nil).

Notes to the consolidated financial statements (continued)

24. Directors and key management compensation (continued)**Key management compensation**

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

	2014 £m	Restated 2013 £m	Restated 2012 £m
Short-term employee benefits ¹	17	17	16
Share-based payments	21	23	26
	38	40	42

Notes:

1 Amounts payable under short-term employee benefits have been restated to exclude £8 million and £2 million of cash in lieu of long-term incentive scheme dividends for the years ended 31 March 2013 and 31 March 2012, respectively.

25. Employees

This note shows the average number of people employed by the Group during the year, in which areas of our business our employees work and where they are based. It also shows total employment costs.

	2014 Employees	Restated 2013 Employees	Restated 2012 Employees
By activity:			
Operations	14,947	13,736	12,952
Selling and distribution	31,342	29,658	27,190
Customer care and administration	42,857	39,198	37,003
	89,146	82,592	77,145
By segment:			
Germany	10,623	11,088	12,115
Italy	1,123	—	—
Spain	3,552	4,223	4,379
UK	12,979	8,319	8,151
Other Europe	15,392	19,995	16,668
Europe	43,669	43,625	41,313
India	11,925	11,339	10,704
Vodacom	7,176	7,311	7,437
Other Africa, Middle East and Asia Pacific	16,002	12,659	11,431
Africa, Middle East and Asia Pacific	35,103	31,309	29,572
Non-Controlled Interests and Common Functions	10,374	7,658	6,260
Total	89,146	82,592	77,145

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

	2014 £m	Restated 2013 £m	Restated 2012 £m
Wages and salaries	3,261	2,989	2,774
Social security costs	364	350	323
Other pension costs (note 26)	158	157	122
Share-based payments (note 27)	92	124	133
	3,875	3,620	3,352

26. Post employment benefits

We operate a number of defined benefit and defined contribution pension plans for our employees. The Group's largest defined benefit schemes are in the UK. For further details see "Critical accounting judgements" in note 1 "Basis of preparation" to the consolidated financial statements.

Accounting policies

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

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

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

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

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

Background

At 31 March 2014 the Group operated a number of pension plans for the benefit of its employees throughout the world, with varying rights and obligations depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through both defined benefit and defined contribution arrangements. Defined benefit schemes provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

The Group operates defined benefit schemes in Germany, Ghana, India, Ireland, Italy, the UK and the United States. Defined contribution pension schemes are currently provided in Australia, Egypt, Germany, Greece, Hungary, India, Ireland, Italy, the Netherlands, New Zealand, Portugal, South Africa, Spain and the UK.

Income statement expense

	2014 £m	Restated 2013 £m	Restated 2012 £m
Defined contribution schemes	124	118	113
Defined benefit schemes	34	39	9
Total amount charged to income statement (note 25)	158	157	122

Defined benefit schemes

The Group's principal defined benefit pension schemes are in the UK (the 'UK Schemes'), being the Vodafone Group Pension Scheme ('Vodafone UK plan') and the Cable & Wireless Worldwide Retirement Plan ('CWWRP'). The Vodafone UK plan and the CWWRP plan closed to future accrual on 31 March 2010 and 30 November 2013, respectively. Until 30 November 2013 the CWWRP allowed employees to accrue a pension at a rate of 1/85th of their final salary for each year of service until the retirement age of 60 with a maximum pension of two thirds of final salary. Employees contributed 5% of their salary into the scheme. The CWWRP is expected to merge with the Vodafone UK plan during the second quarter of 2014.

The defined benefit plans are administered by Trustee Boards that are legally separated from the Group. The Trustee Board of each pension fund consists of representatives who are employees, former employees or are independent from the Company. The Board of the pension funds are required by law to act in the best interest of the plan participants and are responsible for setting certain policies, such as investment and contribution policies and the governance of the fund.

The defined benefit pension schemes expose the Group to actuarial risks such as longer than expected longevity of members, lower than expected return on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans.

Notes to the consolidated financial statements (continued)

26. Post employment benefits (continued)**Actuarial assumptions**

The Group's scheme liabilities are measured using the projected unit credit method using the principal actuarial assumptions set out below:

	2014 %	2013 %	2012 %
Weighted average actuarial assumptions used at 31 March¹:			
Rate of inflation ²	3.2	3.3	3.0
Rate of increase in salaries	3.1	3.8	2.9
Discount rate	4.2	4.3	4.7

Notes:

1 Figures shown represent a weighted average assumption of the individual schemes.

2 The rate of increase in pensions in payment and deferred payment is the rate of inflation.

Mortality assumptions used are based on recommendations from the individual scheme actuaries which include adjustments for the experience of the Group where appropriate. The largest schemes in the Group are the UK schemes. Further life expectancies assumed for the UK schemes (Vodafone UK plan only in 2012) are 23.3 /24.7 years (2013: 23.6/25.3 years; 2012: 23.6/24.4 years) for a male/female pensioner currently aged 65 and 25.9/27.5 years (2013: 26.8/27.9 years; 2012: 27.2/26.7 years) from age 65 for a male/female non-pensioner member currently aged 40.

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

	2014 £m	Restated 2013 £m	Restated 2012 £m
Current service cost	14	27	12
Net interest charge/(credit)	20	12	(3)
Total included within staff costs	34	39	9
Actuarial (gains)/losses recognised in the SOCI	(57)	238	352

Fair value of the assets and present value of the liabilities of the schemes

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit schemes is as follows:

	2014 £m	Restated 2013 £m	Restated 2012 £m
Movement in pension assets:			
1 April	3,723	1,604	1,558
Exchange rate movements	(13)	6	(22)
Interest income	162	125	86
Return on plan assets excluding interest income	(114)	210	(17)
Employer cash contributions	51	100	31
Member cash contributions	7	8	6
Benefits paid	(81)	(60)	(39)
Assets assumed in business combinations	—	1,730	—
Other movements	107	—	1
31 March	3,842	3,723	1,604
Movement in pension liabilities:			
1 April	4,251	1,865	1,501
Exchange rate movements	(17)	9	(30)
Service cost	14	27	12
Interest cost	182	137	83
Member cash contributions	7	8	6
Remeasurements:			
Actuarial losses/(gains) arising from changes in demographic assumptions	(35)	—	—
Actuarial losses/(gains) arising from changes in financial assumptions	(44)	441	314
Actuarial losses/(gains) arising from experience adjustments	(92)	7	21
Benefits paid	(81)	(60)	(39)
Liabilities assumed in business combinations	121	1,772	2
Other movements	85	45	(5)
31 March	4,391	4,251	1,865

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

	CWWRP		Vodafone UK plan					Group				
	2014 £m	2013 £m	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m	2014 £m	Restated 2013 £m	Restated 2012 £m	Restated 2011 £m	Restated 2010 £m
Analysis of net (deficit)/assets:												
Total fair value of scheme assets	1,780	1,827	1,343	1,328	1,218	1,180	1,131	3,842	3,723	1,604	1,558	1,487
Present value of funded scheme liabilities	(1,732)	(1,874)	(1,677)	(1,647)	(1,444)	(1,127)	(1,276)	(4,325)	(4,239)	(1,853)	(1,488)	(1,625)
Net (deficit)/assets for funded schemes	48	(47)	(334)	(319)	(226)	53	(145)	(483)	(516)	(249)	70	(138)
Present value of unfunded scheme liabilities	—	—	—	—	—	—	—	(66)	(12)	(12)	(13)	(15)
Net (deficit)/assets	48	(47)	(334)	(319)	(226)	53	(145)	(549)	(528)	(261)	57	(153)
Net (deficit)/assets are analysed as:												
Assets	48	—	—	—	—	53	—	35	52	31	97	34
Liabilities	—	(47)	(334)	(319)	(226)	—	(145)	(584)	(580)	(292)	(40)	(187)

Notes to the consolidated financial statements (continued)

26. Post employment benefits (continued)

Funding plans are individually agreed for each of the Group's defined benefit pension schemes with the respective trustees, taking into account local regulatory requirements. It is expected that contributions of £400 million will be paid into the Group's defined benefit pension schemes during the year ending 31 March 2015, including a special one-off contribution of £325 million payable into the Vodafone UK plan and £40 million into the CWWRP in April 2014. These one-off contributions represent accelerated funding amounts that would have been due for each scheme over the period to 31 March 2020. The Group has also provided certain guarantees in respect of the UK schemes; further details are provided in note 30, "Contingent liabilities".

Duration of the benefit obligations

The weighted average duration of the defined benefit obligation at 31 March 2014 is 21.7 years (2013: 21.4 years, 2012: 23.6 years).

Fair value of pension assets

	2014 £m	2013 £m
Cash and cash equivalents	65	117
Equity investments:		
With quoted prices in an active market	1,318	1,310
Without quoted prices in an active market	102	129
Debt instruments:		
With quoted prices in an active market	1,320	1,129
Without quoted prices in an active market	—	—
Property	20	36
Derivatives ¹	541	485
Annuity policies	476	517
Total	3,842	3,723

Note:

1 Derivatives include collateral held in the form of cash.

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

Each of the plans manage risks through a variety of methods and strategies including equity protection, to limit downside risk in falls in equity markets, inflation and interest rate hedging and, in the CWWRP, a substantial insured pensioner buy-in policy.

The actual return on plan assets over the year to 31 March 2014 was £48 million (2013: £335 million).

Sensitivity analysis

Measurement of the Group's defined benefit retirement obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase or decrease in a particular assumption would, in isolation, result in an increase or decrease in the present value of the defined benefit obligation as at 31 March 2014.

	Rate of inflation		Rate of increase in salaries		Discount rate		Life expectancy	
	Decrease by 0.5% £m	Increase by 0.5% £m	Decrease by 0.5% £m	Increase by 0.5% £m	Decrease by 0.5% £m	Increase by 0.5% £m	Increase by 1 year £m	Decrease by 1 year £m
(Decrease)/increase in present value of defined obligation	(349)	382	(18)	20	512	(439)	103	(103)

The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

In presenting this sensitivity analysis, the present value of the defined benefit obligation has been calculated on the same basis as prior years using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

27. Share-based payments

We have a number of share plans used to award shares to directors and employees as part of their remuneration package. A charge is recognised over the vesting period in the consolidated income statement to record the cost of these, based on the fair value of the award on the grant date.

Accounting policies

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

Fair value is measured by deducting the present value of expected dividend cash flows over the life of the awards from the share price as at the grant date.

Some share awards have an attached market condition, based on total shareholder return ('TSR'), which is taken into account when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone's ranking within the same group of companies, where possible, over the past five years.

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

The maximum aggregate number of ordinary shares which may be issued in respect of share options or share plans will not (without shareholder approval) exceed:

- 10% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans; and
- 5% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans, other than any plans which are operated on an all-employee basis.

Share options

Vodafone Group executive plans

No share options have been granted to any directors or employees under the Company's discretionary share option plans in the year ended 31 March 2014.

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

Vodafone Group Sharesave Plan

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

Share plans

Vodafone Group executive plans

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

Vodafone Share Incentive Plan

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

Notes to the consolidated financial statements (continued)

27. Share-based payments (continued)

Movements in outstanding ordinary share and ADS options

	ADS options			Ordinary share options		
	2014 Millions	2013 Millions	2012 Millions	2014 Millions	2013 Millions	2012 Millions
1 April	—	1	1	40	84	171
Granted during the year	—	—	—	12	7	5
Forfeited during the year	—	—	—	(1)	(1)	(1)
Exercised during the year	—	(1)	—	(22)	(41)	(55)
Expired during the year	—	—	—	(2)	(9)	(36)
31 March	—	—	1	27	40	84
Weighted average exercise price:						
1 April	US\$22.16	US\$15.20	US\$14.82	£1.41	£1.18	£1.32
Granted during the year	—	—	—	£1.49	£1.45	£1.31
Forfeited during the year	—	—	—	£1.34	£1.64	£1.07
Exercised during the year	US\$29.31	US\$13.88	—	£1.43	£1.05	£1.37
Expired during the year	—	—	—	£1.37	£0.98	£1.56
31 March	—	US\$22.16	US\$15.20	£1.42	£1.41	£1.18

Summary of options outstanding and exercisable at 31 March 2014

	Outstanding			Exercisable		
	Outstanding shares Millions	Weighted average exercise price	Weighted average remaining contractual 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	2	£0.94	11	—	—	—
£1.01–£2.00	21	£1.43	37	—	—	—
	23	£1.38	34	—	—	—
Vodafone Group 1999 Long-Term Stock Incentive Plan:						
£1.01–£2.00	4	£1.60	34	4	£1.60	34

Share awards

Movements in non-vested shares are as follows:

	2014		2013		2012	
	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date
1 April	294	£1.27	352	£1.08	387	£1.00
Granted	84	£1.58	91	£1.49	120	£1.29
Vested	(81)	£1.11	(118)	£0.91	(116)	£1.12
Forfeited	(54)	£1.19	(31)	£1.19	(39)	£0.81
31 March	243	£1.44	294	£1.27	352	£1.08

Other information

The total fair value of shares vested during the year ended 31 March 2014 was £90 million (2013: £107 million; 2012: £130 million).

The compensation cost included in the consolidated income statement in respect of share options and share plans was £92 million (2013: £124 million; 2012: £133 million) which is comprised entirely of equity-settled transactions.

The average share price for the year ended 31 March 2014 was 212.2 pence (2013: 173.0 pence; 2012: 169.9 pence).

28. Acquisitions and disposals

We made a number of acquisitions during the year including the acquisition of a controlling interest in Kabel Deutschland Holding AG and the remaining interest in our business in Italy, Vodafone Omnitel B.V. thus obtaining control. The note below provides details of these transactions as well as those in the prior year. For further details see “Critical accounting judgements” in note 1 “Basis of preparation” to the consolidated financial statements.

Accounting policies

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.

Acquisitions

The aggregate cash consideration in respect of purchases of interests in subsidiaries, net of cash acquired, is as follows:

	£m
Cash consideration paid:	
Kabel Deutschland Holding AG (including fees of £17 million)	4,872
Other acquisitions completed during the year	6
	4,878
Net cash acquired	(599)
	4,279

In addition, the Group acquired a 100% interest in Vodafone Omnitel B.V. as part of the disposal of the Group's interest in Verizon Wireless for consideration of £7,121 million. The purchase consideration has been determined based on the acquisition-date fair value of the equity in Vodafone Omnitel B.V., being considered to be a more reliable method of determining fair value than estimating the attributable proportion of the fair value of the investment in Verizon Wireless. The equity value has been determined on a value in use basis using discounted estimated cash flows using the methodology and assumptions detailed in note 4 “Impairment losses”.

Total goodwill acquired was £6,859 million and included £3,848 million in relation to Kabel Deutschland Holding AG, £3,007 million in relation to Vodafone Omnitel B.V. and £4 million in relation to other acquisitions completed during the year. Acquisitions and disposals (continued)

Notes to the consolidated financial statements (continued)

28. Acquisitions and disposals (continued)**Kabel Deutschland Holding AG ('KDG')**

On 30 July 2013 the Group launched a voluntary public takeover offer for the entire share capital of KDG and on 13 September 2013 announced that the 75% minimum acceptance condition had been met. The transaction completed on 14 October 2013 with the Group acquiring 76.57% of the share capital of KDG for cash consideration of £4,855 million. The primary reason for acquiring the business was to create a leading integrated communications operator in Germany, offering consumer and enterprise customers unified communications services.

The results of the acquired entity have been consolidated in the Group's income statement from 14 October 2013 and contributed £735 million of revenue and a loss of £210 million to the profit attributable to equity shareholders of the Group during the year.

The provisional purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Identifiable intangible assets ¹	1,641
Property, plant and equipment	4,381
Investment in associated undertakings	8
Inventory	34
Trade and other receivables	154
Cash and cash equivalents	619
Current and deferred taxation	(1,423)
Short and long-term borrowings	(2,784)
Trade and other payables	(1,190)
Provisions	(63)
Post employment benefits	(62)
Net identifiable assets acquired	1,315
Non-controlling interests ²	(308)
Goodwill ³	3,848
Total consideration⁴	4,855

Notes:

- 1 Identifiable intangible assets of £1,641 million consisted of customer relationships of £1,522 million, brand of £18 million and software of £101 million.
- 2 Non-controlling interests have been measured using the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed.
- 3 The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group's acquisition of KDG.
- 4 Transaction costs of £17 million were charged in the Group's consolidated income statement in the year ended 31 March 2014

Vodafone Omnitel B.V. ('Vodafone Italy')

On 21 February 2014, the Group acquired a 100% interest in Vodafone Italy as part of the disposal of the Group's interests in Verizon Wireless for consideration of £7,121 million, having previously held a 76.9% stake in Vodafone Italy which was accounted for as a joint venture.

The results of the acquired entity have been consolidated in the Group's income statement from 21 February 2014 and contributed £522 million of revenue and £5 million of profit attributable to equity shareholders of the Group during the year.

The provisional purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Identifiable intangible assets ¹	3,000
Property, plant and equipment	2,017
Inventory	89
Trade and other receivables (net of provisions of £285 million)	1,745
Current and deferred taxation	(155)
Short and long-term borrowings	(19)
Trade and other payables	(2,415)
Provisions	(96)
Post employment benefits	(52)
Net identifiable assets acquired	4,114
Goodwill ²	3,007
Total consideration	7,121

Notes:

- 1 Identifiable intangible assets of £3,000 million consisted of customer relationships of £1,319 million, licences and spectrum of £1,319 million and software of £362 million.
- 2 The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group's acquisition of Vodafone Italy.

Pro-forma full year information

The following unaudited pro-forma summary presents the Group as if the acquisitions of KDG and the remaining interests in Vodafone Italy had been completed on 1 April 2013. The pro-forma amounts include the results of these acquisitions, amortisation of the acquired intangible assets recognised on acquisition and interest expense on the increase in net debt as a result of the acquisitions. The pro-forma information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

	2014 £m
Revenue	44,127
Profit for the financial year	59,024
Profit attributable to equity shareholders	58,959

	Pence
Basic earnings per share	222.72
Diluted earnings per share	220.97

Other acquisitions

During the 2014 financial year the Group completed a number of other acquisitions for an aggregate net cash consideration of £6 million, all of which was paid during the year. The aggregate fair values of goodwill, identifiable assets, and liabilities of the acquired operations were £4 million, £3 million and £1 million, respectively. In addition, the Group completed the acquisition of certain non-controlling interests for a net cash consideration of £111 million.

Cable & Wireless Worldwide plc ('CWW')

On 27 July 2012 the Group acquired the entire share capital of CWW for cash consideration of approximately £1,050 million before tax and transaction costs. CWW de-listed from the London Stock Exchange on 30 July 2012. CWW provides a wide range of managed voice, data, hosting and IP-based services and applications. The primary reasons for acquiring the business were to strengthen the enterprise business of Vodafone Group in the UK and internationally, and the attractive network and other cost saving opportunities for the Vodafone Group.

The results of the acquired entity have been consolidated in the Group's income statement from 27 July 2012 and contributed £1,234 million of revenue and a loss of £151 million to the profit attributable to equity shareholders of the Group during the year ended 31 March 2013.

The purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Identifiable intangible assets ¹	325
Property, plant and equipment	1,207
Inventory	34
Trade and other receivables	452
Cash and cash equivalents	78
Current and deferred taxation	788
Short and long-term borrowings	(306)
Trade and other payables	(754)
Provisions	(249)
Post employment benefits	(47)
Net identifiable assets acquired	1,528
Non-controlling interests	(5)
Negative goodwill ²	(473)
Total consideration	1,050

Notes:

¹ Identifiable intangible assets of £325 million consisted of customer relationships of £225 million, CWW brand of £54 million and software of £46 million and are amortised in line with Group accounting policies.

² Transaction costs of £11 million were charged in the Group's consolidated income statement in the year ended 31 March 2013.

The negative goodwill primarily arose from an upward fair value adjustment in relation to acquired property, plant and equipment, the recognition of acquired identifiable intangible assets not previously recognised by CWW together with the recognition of a deferred tax asset resulting from previously unclaimed UK capital allowances. The change in the purchase price allocation from that previously disclosed relates to further deferred tax asset recognition following the completion of new long-term business plans. No deferred tax assets have been recognised in respect of the losses of CWW (see "Factors affecting the tax charge in future years" on page 122). The income statement credit in respect of the negative goodwill is reported within "Other income and expense" on the face of the consolidated income statement in the year ended 31 March 2013.

On 27 July 2012 the Group acquired convertible bonds issued by CWW amounting to £245 million which resulted in £6 million of interest being charged to the Group's consolidated income statement in the year ended 31 March 2013.

Notes to the consolidated financial statements (continued)

28. Acquisitions and disposals (continued)**TelstraClear Limited ('TelstraClear')**

On 31 October 2012 the Group acquired the entire share capital of TelstraClear for cash consideration of NZ\$863 million (£440 million). The primary reasons for acquiring the business were to strengthen Vodafone New Zealand's portfolio of fixed communications solutions and to create a leading total communications company in New Zealand.

The results of the acquired entity which have been consolidated in the income statement from 31 October 2012 contributed £136 million of revenues and a loss of £23 million to the profit attributable to equity shareholders of the Group during the year ended 31 March 2013.

The purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Identifiable intangible assets ¹	84
Property, plant and equipment	345
Trade and other receivables	55
Cash and cash equivalents	5
Current and deferred taxation liabilities	(19)
Trade and other payables	(59)
Provisions	(15)
Net identifiable assets acquired	396
Goodwill ²	44
Total consideration	440

Notes:

1 Identifiable intangible assets of £84 million consist of licences and spectrum fees of £27 million, TelstraClear brand of £3 million and customer relationships of £54 million.

2 The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group's acquisition of TelstraClear. None of the goodwill is expected to be deductible for tax purposes.

Disposals**Verizon Wireless ('VZW')**

On 21 February 2014 the Group sold its US sub-group which included its entire 45% shareholding in VZW to Verizon Communications Inc. for a total consideration of £76.7 billion before tax and transaction costs. The Group recognised a net gain on disposal of £44,996 million, reported in profit for the financial year from discontinued operations.

	£m
Net assets disposed	(27,957)
Total consideration ¹	76,716
Other effects ²	(3,763)
Net gain on disposal^{3,4}	44,996

Notes:

1 Consideration of £76.7 billion comprises cash of £35.2 billion, shares in Verizon Communications Inc. of £36.7 billion, loan notes issued by Verizon communications Inc. of £3.1 billion and a 21.3% interest in Vodafone Italy valued at £1.7 billion.

2 Other effects include foreign exchange losses transferred to the consolidated income statement.

3 Reported in profit for the financial year from discontinued operations in the consolidated income statement.

4 Transaction costs of £100 million were charged in the Group's consolidated income statement in the year ended 31 March 2014.

The Group did not separately value the embedded derivatives arising from the agreement to sell the US sub-group for a fixed consideration on 2 September 2013 because it was not able to make a reliable estimate of the valuation of this derivative due to the difficulty in estimating the fair value of the shares in an unlisted entity in the period between 2 September 2013 and transaction completion on 21 February 2014.

Vodafone Omnitel B.V. ('Vodafone Italy')

On 21 February 2014 the Group completed a deemed disposal of its entire 76.9% shareholding in Vodafone Italy as part of the VZW disposal deal for a total consideration £5.5 billion before tax and transaction costs. The Group recognised a net loss on disposal of £712 million, reported in other income and expense.

	£m
Net assets disposed	(8,480)
Total consideration	5,473
Other effects ¹	2,295
Net loss on disposal²	(712)

Notes:

1 Other effects include foreign exchange gains transferred to the consolidated income statement.

2 Reported in other income and expense in the consolidated income statement.

29. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to leases and agreements to buy assets such as network infrastructure and IT systems. These amounts are not recorded in the consolidated statement of financial position since we have not yet received the goods or services from the supplier. The amounts below are the minimum amounts that we are committed to pay.

Accounting policies

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.

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:

	2014 £m	Restated 2013 £m
Within one year	1,128	1,094
In more than one year but less than two years	841	914
In more than two years but less than three years	678	721
In more than three years but less than four years	557	612
In more than four years but less than five years	477	519
In more than five years	2,051	2,243
	5,732	6,103

The total of future minimum sublease payments expected to be received under non-cancellable subleases is £313 million (2013: £314 million).

Capital commitments

	Company and subsidiaries		Share of joint operations		Group	
	2014 £m	Restated 2013 £m	2014 £m	Restated 2013 £m	2014 £m	Restated 2013 £m
Contracts placed for future capital expenditure not provided in the financial statements ¹	2,307	1,715	28	18	2,335	1,733

Note:

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

Grupo Corporativo Ono, S.A. ('Ono')

On 17 March 2014, Vodafone agreed to acquire Ono for a total consideration equivalent to €7.2 billion (£6.0 billion) on a debt and cash free basis. Ono has the largest next-generation network in Spain and the acquisition enables Vodafone to take advantage of the rapid increase in the adoption of unified communications products and services in the Spanish market. The acquisition, which is subject to customary terms and conditions including anti-trust clearances by the relevant authorities, is expected to complete in calendar Q3 2014.

Notes to the consolidated financial statements (continued)

30. Contingent liabilities

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably.

	2014 €m	Restated 2013 €m
Performance bonds ¹	442	266
Other guarantees and contingent liabilities ²	2,500	1,257

Notes:

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

2 Other guarantees principally comprise Vodafone Group Plc's guarantee of the Group's 50% share of an AUD 1.7 billion loan facility and a US\$3.5 billion loan facility of its joint venture, Vodafone Hutchison Australia Pty Limited.

UK pension schemes

The Group has covenanted to provide security in favour of the Trustee of the Vodafone Group Pension Scheme whilst there is a deficit in the scheme. The deficit is measured on a prescribed basis agreed between the Group and Trustee. In 2010 the Group and Trustee agreed security of a charge over UK index linked gilts ('ILG') held by the Group. In December 2011, the security was increased by an additional charge over further ILG due to a significant increase in the deficit at that time.

In April 2014, the security was reduced following a reduction in the deficit following the results of the 2013 valuation and a £325 million company contribution to the Scheme (see note 26 "Post employment benefits"). The scheme retains security over £186.5 million (notional value) 2017 ILGs. The security may be substituted either on a voluntary or mandatory basis. As and when alternative security is provided, the Group has agreed that the security cover should include additional headroom of 33%, although if cash is used as the security asset the ratio will revert to 100% of the relevant liabilities or where the proposed replacement security asset is listed on an internationally recognised stock exchange in certain core jurisdictions, the Trustee may decide to agree a lower ratio than 133%. The Company has also provided two guarantees to the scheme for a combined value up to €1.5 billion to provide security over the deficit under certain defined circumstances, including insolvency of the employers.

The Company has also agreed similar guarantees for the Trustees of the Cable & Wireless Worldwide Retirement Plan and THUS Plc Group Scheme up to £1.25 billion and £110 million respectively, following the acquisition of Cable & Wireless Worldwide plc.

Legal proceedings

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

Materiality is lower than for the year ended 31 March 2013 as a result of the disposal of the Group's interest in Verizon Wireless and accordingly, certain matters discussed below were not disclosed in prior years.

Telecom Egypt arbitration

In October 2009 Telecom Egypt commenced arbitration against Vodafone Egypt in Cairo alleging breach of non-discrimination provisions in an interconnection agreement as a result of lower interconnection rates paid to Vodafone Egypt by Mobinil. Telecom Egypt has also sought to join Vodafone International Holdings BV ('VIHBV'), Vodafone Europe BV ('VEBV') and Vodafone Group Plc (which Telecom Egypt alleges should be held jointly liable with Vodafone Egypt) to the arbitration. VIHBV, VEBV and Vodafone Group Plc deny that they were subject to the interconnection agreement or any arbitration agreement with Telecom Egypt. Telecom Egypt initially quantified its claim at approximately €190 million in 2009. This was subsequently amended and increased to €551 million in January 2011 and further increased to its current value of just over €1.2 billion in November 2011. The Company disputes Telecom Egypt's claim (and assertion of jurisdiction over VIHBV, VEBV and Vodafone Group Plc) and will continue to defend the Vodafone companies' position vigorously. The arbitration hearing concluded in November 2013. The parties completed final written submissions in March 2014. A decision is now awaited from the tribunal during 2014.

Indian tax case

In August 2007 and September 2007, Vodafone India Limited ('VIL') and VIHBV respectively received notices from the Indian tax authority alleging potential liability in connection with an alleged failure by VIHBV to deduct withholding tax from consideration paid to the Hutchison Telecommunications International Limited group ('HTIL') in respect of HTIL's gain on its disposal to VIHBV of its interests in a wholly-owned subsidiary that indirectly holds interests in VIL. In January 2012 the Indian Supreme Court handed down its judgement, holding that VIHBV's interpretation of the Income Tax Act 1961 was correct, that the HTIL transaction in 2007 was not taxable in India, and that consequently, VIHBV had no obligation to withhold tax from consideration paid to HTIL in respect of the transaction. The Indian Supreme Court quashed the relevant notices and demands issued to VIHBV in respect of withholding tax and interest. On 20 March 2012 the Indian Government returned VIHBV's deposit of INR 25 billion and released the guarantee for INR 85 billion, which was based on the demand for payment issued by the Indian tax authority in October 2010, for tax of INR 79 billion plus interest.

On 16 March 2012, the Indian Government introduced proposed legislation (the 'Finance Bill 2012') purporting to overturn the Indian Supreme Court's judgement with retrospective effect back to 1962. On 17 April 2012, Vodafone International Holdings BV ('VIHBV') filed a trigger notice under the Dutch-India Bilateral Investment Treaty ('BIT') signalling its intent to invoke arbitration under the BIT should the new laws be enacted. The Finance Bill 2012 received Presidential assent and became law on 28 May 2012 (the 'Finance Act 2012'). The Finance Act 2012 is intended to tax any gain on transfer of shares in a non-Indian company, which derives substantial value from underlying Indian assets, such as VIHBV's transaction with HTIL in 2007. Further it seeks to subject a purchaser, such as VIHBV, to a retrospective obligation to withhold tax.

The Indian Government commissioned a committee of experts (the 'Shome committee') consisting of academics, and current and former Indian government officials, to examine, and make recommendations in respect of, aspects of the Finance Act 2012 including the retrospective taxation of transactions such as VIH BV's transaction with HTIL referred to above. On 10 October 2012, the Shome committee published its draft report for comment. The draft report concluded that tax legislation in the Finance Act 2012 should only be applied prospectively or, if applied retrospectively, that only a seller who made a gain should be liable and, in that case, without any liability for interest or penalties. The Shome committee's final report was submitted to the Indian Government on 31 October 2012, but no final report has been published, and it remains unclear what the Indian Government intends to do with the Shome committee's final report or its recommendations.

VIH BV has not received any formal demand for taxation following the Finance Act 2012, but it did receive a letter on 3 January 2013 reminding it of the tax demand raised prior to the Indian Supreme Court's judgement and purporting to update the interest element of that demand to a total amount of INR 142 billion. The separate proceedings taken against VIH BV to seek to treat it as an agent of HTIL in respect of its alleged tax on the same transaction, as well as penalties of up to 100% of the assessed withholding tax for the alleged failure to have withheld such taxes, remain pending despite the issue having been ruled upon by the Indian Supreme Court. Should a further demand for taxation be received by VIH BV or any member of the Group as a result of the new retrospective legislation, we believe it is probable that we will be able to make a successful claim under the BIT. Although this would not result in any outflow of economic benefit from the Group, it could take several years for VIH BV to recover any deposit required by an Indian Court as a condition for any stay of enforcement of a tax demand pending the outcome of VIH BV's BIT claim. However, VIH BV expects that it would be able to recover any such deposit. On 17 January 2014, VIH BV served on the Indian Government an amended trigger notice under the BIT, supplementing the trigger notice filed on 17 April 2012, to add claims relating to an attempt by the Indian Government to tax aspects of the transaction with Hutchison under transfer pricing rules. On 17 April 2014, VIH BV served its notice of arbitration under the BIT, formally commencing the BIT arbitration proceedings.

We did not carry a provision for this litigation or in respect of the retrospective legislation at 31 March 2014, or at previous reporting dates.

Other Indian tax cases

VIL and Vodafone India Services Private Limited ('VISPL') (formerly 3GSPL) are involved in a number of tax cases with total claims exceeding £1 billion plus interest, and penalties of up to 300% of the principal.

VIL tax claims

The claims against VIL range from disputes concerning transfer pricing and the applicability of value-added tax to SIM cards, to the disallowance of income tax holidays. The quantum of the tax claims against VIL is in the region of £0.9 billion. VIL is of the opinion that any finding of material liability to tax, is not probable.

VISPL tax claims

VISPL has been assessed to owe tax of approximately £240 million (plus interest of £190 million) in respect of (i) a transfer pricing margin charged for the international call centre of Hutchison prior to the transaction with Vodafone; (ii) the sale of the international call centre by VISPL to Hutchison and (iii) the alleged transfer of options held by VISPL for VIL equity shares. The first two of the three heads of tax are subject to an indemnity by Hutchison under the VIH BV Tax Deed of Indemnity. The larger part of the potential claim is not subject to any indemnity. VISPL unsuccessfully challenged the merits of the tax demand in the statutory tax tribunal and the jurisdiction of the tax office to make the demand in the High Court. The case is now in the Tax Appeal Tribunal after VISPL obtained a stay of the tax demand on a deposit of £20 million and a corporate guarantee by VIH BV for the balance. If VISPL loses the appeal, its terms of the stay of demand may be revisited (and could be increased) while VISPL pursues further appeals in the High Court and the Supreme Court.

Indian regulatory cases

Litigation remains pending in the Telecommunications Dispute Settlement Appellate Tribunal ('TDSAT'), High Courts and the Supreme Court in relation to a number of significant regulatory issues including mobile termination rates ('MTRs'), spectrum and licence fees, licence extension and 3G intra-circle roaming ('ICR').

Public interest litigation: Yakesh Anand v Union of India, Vodafone and others

The Petitioner has brought a special leave petition in the Indian Supreme Court on 30 January 2012 against the Government of India and mobile network operators, including VIL, seeking recovery of the alleged excess spectrum allocated to the operators, compensation for the alleged excess spectrum held in the amount of approximately £4.7 billion and a criminal investigation of an alleged conspiracy between government officials and the network operators. A claim with similar allegations was dismissed by the Supreme Court in March 2012, with an order that the Petitioner should pay a fine for abuse of process. The case is pending before the Supreme Court and is expected to be called for hearing at some uncertain future date.

One time spectrum charges: Vodafone India v Union of India

The Government of India has sought to impose one time spectrum charges of approximately €525 million on certain operating subsidiaries of VIL. We filed a petition before the TDSAT challenging the one time spectrum charges on the basis that they are illegal, violate Vodafone's licence terms and are arbitrary, unreasonable and discriminatory. The tribunal stayed enforcement of the Government's spectrum demand pending resolution of the dispute. The case is now ready for trial.

3G inter-circle roaming: Vodafone India and others v Union of India

In April 2013, the Indian Department of Telecommunications issued a stoppage notice to VIL's operating subsidiaries and other mobile operators requiring the immediate stoppage of the provision of 3G services on other operators' mobile networks in an alleged breach of licences. The regulator also imposed a fine of approximately €5.5 million. We applied to the Delhi High Court for an order quashing the regulator's notice. Interim relief from the notice has been granted (but limited to existing customers at the time with the effect that VIL was not able to provide 3G services to new customers on other operators' 3G networks pending a decision on the issue). The dispute was referred to the TDSAT for decision, which ruled on 28 April 2014 that VIL and the other operators were permitted to provide 3G services to their customers (current and future) on other operators' networks. An appeal by the Department of Telecommunications is possible.

Notes to the consolidated financial statements (continued)

30. Contingent liabilities (continued)

Extension of licences in Delhi, Mumbai and Kolkata: VIL and others v Union of India

We sought an extension of our existing licences in Delhi, Mumbai and Kolkata along with existing licensed spectrum. That extension was denied by the Department of Telecommunications by order dated 21 March 2013. We appealed that decision to the TDSAT and by its order dated 31 January 2014, the TDSAT denied the extension. The Supreme Court has agreed to hear our appeal on an expedited basis.

Other cases in the Group

Italy

British Telecom (Italy) v Vodafone Italy

The Italian Competition Authority concluded an investigation in 2007 when Vodafone Italy gave certain undertakings in relation to concerns it had abused its dominant position in the wholesale market for mobile termination. In 2010, British Telecom (Italy) brought a civil damages claim against Vodafone Italy on the basis of the Competition Authority's investigation and Vodafone Italy's undertakings. British Telecom (Italy) seeks damages in the amount of €280 million for abuse of dominant position by Vodafone Italy in the wholesale fixed to mobile termination market for the period 1999 to 2007. A court appointed expert has delivered an opinion to the Court that the range of damages in the case are in the region of €10 million to €25 million.

FASTWEB v Vodafone Italy

The Italian Competition Authority concluded an investigation in 2007 when Vodafone Italy gave certain undertakings in relation to concerns it had abused its dominant position in the wholesale market for mobile termination. In 2010, FASTWEB brought a civil damages claim against Vodafone Italy on the basis of the Competition Authority's investigation and Vodafone Italy's undertakings. FASTWEB seeks damages in the amount of €360 million for abuse of dominant position by Vodafone Italy in the wholesale fixed to mobile termination market. A court appointed expert has delivered an opinion to the Court that the range of damages in the case are in the region of €0.5 million to €2.3 million.

Greece

Papistas Holdings SA, Mobile Trade Stores (formerly Papistas SA) and Athanasios and Loukia Papistas v Vodafone Greece, Vodafone Group Plc and certain Directors and Officers of Vodafone

In December 2013, Mr and Mrs Papistas, and companies owned or controlled by them, brought three claims in the Greek court in Athens against Vodafone Greece, Vodafone Group Plc and certain directors and officers of Vodafone Greece and Vodafone Group Plc for purported damage caused by the alleged abuse of dominance and wrongful termination of a franchise arrangement with a Papistas company. Approximately €1.0 billion of the claim is directed exclusively at one former and one current director of Vodafone Greece. The balance of the claim (approximately €285.5 million) is sought from Vodafone Greece and Vodafone Group Plc on a joint and several basis. The cases are scheduled to come to trial in November 2015 and April 2016.

Tanzania

Cats-Net Limited v Vodacom Tanzania Limited

In 2012, Cats-Net Limited brought a claim for US\$500 million (US\$200 million compensatory and US\$300 million punitive) in damages against Vodacom Tanzania Limited in the Tanzanian High Court. Cats-Net is also seeking an order cancelling Vodacom Tanzania's mobile telecommunications licence. The claim is based on the actions of the Tanzanian Telecommunications Regulatory Authority ('TTRA') who, following complaints by Vodacom Tanzania of interference caused by transmissions of Cats-Net, allegedly shut down the operations of Cats-Net after conducting its own investigation. Cats-Net alleges collusion between the TTRA and Vodacom Tanzania. Vodacom Tanzania filed an application to strike out the claim. That application has been argued and the parties await a decision of the Court.

31. Related party transactions

The Group has a number of related parties including joint ventures and associates (see note 12 “Investments in associates and joint ventures” to the consolidated financial statements), pension schemes (see note 26 “Post employment benefits” to the consolidated financial statements) and directors and Executive Committee members (see note 24 “Directors and key management compensation” to the consolidated financial statements).

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.

	2014 £m	Restated 2013 £m	Restated 2012 £m
Sales of goods and services to associates	231	238	194
Purchase of goods and services from associates	109	97	103
Sales of goods and services to joint ventures	12	27	43
Purchase of goods and services from joint ventures	570	568	381
Net interest expense payable to joint ventures ¹	75	33	20
Trade balances owed:			
by associates	3	21	15
to associates	3	20	17
by joint ventures	82	260	220
to joint ventures	170	48	16
Other balances owed by joint ventures ¹	57	1,065	1,213
Other balances owed to joint ventures ¹	63	—	—

Note:

¹ Amounts arise primarily through Vodafone Italy, Vodafone Hutchison Australia, Indus Towers and Cornerstone. Interest is paid in line with market rates.

Dividends received from associates and joint ventures are disclosed in the consolidated statement of cash flows.

Transactions with directors other than compensation

During the three years ended 31 March 2014, and as of 19 May 2014, 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 2014, and as of 19 May 2014, 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. Principal subsidiaries

Our subsidiaries are located around the world and each contributes to the profits, assets and cash flow of the Group. We have a large number of subsidiaries and so, for practical reasons, only the principal subsidiaries at 31 March 2014 are detailed below.

Accounting policies

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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.

Notes to the consolidated financial statements (continued)

32. Principal subsidiaries (continued)**Principal subsidiaries**

A full list of subsidiaries, joint arrangements, associated undertakings and any significant holdings (as defined in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) as at 15 August 2014 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 unless otherwise stated.

Name	Principal activity	Country of incorporation or registration	Percentage shareholdings ¹
Vodafone GmbH	Network operator	Germany	100.0
Kabel Deutschland Holding AG ²	Network operator	Germany	76.6
Vodafone Limited	Network operator	England	100.0
Vodafone Omnitel B.V. ^{3,4,5}	Network operator	Netherlands	100.0
Vodafone España S.A.U.	Network operator	Spain	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 Magyarország Mobile Tavkozlesi Zartkoruen Mukodo Reszvenytarsasag ⁶	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. ⁷	Network operator	Portugal	100.0
Vodafone Romania S.A.	Network operator	Romania	100.0
Vodafone India Limited	Network operator	India	89.0
Vodacom Group Limited	Holding company	South Africa	65.0
Vodacom (Pty) Limited ⁸	Network operator	South Africa	60.9
Vodacom Congo (RDC) s.p.r.l. ^{8,9,10}	Network operator	The Democratic Republic of Congo	33.2
Vodacom Tanzania Limited ^{8,10}	Network operator	Tanzania	42.3
VM, S.A. ^{8,11}	Network operator	Mozambique	55.3
Vodacom Lesotho (Pty) Limited ⁸	Network operator	Lesotho	52.0
Vodacom Business Africa Group (PTY) Limited ⁸	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. ¹⁰	Network operator	Qatar	23.0
Vodafone Telekomunikasyon A.S.	Network operator	Turkey	100.0
Vodafone Group Services Limited ¹²	Global products and services provider	England	100.0
Vodafone Sales & Services Limited ¹³	Group services provider	England	100.0
Vodafone 6 UK	Holding company	England	100.0
Vodafone Holding GmbH	Holding company	Germany	100.0
Vodafone Holdings Europe S.L.U.	Holding company	Spain	100.0
Vodafone Europe B.V.	Holding company	Netherlands	100.0
Vodafone International Holdings B.V.	Holding company	Netherlands	100.0
Vodafone Investments Luxembourg S.a.r.l.	Holding company	Luxembourg	100.0
Vodafone Procurement Company S.a.r.l.	Group services provider	Luxembourg	100.0
Vodafone Roaming Services S.a.r.l.	Group services provider	Luxembourg	100.0

Notes:

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

² Kabel Deutschland Holding AG was acquired on 14 October 2013.

³ Vodafone Omnitel B.V. changed its name on 16 December 2013 (previously Vodafone Omnitel N.V.).

⁴ The principal place of operation of Vodafone Omnitel B.V. is Italy.

⁵ Vodafone Omnitel B.V. became a 100% owned subsidiary on 21 February 2014.

⁶ Trades as Vodafone Hungary Mobile Telecommunications Company Limited.

⁷ 38.6% of the issued share capital of Vodafone Portugal-Comunicações Pessoais, S.A. is directly held by Vodafone Group Plc.

⁸ Shareholding is indirect through Vodacom Group Limited. The indirect shareholding is calculated using the 65.0% ownership interest in Vodacom.

⁹ The share capital of Vodacom Congo (RDC) s.p.r.l. consists of 1,000,000 ordinary shares and 75,470,588 preference shares.

¹⁰ 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.

¹¹ The share capital of VM, S.A. consists of 60,000,000 ordinary shares and 548,350,646 preference shares.

¹² Share capital consists of 1,190 ordinary shares and one deferred share, of which 100% of the shares are indirectly held by Vodafone Group Plc.

¹³ Vodafone Sales & Services Limited is directly held by Vodafone Group Plc.

The tables below show selected financial data in respect of subsidiaries that have non-controlling interests that are material to the Group.

	Vodacom Group Limited		Vodafone Egypt Telecommunications S.A.E.		Vodafone Qatar Q.S.C.	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Summary comprehensive income information						
Revenue	4,718	5,206	1,163	1,259	342	266
Profit/(loss) for the financial year	730	819	165	183	(43)	(70)
Other comprehensive expense	(9)	(12)	—	—	—	—
Total comprehensive income/(expense)	721	807	165	183	(43)	(70)
Other financial information						
Profit/(loss) for the financial year allocated to non-controlling interests	273	298	75	83	(33)	(54)
Dividends paid to non-controlling interests	261	301	3	3	—	—
Summary financial position information						
Non-current assets	4,681	5,766	1,259	1,412	1,197	1,382
Current assets	1,275	1,503	405	298	52	73
Total assets	5,956	7,269	1,664	1,710	1,249	1,455
Non-current liabilities	(360)	(649)	(33)	(52)	(6)	(2)
Current liabilities	(2,005)	(2,171)	(721)	(805)	(267)	(338)
Total assets less total liabilities	3,591	4,449	910	853	976	1,115
Equity shareholders' funds	2,899	3,609	575	554	224	256
Non-controlling interests	692	840	335	299	752	859
Total equity	3,591	4,449	910	853	976	1,115

The voting rights held by the Group equal the Group's percentage shareholding as shown on page 168.

Notes to the consolidated financial statements (continued)

33. Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 March 2014.

Name	Registration number
Vodafone 2.	4083193
Vodafone 4 UK	6357658
Vodafone 5 Limited	6688527
Vodafone 5 UK	2960479
Vodafone Americas 4	6389457
Vodafone Benelux Limited	4200960
Vodafone Cellular Limited	896318
Vodafone Consolidated Holdings Limited	5754561
Vodafone Euro Hedging Limited	3954207
Vodafone Euro Hedging Two	4055111
Vodafone European Investments	3961908
Vodafone European Portal Limited	3973442
Vodafone Europe UK	5798451
Vodafone Finance Luxembourg Limited	5754479
Vodafone Finance Sweden	2139168
Vodafone Finance UK Limited	3922620
Vodafone Financial Operations	4016558
Vodafone Global Content Services Limited	4064873
Vodafone Holdings Luxembourg Limited	4200970
Vodafone Intermediate Enterprises Limited	3869137
Vodafone International Holdings Limited	2797426
Vodafone International Operations Limited	2797438
Vodafone Investments Australia Limited	2011978
Vodafone Investments Limited	1530514
Vodafone Investment UK	5798385
Vodafone Leasing Limited	4201716
Vodafone Marketing UK	6858585
Vodafone Mobile Communications Limited	3942221
Vodafone Mobile Enterprises Limited	3961390
Vodafone Mobile Network Limited	3961482
Vodafone (New Zealand) Hedging Limited	4158469
Vodafone Nominees Limited	1172051
Vodafone Oceania Limited	3973427
Vodafone Overseas Finance Limited	4171115
Vodafone Overseas Holdings Limited	2809758
Vodafone Panafon UK	6326918
Vodafone Property Investments Limited	3903420
Vodafone UK Investments Limited	874784
Vodafone UK Limited	2227940
Vodafone Worldwide Holdings Limited	3294074
Vodafone Yen Finance Limited	4373166
Voda Limited	1847509
Vodaphone Limited	2373469
Vodata Limited	2502373

34. Subsequent events

Detailed below are the significant events that happened after our year end date of 31 March 2014 and before the signing of this annual report on 20 May 2014.

On 11 April 2014, the Group acquired the remaining 10.97% of its Indian subsidiary, Vodafone India Limited, from Piramal Enterprises Limited for cash consideration of INR 89.0 billion (£0.9 billion), taking its ownership interest to 100%.

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

Other unaudited financial information

Prior year operating results

This section presents our operating performance for the 2013 financial year compared to the 2012 financial year, providing commentary on the revenue and EBITDA performance of the Group and its regions. The results in this section are presented on a management basis, which includes the results of the Group's joint ventures on a proportionate basis, consistent with how the business is managed, operated and reviewed by management. See note 2 "Segmental analysis" to the consolidated financial statements for further information and reconciliations between the management and statutory basis.

Group^{1,2}

	Europe £m	AMAP £m	Non-Controlled Interests and Common Functions ³ £m	Eliminations £m	Restated ¹ 2013 £m	Restated ¹ 2012 £m	£	% change Organic
Revenue	28,602	15,413	481	(51)	44,445	46,417	(4.2)	(1.4)
Service revenue	26,501	13,729	315	(50)	40,495	42,581	(4.9)	(1.9)
Other revenue	2,101	1,684	166	(1)	3,950	3,836	3.0	4.0
EBITDA	9,099	4,532	(65)	—	13,566	14,606	(7.1)	(1.9)
Adjusted operating profit	4,175	1,893	6,509	—	12,577	12,030	4.5	9.5
Adjustments for:								
Presentation adjustments ⁴					(487)	(690)		
Discontinued operations ⁵					(6,500)	(4,953)		
Impairment loss					(7,700)	(4,050)		
Restructuring costs and other one-off items					(311)	(144)		
Amortisation of acquired customer base and brand intangible assets					(249)	(280)		
Other income and expense					468	3,705		
Operating (loss)/profit – statutory basis					(2,202)	5,618		

Notes:

1 All amounts are presented on the Group's revised segment basis. EBITDA and adjusted operating profit have been restated to exclude restructuring costs and amortisation of customer base and brand intangible assets.

2 2013 results reflect average foreign exchange rates of £1:€1.23 and £1:US\$1.58 (2012: £1:€1.16 and £1:US\$1.60).

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

4 Presentation adjustments relate to the restatement of the Group's joint ventures from a proportionate consolidation basis to an equity accounting basis.

5 Discontinued operations relate to the results of Verizon Wireless.

Revenue

Group revenue fell by 4.2% to £44.4 billion, with service revenue of £40.5 billion, a decline of 1.9%* on an organic basis. Our performance reflected continued strong demand for data services and good growth in our major emerging markets, offset by regulatory changes, challenging macroeconomic conditions, particularly in Europe, and continued competitive pressures.

In Europe service revenue declined by 5.8%* as growth in Germany was offset by increased competition, macroeconomic pressure and MTR cuts.

In AMAP service revenue increased by 5.5%* with continued growth in all of our markets apart from Australia and New Zealand.

EBITDA and profit

Group EBITDA decreased by 7.1% to £13.6 billion, primarily driven by lower revenue, partially offset by operating cost efficiencies.

Adjusted operating profit grew by 4.5%, driven by 31.2% growth in our share of profits of Verizon Wireless ("VZW") to £6.5 billion, partially offset by lower EBITDA.

The operating (loss)/profit decreased from a profit £5.6 billion in the prior year to a loss of £2.2 billion primarily due to the gains on the disposal of the Group's interests in SFR and Polkomtel in the prior year and the higher impairment charges in the current year, partially offset by the gain on acquisition of CWW of £0.5 billion.

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

Other unaudited financial information (continued)

Prior year operating results (continued)

Europe

	Germany £m	Italy £m	UK £m	Spain £m	Other Europe £m	Eliminations £m	Europe £m	% change	
								£	Organic
Year ended 31 March 2013									
Revenue	7,857	4,755	5,150	3,904	7,115	(179)	28,602	(5.7)	(5.5)
Service revenue	7,275	4,380	4,782	3,629	6,610	(175)	26,501	(5.9)	(5.8)
Other revenue	582	375	368	275	505	(4)	2,101	(3.2)	(1.3)
EBITDA	2,831	1,917	1,210	1,021	2,120	–	9,099	(11.0)	(8.1)
Adjusted operating profit	1,401	1,172	303	421	878	–	4,175	(21.4)	(15.8)
EBITDA margin	36.0%	40.3%	23.5%	26.2%	29.8%		31.8%		
Year ended 31 March 2012									
Revenue	8,233	5,658	5,397	4,763	6,469	(198)	30,322	0.2	(1.2)
Service revenue	7,669	5,329	4,996	4,357	5,994	(193)	28,152	(0.9)	(2.1)
Other revenue	564	329	401	406	475	(5)	2,170	16.4	13.6
EBITDA	3,034	2,521	1,294	1,210	2,160	–	10,219	(3.4)	(4.8)
Adjusted operating profit	1,561	1,742	406	583	1,018	–	5,310	(8.0)	(9.4)
EBITDA margin	36.9%	44.6%	24.0%	25.4%	33.4%		33.7%		

Revenue decreased by 5.7% including a 4.6 percentage point adverse impact from unfavourable foreign exchange rate movements. On an organic basis service revenue decreased by 5.8%* as data revenue was offset by the impact of MTR cuts and competitive pricing pressures. Organic growth in Germany was more than offset by declines in all of the major markets.

EBITDA decreased by 11.0% including a 4.7 percentage point adverse impact from foreign exchange rate movements. On an organic basis, EBITDA decreased by 8.1%*, driven by lower service revenue and higher customer investment due to the increased penetration of smartphones.

	Organic change %	Other activity ¹ pps	Foreign exchange pps	Reported change %
Revenue – Europe	(5.5)	4.4	(4.6)	(5.7)
Service revenue				
Germany	0.5	(0.1)	(5.5)	(5.1)
Italy	(12.8)	(0.1)	(4.9)	(17.8)
UK	(4.0)	(0.3)	–	(4.3)
Spain	(11.5)	(0.2)	(5.0)	(16.7)
Other Europe	(5.2)	22.4	(6.9)	10.3
Europe	(5.8)	4.5	(4.6)	(5.9)
EBITDA				
Germany	(1.7)	0.2	(5.2)	(6.7)
Italy	(19.3)	–	(4.7)	(24.0)
UK	(6.8)	0.4	(0.1)	(6.5)
Spain	(9.8)	(0.5)	(5.3)	(15.6)
Other Europe	(3.7)	8.1	(6.3)	(1.9)
Europe	(8.1)	1.8	(4.7)	(11.0)
Adjusted operating profit				
Germany	(5.5)	0.3	(5.0)	(10.2)
Italy	(28.5)	–	(4.2)	(32.7)
UK	(26.3)	0.9	–	(25.4)
Spain	(21.8)	(1.0)	(5.0)	(27.8)
Other Europe	(2.0)	(6.1)	(5.7)	(13.8)
Europe	(15.8)	(1.1)	(4.5)	(21.4)

Note:

¹ "Other activity" includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to "Organic growth" on page 202 for further detail.

Germany

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

The roll-out of 4G services continued and was available in 81 cities, with population coverage of 61% at 31 March 2013.

EBITDA declined by 1.7%*, with a 1.0* percentage point reduction in EBITDA margin, driven by higher customer costs, partially offset by operating cost efficiencies and a one-off benefit from a legal settlement during Q2.

Italy

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

4G commercial services were launched in October 2012 and were available in 21 cities at 31 March 2013.

EBITDA declined by 19.3%*, with a 4.3* percentage point fall in the EBITDA margin, driven by the decline in service revenue and an increase in commercial costs, partially offset by operating cost efficiencies such as site sharing agreements and the outsourcing of network maintenance.

UK

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

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

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

EBITDA declined by 6.8%*, with a 0.5* percentage point reduction in EBITDA margin, driven by higher retention activity.

Spain

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

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

EBITDA declined by 9.8%*, with a 0.9* percentage point increase in EBITDA margin, as lower revenues were offset by commercial and operating cost efficiencies. The EBITDA margin stabilised in H2, benefiting from lower operating and commercial costs.

Other Europe

Service revenue decreased by 5.2%*, driven by declines in the Netherlands, Greece and Portugal, which more than offset growth in Albania and Malta. In the Netherlands service revenue declined by 2.7%* due to more challenging macroeconomic conditions and lower out-of-bundle usage. Macroeconomic weakness, intense price competition and an MTR cut resulted in service revenue declines of 13.4%* and 8.2%* in Greece and Portugal respectively.

EBITDA declined by 3.7%*, with a 0.1* percentage point increase in EBITDA margin as the impact of service revenue declines was largely offset by cost efficiencies.

Other unaudited financial information (continued)

Prior year operating results (continued)

Africa, Middle East and Asia Pacific

	India £m	Vodacom £m	Other AMAP £m	Eliminations £m	AMAP £m	% change	
						£	Organic
Year ended 31 March 2013							
Revenue	4,324	5,206	5,884	(1)	15,413	(1.0)	6.0
Service revenue	3,878	4,415	5,437	(1)	13,729	(2.3)	5.5
Other revenue	446	791	447	—	1,684	10.9	10.3
EBITDA	1,240	1,891	1,401	—	4,532	3.2	12.3
Adjusted operating profit	221	1,332	340	—	1,893	7.7	20.3
EBITDA margin	28.7%	36.3%	23.8%		29.4%		
Year ended 31 March 2012							
Revenue	4,265	5,638	5,669	(1)	15,571	4.7	10.3
Service revenue	3,922	4,898	5,234	(1)	14,053	3.9	9.6
Other revenue	343	740	435	—	1,518	12.7	17.5
EBITDA	1,122	1,933	1,338	—	4,393	4.9	10.7
Adjusted operating profit	60	1,338	359	—	1,757	4.8	10.9
EBITDA margin	26.3%	34.3%	23.6%		28.2%		

Revenue declined by 1.0% including a 7.7 percentage point adverse impact from foreign exchange rate movements, particularly the Indian rupee and the South African rand. On an organic basis service revenue grew by 5.5%* driven by customer and data revenue growth, partially offset by the impact of MTR reductions, competitive and regulatory pressures, and a general weakening in macroeconomic conditions. Growth was led by robust performances in India, Vodacom, Turkey, Egypt, Ghana and Qatar, offset by service revenue declines in Australia and New Zealand.

EBITDA increased by 3.2% after a 9.0 percentage point adverse impact from foreign exchange rate movements. On an organic basis, EBITDA grew by 12.3%* driven primarily by strong growth in India, Vodacom, Turkey and Egypt as well as improved contributions from Ghana and Qatar, offset in part by declines in Australia and New Zealand.

	Organic change %	Other activity ¹ pps	Foreign exchange pps	Reported change %
Revenue – AMAP	6.0	0.7	(7.7)	(1.0)
Service revenue				
India	11.2	(0.1)	(12.2)	(1.1)
Vodacom	3.1	(3.2)	(9.8)	(9.9)
Other AMAP	3.8	2.1	(2.0)	3.9
AMAP	5.5	(0.3)	(7.5)	(2.3)
EBITDA				
India	24.0	(0.1)	(13.4)	10.5
Vodacom	10.1	(0.1)	(12.2)	(2.2)
Other AMAP	6.2	(0.1)	(1.4)	4.7
AMAP	12.3	(0.1)	(9.0)	3.2
Adjusted operating profit				
India	291.1	(3.4)	(19.4)	268.3
Vodacom	12.7	0.2	(13.3)	(0.4)
Other AMAP	2.1	(9.5)	2.1	(5.3)
AMAP	20.3	(2.3)	(10.3)	7.7

Note:

¹ "Other activity" includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2011. Refer to "Organic growth" on page 202 for further detail.

India

Service revenue grew by 11.2%* driven by strong growth in mobile voice minutes and data revenue, partially offset by the impact of regulatory changes. Average customer growth slowed in Q4, as Q3 regulatory changes affecting subscriber verification continued to impact gross additions, however customer acquisition costs remained low.

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

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

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

Vodacom

Service revenue grew by 3.1%* mainly driven by growth in Tanzania, the Democratic Republic of Congo ('DRC') and Mozambique. In South Africa, service revenue decreased by 0.3%*, with the growth in data revenue and the success of new prepaid offers being more than offset by MTR reductions, macroeconomic weakness leading to customer spend optimisation with lower out-of-bundle usage, and a weaker performance from independent service providers. Data revenue in South Africa grew by 16.1%*, with higher smartphone penetration and data bundles offsetting continued pricing pressure. Vodafone Smart and Vodafone Red, our new range of integrated contract price plans, were introduced in South Africa during March 2013.

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

Vodacom's mobile operations outside South Africa delivered strong service revenue growth of 23.4%*, excluding Vodacom Business Africa, driven by a larger customer base and increasing data take-up. M-Pesa continues to perform well in Tanzania, with approximately 4.9 million active users, and was launched in DRC in November 2012. During the year Vodacom DRC became the first operator to launch 3G services in the DRC.

EBITDA grew by 10.1%*, with a 1.5* percentage point increase in EBITDA margin, primarily driven by revenue growth in Vodacom's mobile operations outside South Africa and savings in network costs in South Africa following investment in single RAN and transmission equipment.

Other AMAP

Organic service revenue grew by 3.8%* with growth in Turkey, Egypt, Ghana and Qatar more than offset by revenue declines in Australia and New Zealand. Service revenue in Turkey grew by 17.3%*, primarily driven by growth in the contract customer base and an increase in data revenue due to mobile internet and higher smartphone penetration. Australia continued to experience steep revenue declines on the back of ongoing service perception issues and a declining customer base. There has been a strong focus on network improvement and arresting the weakness in brand perception. In Egypt the launch of value management initiatives, take-up of data services and the increase in international incoming call volumes and rates drove service revenue growth of 3.7%*, despite competitive pressures and the uncertain political environment. Data revenue continued to show strong growth of 29.6%* and fixed line revenue grew by 29.0%*. In Qatar service revenue grew by 29.8%*, driven by the growth in the customer base, which is now over one million, supported by successful new propositions. In Ghana, continued strong growth in the customer base and the success of integrated tariffs led to service revenue growth of 24.5%*.

EBITDA increased by 6.2%*, with EBITDA margin increasing by 0.5* percentage points with the impact of service revenue growth in Turkey, Egypt, Qatar and Ghana offsetting declines in Australia and New Zealand.

Non-Controlled Interests

Verizon Wireless¹

	2013 £m	2012 £m	% change	
			£	Organic
Revenue	21,972	20,187	8.8	7.8
Service revenue	19,697	18,039	9.2	8.1
Other revenue	2,275	2,148	5.9	5.2
EBITDA	8,831	7,689	14.9	13.6
Interest	(25)	(212)	(88.2)	
Tax ²	13	(287)	(104.5)	
Group's share of result in VZW	6,500	4,953	31.2	29.8

In the United States VZW reported 5.9 million net mobile retail connection³ additions in the year, bringing its closing mobile retail connection base to 98.9 million, up 6.4%.

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

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

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

Notes:

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

Company balance sheet of Vodafone Group Plc

at 31 March

	Note	2014 £m	2013 £m
Fixed assets			
Shares in Group undertakings	2	64,937	65,085
Current assets			
Debtors: amounts falling due after more than one year	3	2,091	2,694
Debtors: amounts falling due within one year	3	172,553	163,548
Other investments	4	130	117
Cash at bank and in hand		45	83
		174,819	166,442
Creditors: amounts falling due within one year	5	(174,143)	(113,630)
Net current assets		676	52,812
Total assets less current liabilities		65,613	117,897
Creditors: amounts falling due after more than one year	5	(18,255)	(25,506)
		47,358	92,391
Capital and reserves			
Called up share capital	6	3,792	3,866
Share premium account	8	16,109	43,087
Capital redemption reserve	8	–	10,388
Capital reserve	8	88	88
Other reserves	8	758	834
Own shares held	8	(7,289)	(9,103)
Profit and loss account	8	33,900	43,231
Equity shareholders' funds		47,358	92,391

The Company financial statements were approved by the Board of directors on 20 May 2014 and were signed on its behalf by:



Vittorio Colao

Chief Executive



Nick Read

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 2014.

Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

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.

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.

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.

Notes to the Company financial statements (continued)

1. Basis of preparation (continued)**Fair value hedges**

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

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

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 2014 and 31 March 2013.

2. Fixed assets**Accounting policies**

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.

Shares in Group undertakings

	£m
Cost:	
1 April 2013	70,716
Additions:	
Capital contributions arising from share-based payments	103
Contributions received in relation to share-based payments	(177)
31 March 2014	70,642
Amounts provided for:	
1 April 2013	5,631
Amounts provided in the year	74
31 March 2014	5,705
Net book value:	
31 March 2013	65,085
31 March 2014	64,937

At 31 March 2014 the Company had the following principal subsidiary:

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

3. Debtors

	2014 £m	2013 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	171,709	163,238
Taxation recoverable	72	126
Other debtors	772	184
	172,553	163,548
Amounts falling due after more than one year:		
Deferred taxation	1	1
Other debtors	2,090	2,693
	2,091	2,694

4. Other investments

Accounting policies

Gains and losses arising from changes in fair value of available-for-sale investments 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.

	2014 £m	2013 £m
Investments	130	117

5. Creditors

Accounting policies

Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception) and are subsequently measured at amortised cost using the effective interest rate method, except where they are identified as a hedged item in a 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.

	2014 £m	2013 £m
Amounts falling due within one year:		
Bank loans and other loans	4,120	7,474
Amounts owed to subsidiaries	169,845	104,872
Other creditors	161	242
Accruals and deferred income	17	1,042
	174,143	113,630
Amounts falling due after more than one year:		
Other loans	17,504	24,594
Other creditors	751	912
	18,255	25,506

Included in amounts falling due after more than one year are other loans of £8,584 million, which are due in more than five years from 1 April 2014 and are payable otherwise than by instalments. Interest payable on these loans ranges from 2.5% to 7.875%.

6. Share capital

Accounting policies

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

	2014		2013	
	Number	£m	Number	£m
Ordinary shares of 20²⁰/2¹ US cents each allotted, issued and fully paid:^{1,2}				
1 April	53,820,386,309	3,866	53,815,007,289	3,866
Allotted during the year	1,423,737	—	5,379,020	—
Consolidated during the year ³	(24,009,886,918)	—	—	—
Cancelled during the year	(1,000,000,000)	(74)	—	—
31 March	28,811,923,128	3,792	53,820,386,309	3,866

Notes:

1 50,000 (2013: 50,000) 7% cumulative fixed rate shares of £1 each were allotted, issued and fully paid by the Company.

2 At 31 March 2014 the Company held 2,371,962,907 (2013: 4,901,767,844) treasury shares with a nominal value of £312 million (2013: £352 million).

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

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

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
UK share awards and option scheme awards	—	—	—
US share awards and option scheme awards	1,423,737	—	—
Total for share awards and option scheme awards	1,423,737	—	—

Notes to the Company financial statements (continued)

7. Share-based payments**Accounting policies**

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.

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 2014 the Company had 27 million ordinary share options outstanding (2013: 40 million) and no ADS options outstanding (2013: nil).

The Company has made a capital contribution to its subsidiaries in relation to share-based payments. At 31 March 2014 the cumulative capital contribution net of payments received from subsidiaries was £131 million (2013: £205 million). During the year ended 31 March 2014 the capital contribution arising from share-based payments was £103 million (2013: £134 million), with payments of £177 million (2013: £246 million) received from subsidiaries.

Full details of share-based payments, share option schemes and share plans are disclosed in note 27 "Share-based payments" to the consolidated financial statements.

8. 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 2013	3,866	43,087	10,388	88	834	(9,103)	43,231	92,391
Allotment of shares	—	2	—	—	—	—	—	2
Own shares released on vesting of share awards	—	—	—	—	—	194	—	194
Profit for the financial year	—	—	—	—	—	—	10,970	10,970
Dividends	—	—	—	—	—	—	(40,566)	(40,566)
Capital contribution given relating to share-based payments	—	—	—	—	103	—	—	103
Contribution received relating to share-based payments	—	—	—	—	(177)	—	—	(177)
Capital reduction and creation of B and C shares	16,613	(27,008)	(10,462)	—	—	—	20,857	—
Cancellation of B shares	(16,613)	—	—	—	—	—	1,115	(15,498)
Share cancellations	(74)	—	74	—	—	1,648	(1,648)	—
Other movements	—	28	—	—	(2)	(28)	(59)	(61)
31 March 2014	3,792	16,109	—	88	758	(7,289)	33,900	47,358

The profit for the financial year dealt with in the accounts of the Company is £10,970 million (2013: £7,153 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 £0.9 million (2013: £0.6 million) and for non-audit services was £3.5 million (2013: £0.1 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 69 to 85.

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

9. Equity dividends

Accounting policies

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.

	2014 £m	2013 £m
Declared during the financial year:		
Final dividend for the year ended 31 March 2013: 6.92 pence per share (2013: 6.47 pence per share)	3,365	3,193
Interim dividend for the year ended 31 March 2014: 3.53 pence per share (2013: 3.27 pence per share)	1,711	1,608
Special dividend for the year ended 31 March 2014: 172.94 US cents per share (2013: nil) ¹	35,490	—
	40,566	4,801
Proposed after the balance sheet date and not recognised as a liability:		
Final dividend for the year ended 31 March 2014: 7.47 pence per share (2013: 6.92 pence per share)	1,975	3,377

Note:

¹ Refer to note 9 "Equity dividends" in the consolidated financial statements for further information on the Return of Value to shareholders, following the disposal of the US Group whose principal asset was its 45% interest in VZW.

10. Contingent liabilities

	2014 £m	2013 £m
Performance bonds ¹	171	174
Other guarantees and contingent liabilities	2,738	1,856

Note:

¹ Performance bonds require the Company to make payments to third parties in the event that the Company or its subsidiaries do not perform what is expected of them under the terms of any related contracts.

Other guarantees and contingent liabilities

Other guarantees principally comprise the Company's guarantee of the Group's 50% share of an AUD 1.7 billion loan facility and a US\$3.5 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 (£986 million; 2013: £1,080 million). The guarantees to Piramal were made in respect to its acquisition of 10.97% shareholding in Vodafone India Limited ('VIL') during the 2013 financial year. On 11 April 2014, the Group acquired the remaining 10.97% of its Indian subsidiary, Vodafone India Limited, from Piramal Enterprises Limited.

The Company will guarantee the debts and liabilities of certain of its UK subsidiaries at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under these guarantees as remote.

As discussed in note 30 "Contingent liabilities" to the consolidated financial statements the Company has covenanted to provide security in favour of the trustee of the Vodafone Group UK Pension Scheme and the Trustees of the Cable & Wireless Worldwide Retirement Plan and THUS Plc Group Scheme.

Legal proceedings

Details regarding certain legal actions which involve the Company are set out in note 30 "Contingent liabilities" to the consolidated financial statements.