VODAFONE GROUP PUBLIC LTD CO
Form 20-F
June 07, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

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

OR

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

For the fiscal year ended: March 31, 2013

OR

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

OR

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

Date of event requiring this shell company report: __________

For the transition period from: __________ to __________

Commission file number: 001-10086

VODAFONE GROUP PUBLIC LIMITED COMPANY

(Exact name of Registrant as specified in its charter)

England

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Rosemary Martin (Group General Counsel and Company Secretary)

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

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

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

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

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

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

None

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

None

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

Ordinary Shares of 11 3/7 US cents each	48,918,618,465
7% Cumulative Fixed Rate Shares of £1 each	50,000

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

Yes þ No ¨

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

Yes ¨ No þ

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

Yes þ No ¨

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

Yes ¨ No ¨

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

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

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

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

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

Item 17 ¨ Item 18 ¨

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

Yes ¨ No þ

SCHEDULE A

Title of each class	**Name of each exchange on which registered**
Ordinary shares of 11 3/7 US cents each	NASDAQ Global Select Market*
American Depositary Shares (evidenced by American Depositary Receipts) each representing ten ordinary shares	NASDAQ Global Select Market
5.00% Notes due December 2013	New York Stock Exchange
4.150% Notes due June 2014	New York Stock Exchange
5.375% Notes due January 2015	New York Stock Exchange
5% Notes due September 2015	New York Stock Exchange
3.375% Notes due November 2015	New York Stock Exchange
0.9% Notes due February 2016	New York Stock Exchange
Floating rate Notes due February 2016	New York Stock Exchange
2.875% Notes March 2016	New York Stock Exchange
5.75% Notes March 2016	New York Stock Exchange

5.625% Notes due February 2017	New York Stock Exchange
1.625% Notes due March 2017	New York Stock Exchange
1.25% Notes due September 2017	New York Stock Exchange
1.5% Notes due February 2018	New York Stock Exchange
4.625% Notes due July 2018	New York Stock Exchange
5.450% Notes due June 2019	New York Stock Exchange
4.375% Notes due March 2021	New York Stock Exchange
2.5% Notes due September 2022	New York Stock Exchange
2.95% Notes due February 2023	New York Stock Exchange
7.875% Notes due February 2030	New York Stock Exchange
6.25% Notes due November 2032	New York Stock Exchange
6.15% Notes due February 2037	New York Stock Exchange
4.375% Notes due February 2043	New York Stock Exchange

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

Table of Contents

Table of Contents

This year s report:

We ve made some big changes to this year s report to give readers a clearer picture of how we re doing and what our plans are.

On pages 90 to 97, you can see we ve combined our financial statements with a commentary explaining the main moving parts.

Elsewhere, we ve expanded our KPI reporting, given more information on directors pay, and embraced a number of new reporting requirements a year early.

We hope you find it useful and informative.

Overview#

2 Financial highlights

4 Maximising our reach

6 An eventful year

8 Adapting in a dynamic market

10 Simple, but thorough

12 Chairman s statement

Business review#

14 Chief Executive s review

18 Key performance indicators

20 Industry trends

22 How we do business

24 Strategy

- 24 **Consumer 2015**
- 28 **Enterprise 2015**
- 30 **Network 2015**
- 32 **Operations 2015**

34 Our people

36 Sustainable business

38 Vodafone Foundation

Performance#

40 Operating results

45 Guidance

46 Principal risk factors and uncertainties

Governance#

51 Chairman s overview

52 Board of directors and Group management

55 Corporate governance

67 Directors remuneration

Financials

83 Contents

84 Directors statement of responsibility#

85 Audit report on internal control over financial reporting

86 Critical accounting estimates

88 Risk mitigation

89 Audit report on the consolidated financial statements

90 Consolidated financial statements and financial commentary

159 This page is intentionally left blank

160 This page is intentionally left blank

Additional information

166 Shareholder information#

174 History and development#

175 Regulation#

179 Non-GAAP information#

182 Form 20-F cross reference guide

185 Forward-looking statements

187 Definition of terms

189 Selected financial data

Exhibit 2.3

Exhibit 4.28

Exhibit 12

Exhibit 13

Exhibit 15.1

Exhibit 15.2

#These sections and pages 91, 93, 95 and 97 make up the directors report.

Table of Contents

04 **Vodafone Group Plc**

Annual Report 2013

Table of Contents

Table of Contents

Chairman s statement

Table of Contents

Chief Executive s review

Chief Executive s review (continued)

4.1m
of our customers are on our new strategic Vodafone Red plans[3], which we first launched in the UK in September 2012.

£6.4bn
our share of VZW profits for the year, which represented 30.5%* year-on-year growth.

Verizon Wireless

VZW continued to trade very well, launching successful new price plans and making further market share gains. Organic service revenue was up 8.1%* and adjusted EBITDA was up 13.6%*. Free cash flow amounted to US$13.2 billion (£8.4 billion), and net debt at 31 March 2013 was US$6.2 billion (£4.1 billion). Our share of VZW s profits for the year amounted to £6.4 billion, up 30.5%* year-on-year.

Vodafone 2015

While the macroeconomic and regulatory environment in Europe presents significant short-term challenges, we see a number of positive developments. We expect smartphone adoption to continue to grow in all markets over the next three years, with mobile applications and low cost smartphone availability increasing in mature and emerging markets alike.

With the broad deployment of high speed data networks, both mobile and fixed, we expect customers appetite for data to increase significantly. At the same time, the evolution of network and IT platforms should enable lower cost and more standardised approaches as we further integrate commercial and technology planning.

As a result, we believe that the long-term prospects for the mobile market are highly attractive for those that make scale, standardisation and the customer data experience fundamental to how they operate. Vodafone 2015 is our strategy to maximise this opportunity.

Consumer 2015

We are adopting a new strategic approach to consumer pricing and bundling in Europe, in order to offer customers greater freedom of usage and, at the same time, stabilise ARPU. We have launched new plans across much of our footprint, branded Vodafone Red in most markets, which incorporate unlimited voice and SMS, and generous data allowances.

As a result, we have radically simplified pricing, giving clear visibility of the cost of ownership and, enabling simplification of IT and billing. We are progressively enhancing the value proposition through the introduction of a number of additional features, including improved access to technical support,

attractive roaming packages, shared data plans, early handset upgrades, storage and back-up in the cloud, and device security, to increase the breadth of service and support ARPU over time.

Already, we have 4.1 million customers on Vodafone Red plans[3] across 14 markets. The customer response has been very positive, with strong net promoter scores. Data usage on Vodafone Red plans is much higher, as is the average return on our commercial investment. As expected, we have seen some ARPU dilution, but at a lower level than planned. We aim to have ten million customers on Vodafone Red plans by March 2014.

We also see an increasing move towards residential unified communications services in some of our European markets. We expect this trend to grow, with cable operators offering MVNO services, and incumbent fixed line providers combining their domestic broadband services with mobile and TV plans. Our goal is to offer unified communications services in our major European markets, accessing next generation fixed line infrastructure through a combination of negotiated wholesale terms, deployment of our own fibre and, potentially, acquisitions. A clear regulatory framework with regard to accessing incumbent fibre infrastructure will be key.

In emerging markets, we aim to build on our success to date to become a clear leader, increasing the value of these markets to the Group through market growth, improving margins, share gains and stronger cash generation. These markets offer very attractive long-term opportunities from sustained GDP growth, the scope for widespread mobile data adoption and the fulfilment of unmet needs such as basic financial services. We aim to maximise these opportunities through superior marketing and distribution, smart data pricing, the development of low-cost smartphones and selective innovation in areas in which we can truly differentiate.

Enterprise 2015

We are strengthening our leading position in enterprise, enhancing our product offering to large and medium-sized businesses and creating a dedicated enterprise operational structure, following the market success of Vodafone Global Enterprise (VGE) and the CWW and TelstraClear acquisitions. Enterprise

now represents 27.3% of Group service revenue and we have over 32 million mobile enterprise customers accounting for around 8% of our total customer base.

VGE, serving our biggest multi-national accounts, will continue to expand its remit, driven by an increasing appetite among customers to consolidate telecoms procurement cross-border and bring mobility into the heart of their business strategies. In unified communications, we continue to develop Vodafone One Net for small- and medium-sized companies, and increasingly provide total communications services to our larger customers through the purchase of CWW. This acquisition will also allow us to develop our product offering in high growth segments, such as cloud and hosting.

In machine-to-machine (M2M), we intend to leverage our new business unit organisation, global technical platform and vertical sector competences to exploit the current wave of adoption of M2M solutions across many industry and service sectors.

Network 2015

Our network strategy continues to focus on supporting higher speed data in both mature and emerging markets, and delivering a consistently excellent data experience to our customers through the widespread deployment of HSPA+, LTE and high capacity backhaul. We expect to continue our consistent level of investment so that Vodafone

customers can be assured of a video-standard data service across our footprint in Europe and we can successfully manage the high growth in data volumes anticipated. We aim to extend our 3G footprint at 43.2 Mbps and LTE coverage across our five major European markets to 80% and 40% respectively by March 2015.

To complement our physical infrastructure investment, we are committed to securing the best portfolio of low frequency spectrum to maintain and improve our strong market positions through the improved customer experience this will offer. During the year, we acquired spectrum in the important 800 MHz band in the UK, the Netherlands, Ireland, Romania and in the 1800 MHz band in India, taking our total spectrum investment to £7.9 billion in the last four years.

Table of Contents

Table of Contents

Table of Contents

Table of Contents

Table of Contents

Table of Contents

Table of Contents

Table of Contents

Table of Contents

Operating results

This section presents our operating performance, providing commentary on how the revenue and the adjusted EBITDA performance of the Group and its operating segments within Northern and Central Europe, Southern Europe, AMAP, and Non-Controlled Interests and Common Functions have developed over the last year. See pages 151 to 155 for commentary on the 2012 compared to the 2011 financial year.

Group[1]

	Northern and Central Europe	Southern Europe	AMAP	Non-Controlled Interests and Common Functions[2]	Eliminations	2013	2012	% change	
	£m	£m	£m	£m	£m	£m	£m	£	Organic
Revenue	20,099	10,522	13,466	481	(123)	44,445	46,417	(4.2)	(1.4)
Service revenue	18,768	9,635	12,345	315	(121)	40,942	42,885	(4.5)	(1.9)
Adjusted EBITDA[3]	5,713	3,483	4,178	(99)		13,275	14,475	(8.3)	(3.1)
Adjusted operating profit	2,081	1,802	1,678	6,399		11,960	11,532	3.7	9.3
Adjustments for:									
Impairment loss						(7,700)	(4,050)		
Other income and expense[4]						468	3,705		
Operating profit						**4,728**	**11,187**		

Notes:

1 Current year results reflect average foreign exchange rates of £1: 1.23 and £1:US$1.58.
2 Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.
3 Operating expenses for the year ended 31 March 2013 included restructuring charges of £310 million (2012: £144 million).
4 Other income and expense for the year ended 31 March 2013 included a £473 million gain on acquisition of CWW. The year ended 31 March 2012 included a £3,419 million gain on disposal of the Group s 44% interest in SFR and a £296 million gain on disposal of the Group s 24.4% interest in Polkomtel.

Revenue

Group revenue fell by -4.2% to £44.4 billion, with service revenue of £40.9 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 Southern Europe, and continued competitive pressures.

In Northern and Central Europe service revenue declined by -0.2%* as growth in Germany and Turkey was offset by increased competition and some macroeconomic pressure in other markets.

In Southern Europe service revenue declined by -11.6%* reflecting severe macroeconomic weakness in our main markets, intense competition and MTR cuts.

In AMAP service revenue increased by 3.9%* with continued growth in all of our markets apart from Australia and New Zealand.

Adjusted EBITDA and profit

Group adjusted EBITDA decreased by -8.3% to £13.3 billion, primarily driven by lower revenue and higher restructuring costs partially offset by operating cost efficiencies.

Adjusted operating profit grew by 3.7%, driven by 31.9% growth in our share of profits of VZW to £6.4 billion, partially offset by lower adjusted EBITDA.

Operating profit decreased by -57.7% to £4.7 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.

Northern and Central Europe

	Germany	UK	Other Northern and Central Europe	Eliminations	Northern and Central Europe	% change	
	£m	£m	£m	£m	£m	£m	Organic
Year ended 31 March 2013							
Revenue	7,857	5,150	7,181	(89)	20,099	2.7	
Service revenue	7,275	4,809	6,773	(89)	18,768	2.8	(0.2)
Adjusted EBITDA	2,735	1,209	1,769		5,713	(3.7)	(2.4)
Adjusted operating profit	1,305	294	482		2,081	(17.7)	(8.1)
Adjusted EBITDA margin	34.8%	23.5%	24.6%		28.4%		
Year ended 31 March 2012							
Revenue	8,233	5,397	6,042	(97)	19,575	3.6	3.7
Service revenue	7,669	4,996	5,695	(95)	18,265	2.2	2.5
Adjusted EBITDA	2,965	1,294	1,675		5,934	2.7	2.1
Adjusted operating profit	1,491	402	637		2,530	2.2	0.8
Adjusted EBITDA margin	36.0%	24.0%	27.7%		30.3%		

Revenue increased by 2.7% including a -4.1 percentage point negative impact from foreign exchange rate movements and a 6.8 percentage point positive impact from M&A and other activity. On an organic basis service revenue declined by -0.2%*, driven by challenging macroeconomic conditions in some markets, increased competition and the impact of MTR cuts, partially offset by continued growth in data revenue. Organic growth in Germany and Turkey was more than offset by declines in all other markets.

Adjusted EBITDA declined by -3.7%, including a -4.3 percentage point negative impact from foreign exchange rate movements and a 3.0 percentage point positive impact from M&A and other activity. On an organic basis adjusted EBITDA decreased by -2.4%*, resulting from a reduction in service revenue in most markets, the impact of restructuring costs, and higher customer investment due to the increased penetration of smartphones.

	Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
Revenue				
Northern and Central Europe		**6.8**	**(4.1)**	**2.7**
Service revenue				
Germany	0.5	(0.1)	(5.5)	(5.1)
UK	(4.0)	0.3		(3.7)
Other Northern and Central Europe	2.2	23.1	(6.4)	18.9
Northern and Central Europe	**(0.2)**	**7.1**	**(4.1)**	**2.8**
Adjusted EBITDA				
Germany	(2.6)	0.2	(5.4)	(7.8)
UK	(6.9)	0.3		(6.6)
Other Northern and Central Europe	1.9	9.8	(6.1)	5.6
Northern and Central Europe	**(2.4)**	**3.0**	**(4.3)**	**(3.7)**
Adjusted operating profit				
Germany	(7.5)	0.3	(5.3)	(12.5)

UK	(27.7)	0.8		(26.9)
Other Northern and Central Europe	4.3	(23.9)	(4.7)	(24.3)
Northern and Central Europe	**(8.1)**	**(5.4)**	**(4.2)**	**(17.7)**

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 188 for further detail.

Germany

Service revenue increased by 0.5%*, driven by a 1.3%* increase in mobile service 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 LTE services continued and was available in 81 cities, with population coverage of 61% at 31 March 2013.

Adjusted EBITDA declined by -2.6%*, with a -1.3* percentage point reduction in adjusted EBITDA margin, driven by higher customer and restructuring costs, partially offset by operating cost efficiencies and a one-off benefit from a legal settlement during Q2.

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 venture 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.

Adjusted EBITDA declined by -6.9%*, with a -0.5* percentage point reduction in adjusted EBITDA margin, driven by higher retention activity and the impact of restructuring costs.

Other Northern and Central Europe[2]

Service revenue increased by 2.2%* as growth in Turkey more than offset declines in the rest of the Other Northern and Central Europe region. 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. Revenue also benefited from enterprise growth and the success of commercial initiatives. In the Netherlands service revenue declined by -2.7%* due to more challenging macroeconomic conditions and lower out-of-bundle usage. CWW contributed £1,234 million of revenue since it was acquired on 27 July 2012.

Adjusted EBITDA increased by 1.9%*, with a -0.3* percentage point reduction in the adjusted EBITDA margin, as margin improvement in Turkey, driven by the increase in scale and cost management, were partially offset by declines in most other markets primarily resulting from lower revenue. Turkey reported positive operating free cash flow for the first time this year.

Note:

2 The results of CWW are included within the reported results from the date of acquisition, however, they are excluded from the organic results. Refer to definitions of terms on page 188 for more details.

Table of Contents

Operating results (continued)

Southern Europe

	Italy	Spain	Other Southern Europe	Eliminations	Southern Europe	% change	
	£m	£m	£m	£m	£m	£m	Organic
Year ended 31 March 2013							
Revenue	4,755	3,904	1,883	(20)	10,522	(16.0)	(10.8)
Service revenue	4,380	3,629	1,644	(18)	9,635	(16.7)	(11.6)
Adjusted EBITDA	1,908	942	633		3,483	(21.5)	(16.4)
Adjusted operating profit	1,163	342	297		1,802	(32.3)	(27.5)
Adjusted EBITDA margin	40.1%	24.1%	33.6%		33.1%		
Year ended 31 March 2012							
Revenue	5,658	4,763	2,128	(27)	12,522	(3.9)	(5.4)
Service revenue	5,329	4,357	1,904	(25)	11,565	(4.7)	(6.2)
Adjusted EBITDA	2,514	1,193	731		4,438	(11.0)	(12.5)
Adjusted operating profit	1,735	566	359		2,660	(16.8)	(18.2)
Adjusted EBITDA margin	44.4%	25.0%	34.4%		35.4%		

Revenue decreased by -16.0% including a -5.0 percentage point impact from adverse foreign exchange rate movements. On an organic basis service revenue declined by -11.6%*, driven by the impact of MTR cuts, severe macroeconomic weakness and intense competition, partially offset by growth in data revenue. Revenue declined in all of the major markets in the region.

Adjusted EBITDA declined by -21.5%, including a -4.9 percentage point impact from adverse foreign exchange rate movements. On an organic basis adjusted EBITDA decreased by -16.4%*, resulting from a reduction in service revenue in most markets and the impact of restructuring costs, partially offset by a reduction in operating costs.

Organic change %	Other activity[1] pps	Foreign exchange pps	Reported change %
(10.8)	**(0.2)**	**(5.0)**	**(16.0)**

Revenue
Southern Europe

Service revenue				
Italy	(12.8)	(0.1)	(4.9)	(17.8)
Spain	(11.5)	(0.2)	(5.0)	(16.7)
Other Southern Europe	(8.2)	(0.4)	(5.1)	(13.7)
Southern Europe	**(11.6)**	**(0.1)**	**(5.0)**	**(16.7)**
Adjusted EBITDA				
Italy	(19.5)		(4.6)	(24.1)
Spain	(15.4)	(0.6)	(5.0)	(21.0)
Other Southern Europe	(7.1)	(0.4)	(5.9)	(13.4)
Southern Europe	**(16.4)**	**(0.2)**	**(4.9)**	**(21.5)**
Adjusted operating profit				
Italy	(28.7)	(0.1)	(4.2)	(33.0)
Spain	(34.3)	(0.9)	(4.4)	(39.6)
Other Southern Europe	(10.4)	(0.9)	(6.0)	(17.3)
Southern Europe	**(27.5)**	**(0.3)**	**(4.5)**	**(32.3)**

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 188 for further detail.

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.

LTE commercial services were launched in October 2012 and were available in 21 cities at 31 March 2013.

Adjusted EBITDA declined by -19.5%*, with a -4.3* percentage point fall in the adjusted 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.

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.

Adjusted EBITDA declined by -15.4%*, with a -0.7* percentage point reduction in adjusted EBITDA margin, primarily driven by lower revenue and the impact of restructuring costs offset by commercial and operating cost efficiencies. The adjusted EBITDA margin stabilised in H2, benefiting from lower operating and commercial costs.

Other Southern Europe

Service revenue declined by -8.2%*, driven by declines in Greece and Portugal, which more than offset growth in Albania and Malta. Macroeconomic weakness and intense competition resulted in service revenue declines of -13.4%* and -8.2%* in Greece and Portugal, respectively. Greece and Portugal were also impacted by an MTR cut.

Adjusted EBITDA declined by -7.1%*, with a -0.4* percentage point reduction in adjusted EBITDA margin, primarily driven by lower service revenue, partially offset by operating cost efficiencies.

Africa, Middle East and Asia Pacific

	India	Vodacom	Other AMAP	Eliminations	AMAP	% change	
	£m	£m	£m	£m	£m	£m	Organic
Year ended 31 March 2013							
Revenue	4,324	5,206	3,937	(1)	13,466	(2.9)	4.3
Service revenue	4,292	4,420	3,634	(1)	12,345	(3.2)	3.9
Adjusted EBITDA	1,240	1,891	1,047		4,178	1.5	10.3
Adjusted operating profit	221	1,196	261		1,678	14.0	26.7
Adjusted EBITDA margin	28.7%	36.3%	26.6%		31.0%		
Year ended 31 March 2012							
Revenue	4,265	5,638	3,965		13,868	4.2	8.4
Service revenue	4,215	4,908	3,628		12,751	3.7	8.0
Adjusted EBITDA	1,122	1,930	1,063		4,115	2.9	7.8
Adjusted operating profit	60	1,084	328		1,472	15.7	22.4
Adjusted EBITDA margin	26.3%	34.2%	26.8%		29.7%		

Revenue declined by -2.9% including a -8.2 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 3.9%* 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, Egypt, Ghana and Qatar, offset by service revenue declines in Australia and New Zealand.

Adjusted EBITDA increased by 1.5% after a -9.4 percentage point adverse impact from foreign exchange rate movements. On an organic basis, adjusted EBITDA grew by 10.3%* driven primarily by strong growth in India, Vodacom and Egypt as well as improved contributions from Ghana and Qatar, offset in part by declines in Australia and New Zealand.

	Organic change %	Foreign exchange pps	Reported change %

		Other activity[1] pps		
Revenue AMAP	**4.3**	**1.0**	**(8.2)**	**(2.9)**
Service revenue				
India	10.7	3.8	(12.7)	1.8
Vodacom	3.0	(3.2)	(9.7)	(9.9)
Other AMAP	(2.1)	3.8	(1.5)	0.2
AMAP	**3.9**	**1.1**	**(8.2)**	**(3.2)**
Adjusted EBITDA				
India	24.0	(0.1)	(13.4)	10.5
Vodacom	10.3		(12.3)	(2.0)
Other AMAP	(2.6)	2.0	(0.9)	(1.5)
AMAP	**10.3**	**0.6**	**(9.4)**	**1.5**
Adjusted operating profit				
India	291.1	(3.4)	(19.4)	268.3
Vodacom	24.8	0.3	(14.8)	10.3
Other AMAP	(12.5)	(9.2)	1.3	(20.4)
AMAP	**26.7**	**(2.1)**	**(10.6)**	**14.0**

Note:

1 Other activity includes the impact of M&A activity, the revision to intra-group roaming charges from 1 October 2011 and the impact of Indus Towers revising its accounting for energy cost recharges. Refer to Organic growth on page 188 for further detail.

India

Service revenue grew by 10.7%* 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.

Adjusted EBITDA grew by 24.0%*, with a 3.3* percentage point increase in adjusted 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 3.0%* 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 23.3%*, 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.

Operating results (continued)

Adjusted EBITDA grew by 10.3%*, with a 1.6* percentage point increase in adjusted 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 decreased by -2.1%* with growth in Egypt, Ghana and Qatar more than offset by revenue declines in Australia and New Zealand. 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 24.2%*.

Adjusted EBITDA declined by -2.6%*, with adjusted EBITDA margin remaining stable, with the impact of service revenue declines in Australia and New Zealand offsetting growth in Egypt, Qatar and Ghana.

Non-Controlled Interests

Verizon Wireless[1 2 3]

	2013	2012	% change	
	£m	£m	£	Organic
Service revenue	19,697	18,039	9.2	8.1
Revenue	21,972	20,187	8.8	7.8
Adjusted 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	6,422	4,867	31.9	30.5

In the US VZW reported 5.9 million net mobile retail connection 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 ARPA[4] growth from increased smartphone penetration and a higher number of connections per account.

Adjusted 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 billion[5] (2012: US$6.4 billion[5]). 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 US state taxes which are levied on the partnership. The tax attributable to the Group s share of the partnership s pre-tax profit is included within the Group tax charge.
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.

References to Q2 are to the quarter ended 30 September 2012, references to the Q3 or previous quarter are to the quarter ended 31 December 2013, and references to Q4 and fourth quarter are to the quarter ended 31 March 2013 unless otherwise stated. References to the first half of the year are to the six months ended 30 September 2012 and references to H2 or the second half of the year are to the six months ended 31 March 2013 unless otherwise stated. References to the year or financial year are to the financial year ended 31 March 2013, references to the prior financial year are to the financial year ended 31 March 2012, and references to the new financial year and coming year are to the financial year ended 31 March 2014 unless otherwise stated. References to the 2012 financial year , 2013 financial year , the 2014 financial year , the 2015 financial year , and the 2016 financial year are to the financial years ended/ending 31 March 2012, 2013, 2014, 2015 and 2016, respectively.

Section 219 SEC filings of interest

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

Roaming and interconnect

Vodafone has, via certain of its non-US subsidiaries, wholesale roaming and interconnect arrangements with mobile and fixed line operators in Iran. Roaming and interconnect arrangements are standard practice for global telecommunications companies and provide Vodafone s customers with the ability to make and receive calls in or to over 190 countries, including Iran. Vodafone also provides telecommunications services to certain national embassies located within Iran and to certain embassies of Iran located elsewhere in the world.

Vodafone has, or has had, relationships with the following telecommunications operators in Iran in connection with such roaming and interconnect arrangements, some of which it believes are or may be government controlled entities:

Gostaresh Ertebatat Taliya; Irancell Telecommunications Services Company; Mobile Telecommunication Company of Iran; Rafsanjan Industrial Complex (Coop); Rightel Communication Services Company; Telecommunication Company of Iran; Telecommunication Kish Company; and Telecommunication Infrastructure Company of Iran.

As well as benefiting its customers, Vodafone s roaming and interconnect arrangements with operators in Iran, and provision of its telecommunications services to national embassies located within, or belonging to, Iran, provide clear benefits for Iranian civil society, as well as for certain groups working in Iran, such as diplomats, journalists and non-governmental organisations. Without these services, lines of communication between Iran and the rest of the world would be reduced, and consequently the flow of information out of and into Iran would suffer. As such, Vodafone intends to continue supporting these services, subject to relevant legal restrictions and business considerations.

The approximate total gross revenues attributable to the arrangements mentioned above for the financial year ended 31 March 2013 were GBP 4,069,000[1]

Net profit did not exceed the gross revenues related to these arrangements.

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

From 2010 VGE, a Vodafone division which serves multi-national corporate customers, provided DHL with a managed Multi-Protocol Label Switching (MPLS) data network in a total of 67 countries across Eastern Europe, Africa and the Middle East. MPLS is a mechanism in high-performance telecommunications networks which directs and carries data from one network node to the next. VGE s role in relation to the Iranian element of the contract (one DHL site in Iran) comprised of covering the cost of telecommunications services in, and linking into, Iran, which had been contracted by DHL through regional operators. On 31 January 2013, Vodafone terminated all telecommunications commitments towards DHL in respect of Iran under this contract.

Guidance

The gross revenues attributable to managed service provision in Iran under this contract for the financial year ended 31 March 2013 were GBP 118,050[1].

Net profit did not exceed the gross revenues related to this contract.

EPEG Project

On 27 July 2012, Vodafone acquired Cable & Wireless Worldwide Plc (CWW), which (through a subsidiary) is member of a consortium made up of Telecommunication Infrastructure Company of Iran (TIC) (an entity controlled by the government of Iran), Rostelecom and Omantel that is building a high speed cable network from a landing point in Barka, Oman, to Frankfurt, Germany (the EPEG Cable). The EPEG Cable comprises a submarine cable system between Oman and Iran, interconnected to terrestrial cable systems transiting Iran, Azerbaijan, Russia, Ukraine, Hungary, Slovakia, Austria, and the Czech Republic, terminating in Germany. Each member of the consortium is responsible for funding, building and maintaining its section of the cable, with CWW owning and being responsible for the segment from the Ukrainian border with Russia to Frankfurt, Germany.

The key driver for this system is the need in the global telecommunications market for a high capacity, low latency link from the Middle East and India, separate to existing cable routes through Egypt. All current submarine cable systems from the Middle East and India to Europe go through the Suez Canal, and any political or environmental instability affecting those cable systems could potentially cause major disruption, hence the need to create an alternative to this vitally important global telecommunications route.

As part of the project, up until March 2013 CWW acted as central billing party for the construction of the submarine cable system between Iran and Oman. CWW has agreed to act as the central billing party for the EPEG Cable, which will involve managing payments to and from third parties on behalf of all the consortium members, including TIC. It is currently anticipated that CWW s role as the central billing party in the project will be ongoing. This project has not reached commercial launch yet; consequently there are no revenues or profits associated with the project.

Intellectual Property

Vodafone, through one of its subsidiaries, also makes some insignificant payments to Iran in order to register certain domain names, register and renew certain trade marks, and protect its brand globally. Vodafone pays annual registration fees of approximately £60 to £72 to the IRNIC (the Domain Registry at the Institute for Studies in Theoretical Physics and Mathematics) per domain name for the registration of three domain names. Vodafone did not make any payments to Iran in order to register or renew any of its trade marks during the fiscal year ended 31 March 2013. Vodafone intends to continue to make such payments as are necessary to maintain registration of these domain

names and trade marks, and to protect its global brand. There are no revenues or profits associated with Vodafone s annual domain name registrations in Iran.

Note:

1 Approximate unaudited figures.

Please see page 179 for Use of non-GAAP financial information , page 187 for Definition of terms and page 185 for Forward-looking statements .

Performance against 2013 financial year guidance

Based on guidance foreign exchange rates[1], and excluding M&A and restructuring costs, our adjusted operating profit for the 2013 financial year was £12.3 billion, above the £11.1 billion to £11.9 billion range set in May 2012.

On the same basis our free cash flow was £5.8 billion, at the top of the range of £5.3 billion to £5.8 billion.

2014 financial year guidance[2]

	Adjusted operating profit £bn	Free cash flow £bn
2014 financial year guidance	12.0 12.8	Around 7.0

We expect adjusted operating profit to be in the range of £12.0 billion to £12.8 billion. We expect free cash flow to be around £7.0 billion, including the £2.1 billion VZW dividend due in June 2013. We expect capex to remain broadly steady on a constant currency basis.

We expect the Group adjusted EBITDA margin, excluding M&A and restructuring costs, to decline slightly year-on-year, reflecting the ongoing weak macroeconomic environment in Europe.

Dividend policy

After over 22% growth in the ordinary dividend per share over the last three years, the Board is focused on continuing to balance the long-term needs of the business with ongoing shareholder remuneration, and going forward aims at least to maintain the ordinary dividend per share at current levels.

Assumptions

We have based guidance for the 2014 financial year on our current assessment of the global macroeconomic outlook and assume foreign exchange rates of £1: 1.17 and £1:US$1.52. It excludes the impact of licences and spectrum purchases, additional income dividends from VZW, material one-off tax-related payments, restructuring costs and any fundamental structural change to the eurozone. It also assumes no material change to the current structure of the Group.

Actual foreign exchange rates may vary from the foreign exchange rate assumptions used. A 1% change in the euro to sterling exchange rate would impact adjusted operating profit by £30 million and free cash flow by approximately £20 million. A 1% change in the dollar to sterling exchange rate would impact adjusted operating profit by approximately £70 million.

Notes:

1 Guidance foreign exchange rates for the year ended 31 March 2013 were £1: 1.23 and £1:US$1.62.
2 For consistency with the basis of presentation of joint ventures in previous years, guidance does not take into account the impact on the Group s financial results of adopting IFRS 11, Joint Arrangements, for the year ending 31 March 2014.

Principal risk factors and uncertainties

Identifying and managing our risks

We have a clear framework for identifying and managing risk, both at an operational and strategic level. Our risk identification and mitigation processes have been designed to be responsive to the ever changing environments in which we operate.

The Group s key risks are outlined below:

1. Our business could be adversely affected by a failure or significant interruption to our telecommunications networks or IT systems.

Risk: We are dependent on the continued operation of telecommunications networks. As the importance of mobile and fixed communication in everyday life increases, as well as during times of crisis, organisations and individuals look to us to maintain service. Major failures in the network or our IT systems may result in service being interrupted resulting in serious damage to our reputation and consequential customer and revenue loss.

There is a risk that an attack on our infrastructure by a malicious individual or group could be successful and impact the availability of critical systems. Our network is also susceptible to interruption due to a physical attack and theft of our network components as the value and market for network components increases (for example copper, batteries, generators and fuel).

2. We could suffer loss of consumer confidence and/or legal action due to a failure to protect our customer information.

Risk: Mobile networks carry and store large volumes of confidential personal and business voice traffic and data. We host increasing quantities and types of customer data in both enterprise and consumer segments. We need to ensure our service environments are sufficiently secure to protect us from loss or corruption of customer information. Failure to protect adequately customer information could have a material adverse effect on our reputation and may lead to legal action against the Group.

3. Increased competition may reduce our market share and profitability.

Risk: We face intensifying competition where all operators are looking to secure a share of the potential customer base. Competition could lead to a reduction in the rate at which we add new customers, a decrease in the size of our market share and a decline in our average revenue per customer, if customers choose to receive telecommunications services or other competing services from alternate providers. Competition can also lead to an increase in customer acquisition and retention costs. The focus of competition in many of our markets has shifted from acquiring new customers to retaining existing customers, as the market for mobile telecommunications has become increasingly mature.

4. Regulatory decisions and changes in the regulatory environment could adversely affect our business.

Risk: We have ventures in both emerging and mature markets, spanning a broad geographical area including Europe, Africa, Middle East, Asia Pacific and the US. We need to comply with an extensive range of requirements that regulate and supervise the licensing, construction and operation of our telecommunications networks and services. Pressure on political and regulatory institutions both to deliver direct consumer benefit and protect consumers interests, particularly in recessionary periods, can lead to adverse impacts on our business. Financial pressures on smaller competitors can drive them to call for regulators to protect them. Increased financial pressures on governments may lead them to target foreign investors for further taxes or licence fees.

5. Our existing service offerings could become disadvantaged as compared to those offered by converged competitors or other technology providers.

Risk: In a number of markets we face competition from providers who have the ability to sell converged services (combinations of fixed line, broadband, public Wi-Fi, TV and mobile) on their existing infrastructure which we cannot either replicate or provide at a similar price point. Additionally, the combination of services may allow competitors to subsidise the mobile component of their offering. This could lead to an erosion of our customer base and reduce the demand for our core services and impact our future profitability.

Advances in smartphone technology places more focus on applications, operating systems, and devices rather than the underlying services provided by mobile operators. The development of applications which make use of the internet as a substitute for some of our more traditional services, such as messaging and voice, could erode revenue. Reduced demand for our core services of voice, messaging and data and the development of services by application developers, operating system providers, and handset suppliers could significantly impact our future profitability.

6. Severely deteriorating economic conditions could impact one or more of our markets.

Risk: Economic conditions in many of the markets where we operate, especially in Europe, continue to deteriorate or stagnate. These conditions, combined with the impact of austerity measures, result in lower levels of disposable income and may result in significantly lower revenue as customers give up their mobile devices or move to cheaper tariffs.

There is also a possibility of one or more countries exiting the eurozone, causing currency devaluation in certain countries and possibly leading to a reduction in our revenue and impairment of our financial and non-financial assets. This may also lead to further adverse economic impacts elsewhere.

7. Our business may be impacted by actual or perceived health risks associated with the transmission of radio waves from mobile telephones, transmitters and associated equipment.

Risk: Concerns have been expressed that the electromagnetic signals emitted by mobile telephone handsets and base stations may pose health risks. We are not aware that such health risks have been substantiated, however, in the event of a major scientific finding supporting this view this might result in prohibitive legislation being introduced by governments (or the European Union), a major reduction in mobile phone usage (especially by children), a requirement to move base station sites, significant difficulty renewing or acquiring site leases, and/or major litigation. An inadequate response to electromagnetic fields (EMF) issues may result in loss of confidence in the industry and Vodafone.

8. Failure to deliver enterprise service offerings may adversely affect our business.

Risk: By expanding our enterprise service offerings through the growth of Vodafone Global Enterprise, the acquisitions of CWW and TelstraClear, and the establishment of cloud, hosting and international carrier services, the Group increasingly provides fixed and mobile communication services to organisations that may provide vital national services. These organisations rely on our networks and systems 24 hours a day, 365 days a year to deliver their

products and services to their customers. A failure to build and maintain our infrastructure to the required levels of resilience for enterprise customers and to deliver to our contracted service level agreements may result in a costly business impact and cause serious damage to our reputation.

Principal risk factors and uncertainties (continued)

9. We depend on a number of key suppliers to operate our business.

Risk: We depend on a limited number of suppliers for strategically important network and IT infrastructure and associated support services to operate and upgrade our networks and provide key services to our customers. Our operations could be adversely impacted by the failure of a key supplier who could no longer support our existing infrastructure, by a key supplier commercially exploiting their position in a product area following the corporate failures of/the withdrawal from a specific market by competitors, or by major suppliers significantly increasing prices on long-term programmes where the cost or technical feasibility of switching supplier becomes a significant barrier.

10. We may not satisfactorily resolve major tax disputes.

Risk: We operate in many jurisdictions around the world and from time to time have disputes on the amount of tax due. In particular, in spite of the positive India Supreme Court decision relating to an ongoing tax case in India, the Indian government has introduced retrospective tax legislation which would in effect overturn the court s decision and has raised challenges around the pricing of capital transactions. Such or similar types of action in other jurisdictions, including changes in local or international tax rules or new challenges by tax authorities, may expose us to significant additional tax liabilities which would affect the results of the business.

11. Changes in assumptions underlying the carrying value of certain Group assets could result in impairment.

Risk: Due to the substantial carrying value of goodwill under International Financial Reporting Standards, revisions to the assumptions used in assessing its recoverability, including discount rates, estimated future cash flows or anticipated changes in operations, could lead to the impairment of certain Group assets. While impairment does not impact reported cash flows, it does result in a non-cash charge in the consolidated income statement and thus no assurance can be given that any future impairments would not affect our reported distributable reserves and, therefore, our ability to make dividend distributions to our shareholders or repurchase our shares.

Eurozone

The Group continues to face currency, operational and financial risks as a result from the challenging economic conditions in the eurozone and the potential exit of one or more countries from the euro. We continue to keep our policies and procedures under review to endeavour to minimise the Group s economic exposure and to preserve our ability to operate in a range of potential conditions that may exist in the event of one or more of these future events.

Our ability to manage these risks needs to take appropriate account of our needs to deliver a high quality service to our customers, meet licence obligations and the significant capital investments we may have made and may need to continue to make in the markets most impacted.

Currency related risks

While our share price is denominated in sterling, the majority of our financial results are generated in other currencies. As a result the Group s operating profit is sensitive to either a relative strengthening or weakening of the major currencies in which we transact.

The Operating results section of the annual report on pages 40 to 44 sets out a discussion and analysis of the relative contributions from each of our three regions and the major geographical markets within each, to the Group s service revenue and adjusted EBITDA performance. Our markets in Greece, Ireland, Italy, Portugal and Spain continue to be the most directly impacted by the current market conditions and in order of contribution represent 14% (Italy), 7% (Spain), 3% (Portugal) and 3% (Ireland and Greece combined) of the Group s adjusted EBITDA for the year ended 31 March 2013. An average 3% decline in the sterling equivalent of these combined geographical markets due to currency revaluation would reduce the Group s adjusted EBITDA by approximately £0.1 billion. Our foreign currency earnings are diversified through our 45% equity interest in VZW, which operates in the US and generates its earnings in US dollars. VZW, which is equity accounted, contributed 54% of the Group s adjusted operating profit for the year ended 31 March 2013.

We employ a number of mechanisms to manage elements of exchange rate risk at a transaction, translation and economic level. At the transaction level our policies require foreign exchange risks on transactions denominated in other currencies above certain de minimis levels to be hedged. Further, since the Company s sterling share price represents the value of its future multi-currency cash flows, principally in euro, US dollars and sterling, we aim to align the currency of our debt and interest charges in proportion to our expected future principal multi-currency cash flows, thereby providing an economic hedge in terms of reduced volatility in the sterling equivalent value of the Group and a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies.

In the event of a country s exit from the eurozone, this may necessitate changes in one or more of our entities functional currency and potentially higher volatility of those entities trading results when translated into sterling, potentially adding further currency risk.

A summary of this sensitivity of our operating results and our foreign exchange risk management policies is set out within Financial risk management Market risk Foreign exchange management within note A6 to the consolidated financial statements.

Operational risk

The significant areas of operational risk for the Group are investment risk, particularly in relation to the management of the counterparties holding our cash and liquid investments; trading risks primarily in relation to procurement and related contractual matters; and business continuity risks focused on cash management in the event of disruption to banking systems.

Financial/investment risk: We remain focused on counterparty risk management and in particular the protection and availability of cash deposits and investments. We carefully manage counterparty limits with financial institutions holding the Group s liquid investments and maintain a significant proportion of liquid investments in sterling and US dollar denominated holdings. Our policies require cash sweep arrangements, to ensure no operating company has more than 5 million on deposit on any one day. Further, we have had collateral support agreements in place for a number of years, with a significant number of counterparties, to pass collateral to the Group under certain circumstances. We have a net £1,151 million of collateral assets in our statement of financial position at 31 March 2013. See Financial risk management Credit risk in note A6 to the consolidated financial statements for further information.

Trading risks: We continue to monitor and assess the structure of certain procurement contracts to place the Group in a better position in the event of the exit of a country from the eurozone.

Business continuity risks: Key business continuity priorities are focused on planning to facilitate migration to a more cash-based business model in the event banking systems are frozen, developing dual currency capability in contract customer billing systems or ensuring the ability to move these contract customers to prepaid methods of billing, and the consequential impacts to tariff structures. We also have in place contingency plans with key suppliers that would assist us to continue to support our network infrastructure, retail operations and employees.

We continue to maintain appropriate levels of cash and short-term investments in many currencies, with a carefully controlled group of counterparties, to minimise the risks to the ongoing access to that liquidity and therefore our ability to settle debts as they become due. See Financial risk management Liquidity risk in note A6 to the consolidated financial statements for more information.

Risk of change in carrying amount of assets and liabilities

The main potential short-term financial statement impact of the current economic uncertainties is the potential impairment of non-financial and financial assets.

We have significant amounts of goodwill, other intangible assets and plant, property and equipment allocated to, or held by, companies operating in the eurozone.

We have performed impairment testing for each country in Europe as at 31 March 2013 and identified aggregate impairment charges of £7.7 billion in relation to Vodafone Italy and Spain. See note 12 to the consolidated financial statements for further detail on this exercise, together with the sensitivity of the results to reasonably possible adverse assumptions.

Our operating companies in Italy, Ireland, Greece, Portugal and Spain have billed and unbilled trade receivables totalling £1.9 billion. IFRS contains specific requirements for impairment assessments of financial assets. We have a range of credit exposures and provisions for doubtful debts that are generally made by reference to consistently applied methodologies overlaid with judgements determined on a case-by-case basis reflecting the specific facts and circumstances of the receivable. See Financial risk management Credit risk in note A6 to the consolidated financial statements for detailed disclosures on provisions against loans and receivables as well as disclosures about any loans and receivables that are past due at the end of the period, concentrations of risk and credit risk more generally.

Table of Contents

Chairman s overview

Effective corporate governance is an essential prerequisite to sustainable business performance. Companies that operate with integrity at all times will maintain the trust of their investors, customers and other important stakeholders.

Dear Shareholder

At Vodafone, we seek to create a working culture in which honesty, openness and fairness are valued and reinforced at all levels of the organisation, underpinned by a simple, clear and consistently applied governance framework.

The Board has overall responsibility for the manner in which your Company runs its affairs. How Vodafone achieves its goals matters: stakeholders rightly expect the highest standards of corporate behaviour in all our activities. Everyone is expected to work in the Vodafone Way and to follow our Code of Conduct, the details of which we explain on page 66. Central to this is the Company s compliance function which is embedded within each of our local businesses and which has senior executive leadership at Group level and has regular and direct interaction with your Board.

To be effective, the Board must have a full understanding of the complexities of our sector, and in its composition it must also reflect the diversity of the societies within which Vodafone operates. The directors are drawn from seven different nationalities. Each director has extensive experience of emerging markets and international businesses and the majority of them have deep knowledge of the technology and data management sectors. The recent appointments of Omid Kordestani and, in 2011, Renee James, exemplify your Board s forward-looking approach to maintain a high level of informed scrutiny, challenge and guidance as Vodafone s strategy continues to evolve. My medium-term ambition for the composition of the Board is to bring in further marketing expertise. For further details, please see the directors biographies on page 52.

Gender is an important aspect of boardroom diversity. Vodafone supports the principles outlined in Lord Davies report, Women on boards , in February 2011 and aspires to have a minimum of 25% female representation on your Board by 2015. With the departure of Sir John Buchanan and Michel Combes from the Board and the appointment of Omid Kordestani, that proportion currently stands at 15%. Over the coming year and as opportunities to appoint arise,

we will continue to seek candidates who have both the appropriate skills and who will help achieve the Board s gender diversity aspiration.

No board can be effective over the long-term if it remains static in its thinking and passive in the face of rapid changes within both the Company and the wider industry. Your Board regularly seeks an external evaluation of its own effectiveness. In the spring of 2013, Ffion Hague of Independent Board Evaluation interviewed the directors and senior executives as part of a comprehensive review of the Board s performance. Mrs Hague s findings are summarised on page 58.

In common with many businesses, Vodafone is operating under tough economic conditions in most of our markets. Measures to preserve the value of the Company s core assets will be a critical priority for the Board, as will further development of strategies to deliver growth over the years ahead. Doing so will require a combination of careful stewardship underpinned by rigorous risk management processes and agile decision-making to capture opportunities to create value for shareholders. I am confident that your Board is well-equipped to deliver against that mandate.

/s/ Gerard Kleisterlee

Gerard Kleisterlee

Chairman

21 May 2013

Compliance with the UK Corporate Governance Code

Throughout the year ended 31 March 2013 and to the date of this document, we complied with the code provisions and applied the main principles of the UK Corporate Governance Code (the Code). The FRC has issued a revised version of the Code which applies to financial years commencing on or after 1 October 2012. We will report on it for the first time in our 2014 financial year and intend to be in compliance. The Code can be found on the FRC website (frc.org.uk). We describe how we have applied those main principles in this section of the annual report which includes our statement of internal control and risk management, together with the Directors remuneration section on pages 67 to 82.

Corporate governance statement

We comply with the corporate governance statement requirements pursuant to the FCA s Disclosure and Transparency Rules by virtue of the information included in this Governance section of the annual report together with information contained in the Shareholder information section on pages 166 to 173.

Board of directors and Group management

Directors and senior management

Our business is managed by our Board of directors (the Board). Biographical details of the directors and senior management as at 21 May 2013 are as follows (with further information available at vodafone.com/investor):

Gerard Kleisterlee

Chairman

Age: 66

Tenure: 2 years

Nationality: Dutch

Skills and experience:

g Deep knowledge of consumer electronics, technology, healthcare and lifestyle sectors

g Wealth of experience operating in developed and emerging markets

g Koninklijke Philips Electronics N.V. President/Chief Executive Officer and Chairman of Board of Management (2001 2011)

g Career with Philips spanning over 30 years

Other current appointments:

g Daimler AG Supervisory Board member

g Dell Board member

g Royal Dutch Shell Non-executive director and Audit

Vittorio Colao

Chief Executive

Executive director

Age: 51

Tenure: 6 years

Nationality: Italian

Skills and experience:

g Over 20 years experience working in the telecoms sector

g Vodafone Group Plc Chief Executive Europe (2006 2008)

g RCS MediaGroup Chief Executive (2004 2006)

g Vodafone Group Plc Regional Chief Executive Officer, Southern Europe (role later expanded to include Middle East and Africa regions) (2001 2004)

g Omnitel Pronto Italia S.p.A. (became Vodafone Italy) appointed Chief Executive in 1999 (1996 2004)

g McKinsey & Company (1986 1996)

Committee member

Board Committees:

- Nominations and Governance (Chairman)

Other current appointments:

- Bocconi University, Italy International Advisory Board member
- European Round Table of Industrialists Steering Committee member
- McKinsey & Company Advisory Board member
- Oxford Martin School Advisory Council member

Board Committees:

- None

Andy Halford

Chief Financial Officer Executive director

Age: 54

Tenure: 7 years

Nationality: British

Skills and experience:

- Extensive experience as a finance director of UK, US and multinational companies
- The Hundred Group of Finance Directors Chairman (2010 2012)
- Verizon Wireless partnership Chief Financial Officer (2002 2005)
- Vodafone Group Plc Financial Director for Northern Europe, Middle East and Africa region (2001 2002)
- Vodafone Limited (UK operating company) Financial Director (1999 2001)
- East Midlands Electricity Plc Group Finance Director (1993 1998)

Stephen Pusey

Chief Technology Officer Executive director

Age: 51

Tenure: 3 years

Nationality: British

Skills and experience:

- Wealth of international experience across wireline and wireless industries
- Extensive understanding of business applications and solutions
- Nortel Networks Corporation various positions over period of 23 years, including Executive Vice President and President of EMEA region (2001 2005)
- British Telecom (1977 1982)

Other current appointments:

- Verizon Wireless partnership Board of Representatives member

Other current appointments:

g Marks & Spencer Group plc Non-executive director

g Verizon Wireless partnership Board of Representatives member

Board Committees:

g None

Board Committees:

g None

Renee James

Non-executive director

Age: 48

Tenure: 2 years

Nationality: American

Skills and experience:

g Deep knowledge of the high-tech sector

g Wide ranging experience of international management

g Intel Corporation Executive Vice President and General Manager of the Software and Services Group (2012 2013)

g Intel Corporation Senior Vice President (2010 2012)

g Intel Corporation Vice President (2005 2010)

g Intel Software and Services Group General Manager (2005 2010)

g Intel s Microsoft Program Office Vice President and General Manager (2000 2005)

g Intel Online Services (Intel s datacenter business) Director and Chief Operating Officer (1998 2000)

Alan Jebson

Non-executive director

Age: 63

Tenure: 6 years

Nationality: British

Skills and experience:

g Senior leader in international business

g Knowledge of international IT systems

g MacDonald, Dettwiler and Associates (Canada) Non-executive director (2006 2012)

g HSBC Holdings plc Group Chief Operating Officer (2003 2006); Group Chief Information Officer (1997 2003)

g Saudi British Bank Senior Manager, Planning and Operations (1984 1987)

g HSBC Holdings plc Head of IT Audit (1978 1984)

Other current appointments:

g Experian plc Non-executive director

Other current appointments:

- Intel Corporation President
- Software subsidiaries of Intel Corporation: Havok Inc., Wind River Systems Inc. and McAfee, Inc. Chairman
- VMware Inc Independent director on Board of directors and Audit Committee member

Board Committees:

- Remuneration

Board Committees:

- Audit and Risk

Samuel Jonah

Non-executive director

Age: 63

Tenure: 4 years

Nationality: Ghanaian

Skills and experience:

- Widespread experience of business in Africa, particularly South Africa and Ghana
- Standard Bank of South Africa Non executive Director (2006 2012)
- Advisor to the former Presidents of Ghana (2001 2009) and South Africa (1999 2008)
- Awarded a Lifetime Award by the Commonwealth Business Council and African Business Magazine (2006)
- Awarded the Companion of the Order of the Star (Ghana s highest national award) (2006)

Omid Kordestani

Non-executive director

Age: 49

Tenure: <1 year

Nationality: American

Skills and experience:

- Innovator in the technology industry
- Commercial leader
- Google Senior Vice President Sales and Business Development (1999 2009)
- Netscape Communications Vice President of Business Development (1997 1999)
- Netscape Communications Director of OEM Sales (1995 1997)
- The 3DO Company Director of Product Management (1993 1995)
- GO Corporation Director of Business Development (1991 1993)

- Honorary Knighthood awarded (2003)
- AngloGold Ashanti Ltd Executive President (2002 2005)
- Lonmin Plc. Director (1992 2004)
- Ashanti Goldfields Co Ltd Chief Executive Officer (1986 2002)
- Advisory Council of the President of the African Development Bank Member (1990 1992)

Other current appointments:

- Advisor to the Presidents of Togo and Nigeria
- Imara Energy Corp. Chairman
- Iron Mineral Benefeciation Services Non-executive Deputy Chairman
- Jonah Capital (Pty) Limited Executive Chairman
- Range Resources Limited Non-executive Chairman
- Metropolitan Insurance Company Limited Chairman
- The Investment Climate Facility Trustee/Member of Trustee Board

Board Committees:

- Remuneration

- Hewlett-Packard Product Marketing Manager (1984 1989)

Other current appointments:

- Google Senior Advisor to the Office of CEO/Founders

Board Committees:

- None

Nick Land

Non-executive director

Age: 65

Tenure: 6 years

Nationality: British

Skills and experience:

- Financial expert with extensive international experience
- Retired from Ernst & Young in 2006 after a career spanning 36 years
- Ernst & Young Chairman (1995 2006); Managing Partner of North European, Middle East, India and Africa region (1999 2006)

Other current appointments:

- Alliance Boots GmbH Non-executive director
- Alsbridge plc Advisory Board member
- Ashmore Group plc Non-executive director
- BBA Aviation plc Non-executive director
- Farnham Castle Chairman of the Board of

Anne Lauvergeon

Non-executive director

Age: 53

Tenure: 7 years

Nationality: French

Skills and experience:

- Wealth of international business knowledge
- GDF SUEZ Non-executive director (2000 2012)
- AREVA group Chief Executive Officer (2001 2011)
- Areva NC (formerly Cogema) Chairman and Chief Executive Officer (1999 2011)
- Alcatel Senior Executive Vice President; Executive Committee member (1997 1999)
- Lazard Frères & Cie Partner (1995 1997)
- French Presidency Deputy Chief of Staff (1991 1995); Advisor for Economic International Affairs (1990)

Other current appointments:

Trustees

- Financial Reporting Council Non-executive director
- SNR Denton UK LLP Board advisor
- The National Gallery Member of Finance and Audit Committees
- The Vodafone Foundation Chairman of the Board of Trustees

Board Committees:

- Audit and Risk (Chairman)

- A.L.P. SAS Chief Executive Officer
- American Express Company Non-executive director
- EADS N. V. Non-executive director
- Efficiency Capital Partner
- Total S.A. Non-executive director

Board Committees:

- Audit and Risk

Luc Vandevelde

Senior Independent Director

Age: 62

Tenure: 9 years

Nationality: Belgian

Skills and experience:

- Financial, management and marketing skills in international business
- Societe Generale Director (2006 2012)
- Carrefour S.A. Chairman (2005 2007)
- Marks and Spencer Group plc Chairman (2000 2004) Promodès/Carrefour Chief Executive Officer (1995 2000)
- Kraft General Foods (1971 1995)

Other current appointments:

- Change Capital Partners LLP Founder and

Anthony Watson CBE

Non-executive director

Age: 68

Tenure: 7 years

Nationality: British

Skills and experience:

- Extensive experience in investment and asset management
- Queen s University, Belfast Honorary degree of Doctor of Science (Economics) (2012)
- Awarded a CBE for his services to the economic redevelopment of Northern Ireland (2009)
- Norges Bank Investment Management Advisory Board member (2007 2012)
- Marks and Spencer Pension Trust Chairman (2005 2010)

Chairman

Board Committees:

- Nominations and Governance
- Remuneration (Chairman)

- Financial Reporting Council Member (2004 2007)
- Strategic Investment Board in Northern Ireland Chairman (2003 2010)
- Hermes Pensions Management Ltd Chief Executive (2002 2006); Chief Investment Officer (1998 2002)
- Asian Infrastructure Fund Chairman (1999 2010)
- AMP Asset Management plc Managing Director (1995 1998)
- Citicorp Investment Management Chief International Investment Officer (1991 1998)

Philip Yea

Non-executive director

Skills and experience:

- Private equity investor with experience of business and financial turnaround
- 3i Group plc Chief Executive (2005 2009)
- HBOS plc Non-executive director (2001 2004)
- Manchester United plc Non-executive director (2000 2004)
- Investcorp Managing Director (1999 2004)
- Guinness PLC Finance Director, becoming

Other current appointments:

- Hammerson plc Senior Independent Director
- Lloyds Banking Group plc Non-executive director
- The Shareholder Executive Board member
- Witan Investment Trust Senior Independent Director

Board Committees:

- Audit and Risk

Finance Director of Diageo plc upon merger of Guinness and Grand Metropolitan PLC in 1997 (1993 1999)

Age: 58

Tenure: 7 years

Nationality: British

Other current appointments:

- Advisor to HRH Duke of York
- Bridges Ventures LLP Advisory Board member
- British Heart Foundation Chairman of the Trustees
- PricewaterhouseCoopers Advisory Board member in the UK
- The Francis Crick Institute Independent director and trustee on the Board

Board Committees:

- Nominations and Governance
- Remuneration

- Nominations and Governance

Copies of the service agreements of the executive directors and letters of appointment of the non-executive directors are available for inspection at our registered office.

Executive Committee

Chaired by Vittorio Colao, this Committee focuses on our strategy, financial structure and planning, financial and competitive performance, succession planning, organisational development and Group-wide policies. The Executive Committee includes the executive directors, details of whom are shown on page 52, and the senior managers who are listed below. Further information on the Executive Committee can be found on page 64.

Senior management

Members of the Executive Committee who are not also executive directors are regarded as senior managers of the Company.

Paolo Bertoluzzo

Chief Executive Officer, Southern Europe

Age: 47

Tenure: <1 year

Nationality: Italian

Career history:

- Vodafone Italy Chief Executive Officer (2008 present); Chief Commercial Officer (2007); Chief Operating Officer (2006); Head of the Consumer Division (2005)
- Vodacom Board member (2010 2012)
- Omnitel Pronto Italia S.p.A. (became Vodafone Italy) various senior roles including Strategy Planning Director (1999 2005)
- Bain & Company Manager (1995 1999)

Warren Finegold

Group Strategy and Business Development Director

Age: 56

Tenure: 7 years

Nationality: British

Career history:

- UBS Investment Bank Managing Director and Head of its Technology team in Europe (1995 2006)
- Goldman Sachs International Executive Director, holding positions in New York and London (1985 1995)
- Hill Samuel & Co. Limited Corporate Finance Executive (1981 1985)

g Monitor Company Consultant (1991 1994)

Philipp Humm

Chief Executive Officer, Northern and Central Europe

Age: 53

Tenure: <1 year

Nationality: German

Career history:

g T-Mobile USA President and Chief Executive Officer (2010 2012)

g T-Mobile International Chief Regional Officer Europe; Executive Committee member (2009 2010)

g T-Mobile Germany Chief Executive Officer; Chief Sales Officer (2005 2008)

g Entrepreneur (2002 2005)

g Amazon Managing Director, Germany and France; Vice President Europe (2000 2002)

g Tengelmann (German grocery retailer) Executive Board member; Chief Executive Officer of Plus (food-discounter) (1992 1999)

g McKinsey (1986 1992)

Nick Jeffery

Group Enterprise Director

Age: 45

Tenure: <1 year

Nationality: British

Career history:

g Cable & Wireless Worldwide Chief Executive (2012 2013)

g Vodafone Global Enterprise Chief Executive (2006 2012)

g Vodafone Group Plc Marketing Director for business (2004 2006)

g Ciena Senior Vice President (2003 2004)

g Microfone Founder (2002 2003)

g Cable & Wireless plc (Mercury Communications) led UK and international markets business units (1991 2002)

Matthew Kirk

Group External Affairs Director

Age: 52

Career history:

g Vodafone Group Plc Group Director of External Relationships (2006 2009)

g British Ambassador to Finland (2002 2006)

Morten Lundal

Group Chief Commercial Officer

Age: 48

Career history:

g Vodafone Group Plc Chief Executive Officer of the Central Europe and Africa region (2008 2010)

Tenure: 4 years

Nationality: British

g Member of the British Diplomatic Service for more than 20 years

Tenure: 4 years

Nationality: Norwegian

g Telenor (Nordic mobile operator) Chief Executive Officer of DiGi Telecommunications (Telenor s Malaysian subsidiary) (2004 2008); various senior positions at Telenor, including Chief Executive Officer for the Internet Division and Telenor Business Solutions; Executive Vice President for Corporate Strategy (1997 2004)

Rosemary Martin

Group General Counsel and Company Secretary

Age: 53

Tenure: 3 years

Nationality: British

Career history:

g Practical Law Group Chief Executive Officer (2008)

g Reuters Group Plc Group General Counsel and Company Secretary (2003 2008), Company Secretary (1999 2003), Deputy Company Secretary (1997 1999)

g Mayer, Brown, Rowe & Maw Partner (1990 1997)

Nick Read

Chief Executive Officer, Africa, Middle East and Asia Pacific region

Age: 48

Tenure: 4 years

Nationality: British

Career history:

g Vodafone Limited (UK operating company) various senior roles, including Chief Financial Officer, Chief Commercial Officer and Chief Executive Officer (2002 2008)

g United Business Media plc Chief Financial Officer of subsidiary Miller Freeman Worldwide plc (1999 2001)

g Federal Express Worldwide Inc. senior global finance positions (1989 1999)

Ronald Schellekens

Group Human Resources Director

Career history:

g Royal Dutch Shell Plc HR Executive Vice President for global downstream business (2003 2008)

Age: 49 **Tenure:** 4 years **Nationality:** Dutch	g PepsiCo various international senior human resources roles in England, South Africa, Switzerland and Spain (1994 2003) g AT&T Network Systems human resources roles in the Netherlands and Poland (1986 1994)

Corporate governance

Our governance framework

Responsibility for good governance lies with your Board. There is a strong and effective governance system in place throughout the Group.

How the Board operates

The role of the Board

The Board is responsible for the overall conduct of the Group s business and has the powers and duties set out in the relevant laws of England and Wales and our articles of association. The Board:

- is responsible for setting the Group strategy and for the management, direction and performance of our businesses;
- is accountable to shareholders for the proper conduct of the business;
- is responsible for the long-term success of the Company, having regard for the interests of all stakeholders; and
- is responsible for ensuring the effectiveness of and reporting on our system of corporate governance.

The Board has a formal schedule of matters reserved for its decision and these include:

- Group strategy and long-term plans;
- major capital projects, acquisitions or divestments;

g annual budget and operating plan;

g Group financial structure, including tax and treasury;

g annual and half-year financial results and shareholder communications; and

g system of internal control and risk management.

The schedule is reviewed annually. It was last reviewed in March 2013 when it was decided that no amendments were required.

Other specific responsibilities are delegated to Board committees, details of which are given on pages 60 to 63.

Table of Contents

Board composition

Our Board consists of 13 directors, 12 of whom served throughout the year. At 31 March 2013, in addition to the Chairman, Gerard Kleisterlee, there were three executive directors and nine non-executive directors. Omid Kordestani was appointed as a non-executive director with effect from 1 March 2013. Michel Combes and Sir John Buchanan were members of the Board until their respective retirements at the AGM on 24 July 2012.

The executive and non-executive directors are equal members of the Board and have collective responsibility for the Company s direction. In particular, non-executive directors are responsible for:

- bringing a wide range of skills and experience, including independent judgement on issues of strategy, performance, and risk management;
- constructively challenging the strategy proposed by the Chief Executive and executive directors;
- scrutinising and challenging performance across the Group s business;
- assessing risk and the integrity of the financial information and controls; and
- determining the Company s broad policy for executive remuneration, and the remuneration packages for the executive directors and the Chairman.

The balance and independence of our Board is kept under review by our Nominations and Governance Committee, details of which can be found on page 60.

Tenure of non-executive directors

The Code suggests that length of tenure is a factor to consider when determining the independence of non-executive directors. The table below shows the tenure and independence of each of our non-executive directors. We consider all of our non-executive directors to be independent.

	Date first elected by shareholders	Years from first election to 2013 AGM	Considered to be independent by the Board
Gerard Kleisterlee	July 2011	2	See note[1]
Renee James	July 2011	2	Yes
Alan Jebson	July 2007	6	Yes
Samuel Jonah	July 2009	4	Yes
Omid Kordestani	To be put for election July 2013	n/a	Yes
Nick Land	July 2007	6	Yes
Anne Lauvergeon	July 2006	7	Yes
Luc Vandevelde	July 2004	9	Yes[2]
Anthony Watson	July 2006	7	Yes
Philip Yea	July 2006	7	Yes

Notes:

1 Considered to be independent on appointment.

2 Considered to be independent for the reasons given on page 60.

Key roles and responsibilities

The Chairman

Gerard Kleisterlee

The role of the Chairman is set out in writing and agreed by the Board. He is responsible for:

- the effective operation, leadership and governance of the Board;
- ensuring effectiveness of the Board;

- setting the agenda, style and tone of Board discussions; and
- ensuring the directors receive accurate, timely and clear information.

The Senior Independent Director

Luc Vandevelde

The Senior Independent Director is responsible for:

- acting as a sounding board for the Chairman;
- serving as an intermediary for the other directors;
- being available to shareholders if they have concerns which they have not been able to resolve through the normal channels of the Chairman, Chief Executive or other executive directors or for which such contact is inappropriate; and
- conducting an annual review of the performance of the Chairman and, in the event it should be necessary, convening a meeting of the non-executive directors.

The Chief Executive

Vittorio Colao

The role of the Chief Executive is set out in writing and agreed by the Board. He is responsible for:

- management of the Group s business;
- implementation of the Company s strategy and policies;
- maintaining a close working relationship with the Chairman; and
- chairing the Executive Committee.

The Company Secretary

Rosemary Martin

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

- assists the Chairman in ensuring that all directors have full and timely access to all relevant information;
- assists the Chairman by organising induction and training programmes;
- is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters; and
- administers the procedure under which directors can, where appropriate, obtain independent professional advice at the Company s expense.

Biographical details of the Chairman, Chief Executive and Senior Independent Director can be found on pages 52 and 53 or at vodafone.com/board. Biographical details of the Company Secretary can be found on page 54 or at vodafone.com/exco. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Conflicts of interest

The Board is aware of the other commitments of its directors and is satisfied that these do not conflict with their duties as directors of the Company. The process for monitoring conflicts is as follows:

- changes to the commitments of all directors are reported to the Board;
- the directors are required to complete a conflicts questionnaire initially on appointment and annually thereafter;
- any conflicts identified would be submitted to the Board (excluding the director to whom the potential conflict related) for consideration and, as appropriate, authorisation in accordance with the Companies Act 2006 and the articles of association;
- where authorisation is granted, it would be recorded in a register of potential conflicts and reviewed periodically; and
- directors are responsible for notifying the Company Secretary if they become aware of actual or potential conflict situations or a change in circumstances relating to an existing authorisation.

No conflicts of interest have been identified during the year.

Board meetings

Matters considered at all Board meetings include:

- the Chief Executive s report on strategic and business developments;

- the Chief Financial Officer s report which includes the latest available management accounts;
- an operations update (covering commercial, technology and operational matters);
- a report on potential changes to the Group s portfolio of corporate assets; and
- where applicable, reports from the Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee.

In addition to the standing agenda items, deep-dive topics covered by the Board during the year included brand performance, strategies for the Company s consumer and enterprise businesses, new services, spectrum auctions, privacy regulations, regional performance and strategies, health and safety, talent and the control environment.

Board activities in the 2013 financial year

Board activities are structured to assist the Board in achieving its goal to support and advise executive management on the delivery of the Group s strategy within a transparent governance framework.

The diagram below shows the key areas of focus for the Board which appear as items on the Board s agenda at relevant times throughout the year. Concentrated discussion of these items assists the Board in making the right decisions based on the long-term opportunities for the business and its stakeholders.

Board effectiveness

Board effectiveness is reviewed every year. After the 2012 review, the Chairman introduced a few changes to Board procedure, including a non-executives only session before each Board meeting, as well as a session involving just the non-executive directors and the CEO. This has been a successful initiative, creating an additional platform for non-executives to discuss issues or concerns, without prejudicing the activities of the Board meeting itself

The Chairman is responsible for ensuring that each director receives an induction on joining the Board and receives the training he or she requires. The Company Secretary organises the induction.

Director induction

On appointment, directors receive a personalised induction programme covering amongst other things:

- the business of the Group;
- their legal and regulatory responsibilities as directors;
- briefings and presentations from relevant executives; and
- opportunities to visit business operations.

Information and professional development

Keeping up-to-date with key business developments is essential for the directors to maintain and enhance their effectiveness. This is achieved as follows:

- from time to time the Board receives presentations from executives in our business on matters of significance. This year the Chief Technology Officer and the regional chief executives delivered a presentation on the technology and business models of sectors adjacent to our own;
- financial plans, including budgets and forecasts, are regularly discussed at Board meetings;

- the directors have the opportunity to learn the views of major investors at planned events throughout the year (see Shareholder engagement on page 64);
- our directors periodically visit different parts of the Group. In September 2012 the Board met with senior management in Spain;
- the non-executive directors are provided with briefings and information to assist them in performing their duties;
- the directors are regularly updated on the Group s businesses and the regulatory and industry specific environments in which we operate. Updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

As part of their annual performance evaluation, directors are given the opportunity to discuss training and development needs. Directors are expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a director. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

Performance evaluation

Each year the performance of the Board, its committees and directors is evaluated. Every third year the evaluation is conducted by an external advisor. This year the performance evaluation was conducted by Ffion Hague of Independent Board Evaluation. Mrs Hague is an independent advisor and has no other connection with the Company.

The evaluation process took place in the spring of 2013 and involved interviews with the Chairman, each Board member, the Company Secretary, senior management, senior executives who frequently interact with the Board or its committees, and the auditor, Deloitte LLP. Reports on the effectiveness of the Board and its committees were prepared by Mrs Hague. She discussed these with the Chairman and with the chairmen of the committees. Mrs Hague also discussed individual directors performance with the Chairman and the Chairman s performance with Luc Vandevelde, the senior independent director. The Board and the Board committees considered the reports of their effectiveness at their meetings in May 2013. Mr Vandevelde gave feedback to the Chairman on his performance.

Mrs Hague s reports were positive about the performance of the Board and each of its committees. In particular, she highlighted the Board s strengths with respect to the seriousness with which it takes its accountability to shareholders, its focus on governance and the smooth operation of the Board and its committees. In light of Mrs Hague s review, the Board considers the performance of each director to be effective and has concluded that the Board and its committees provide the effective leadership and control required.

As a result of recommendations made in this year s Board performance evaluation, the Board has agreed:

- to develop further its approach to strategic planning and involve all the directors earlier in the process of strategy development;

- to provide more opportunities for the directors to meet with executives to assist in succession planning; and

- to ensure that induction of new directors enables them rapidly to contribute fully to the Board.

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

Re-election of directors

All the directors submit themselves for re-election at the AGM to be held on 23 July 2013 with the exception of Omid Kordestani who will seek election for the first time in accordance with the articles of association. The Nominations and Governance Committee confirmed to the Board that the contributions made by the directors offering themselves for re-election at the AGM in July 2013 continue to be effective and that the Company should support their re-election.

Independent advice

The Board recognises that there may be occasions when one or more of the directors feels it is necessary to take independent legal and/or financial advice at the Company s expense. There is an agreed procedure to enable them to do so which is managed by the Company Secretary.

Indemnification of directors

In accordance with our articles of association and to the extent permitted by the laws of England and Wales, directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office. In addition, we maintained a directors and officers liability insurance policy throughout the year. Neither our indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

Board committees

The Board has a Nominations and Governance Committee, an Audit and Risk Committee and a Remuneration Committee. Further details of these committees can be found in their reports on pages 60 to 63. The terms of reference of each of these committees can be found on our website at vodafone.com/governance.

The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner. The Company Secretary or her delegate acts as secretary to the committees. The minutes of committee meetings are circulated to all directors.

The calendar for meetings of the Board and its committees is shown below.

	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13

Board

(scheduled meetings)
Nominations and

Governance Committee
Audit and Risk Committee
Remuneration

Committee
Directors unable to attend a Board meeting because of another engagement are provided with the briefing materials and can discuss issues arising in the meeting with the Chairman or the Chief Executive. In addition to at least eight scheduled Board meetings, there may be a number of other meetings to deal with specific matters. Each scheduled Board meeting is preceded by a meeting of the Chairman and non-executive directors.

Attendance at scheduled meetings of the Board and its committees in the 2013 financial year

Director	Board	Nominations and Governance Committee	Audit and Risk Committee	Remuneration Committee
Chairman				
Gerard Kleisterlee[1]	8/8	4/4		
Senior Independent Director				
Luc Vandevelde[2]	8/8	4/4		5/5
Sir John Buchanan[3]	2/2	1/1	1/1	
Chief Executive				
Vittorio Colao	8/8			
Executive directors				
Michel Combes[4]	2/2			
Andy Halford	8/8			
Stephen Pusey	8/8			
Non-executive directors				
Renee James	8/8			3/3
Alan Jebson	8/8		4/4	
Samuel Jonah	8/8			5/5
Omid Kordestani[5]	1/1			
Nick Land[6]	8/8		4/4	
Anne Lauvergeon	7/8		4/4	
Anthony Watson	8/8	4/4	3/3	2/2
Philip Yea	7/8	3/3		5/5

Notes:

1 Chairman of the Nominations and Governance Committee.
2 Senior Independent Director from the conclusion of the AGM on 24 July 2012; Chairman of the Remuneration Committee.

3 Deputy Chairman and Senior Independent Director until he retired on 24 July 2012.
4 Executive director until he retired on 24 July 2012.
5 Appointed to the Board with effect from 1 March 2013.
6 Chairman and financial expert of the Audit and Risk Committee.

Key objective:

to ensure the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities and oversight of all matters relating to corporate governance.

Responsibilities:

g leads the process for identifying and making recommendations to the Board regarding candidates for appointment as directors, giving full consideration to succession planning and the leadership needs of the Group;

g makes recommendations to the Board on the composition of the Board s committees;

g regularly reviews and makes recommendations in relation to the structure, size and composition of the Board including the diversity and balance of skills, knowledge and experience, and the independence of the non-executive directors;

g oversees the performance evaluation of the Board, its committees and individual directors (see page 58);

g reviews the tenure of each of the non-executive directors; and

g is responsible for the oversight of all matters relating to corporate governance, bringing any issues to the attention of the Board.

Committee meetings

No one other than a member of the Committee is entitled to be present at its meetings; however, other non-executive directors, the Chief Executive and external advisors may be invited to attend. In the event of matters arising concerning my membership of the Board, I would absent myself from the meeting as required and the Board s Senior Independent Director would take the chair.

Main activities of the Committee during the year

The Committee met four times during the year and considered executive succession planning, replenishment of the Board and the Board effectiveness review.

The Committee leads the process for appointments to the Board. There is a formal, rigorous and transparent procedure for the appointment of new directors. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity

on the Board, including gender. During the year, an external search was commissioned, using an independent executive search firm, Korn Ferry, which has no other connection with the Company, to search for non-executive director candidates with relevant international experience in the high-tech sector. Omid Kordestani was identified as a potential candidate and subsequently recommended to the Board by the Nominations and Governance Committee on the basis that he met the desired criteria.

The Board acknowledges that diversity extends beyond the boardroom and supports management in their efforts to build a diverse organisation. It endorses the Company s policy to attract and develop a highly qualified and diverse workforce; to ensure that all selection decisions are based on merit and that all recruitment activities are fair and non-discriminatory. The boardroom diversity policy was introduced in February 2012 and reviewed by the Committee in March 2013. It acknowledges the importance of diversity, including gender, to the effective functioning of the Board and focuses on our aspiration to have a minimum of 25% female representation on the Board by 2015. Following the respective retirements of Sir John Buchanan and Michel Combes, together with the appointment of Omid Kordestani, at 21 May 2013 the Board has 15% female representation. Subject to securing suitable candidates, when making appointments we will seek directors who fit the skills criteria and gender balance that is in line with the Board s aspiration. We continue to focus on encouraging diversity of business skills and experience, recognising that directors with diverse skills sets, capabilities and experience gained from different geographic and cultural backgrounds enhance the Board. Further information, including the proportions of women in senior management, is shown in Our people on page 35, and within the organisation overall, is contained in our 2013 sustainability report, available at vodafone.com/sustainability.

This year, when reviewing the re-election of directors at the AGM in July, the Committee took account of the fact that Luc Vandevelde will have served ten years as of 31 August 2013. The Board has considered the matter carefully and believes that Luc Vandevelde continues to demonstrate the qualities of independence in carrying out his role, supporting the executive directors and senior management in an objective manner. His length of service and resulting experience and knowledge of the Company is of great benefit to the Board. We will continue to keep his independence under review.

In the year ahead the Committee will continue to assess what enhancements should be made to the Board s and committees composition and will continue to monitor developments in corporate governance to ensure the Company remains at the forefront of good governance practices.

/s/ Gerard Kleisterlee

Gerard Kleisterlee

On behalf of the Nominations and Governance Committee

21 May 2013

Key objective:

the provision of effective governance over the appropriateness of the Group s financial reporting including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor, and the management of the Group s systems of internal control, business risks and related compliance activities.

Responsibilities:

- reviewing our financial results announcements and financial statements and monitoring compliance with relevant statutory and listing requirements;
- reporting to the Board on the appropriateness of our accounting policies and practices including critical accounting policies and practices;
- advising the Board on whether the Committee believes the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company s performance, business model and strategy;
- overseeing the relationship with the external auditor;
- reviewing the scope, resources, results and effectiveness of the activity of the Group internal audit department;
- monitoring our compliance efforts in respect of section 404 of the US Sarbanes-Oxley Act;

- considering and making recommendations to the Board on the nature and extent of the significant risks the Group is willing to take in achieving its strategic objectives;

- overseeing the Group s compliance processes; and

- performing in-depth reviews of specific areas of financial reporting, risk and internal controls, as determined by the Committee.

The Committee members have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil the Committee s duties. The Board considers that I have recent and relevant financial experience, as required by the Code, and has designated me as its financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act.

Committee meetings

The Committee meets at least four times during the year. Meetings are attended by the independent non-executive directors and, by invitation, the Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Group Financial Reporting Director and the Group Audit Director. Other relevant people from the business are also invited to attend certain meetings in order to provide a deeper level of insight into certain key issues and developments. I also invite our external auditor, Deloitte LLP, to each meeting. The Committee regularly meets separately with each of Deloitte LLP, the Chief Financial Officer and the Group Audit Director without others being present.

Main activities of the Committee during the year

The Committee assists the Board in carrying out its responsibilities in relation to financial reporting requirements, risk management and the assessment of internal controls. It also reviews the effectiveness of the Company s internal audit function and manages the Company s relationship with the external auditor.

As part of this process of working with the Board and to maximise effectiveness, meetings of the Committee generally take place just prior to a Company Board meeting. I report to the Board as part of a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of their work.

Following the publication of the revised version of the UK Corporate Governance Code, which applies to financial years commencing on or after 1 October 2012, the Board requested that the Committee advise them on whether we believe the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company s performance, business model and strategy.

The Committee s terms of reference have been amended to reflect this and can be found on our website at vodafone.com/governance.

At its four meetings during the year, the Committee focused on:

Financial reporting

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

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor;
- whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company s performance, business model and strategy; and
- any correspondence from regulators in relation to our financial reporting.

To aid our review, the Committee considers reports from the Group Financial Controller and the Group Financial Reporting Director and also reports from the external auditor on the outcomes of their half-year review and annual audit. As a Committee we support Deloitte LLP in displaying the necessary professional scepticism their role requires.

The primary areas of judgement considered by the Committee in relation to the 2013 accounts, and how these were addressed, were:

g Goodwill impairment testing

The judgements in relation to asset impairment largely relate to the assumptions underlying the calculation of the value in use of the business being tested for impairment, primarily the achievability of the long-term business plan and macroeconomic assumptions underlying the valuation process. This is particularly challenging in relation to the Group s interests in Southern Europe given lower medium-term visibility of economic and business performance and material changes in other valuation assumptions. The Committee addresses these matters through receiving reports from management outlining the basis for the assumptions used. Business plans are Board approved. In addition, this area is a prime source of audit focus and accordingly Deloitte LLP provide detailed reporting to the Committee.

g Taxation

Provisioning for potential current tax liabilities and the level of deferred tax asset recognition in relation to accumulated tax losses are underpinned by a range of judgements. The Committee addresses these issues through a range of reporting from senior management and a process of challenging the appropriateness of management s views including the degree to which these are supported by professional advice from external legal and other advisory firms. This is also an area of higher audit risk and accordingly the Committee receives detailed verbal and written reporting from Deloitte LLP on these matters.

g Liability provisioning

The level of provisioning for contingent and other liabilities is an issue where management and legal judgements are important. These are addressed through the Committee discussing with management the key judgements made, including relevant legal advice that may have been received. Deloitte LLP also report on all material contingent liabilities.

Internal control

We reviewed the process by which the Group evaluated its control environment. Our work here was driven primarily by the Group Audit Director s reports on the effectiveness of internal controls, significant identified frauds and any

identified fraud that involved management or employees with a significant role in internal controls. In addition we received updates from the Group s Compliance Director on compliance related activities. I meet privately with the Group s Internal Audit and Compliance Directors outside the formal committee process as necessary.

During the year the Committee also conducted in-depth reviews into the control environments and risk management processes in a number of our markets and also conducted a review of the internal audit function. This review included the scope of Internal Audit s activity and resourcing together with areas of focus and planning for the next three years.

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

Risk management

The Group s risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. Our work here was driven primarily by the Group s assessment of its principal risks and uncertainties, as set out on pages 46 to 49. We receive reports from the Group Audit Director on the Group s risk evaluation process and review changes to significant risks identified at both operating entity and Group levels.

Information security is another area of regular focus for the Committee. During the year we conducted a further in-depth review of the security around IT infrastructure and customer information.

In addition the Committee also conducted in-depth reviews into the Group s finance operations transformation programme and assessment of tax risks.

We view these reviews as being critical to the role of the Committee, as they allow us to meet key business leaders responsible for these areas and provide independent challenge to their activities.

Internal audit

Monitoring and review of the scope, extent and effectiveness of the activity of the Group Internal Audit department is an agenda item at each Committee meeting. Reports from the Group Audit Director usually include updates on audit activities, progress of the Group audit plan, the results of any unsatisfactory audits and the action plans to address these areas, and resource requirements of the Internal Audit department. Further we receive summaries of investigations into known or suspected fraudulent activities by both third parties and employees. We hold private discussions with the Group Audit Director as necessary throughout the year and I also meet with him regularly outside the formal committee process and play a major role in setting his annual objectives.

External audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. We receive from Deloitte LLP a detailed audit plan, identifying their assessment of these key risks. For the 2013 financial year the primary risks identified were in relation to goodwill impairment, provisioning for current tax liabilities and deferred tax asset recognition, due to the inherent management judgement required in these areas. These risks are tracked through the year and we challenged the work done by the auditors to test management s assumptions and estimates around these areas. We assess the effectiveness of the audit process in addressing these matters through the reporting we receive from Deloitte LLP at both the half-year and year end. In addition we also seek feedback from management on the effectiveness of the audit process. For the 2013 financial year, management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. The Audit and Risk Committee concurred with the view of management.

We hold private meetings with the external auditor at each Committee meeting to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include the auditor s assessment of business risks and management activity thereon, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, independence of their audit and how they have exercised professional scepticism. I also meet with the external lead audit partner outside the formal committee process throughout the year.

Appointment and independence

The Committee considers the reappointment of the external auditor, including the rotation of the audit partner, each year and also assesses their independence on an ongoing basis. The external auditor is required to rotate the audit partner responsible for the Group audit every five years. The current lead audit partner has been in place for four years.

Deloitte LLP has been the Company s external auditor since its stock market listing in 1988 (25 years). Whilst the Group has not formally tendered the audit since then, as part of the Committee s review of the objectivity and effectiveness of the audit process a detailed

assessment was undertaken in 2011 as to whether the Group should consider putting the audit engagement out to tender. This process included the re-proposal by Deloitte LLP of their audit approach. While a recommendation to retain Deloitte as auditor was made, it was decided to review this annually. Having considered the need to tender the position for the current year, the Committee has provided the Board with its recommendation to the shareholders on the reappointment of Deloitte LLP as external auditor for the year ending 31 March 2014. Accordingly a resolution proposing the reappointment of Deloitte LLP as our auditor will be put to the shareholders at the 2013 AGM. There are no contractual obligations restricting the Committee s choice of external auditor and we do not indemnify our external auditor. We continue to consider the audit tendering provisions outlined in the revised UK Corporate Governance Code, which we are very supportive of.

In its assessment of the independence of the auditor and in accordance with the US Public Company Accounting Oversight Board s standard on independence, the Committee receives details of any relationships between the Company and Deloitte LLP that may have a bearing on their independence and receives confirmation that they are independent of the Company within the meaning of the securities laws administered by the US Securities & Exchange Commission (SEC).

During the year Deloitte LLP and member firms of Deloitte Touche Tohmatsu Limited charged the Group £9 million (2012: £8 million, 2011: £9 million) for audit and audit related services. The Committee approved the fees for audit services for 2013 after a review of the level and nature of work to be performed, including the impact of acquisitions, and after being satisfied by Deloitte LLP that the fees were appropriate for the scope of the work required.

Non-audit services

To further safeguard the objectivity and independence of the external auditor from becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. No material changes have been made to this policy during the year. This precludes Deloitte LLP from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that Deloitte should only be engaged for non-audit services where there is no legal or practical alternative supplier.

For certain specific permitted services the Committee has pre-approved that Deloitte LLP can be engaged by management, subject to the policies set out above, and subject to specified fee limits for individual engagements and fee limits for each type of specific service. For all other services, or those permitted services that exceed the specified fee limits, I as Chairman, or in my absence another member, can pre-approve permitted services.

In addition to the statutory audit fee, Deloitte LLP and member firms of Deloitte Touche Tohmatsu Limited charged the Group £1 million for audit-related assurance services in connection with statutory and regulatory filings and a further £0.4 million for taxation advisory services and other non-audit services, primarily debt issuance related. Further details of the fees paid, for both audit and non-audit services, can be found in note 3 to the consolidated financial statements.

Committee evaluation

The Committee s activities formed part of the external review of Board effectiveness performed in the year. Details of this process can be found under Performance evaluation on page 58.

/s/ Nick Land

Nick Land

On behalf of the Audit and Risk Committee

21 May 2013

Key objective:

to assess and make recommendations to the Board on the policies for executive remuneration and packages for the individual executive directors.

Responsibilities:

- determining, on behalf of the Board, the policy on the remuneration of the Chairman, the executive directors and the senior management team;
- determining the total remuneration packages for these individuals including any compensation on termination of office;
- operating within recognised principles of good governance; and
- preparing an annual report on directors remuneration.

Committee meetings

The Chairman and Chief Executive may attend the Committee s meetings by invitation but they do not attend when their individual remuneration is discussed. No director is involved in deciding his or her own remuneration. The Committee met five times during the year.

Main activities of the Committee during the year

A detailed report to shareholders from the Committee on behalf of the Board in which, amongst other things, I have included a description of the Committee s activities during the year, is contained in Directors remuneration on pages 67 to 82.

/s/ Luc Vandevelde

Luc Vandevelde

On behalf of the Remuneration Committee

21 May 2013

Executive Committee

The Committee meets 11 times a year under the chairmanship of the Chief Executive. Topics covered by the Committee include:

- Chief Executive update on the business and business environment;
- regional chief executives updates;
- Group function heads updates;
- substantial business developments and projects;
- talent;
- presentations from various function heads, for example, the Group Financial Controller, Head of Internal Audit and the Group Compliance Director;
- competitor analysis; and
- strategy.

Annually, the Executive Committee, together with the chief executives of the major operating companies, conduct a strategy review to identify key strategic issues to be presented to the Board. The agreed strategy is then used as a basis for developing the upcoming budget and three year operating plans.

The Executive Committee members biographical details are set out on pages 52 and 54 and at vodafone.com/exco.

Policy and Compliance Committee

This is a sub-committee of the Executive Committee comprising three Executive Committee members. It is appointed to assist the Executive Committee to fulfil its accountabilities with regard to policy compliance. In particular, the Committee approves changes to policies, does deep dives into particular policies to assess whether they are effective and maintains an overview of the status of compliance throughout Vodafone so clear and accurate reports can be made to the Audit and Risk Committee twice a year. Deep dives this year included health and safety, network resilience, anti-bribery and anti-money laundering.

Disclosure Committee

The Disclosure Committee, appointed by the Chief Executive and Chief Financial Officer to ensure the accuracy and timeliness of company disclosures, oversees and approves controls and procedures in relation to the public disclosure of financial information and other information material to shareholders. It is composed of the Group General Counsel and Company Secretary (the Chair), Regional Chief Financial Officers, the Group Financial Controller, the Group Investor Relations Director, the Group Strategy and Business Development Director, and the Group External Affairs Director.

Shareholder engagement

We are committed to communicating our strategy and activities clearly to our shareholders and, to that end, we maintain an active dialogue with investors through a planned programme of investor relations activities.

Investor relations programme

The programme includes:

- formal presentations of full year and half-year results, and interim management statements (see vodafone.com/investor for more information);
- briefing meetings with major institutional shareholders in the UK, the US and Europe after the full year and half-year results; a graph showing the geographical analysis of investors is shown below;
- regular meetings between institutional investors and analysts, and the Chief Executive and Chief Financial Officer, to discuss business performance, growth strategy and address any issues of concern;
- meetings between major shareholders and the Chairman on an ongoing basis including roadshows

in London and Scotland to obtain feedback and consider corporate governance issues;

- dialogue between the Remuneration Committee and shareholders. Go to page 67 for more information;

- hosting investors and analysts sessions at which senior management from relevant operating companies are present;

- attendance by senior executives across the business at relevant meetings and conferences throughout the year;

- analysing and approaching new geographies to actively market the business to new investors;

- responding daily to enquiries from shareholders and analysts through our Investor Relations team;

- hosting investor and analyst meetings and webinars to highlight a variety of business areas and projects such as M-Pesa and money payment services, and holding an open office event focusing on our enterprise business; and

- a section dedicated to shareholders and analysts on our website at vodafone.com/investor.

The Chairman has overall responsibility for ensuring that there is effective communication with investors, and that the Board understands the views of major shareholders on matters such as governance and strategy, and he makes himself available to meet shareholders for this purpose. The Senior Independent Director and other members of the Board are also available to meet major investors on request. The Board receives a regular report from the Investor Relations team. Feedback from meetings held between executive management, or the Investor Relations team, and institutional shareholders is also communicated to the Board.

What happens at our AGM?

Who attends?

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

What happens?

- A summary presentation of results is given before the Chairman deals with the formal business.
- All shareholders present can question the Chairman, the Chairmen of the Committees and the rest of the Board both during the meeting and informally afterwards.
- The Board encourages participation of investors, including individual investors, at the AGM.

AGM broadcast

- The AGM is broadcast live on our website at vodafone.com/agm.
- A recording can subsequently be viewed on our website.

Resolutions

- Voting on all resolutions at the AGM is on a poll. The proxy votes cast, including details of votes withheld, are disclosed to those in attendance at the meeting and the results are published on our website and announced via the Regulatory News Service.

A summary of our share and control structures is set out in Shareholder information on pages 166 to 173.

Internal control and risk management

The Board has overall responsibility for the system of internal control. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established procedures that implement in full the Turnbull Guidance Internal Control: Revised Guidance for Directors on the Combined Code for the year under review and to the date of this annual report. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks we face. See page 84 for management s report on internal control over financial reporting.

Monitoring and review activities

There are clear processes for monitoring the system of internal control and reporting any significant control failings or weaknesses together with details of corrective action. These include:

- the Chief Executive and Chief Financial Officer of each Group company formally certifying the operation of their control systems each year and highlighting any weaknesses. These results are reviewed by regional management, the Audit and Risk Committee, and the Board;
- regional chief executives certifying compliance with high risk policies in their companies, with Group Compliance reviewing evidence of compliance. Non-high risk policies are monitored on a self-assessment basis;
-

the Group s Disclosure Committee reviewing the appropriateness of disclosures and providing an annual report to the Chief Executive and the Chief Financial Officer on the effectiveness of the Group s disclosure controls and procedures;

- maintaining disclosure controls and procedures , as such term is defined in Rule 13a-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarised and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure; and

- the Group Internal Audit department periodically examining business processes on a risk basis throughout the Group and reporting to the Audit and Risk Committee.

In addition, the Board reviews any reports from the external auditor presented to the Audit and Risk Committee and management in relation to internal financial controls.

Any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. Management is required to apply judgement when:

- evaluating the risks we face in achieving our objectives;

- determining the risks that are considered acceptable to bear;

- assessing the likelihood of the risks concerned materialising;

- identifying our ability to reduce the incidence and impact on the business of risks that do materialise; and

- ensuring that the costs of operating particular controls are proportionate to the benefit.

Risk management

Although many risks remain outside of our direct control, a range of activities are in place to mitigate the primary risks identified including those set out on pages 47 and 48. The framework for identifying and managing our risks is set out on page 46. A range of mitigations for risks faced by the Group are included on page 88.

Review of effectiveness

The Board and the Audit and Risk Committee have reviewed the effectiveness of the internal control system including financial, operational and compliance controls, and risk management in accordance with the Code for the period from 1 April 2012 to 21 May 2013 (the date of this annual report). No significant failings or weaknesses were identified during this review. However, had there been any such failings or weaknesses, the Board confirms that necessary

actions would have been taken to remedy them.

The directors, the Chief Executive and the Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures and, based on that evaluation, have concluded that the disclosure controls and procedures are effective at the end of the period covered by this report.

Other governance matters

Group policy compliance

Each Group policy is owned by a member of the Executive Committee so that there is clear accountability and authority for ensuring the associated business risk is adequately managed. Regional chief executives and the senior leadership team member responsible for each Group function have primary accountability for ensuring compliance with all Group policies by all our markets and entities. Our Group Compliance team and policy champions support the policy owners and local markets in implementing policies and monitoring compliance.

All of the key Group policies have been consolidated into the Vodafone Code of Conduct. This is a central ethical and policy document applicable to all employees and those who work for or on behalf of Vodafone. It sets out the standards of behaviour expected in relation to areas such as insider dealing, bribery and raising concerns through the whistle blowing process (known internally as Speak Up).

Going concern

The going concern statement required by the Listing Rules and the Code is set out in the Directors statement of responsibility on page 84.

Political donations

No political donations under the Companies Act 2006 have been made during the year. It is our Group policy not to make political donations or incur political expenditure as those expressions are normally understood.

US listing requirements

As Vodafone s American depositary shares are listed on the NASDAQ Stock Market LLC (NASDAQ), we are required to disclose a summary of any material differences between the corporate governance practices we follow and those of US companies listed on NASDAQ. Vodafone s corporate governance practices are primarily based on UK requirements but substantially conform to those required of US companies listed on NASDAQ. The material differences are as follows:

Independence

Different tests of independence for Board members are applied under the Code and the NASDAQ rules. The Board is not required to take into consideration NASDAQ s detailed definitions of independence as set out in the NASDAQ rules.

In accordance with the Code, the Board has carried out an assessment based on the independence requirements of the Code and has determined that, in its judgement, all of Vodafone s non-executive directors (who make up the majority of the Board) are independent within the meaning of those requirements.

Committees

The NASDAQ rules require US companies to have a nominations committee, an audit committee and a compensation committee, each composed entirely of independent directors, with the nominations committee and the audit committee each required to have a written charter which addresses the committee s purpose and responsibilities, and the compensation committee having sole authority and adequate funding to engage compensation consultants, independent legal counsel and other compensation advisors.

Our Nominations and Governance Committee is chaired by the Chairman of the Board and its other members are independent non-executive directors. Our Remuneration Committee is composed entirely of independent non-executive directors.

The Audit and Risk Committee is composed entirely of non-executive directors, each of whom (i) the Board has determined to be independent based on the independence requirements of the Code and (ii) meets the independence requirements of the Exchange Act. We have terms of reference for our Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee, each of which complies with the requirements of the Code and is available for inspection on our website (vodafone.com/governance). These terms of reference are generally responsive to the relevant NASDAQ rules but may not address all aspects of these rules.

Code of Conduct

Under the NASDAQ rules, US companies must adopt a code of conduct applicable to all directors, officers and employees that complies with the definition of a code of ethics set out in section 406 of the Sarbanes-Oxley Act. We have adopted a Code of Ethics that complies with section 406 which is applicable only to the senior financial and principal executive officers, and which is available on our website (vodafone.com/governance). We have also adopted a separate Code of Conduct which applies to all employees.

Quorum

The quorum required for shareholder meetings, in accordance with our articles of association, is two shareholders, regardless of the level of their aggregate share ownership, while US companies listed on NASDAQ are required by the NASDAQ rules to have a minimum quorum of 33.33% of the shareholders of ordinary shares for shareholder meetings.

Related party transactions

In lieu of obtaining an independent review of related party transactions for conflicts of interests in accordance with the NASDAQ rules, we seek shareholder approval for related party transactions that (i) meet certain financial thresholds or (ii) have unusual features in accordance with the Listing Rules issued by the FCA in the United Kingdom (the Listing Rules), the Companies Act 2006 and our articles of association.

Further, we use the definition of a transaction with a related party as set out in the Listing Rules, which differs in certain respects from the definition of related party transaction in the NASDAQ rules.

Shareholder approval

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

Under the NASDAQ rules, whether shareholder approval is required for a transaction depends on, among other things, the percentage of shares to be issued or sold in connection with the transaction. Under the Listing Rules, whether shareholder approval is required for a transaction depends on, among other things, whether the size of a transaction exceeds a certain percentage of the size of the listed company undertaking the transaction.

Directors remuneration

Letter from the Remuneration Committee

Dear shareholder

This has been a demanding yet effective year for the Committee. As always we have tried to ensure that the compensation policies and practices at Vodafone drive behaviours that are in the long-term interests of the Company and its shareholders. The Committee is of course mindful of the considerable interest that exists in executive compensation. At Vodafone we are very conscious of the many and varied concerns, we recognise the need for change, we have engaged in the debate and strive to demonstrate best practice in this area, particularly highlighted by:

Clarity and openness in disclosure

Last year we incorporated some elements of the new reporting requirements into our report. Whilst the requirements are still not finalised they are now considerably clearer and so this year we have made further modifications which enable us to be as transparent as possible without disclosing sensitive information and at the same time displaying data in a way that we believe to be most helpful to shareholders, including:

- dividing the remuneration report into two parts showing achievement during the year as well as our policies and approach for the year ahead, both for executives and non-executive directors;
- a single table for remuneration (page 70);
- a graphical display of the spend on pay relative to tax, retained profit and dividends (page 71);
- a comparison of total rewards paid to the CEO over the last five years with the total shareholder return (TSR) over the same period (page 71);
- a description of each element of the reward package as well as how they link to our strategy (pages 74 and 75); and
- scenarios that show how each of the executive directors will be rewarded under varying performance scenarios (page 77).

Pay for performance

Pay for performance continues to be an important principle for Vodafone when setting remuneration policy. This ensures our incentive plans only deliver significant rewards if and when they are justified by performance. For the Remuneration Committee this means two things:

- ensuring the targets we set for incentive plans are suitably challenging (as can be seen by the historic levels of achievement for both short- and long-term incentive plans shown on page 71); and
- if needed, exercising discretion. The Committee reviews all incentive plans before any payments are made to executives and has full discretion to adjust payments downwards if they believe circumstances warrant it.

Exercising restraint

We awarded no base pay increases during the 2013 financial year to any of the executive directors. Furthermore no increases will be awarded in the 2014 financial year. With all but one or two exceptions a similar pay freeze has also been in place for all members of the Executive Committee over both years. When considering all what, if any, pay increases to award, the Committee is always mindful of both wider conditions as well as what is happening elsewhere within Vodafone. For reference the salary increase budget for Vodafone in the UK was 3% last year and will be 1.75% this year.

Share ownership

For many years Vodafone has had demanding share ownership goals both for the executive directors and for all other senior executives. These goals, and our achievement against the goals, are set out on page 72. We are delighted that, collectively, this group of managers now own shares with a value of over £81.5 million. Owning shares is part of our culture and each year we expect this number to continue to grow. This level of ownership by management clearly shows their alignment with shareholders but also indicates their belief in the long-term value creation opportunities of our shares.

Consultation with shareholders

The Remuneration Committee continues to have dialogue with our shareholders. The views of all shareholders are taken seriously, and letters and emails are replied to promptly. In addition the largest shareholders are invited to meet with me in person. We were delighted that last year the remuneration report received a 96.44% vote in favour. This compares with 96.12% support in the prior year. We sincerely hope to receive your continued support at the AGM on 23 July 2013.

/s/ Luc Vandevelde

Luc Vandevelde

Chairman of the Remuneration Committee

21 May 2013

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken over the past year.

The Remuneration Committee is comprised to exercise independent judgement and consists only of the following independent non-executive directors:

Chairman	Luc Vandevelde
Committee members	Renee James (from 24 July 2012)
	Samuel Jonah
	Anthony Watson (until 24 July 2012)
	Philip Yea

The Remuneration Committee regularly consults with the Chief Executive and the Group HR Director on various matters relating to the appropriateness of awards for executive directors and senior executives, though they are not present when their own compensation is discussed. In addition, the Group Reward and Policy Director provides a perspective on information provided to the Committee, and requests information and analyses from external advisors as required. In the past, the Deputy Group Company Secretary advised the Committee on corporate governance guidelines and acted as secretary to the Committee. From March 2013 the Group General Counsel and Company Secretary has taken on this role and will continue to advise the Committee on corporate governance guidelines and act as secretary to the Committee.

External advisors

The Remuneration Committee seeks and considers advice from independent remuneration advisors where appropriate. The two appointed advisors were selected through a thorough process led by the Chairman of the Remuneration Committee and were appointed by the Remuneration Committee. We choose to use two advisors both to enable access to the best expertise and also to provide an alternative view or second opinion where required. The Chairman of the Remuneration Committee has direct access to the advisors as and when required, and the Committee determines the protocols by which the advisors interact with management in support of the Remuneration Committee. The advice and recommendations of the external advisors are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisors attend Remuneration Committee meetings occasionally as and when required by the Committee.

Pwc and Towers Watson are both members of the Remuneration Consultants Group and, as such, voluntarily operate under the Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. Pwc and Towers Watson have confirmed that they adhered to the Code throughout the year for all remuneration services provided to Vodafone. The code is available at remunerationconsultantsgroup.com.

Advisor	Appointed by	Services provided to the committee	Other services provided to the company
PricewaterhouseCoopers LLP (pwc)	Remuneration Committee in 2007	Advice on market practice Governance Performance analysis Plan design	International mobility Tax Technology Finance Operations Compliance
Towers Watson	Remuneration Committee in 2007	Advice on market practice Provide market data on executive rewards Reward consultancy	Pension and benefit administration Reward consultancy

As noted in his biographical details on page 53 of this annual report, Philip Yea sits on an advisory board for pwc. In light of pwc s role as advisor to the Remuneration Committee on remuneration matters, the Committee continue to consider his position and have determined that there is no conflict or potential conflict arising.

Meetings

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

Meeting	Standing agenda items	Other agenda items
May 2012	Annual bonus short-term incentive (GSTIP): Approval of 2012 achievement. Approval of 2013 targets and ranges. Long-term incentives (GLTI): Approval of 2009 GLTI vesting. Approval of performance targets and ranges for the 2012 GLTI grant. Approval of expected share awards and impact on dilution. Approval of 2012 Sharesave. Approval of 2012 directors remuneration report.	Review and approval of revised terms of reference for non- executive directors.
July 2012	Long-term incentives: Review of actual share awards, accounting costs for 2012 awards and dilution levels. Sharesave invitation and option price. Review of large local market CEO rewards.	Consideration of remuneration governance changes proposed by the Secretary of State for the Department of Business Innovation and Skills (BIS).
November 2012	Approval of the 2014 reward strategy. Long-term incentives:	Approval of revised dividend policy on employee share awards. Approval to reduce maximum leverage on GLTI awards made to

	Approval of share ownership GLTI awards made to senior leadership team members. Approval of interim share awards.	Executive Committee members from 2013. Consideration of published shareholder views with respect to executive remuneration.
January 2013	Approval of the 2014 GSTIP framework. Long-term incentives: Approval of interim share awards.	Consideration of published and circulated voting guidelines from shareholder advisory services including ABI, ISS and NAPF.
March 2013	Approval of Executive Committee 2014 reward packages. Review of non-executive director fee levels. Review of preliminary 2014 GSTIP targets and ranges. Review of risk assessment. Approval of shareholder consultation packs.	Review of the revised draft of the new remuneration reporting regulations released by BIS, as well as consideration of guidance on executive remuneration from PIRC and more prescriptive broader themes on remuneration emerging from across Europe.

The Committee s effectiveness is reviewed on an annual basis as part of the evaluation of the Board.

Assessment of risk

One of the primary activities of the Remuneration Committee is to be aware and mindful of any potential risk. Vodafone seeks to provide a structure of rewards that encourages acceptable risk taking and high performance through optimal pay mix, performance metrics and calibration, and timing. With that said, it is prudent practice to ensure that our reward programmes achieve this and do not encourage excessive or inappropriate risk taking. On a regular basis, the Remuneration Committee has considered the risk involved in the incentive schemes and is satisfied that the following design elements and governance procedures mitigate the principal risks:

- the heavy weighting on long-term incentives with overlapping performance periods which reward sustained performance;
- the proportionately higher incentive opportunity paid in shares rather than in cash;
- the need for a significant annual investment and holding in company shares in order to fully participate in the long-term arrangements;
- the short-term plan contains four performance measures (financial and non-financial) and the long-term plan contains two measures (internal absolute and external relative targets) thus ensuring executives are focused on all the key drivers of business success and are not overly rewarded for success in just one area;

- the inclusion of non-financial measures in the short-term plan which provides an external perspective on our performance by focusing on customer satisfaction and performance relative to our competitors;

- the fact that executives do not participate in sales commission or uncapped incentive schemes; and

- the fact that the Committee has the ability to exercise discretion to adjust payments and vesting levels downwards if they believe circumstances warrant it.

The Remuneration Committee will continue to consider the risks involved in the incentive plans on an ongoing basis.

Table of Contents

Summary of remuneration for the 2013 financial year

In this section we summarise the pay packages awarded to our executive directors for performance in the 2013 financial year versus 2012. Specifically we have provided a table that shows all remuneration that was earned by each individual during the year and computed a single total remuneration figure for the year. The value of the GSTIP was earned during the year but paid out in the following year and the value of the GLTI shows that which will vest in June 2013 as a result of the performance through the three year period ended at the completion of our financial year on 31 March 2013.

The Committee reviews all incentive awards prior to payment and has full discretion to reduce awards if it believes this is appropriate. The decision need not be on objective grounds. It should be noted that the Committee did not exercise discretion in determining the GSTIP payout for this year, or in deciding the final vesting level of the GLTI.

The only instance where the Committee exercised discretion is with respect to the GSTIP paid to Michel Combes on his departure. It was agreed that Vodafone would pay him a pro-rata bonus, assuming target level of achievement, for the seven months he continued to work for the company in the financial year.

Total remuneration for the 2013 financial year

	Vittorio Colao		Andy Halford		Michel Combes[1]		Stephen Pusey	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	£ 000	£ 000	**£ 000**	£ 000	**£ 000**	£ 000	**£ 000**	£ 000
Salary/fees	1,110	1,099	700	700	461	785	575	569
Benefits/other[2]	30	24	35	30	16	25	21	21
Cash in lieu of pension	333	330	210	210	138	236	173	171
GSTIP (see below for further detail)	731	1,037	461	654	461	728	379	537
GLTI vesting during the year[3] (see below for further detail)	7,515	11,316	4,368	7,450		5,861	2,404	4,227
Cash in lieu of GLTI	1,313	1,961	763	1,291		1,016	420	733

dividends[4]								
Total	**11,032**	**15,767**	**6,537**	**10,335**	**1,076**	**8,651**	**3,972**	**6,258**

Notes:

1 Michel Combes was employed until 31 October 2012.
2 Includes amounts in respect of private healthcare and car allowance.
3 The value shown in the 2012 column is the award which vested on 30 June 2012 and is valued using the execution share price on 2 July 2012 of 177.29 pence. The value shown in the 2013 column is the award which vests on 28 June 2013 and is valued using the closing share price on 31 March 2013 of 186.60 pence. Includes the vesting of an All Share award in 2012.
4 Participants also receive a cash award, equivalent in value to the dividends that would have been paid during the vesting period on any shares that vest. The cash in lieu of dividend value shown in 2012 relates to the award which vested on 30 June 2012, and the value for 2013 relates to the award which vests on 28 June 2013. We believe this is in line with the future government guidelines issued for reporting a single figure of remuneration per director. However, it is worth noting that this differs from how the values are reported in the audited tables on page 79, which show the values in the columns in the year they were paid.

Details of the GSTIP payout

In the table below we describe our achievement against each of the performance measures in our GSTIP and the resulting total incentive payout level for the year ended 31 March 2013 of 65.9%.

Performance measure	Payout at target performance 100%	Payout at maximum performance 200%	Actual payout %	Target performance level £bn	Actual performance level[1] £bn	Commentary
Service revenue	25%	50%	14.4%	41.1	40.3	Below target performance in Europe.
Adjusted EBITDA	25%	50%	7.7%	14.0	13.3	Below target performance in Europe.
Adjusted free cash flow	20%	40%	18.4%	5.7	5.7	Close to target performance.
Competitive performance assessment	30%	60%	25.4%	Compilation of market by market assessment		Varies by market but overall on track for market share with more to do for NPS.
Total incentive payout level	**100%**	**200%**	**65.9%**			

Note:

1 These figures are adjusted to include the removal of the impact of M&A, foreign exchange movements and any changes in accounting treatment.

Details of the GLTI vesting in June 2013

Adjusted free cash flow for the three-year period ended on 31 March 2013 was £20.8 billion which compares with a target of £20.5 billion and a maximum of £23.0 billion. The graph to the right shows that our TSR performance against our peer group for the same period resulted in an outperformance of the median by 18.3% a year. Using our combined payout matrix, this performance resulted in a payout of 56.9% of the maximum.

These shares will vest on 28 June 2013. The adjusted free cash flow performance is approved by the Remuneration Committee. The performance assessment in respect of the TSR outperformance of a peer group median is undertaken by pwc. Details of how the plan works can be found on page 76.

Relative spend on pay

The chart on the right shows both the total cost of remuneration in the Group as shown on page 102 as well as the total cost of remuneration for executive directors as shown on page 70 as well as with dividends distributed, tax paid and profit retained in the year.

Assessing pay and performance

In the table below we summarise the CEO s single figure remuneration over the past five years, as well as how our variable pay plans have paid out in relation to the maximum opportunity. This can be compared with the historic TSR performance over the same period.

Financial	CEO	Single figure of total remuneration £ 000	Annual variable element (actual award versus maximum opportunity)	Long-term incentive (vesting versus maximum opportunity)
2013	Vittorio Colao	11,032	33%	57%
2012	Vittorio Colao	15,767	47%	100%
2011	Vittorio Colao	7,022	62%	31%
2010[1]	Vittorio Colao	3,350	64%	25%
2009[1]	Vittorio Colao	2,574	49%	0%

Note:

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

As shown in the table above, the CEO s total remuneration decreased by 30% between the 2012 and 2013 financial years, reflecting the lower level of incentive payouts year-on-year. Additionally, his salary has been frozen for two years, which compares with the overall salary increase budget of 1.75% in the UK for the 2014 financial year (3.0% for the 2013 financial year).

The chart on the right shows the performance of the Company relative to the STOXX Europe 600 Index over a five year period. The STOXX Europe 600 Index was selected as this is a broad based index that includes many of our closest competitors. It should be noted that the payout from the long-term incentive plan is based on the TSR performance shown in the graph on page 70 and not this graph.

Summary of our compensation policies and approach for the 2014 financial year

In this forward-looking section we describe our principal reward policies along with a description of the elements of the reward package and an indication of the potential future value of this package for each of the executive directors. In addition we describe our policy applied to the non-executive directors.

These policies, as well as the individual elements of the reward package, are reviewed each year to ensure that they continue to support our Company strategy.

Pay for performance

A high proportion of total reward will be awarded through short-term and long-term performance related remuneration. This is demonstrated in the charts below where we see that at target payout 70% of the package is delivered in the form of variable pay, which rises to over 86% if maximum payout is achieved. Fixed pay comprises base salary, benefits and pension contributions, while variable pay comprises the annual bonus and the long-term incentive opportunity assuming maximum co-investment and no movement in current share price. Cash in lieu of GLTI dividends is not included in the charts below.

Alignment to shareholder interests

Share ownership is a key cornerstone of our reward policy and is designed to help maintain commitment over the long-term, and to ensure that the interests of our senior management team are aligned with those of shareholders. Executives are expected to build and maintain a significant shareholding in Vodafone shares as follows:

- Chief Executive four times base salary;
- other executive directors three times base salary;
- other Executive Committee members and the large market CEOs two times base salary;
- other market CEOs one times base salary; and

- other senior leaders (approximately 220 members) one-half of base salary.

The CEO, other executive directors, Executive Committee members and the CEO s of our largest markets have been given five years to achieve their goals; others were given up to six years to achieve their goals.

Current levels of ownership by the executive directors, and the date by which the goal should be or should have been achieved, are shown below and include the post-tax value of any vested but unexercised options. The values are calculated using a share price at 31 March 2013 of 186.60 pence. These values do not include the value of the shares that will vest in June.

	Goal as a % of salary	Current % of salary held	% of goal achieved	Number of equivalent shares	Value of shareholding (£m)	Date for goal to be achieved
Vittorio Colao	400%	1,170%	292%	6,959,472	13.0	July 2012
Andy Halford	300%	609%	203%	2,285,440	4.3	July 2010
Stephen Pusey	300%	445%	148%	1,372,594	2.6	June 2014

Collectively the Executive Committee including the executive directors own 17.8 million Vodafone shares, with a value of £33.3 million, whilst the full senior leadership team own approximately 43.7 million Vodafone shares with a value of £81.5 million at 31 March 2013.

Service contracts of executive directors

The Remuneration Committee has determined that after an initial term of up to two years executive directors contracts should thereafter have rolling terms and be terminable on no more than 12 months notice.

The table below summarises the key elements of their service contract:

Provision	Detailed items
Notice period	12 months
Remuneration	Salary, pension and benefits
	Company car or cash allowance
	Participation in the GSTIP, GLTI and the employee share schemes
Termination payment	Up to 12 months salary
	Entitlements under incentive plans and benefits that are consistent with the terms of such plans
Non-competition	During employment and for 12 months thereafter

	Date of service agreement
Vittorio Colao	27 May 2008
Andy Halford	20 May 2005
Stephen Pusey	1 June 2009

Additionally, all of the Company s share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control to the extent that any performance condition has been satisfied. The Remuneration Committee may also decide that the extent to which an award will vest will be further reduced pro-rata to reflect the acceleration of vesting.

Fees retained for external non-executive directorships

Executive directors may hold positions in other companies as non-executive directors and retain the fees. Andy Halford is a non-executive director of Marks and Spencer Group plc and in accordance with Group policy he retained fees for the year of £17,500. Michel Combes also held positions at Assystem SA and ISS Group and, in accordance with Group policy, he retained fees for his services until he left Vodafone on 31 October 2012 of 14,315 from Assystem SA and DKK 233,333 from ISS Group (£38,474 in total).

Cascade to senior management

The principles of the reward policy for executive directors are cascaded where appropriate throughout the organisation. Principles for the other members of the Executive Committee and large market CEOs, and members of the senior leadership team are set out below.

Executive Committee and large market CEOs

g Total remuneration and base salary

Methodology consistent with that of the executive directors.

g Annual bonus

The annual bonus is based on the same metrics. For those executives leading a region, performance on these metrics is measured at region level as well as Group level.

g Long-term incentive

The long-term incentive is consistent with that which is offered to the executive directors including the performance metrics and the opportunity to invest in the GLTI to receive matching share awards.

Senior leadership

g Total remuneration and base salary

Methodology consistent with that of the executive directors.

g Annual bonus

The annual bonus is based on the same metrics. For those senior leadership team members leading a local market, performance on these metrics is measured at local market level as well as Group level.

g Long-term incentive

The long-term incentive is delivered partly in performance shares and partly in restricted shares. The performance shares vest based solely on Vodafone s adjusted free cash flow performance over a three-year period. This is the same metric which governs vesting of the LTI offered to executive directors and executive committee members.

The remuneration package for the 2014 financial year

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

	Purpose and link to strategy	Operation
Base salary	g To attract and retain the best talent.	g Salaries are reviewed annually and fixed for 12 months commencing 1 July. Decision is influenced by: g level of skill, experience and scope of responsibilities of individual and business performance, economic climate and market conditions; g increases elsewhere within the Group; and g an external comparator group (which is used for reference purposes only) made up of companies of similar size and complexity to Vodafone, and is principally representative of the European top

		25 companies and a few other select companies relevant to the sector. The comparator group excludes any financial services companies.
Benefits	g To aid retention and remain competitive within the market place.	g Executive directors may choose to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of pension. g Company car or cash allowance. g Private medical insurance. g Chauffeur services, where appropriate, to assist with their role.
Global Short-Term Incentive Plan (GSTIP)	g To drive behaviour and communicate the key priorities for the year. g To motivate employees and incentivise delivery of performance over the one-year operating cycle. g The three financial metrics are designed to both drive our growth strategies whilst also focusing on improving operating efficiencies. Measuring competitive performance with its heavy reliance on net promoter score means	g Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure they continue to support our strategy. g Performance over the financial year is measured against stretching financial and non-financial performance targets set at

	providing a great customer experience remains at the heart of what we do.	the start of the financial year. g The annual bonus is paid in cash in June each year for performance over the previous financial year.
Global Long-Term Incentive Plan (GLTI) base awards and co-investment awards (further details can be found on page 76).	gTo motivate and incentivise delivery of sustained performance over the long-term. gTo support and encourage greater shareholder alignment through a high level of personal financial commitment. gThe use of free cash flow as the principal performance measure ensures we apply prudent cash management and rigorous capital discipline to our investment decisions, whilst the use of TSR along with the three year performance period and the subsequent holding of vested shares means that we are focused on ensuring these decisions are value enhancing for our shareholders.	g Award levels and the framework for determining vesting are reviewed annually to ensure they continue to support our strategy. g Long-term incentive base awards consist of performance shares which are granted each year in June/July. g Individuals must co-invest Vodafone shares and hold them in trust for three years in order to receive the full target award. g Dividend equivalents are paid in cash after the vesting date.

g All awards vest three years later based on

Group operational and external performance.

Opportunity	Performance metrics	Changes in year
There are no proposed salary increases for any executive directors during the 2014 financial year compared to a salary increase budget in the UK of 1.75%.	None.	No change during the year.

gVittorio Colao £1,110,000

gAndy Halford £700,000

gStephen Pusey £575,000

The cash payment or pension contribution is equal to 30% of annual gross salary. From 6 April 2011 contributions into the defined contribution pension scheme were restricted to £50,000 per annum. Any residual of the 30% pension benefit is delivered as a cash allowance.	None.	No change during the year.

g£19,200 per annum.

g£1,500 per annum

g Bonuses can range from 0 200% of base salary, with 100% paid for on-target performance. Maximum is only paid out for exceptional performance.	g Service revenue (25%); g Adjusted EBITDA (25%); g adjusted free cash flow (25%); and g competitive performance assessment (25%). This is an assessment encompassing both net promoter score and market share against the competitors in each of our markets.	Weighting changed for adjusted free cash flow (20% to 25%) and competitive performance assessment (30% to 25%)
g The Chief Executive s full award will have a target face value of 237.5% of base salary. The award for the other executive directors will have a target face value of 210% of base salary. g Minimum vesting is zero times and maximum vesting is three times the target award level. g To receive the full target award, executive	g Performance over three financial years is measured against stretching targets set at the beginning of the performance period. g Vesting is determined based on a matrix of two measures: gadjusted free cash flow as our operational performance measure; and grelative TSR against a peer group of companies as our external performance measure.	The peer group has been expanded to include AT&T.

directors must co-invest up to their annual

gross salary. If they are unable to commit up

to their annual gross salary, awards will be

reduced accordingly, to a target base award

of 137.5% (CEO) and 110% (other executive

directors).

g The awards that vest accrue cash dividend

equivalents over the three year vesting period.

g Awards vest to the extent performance

conditions are satisfied over the three

year period.

Table of Contents

GLTI

The extent to which awards vest will continue to depend on two performance conditions:

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

Adjusted free cash flow

The free cash flow performance is based on a three year cumulative adjusted free cash flow figure. The definition of adjusted free cash flow is free cash flow excluding:

- VZW income dividends;
- the impact of any mergers, acquisitions and disposals;
- certain material one-off tax settlements; and
- foreign exchange rate movements over the performance period.

The cumulative adjusted free cash flow target and range for awards in the 2014, 2013, 2012 and 2011 financial years are shown in the table below:

			Vesting percentage			Vesting percentage
	2014	2013	2013 2014	2012	2011	2011 2012
Performance	£bn	£bn	awards	£bn	£bn	awards
Below threshold	<12.4	<15.4	0%	<16.7	<18.0	0%

Threshold	12.4	15.4	50%	16.7	18.0	50%
Target	14.4	17.9	100%	19.2	20.5	100%
Maximum	16.4	20.4	150%	21.7	23.0	200%

The target adjusted free cash flow level is set by reference to the Company s three year plan and market expectations. The Remuneration Committee considers the targets to be critical to the Company s long-term success and its ability to maximise shareholder value, and to be in line with the strategic goals of the Company. The Remuneration Committee also considers these targets to be sufficiently demanding with significant stretch where only outstanding performance will be rewarded with a maximum payout.

TSR outperformance of a peer group median

We have a limited number of appropriate peers and this makes the measurement of a relative ranking system volatile. As such, the outperformance of the median of a peer group is felt to be the most appropriate TSR measure. The peer group for the performance condition for the 2014 financial year is:

g AT&T

g BT Group;

g Deutsche Telekom;

g France Telecom;

g Telecom Italia;

g Telefónica; and

g Emerging market composite (consists of the average TSR performance of Bharti, MTN and Turkcell).

For awards made in the 2013, 2012 and 2011 financial years the peer group was the same other than for the inclusion of AT&T.

For awards made in the 2014, 2013, 2012 and 2011 financial years the relative TSR position will determine the performance multiplier. This will be applied to the adjusted free cash flow vesting percentage. There will be no multiplier until TSR performance exceeds median. Above median, the following table will apply (with linear interpolation between points):

	Outperformance of peer group median	Multiplier
Median	0.0% p.a.	No increase

65th percentile	4.5% p.a.	1.5 times
80th percentile (upper quintile)	9.0% p.a.	2.0 times

Combined vesting matrix

The combination of the two performance measures for the award granted in the 2014 financial year gives a combined vesting matrix as follows:

			TSR performance
Adjusted free cash flow measure	Up to median	65th	80th
Below threshold	0%	0%	0%
Threshold	50%	75%	100%
Target	100%	150%	200%
Maximum	150%	225%	300%

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

Estimates of total future potential remuneration from 2014 pay packages

The tables below provide estimates of the potential future remuneration for each of the executive directors based on the remuneration opportunity granted in the 2014 financial year. Potential outcomes based on different performance scenarios are provided for each executive director.

The assumptions underlying each scenario are described below.

Fixed Consists of base salary, benefits and pension.

Base salary is latest known salary.

Benefits measured at benefits figure in single figure table on page 70.

Pension measured by applying cash in lieu rate of 30% of base salary against the latest known salary.

	Base (£ 000)	Benefits (£ 000)	Pension (£ 000)	Total fixed (£ 000)
Chief Executive	1,110	30	333	1,473
Chief Financial Officer	700	35	210	945
Chief Technology Officer	575	21	173	769

On plan Based on what a Director would receive if performance was in line with plan.

The target award opportunity for the GSTIP is 100% of base salary.

The target levels of performance for the GLTI are discussed in detail on page 76. We assumed that TSR performance was at median.

Maximum Two times the target award opportunity is payable under the GSTIP.

The maximum levels of performance for the GLTI are discussed in detail on page 76. We assumed that TSR performance was at or above the 80th percentile.

All scenarios

- Each executive is assumed to co-invest the maximum allowed under the GLTI, 100% of salary, and the GLTI award reflects this.

Policy on non-executive directors

The remuneration of non-executive directors is reviewed annually by the Chairman following consultation with the Remuneration Committee Chairman. Our policy is to pay competitively for the role including consideration of the time commitment required. In this regard, the fees are benchmarked against a comparator group of the FTSE 15 companies. Following the 2013 review there will be no increases to the fees of non-executive directors.

Position/role	Fee payable (£ 000) From 1 April 2013
Chairman[1]	600
Senior Independent Director	160
Non-executive director	115
Chairmanship of Audit and Risk Committee	25
Chairmanship of Remuneration Committee	25

Note:

1 The Chairman s fee also includes the fee for the Chairmanship of the Nominations and Governance Committee. In addition, an allowance of £6,000 is payable each time a non-Europe based non-executive director is required to travel to attend Board and committee meetings to reflect the additional time commitment involved.

Details of each non-executive director s remuneration for the 2013 financial year are included in the table on page 81.

Non-executive directors do not participate in any incentive or benefit plans. The Company does not provide any contribution to their pension arrangements. The Chairman is entitled to the use of a car and a driver whenever and wherever he is providing his services to or representing the Company.

Chairman and non-executive director service contracts

Non-executive directors are engaged on letters of appointment that set out their duties and responsibilities. The appointment of non-executive directors may be terminated without compensation. Non-executive directors are generally not expected to serve for a period exceeding nine years. For further information refer to Nomination and Governance Committee on page 60.

The terms and conditions of appointment of non-executive directors are available for inspection at the Company s registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

	Date of letter of appointment	Date of election/ re-election
Renee James	1 January 2011	AGM 2013
Alan Jebson	7 November 2006	AGM 2013
Samuel Jonah	9 March 2009	AGM 2013
Gerard Kleisterlee	1 April 2011	AGM 2013
Omid Kordestani	27 February 2013	AGM 2013
Nick Land	7 November 2006	AGM 2013
Anne Lauvergeon	20 September 2005	AGM 2013
Luc Vandevelde	24 June 2003	AGM 2013
Anthony Watson	6 February 2006	AGM 2013
Philip Yea	14 July 2005	AGM 2013

Other considerations

In this section we include all other disclosures that are currently required by statute or good practice guidelines.

All-employee share plans

The executive directors are also eligible to participate in the all-employee plans.

Summary of plans

Sharesave

The Vodafone Group 2008 Sharesave Plan is an HM Revenue & Customs (HMRC) approved scheme open to all staff permanently employed by a Vodafone Company in the UK as of the eligibility date. Options under the plan are granted at up to a 20% discount to market value. Executive directors participation is included in the option table on page 81.

Share Incentive Plan

The Vodafone Share Incentive Plan is an HMRC approved plan open to all staff permanently employed by a Vodafone Company in the UK. Participants may contribute up to a maximum of £125 per month (or 5% of salary if less) which the trustee of the plan uses to buy shares on their behalf. An equivalent number of shares are purchased with contributions from the employing company. UK-based executive directors are eligible to participate.

Dilution

All awards are made under plans that incorporate dilution limits as set out in the guidelines for share incentive schemes published by the Association of British Insurers. The current estimated dilution from subsisting executive awards is approximately 2.0% of the Company s share capital at 31 March 2013 (3.1% at 31 March 2012), whilst from all employee share awards it is approximately 0.3% (0.3% at 31 March 2012). This gives a total dilution of 2.3% (3.4% at 31 March 2012).

Funding

A mixture of newly issued shares, treasury shares and shares purchased in the market by the employee benefit trust are used to satisfy share-based awards. This policy is kept under review.

Audited information for executive directors

Remuneration for the year ended 31 March 2013

This table[1] shows the remuneration of the executive directors during the year in the currently prescribed format. The table on page 70 includes a value for GLTI payments.

	Vittorio Colao		Andy Halford		Michel Combes		Stephen Pusey	
	2013	2012	**2013**	2012	**2013[2]**	2012	**2013**	2012
	£ 000	£ 000	**£ 000**	£ 000	**£ 000**	£ 000	**£ 000**	£ 000
Salary/fees	1,110	1,099	700	700	461	785	575	569
GSTIP[3]	731	1,037	461	654	461	728	379	537
Cash in lieu of GLTI dividends	1,961	545	1,291	333	1,016	326	733	110
Cash in lieu of pension	333	330	210	210	138	236	173	171
Benefits /other[4]	30	24	35	30	16	25	21	21
Total	**4,165**	**3,035**	**2,697**	**1,927**	**2,092**	**2,100**	**1,881**	**1,408**

Notes:

1 The information in this table is audited.
2 Michel Combes payments for the 2013 financial year are based on his employment which ended 31 October 2012.
3 Payments are made in June following the end of the financial year.
4 Includes amounts in respect of cost of living allowance, private healthcare and car allowance.

The aggregate remuneration we paid to our Executive Committee (other than our executive directors) for services for the year ended 31 March 2013 is set out below. The number of Executive Committee members increased by two during the year.

	2013	2012
	£ 000	£ 000
Salaries/fees	3,916	2,822
GSTIP[1]	2,987	2,758
Cash in lieu of GLTI dividends	3,037	490
Cash in lieu of pension	871	747
Benefits/other	1,096	169
Total	**11,907**	**6,986**

Note:

1 The GSTIP figure comprises the incentive scheme information for the Executive Committee members on an equivalent basis to that disclosed for executive directors at the beginning of the report. Details of share incentives awarded to directors and other members of the Executive Committee are included in footnotes to Directors interests in the shares of the Company Long-term incentives on page 80.

Pensions

Vittorio Colao, Andy Halford and Stephen Pusey take a cash allowance of 30% of base salary in lieu of pension contributions.

The Executive Committee, including the executive directors, are provided benefits in the event of death in service. They also have an entitlement under a long-term disability plan from which two-thirds of base salary, up to a maximum benefit determined by the insurer, would be provided until normal retirement date.

Pension benefits earned by the director in the year ended 31 March 2013 were:

	Total accrued benefit at 31 March 2013[1]	Change in accrued benefit over the year[1]	Transfer value at 31 March 2012[2]	Transfer value at 31 March 2013[2]	Change in transfer value over year less member contributions	Change in accrued benefit in excess of inflation[3]	Transfer value of change in accrued benefit net of member contributions	Employer allocation/ contribution to defined contribution plans
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Andy Halford	19.6	0.9	846.9	907.6	60.7	0.4	20.8	

Notes:

1 Andy Halford took the opportunity to take early retirement from the pension scheme due to the closure of the scheme on 31 March 2010 (aged 51 years). In accordance with the scheme rules, his accrued pension at this date was reduced with an early retirement factor for four years to reflect the fact that his pension is being paid before age 55 and is therefore expected to be paid out for a longer period of time. In addition, Andy Halford exchanged part of his early retirement pension at 31 March 2010 for a tax-free cash lump sum of £118,660. The pension in

payment at 31 March 2010 was £17,800 per year. The pension increased on 1 April 2011 and 1 April 2012 by 5%, in line with the scheme rules, to £19,624 per year from 1 April 2012 as shown above. No member contributions are payable as Andy Halford is in receipt of his pension.

2 The transfer value at 31 March 2013 has been calculated on the basis and methodology set by the trustees after taking actuarial advice, as set out in the papers entitled Calculation of cash equivalent transfer values dated January 2011 and Sex-specific actuarial factor dated March 2011. No director elected to pay additional voluntary contributions. The transfer value disclosed above does not represent a sum paid or payable to the individual director. Instead it represents a potential liability of the pension scheme.

3 Inflation has been taken as the increase in the retail price index over the year to 30 September 2012 of 2.6%.

In respect of the Executive Committee, the Group has made aggregate contributions of £99,000 (2012: £100,000) into defined contribution pension schemes.

Directors interests in the shares of the Company long-term incentives

Performance shares

GLTI conditional share awards granted to executive directors for the relevant financial years are shown below. It is important to note that the figures shown in the first two columns represent the maximum amount which could vest at the end of the relevant three year performance period. In order to participate in these plans, executives have had to invest personal shares with a combined value of: £3,853,074 (Vittorio Colao); £1,298,585 (Andy Halford); and £1,181,654 (Stephen Pusey). The total value is calculated using the closing trade share price on 31 March 2013 of 186.6 pence.

	Total interest in performance shares at 1 April 2012 or date of appointment Number of shares	Shares conditionally awarded during the 2013 financial year[1] Number of shares	Shares forfeited during the 2013 financial year[2] Number of shares	Shares vested during the 2013 financial year[2] Number of shares	Total interest in performance shares at 31 March 2013 Number of shares	Total value £ 000	Market price at date awards granted Pence	Ve
olao								
e	4,564,995			(4,564,995)			117.47	
ent	1,817,866			(1,817,866)			117.47	
e	4,097,873				4,097,873	7,646,631	142.94	
ent	2,980,271				2,980,271	5,561,186	142.94	
e	3,740,808				3,740,808	6,980,348	163.20	
ent	2,720,588				2,720,588	5,076,617	163.20	
		2,552,257			2,552,257	4,762,512	179.40	

e							
ent							
		1,958,823			1,958,823	3,655,164	179.40
	19,922,401	**4,511,080**		**(6,382,861)**	**18,050,620**	**33,682,458**	
ord							
e							
	2,524,934			(2,524,934)			117.47
ent							
	1,676,756			(1,676,756)			117.47
e							
	2,154,750				2,154,750	4,020,764	142.94
ent							
	1,958,863				1,958,863	3,655,238	142.94
e							
	1,887,254				1,887,254	3,521,616	163.20
ent							
	756,036				756,036	1,410,763	163.20
e							
		1,287,625			1,287,625	2,402,708	179.40
	10,958,593	**1,287,625**		**(4,201,690)**	**8,044,528**	**15,011,089**	
e							
	2,771,771			(2,771,771)			117.47
ent							
	533,854			(533,854)			117.47
e							
	2,370,225		(2,370,225)				142.94
ent							
	1,144,116		(1,144,116)				142.94
e							
	2,129,901		(2,129,901)				163.20
ent							
	876,531		(876,531)				163.20
	9,826,398		**(6,520,773)**	**(3,305,625)**			
sey							
e							
	1,872,818			(1,872,818)			117.47
	510,879			(510,879)			117.47
ent							

e	1,693,018			1,693,018	3,159,172	142.94
ent	571,097			571,097	1,065,667	142.94
e	1,550,245			1,550,245	2,892,757	163.20
ent	612,745			612,745	1,143,382	163.20
e		1,057,692		1,057,692	1,973,653	179.40
ent		1,014,705		1,014,705	1,893,440	179.40
	6,810,802	**2,072,397**	**(2,383,697)**	**6,499,502**	**12,128,071**	

Notes:

1 The awards were granted during the year under the Vodafone Global Incentive Plan (GIP) using the closing share price on the day before the grant which was 179.40 pence. These awards have a performance period running from 1 April 2012 to 31 March 2015. The performance conditions are a matrix of adjusted free cash flow performance and relative TSR. The vesting date will be in June 2015.

2 Shares granted on 30 June 2009 vested on 30 June 2012. The performance conditions on these awards were a matrix of adjusted free cash flow performance and relative TSR, and the resulting vesting was 100% of maximum. The share price on the vesting date was 179.25 pence.

3 Michel Combes was employed until 31 October 2012.

The aggregate number of shares conditionally awarded during the year to the Executive Committee, other than the executive directors, was 13,360,023 shares. The performance and vesting conditions on the shares awarded in the year are based on a matrix of adjusted free cash flow performance and relative TSR.

Share options

No share options have been granted to directors during the year. The following information summarises the executive directors options under the Vodafone Group 2008 Sharesave Plan (SAYE), the Vodafone Group Plc 1999 Long-Term Stock Incentive Plan (LTSIP) and the Vodafone GIP. HMRC approved awards may be made under all of the schemes mentioned. No other directors have options under any of these schemes.

Options under the Vodafone Group 2008 Sharesave Plan were granted at a discount of 20% to the market value of the shares at the time of the grant. No other options may be granted at a discount.

	Grant date	At 1 April 2012 or date of appointment Number of shares	Options granted during the 2013 financial year Number of shares	Options exercised during the 2013 financial year Number of shares	Options lapsed during the 2013 financial year Number of shares	Options held at 31 March 2013 Number of shares	Option price Pence[1]	Date from which exercisable	Expiry date	Market price on exercise Pence
Vittorio Colao										
GIP	Nov 2006	3,472,975		(3,472,975)			135.50	Nov 2009	Nov 2016	177.53
GIP[2]	Jul 2007	3,003,575				3,003,575	167.80	Jul 2010	Jul 2017	
SAYE	Jul 2009	16,568				16,568	93.85	Sep 2014	Feb 2015	
Total		**6,493,118**		**(3,472,975)**		**3,020,143**				
Andy Halford										
LTSIP	Jul 2005	1,291,326		(1,291,326)			145.25	Jul 2008	Jul 2015	177.41
GIP[2]	Jul 2007	2,295,589				2,295,589	167.80	Jul 2010	Jul 2017	
SAYE	Jul 2009	9,669		(9,669)			93.85	Sep 2012	Feb 2013	161.15
SAYE	Jul 2012		6,233			6,233	144.37	Sep 2015	Feb 2016	
Total		**3,596,584**	**6,233**	**(1,300,995)**		**2,301,822**				
Michel Combes[3]										
SAYE	Jul 2009	9,669		(9,669)			93.85	Sep 2012	Feb 2013	167.60

Total		**9,669**	**(9,669)**					
Stephen Pusey								
GIP	Sep 2006	1,034,259		1,034,259	113.75	Sep 2009	Aug 2016	
GIP[2]	Jul 2007	947,556		947,556	167.80	Jul 2010	Jul 2017	
SAYE	Jul 2009	9,669	(9,669)		93.85	Sep 2012	Feb 2013	170.35
Total		**1,991,484**	**(9,669)**	**1,981,815**				

Notes:

1 The closing trade share price on 31 March 2013 was 186.60 pence. The highest trade share price during the year was 191.75 pence and the lowest price was 154.20 pence.
2 The performance condition on these options is a three year cumulative growth in adjusted earnings per share. The options vested at 100% on 24 July 2010.
3 Michel Combes was employed until 31 October 2012.

Audited information for non-executive directors serving during the year ended 31 March 2013

	Salary/fees		Benefits[1]		Total	
	2013	2012	2013	2012	2013	2012
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Chairman						
Gerard Kleisterlee[2]	600	438	56	46	656	484
Senior Independent Director						
Luc Vandevelde	154	140	12	20	166	160
Non-executive directors						
Renee James[3]	151	139	83	56	234	195
Alan Jebson[3]	151	145	55	35	206	180
Samuel Jonah[3]	157	139	52	23	209	162
Omid Kordestani	10				10	
Nick Land	140	140			140	140
Anne Lauvergeon	115	115	7	4	122	119
Anthony Watson	115	115			115	115
Philip Yea	115	115			115	115
Former non-executive directors						
Sir John Bond (retired 26 July 2011)		200		1		201
Sir John Buchanan (retired 24 July 2012)	58	175			58	175
Total	**1,766**	**1,861**	**265**	**185**	**2,031**	**2,046**

Notes:

1 An explanation of these benefits can be found on page 82.
2 The figure shown in 2012 is comprised of his part-year compensation as a non-executive director and part-year compensation as Chairman.
3 Salary/fees include an additional allowance of £6,000 per meeting for directors based outside of Europe.

Vodafone has been advised that for non-executive directors who are based overseas, any travel expenses in relation to attending board meetings should be included as a benefit. The table on page 81 now includes these travel expenses for both the 2012 and 2013 financial years.

Beneficial interests

The beneficial interests of directors and their connected persons in the ordinary shares of the Company, which includes interests in the Vodafone Share Incentive Plan, but which excludes interests in the Vodafone Group share option schemes, and the Vodafone Group short-term or long-term incentives, are shown below:

	20 May 2013	31 March 2013	1 April 2012 or date of appointment
Vittorio Colao	6,813,283	6,813,283	3,354,896
Andy Halford	2,174,686	2,174,426	2,527,649
Stephen Pusey	1,132,019	1,132,019	698,264
Renee James	50,000	50,000	50,000
Alan Jebson	82,340	82,340	82,340
Samuel Jonah	55,350	55,350	55,350
Gerard Kleisterlee	109,552	109,552	100,000
Omid Kordestani[1]			
Nick Land	35,000	35,000	35,000
Anne Lauvergeon	29,922	29,922	28,936
Luc Vandevelde	91,563	91,563	90,478
Anthony Watson	115,000	115,000	115,000
Philip Yea	61,249	61,249	61,249

Note:

1 Omid Kordestani was appointed to the Board on 1 March 2013.

At 31 March 2013 and during the period from 1 April 2013 to 20 May 2013, no director had any interest in the shares of any subsidiary company. Other than those individuals included in the table above who were Board members at 31 March 2013, members of the Group s Executive Committee at 31 March 2013 had an aggregate beneficial interest in 7,728,527 ordinary shares of the Company. At 20 May 2013 the directors had an aggregate beneficial interest in 10,749,964 ordinary shares of the Company and the Executive Committee members had an aggregate beneficial interest in 7,925,243 ordinary shares of the Company, which includes the addition of a new Executive Committee member appointed after 31 March 2013. None of the directors or the Executive Committee members had an individual beneficial interest amounting to greater than 1% of the Company s ordinary shares.

Interests in share options of the Company

At 20 May 2013 there had been no change to the directors interests in share options from 31 March 2013 (see page 81).

Other than those individuals included in the table above, at 20 May 2013 members of the Group s Executive Committee held options for 2,592,271 ordinary shares at prices ranging from 115.3 pence to 167.8 pence per ordinary share, with a weighted average exercise price of 162.2 pence per ordinary share exercisable at dates ranging from July 2008 to July 2017.

Renee James, Alan Jebson, Samuel Jonah, Gerard Kleisterlee, Omid Kordestani, Nick Land, Anne Lauvergeon, Luc Vandevelde, Anthony Watson and Philip Yea held no options at 20 May 2013.

Directors interests in contracts

None of the current directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the financial year.

/s/ Luc Vandevelde

Luc Vandevelde

On behalf of the Board

21 May 2013

Contents

Page	
84	**Directors statement of responsibility**
85	**Audit report on internal control over financial reporting**
86	**Critical accounting estimates**
88	**Risk mitigation**
89	**Audit report on the consolidated financial statements**
90	**Consolidated financial statements and financial commentary**
90	Consolidated income statement
90	Consolidated statement of comprehensive income
92	Consolidated statement of financial position
94	Consolidated statement of changes in equity
96	Consolidated statement of cash flows
98	**Notes to the consolidated financial statements:**
98	1. Basis of preparation
98	2. Significant accounting policies
100	3. Operating profit
101	4. Directors and key management compensation
102	5. Employees
103	6. Investment income and financing costs
104	7. Taxation
107	8. Earnings per share
107	9. Equity dividends
108	10. Intangible assets
109	11. Acquisitions and disposals
111	12. Impairment review
115	13. Property, plant and equipment
116	14. Investments in joint ventures
117	15. Investments in associates
117	16. Other investments
118	17. Trade and other receivables
119	18. Trade and other payables
120	19. Provisions

121 20. Commitments
121 21. Contingent liabilities
123 22. Reconciliation of net cash flow from operating activities
123 23. Cash and cash equivalents
124 24. Borrowings
128 25. Called up share capital
128 26. Subsequent events

Page

129 Financial statement note appendices:
129 A1. Significant accounting policies
136 A2. Segment analysis
140 A3. Inventory
140 A4. Share-based payments
142 A5. Post employment benefits
144 A6. Capital and financial risk management
148 A7. Related party transactions
149 A8. Principal subsidiaries
150 A9. Subsidiaries exempt from audit
151 Other unaudited financial information:
151 Prior year operating results
155 Liquidity and capital resources
159 This page is intentionally left blank
160 This page is intentionally left blank
161 This page is intentionally left blank
162 This page is intentionally left blank
163 This page is intentionally left blank
164 This page is intentionally left blank
165 This page is intentionally left blank
B-1 Separate financial statements required by Rule 3-09 of Regulation S-X
B-3 Report of Independent Registered Public Accounting Firm

Reporting our financial performance

This year we have changed the format of our consolidated financial statements, with the aim of making them clear and easier to follow.

On pages 90 to 97 we have created an integrated financial review, combining a commentary on items within the primary financial statements.

We have changed the order of the footnotes to help with the flow of information, focusing on areas that we feel are key to understanding our business. Additional information that we are required to disclose by accounting standard or

regulation has been moved to appendices. In addition, each footnote now begins with a simple introduction outlining the purpose of the note.

We hope this format makes it easier for you to navigate to the information that is important to you.

The financial commentary on pages 91, 93, 95 and 97 form part of the business review and are unaudited.

Directors statement of responsibility

Financial statements and accounting records

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

g select suitable accounting policies and apply them consistently;

g make judgements and estimates that are reasonable and prudent;

g state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), in accordance with IFRS as adopted for use in the EU and Article 4 of the EU IAS Regulations;

g state for the Company financial statements whether applicable UK accounting standards have been followed; and

g prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

Directors responsibility statement

The Board confirms to the best of its knowledge:

g

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 or loss of the Group; and

- the directors report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

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 auditor

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

Going concern

After reviewing the Group s and Company s budget for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. Further detail is included within Commentary on the consolidated statement of cash flows on page 97, notes 24 and A6 to the consolidated financial statements, and Liquidity and capital resources on pages 155 to 158 which include disclosure in relation to the Group s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Management s report on internal control over financial reporting

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

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

- are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS, as adopted by the EU and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorisation of management and the directors of

the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group s assets that could have a material effect on the financial statements.

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

Management has assessed the effectiveness of the internal control over financial reporting at 31 March 2013 based on the Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management s assessment management has concluded that the internal control over financial reporting was effective at 31 March 2013.

The assessment excluded the internal controls over financial reporting relating to Cable & Wireless Worldwide plc (CWW) because it became a subsidiary during the year as described in note 11 to the consolidated financial statements. CWW will be included in the Group s assessment at 31 March 2014.

Key sub-totals that result from the consolidation of CWW, whose internal controls have not been assessed, are total assets of £2,877 million, net assets of £1,315 million, revenue of £1,234 million and loss for the financial year of £151 million.

Management has also excluded from its assessment the internal control over financial reporting of entities which are accounted for under the equity method, including Verizon Wireless (VZW), because the Group does not have the ability to dictate or modify the controls at these entities and does not have the ability to assess, in practice, the controls at these entities. Accordingly, the internal controls of these entities, which contributed a net profit of £6,477 million (2012: £4,963 million) to the profit for the financial year, have not been assessed, except relating to controls over the recording of amounts relating to the investments that are recorded in the Group s consolidated financial statements.

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

The Group s internal control over financial reporting at 31 March 2013 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 85.

By Order of the Board

/s/ Rosemary Martin

Rosemary Martin

Company Secretary

21 May 2013

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 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in management s report on internal control over financial reporting, management excluded from its assessment the internal control over financial reporting at Cable & Wireless Worldwide plc, which became a subsidiary during the year and which accounted for £2,877 million of total assets, £1,315 million of net assets, £1,234 million of revenue and £151 million of loss for the financial year of the consolidated financial statements amounts as of and for the year ended 31 March 2013. Accordingly our audit did not include the internal control over financial reporting at Cable & Wireless Worldwide plc. Additionally management is not required to evaluate the internal control over financial reporting of those entities that are accounted for under the equity method, including Verizon Wireless, because the Group does not have the ability to dictate or modify controls at these entities and does not have the ability to assess, in practice, the controls at these entities. Accordingly, the internal control over financial reporting of these entities, which contributed a net profit of £6,477 million to the profit for the financial year has not been assessed, except relating to the Group s controls over the recording and related disclosures of amounts relating to investments that are recorded in the consolidated financial statements.

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

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

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies

and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

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

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of 31 March 2013, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Group as of and for the year ended 31 March 2013 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 21 May 2013 expressed an unqualified opinion on those financial statements.

/s/ Deloitte LLP

Deloitte LLP

London

United Kingdom

21 May 2013

Critical accounting estimates Audited

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

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

Management considers that certain accounting estimates and assumptions relating to revenue, taxation, business combinations, intangible assets (goodwill and finite lived assets), property, plant and equipment, provisions and contingent liabilities, and impairment are its critical accounting estimates.

A discussion of these critical accounting estimates is provided below and should be read in conjunction with the disclosure of the Group s significant IFRS accounting policies provided in note A2 to the consolidated financial statements.

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

Revenue recognition

Arrangements with multiple deliverables

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

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

Gross versus net presentation

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

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

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

Taxation

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

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

Recognition of deferred tax assets

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

Significant items on which the Group has exercised accounting judgement include recognition of deferred tax assets in respect of losses in Germany and Luxembourg and the recognition of a deferred tax asset in respect of capital allowances in the United Kingdom. The amounts recognised in the consolidated financial statements in respect of each matter are derived from the Group s best estimation and judgement as described above. See note 7 to the consolidated financial statements.

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

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

Business combinations

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

Goodwill

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

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

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

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

Finite lived intangible assets

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

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

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

At 31 March 2013 intangible assets, excluding goodwill, amounted to £22,025 million (2012: £21,164 million) and represented 15.4% (2012: 15.2%) of the Group s total assets.

Estimation of useful life

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

Licences and spectrum fees

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

Customer bases

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

Capitalised software

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

in useful lives have not resulted in material changes to the Group s amortisation charge.

Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the asset base of the Group being 14.2% (2012: 13.4%) of the Group s total assets. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group s financial position and performance.

Estimation of useful life

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

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

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

Provisions and contingent liabilities

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 21 to the consolidated financial statements). Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Impairment reviews

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

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

g growth in adjusted EBITDA, calculated as adjusted operating profit before depreciation and amortisation;

g timing and quantum of future capital expenditure;

- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

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

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

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

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

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

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

The Group s review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in note 12 to the consolidated financial statements.

Table of Contents

Unaudited information Risk Mitigation

Mitigations for risks faced by the Group include:

- Specific back-up and resilience requirements are built into our networks. We monitor our ability to replace strategic equipment quickly in event of failure, and for high risk components, we maintain dedicated back-up equipment ready for use. Dedicated network equipment is installed on trucks ready to be moved on site if required.

Our critical infrastructure has been enhanced to prevent unauthorised access and reduce the likelihood and impact of a successful attack. Network contingency plans are linked with our business continuity and disaster recovery plans which are in place to cover the residual risks that cannot be mitigated. A crisis management team and escalation processes are in place both nationally and internationally, and crisis simulations are conducted annually.

We also manage the risk of malicious attacks on our infrastructure using our global security operations centre that provides 24/7 monitoring of our network in many countries.

- Both the hardware and software applications which hold or transmit confidential personal and business voice and data traffic include security features. Security related reviews are conducted according to our policies and security standards. Security governance and compliance is managed and monitored through software tools that are deployed to all local markets and selected partner markets. Our data centres are managed to international information security standards. Third party data security reviews are conducted jointly with our technology security and corporate security functions.

- We will continue to promote our differentiated propositions by focusing on our points of strength such as network quality, capacity and coverage, quality of customer service and the value of our products and services. We are enhancing distribution channels to get closer to customers and using targeted promotions where appropriate to attract and retain specific customers. We closely monitor and model competitor behaviour, network builds and product offerings to understand future intentions to be able to react in a timely manner.

- We monitor political developments in our existing and potential markets closely, identifying risks in our current and proposed commercial propositions. Regular reports are made to our Executive Committee on current political and regulatory risks. These risks are considered in our business planning process, including the importance of competitive commercial pricing and appropriate product strategies. Authoritative and timely intervention is made at both national and international level in respect of legislative, fiscal and regulatory proposals which we feel are not in the interests of the Group. We have regular dialogue with trade groups that represent network operators and other industry bodies to understand underlying political pressures.

- In some markets we are already providing fixed-line telecommunication services (voice and broadband). In other existing markets we actively look for opportunities to provide services beyond mobile through acquisition, partnerships, or joint ventures.

- We have also developed strategies which strengthen our relationships with customers by accelerating the introduction of integrated voice, messaging and data tariffs to avoid customers reducing their out-of bundle usage through substitution.

- We are closely monitoring the eurozone situation. Executive Committee briefings have been provided with specific actions identified to reduce the impact of the risk. We have developed a detailed business continuity plan in the event of a country leaving the eurozone, which could lead to a banking system freeze and a need to transition to a cash based operating system for a number of months.

See page 49 for further details on the potential impact for Vodafone of a market leaving the eurozone.

- We have a global health and safety policy that includes standards for radio frequency fields that are mandated in all our operating companies. We have a Group EMF board that manages potential risks through cross sector initiatives and which oversees a coordinated global programme to address and reduce public concern. We have close engagement with European Union institutions, in coordination with an international policy team in Brussels, to ensure early warning and advocacy related to possible precautionary legislation. We are engaged with relevant bodies to ensure that the scientific research agenda set by the World Health Organization is fully funded and executed as fast as reasonably possible.

- Specific back-up and resilience requirements are built into our networks. We monitor our ability to replace strategic equipment quickly in event of failure, and for high risk components, we maintain dedicated back-up equipment ready for use. Network contingency plans are linked with our business continuity and disaster recovery plans which are in place to cover the residual risks that cannot be mitigated. A crisis management team and escalation processes are in place both nationally and internationally, and crisis simulations are conducted annually. We also manage the risk of malicious attacks on our infrastructure using our global security operations centre that provides 24/7 monitoring of our network in many countries.

- We periodically review the performance of key suppliers, both operationally and financially, across individual markets and from a Group perspective. Other processes are in place to regularly identify and manage suppliers at risk. Most supplier categories have business continuity plans in place in the event of single supplier failure.

- We maintain constructive engagement with the tax authorities and relevant government representatives, as well as active engagement with a wide range of international companies and business organisations with similar issues. Where appropriate we engage advisors and legal counsel to obtain opinions on tax legislation and principles.

- We review the carrying value of the Group s property, plant and equipment, goodwill and other intangible assets at least annually, or more frequently where the circumstances require, to assess whether carrying values can be supported by the net present value of future cash flows derived from such assets. This review considers the

continued appropriateness of the assumptions used in assessing for impairment, including an assessment of discount rates and long-term growth rates, future technological developments, and the timing and amount of future capital expenditure. Other factors which may affect revenue and profitability (for example intensifying competition, pricing pressures, regulatory changes and the timing for introducing new products or services) are also considered. Discount rates are in part derived from yields on government bonds, the level of which may change substantially period to period and which may be affected by political, economic and legal developments which are beyond our control. Further details are provided in Critical accounting estimates on page 87.

Report of independent registered public accounting firm to the Board of directors and shareholders of Vodafone Group Plc

We have audited the accompanying consolidated statements of financial position of Vodafone Group Plc and subsidiaries (the Group) as of 31 March 2013 and 2012, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended 31 March 2013. These financial statements are the responsibility of the Group s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 March 2013 and 2012, and the results of its operations and cash flows for each of the three years in the period ended 31 March 2013, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group s internal control over financial reporting as of 31 March 2013, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated 21 May 2013 expressed an unqualified opinion on the Group s internal control over financial reporting.

/s/ Deloitte LLP

Deloitte LLP

London

United Kingdom

21 May 2013

Table of Contents

Consolidated income statement

for the years ended 31 March

	Note	2013 £m	2012 £m	2011 £m
Revenue	A2	**44,445**	**46,417**	**45,884**
Cost of sales		(30,505)	(31,546)	(30,814)
Gross profit		**13,940**	**14,871**	**15,070**
Selling and distribution expenses		(3,258)	(3,227)	(3,067)
Administrative expenses		(5,199)	(5,075)	(5,300)
Share of result in associates	15	6,477	4,963	5,059
Impairment losses	12	(7,700)	(4,050)	(6,150)
Other income and expense	11	468	3,705	(16)
Operating profit	3	**4,728**	**11,187**	**5,596**
Non-operating income and expense	11	10	(162)	3,022
Investment income	6	305	456	1,309
Financing costs	6	(1,788)	(1,932)	(429)
Profit before taxation		**3,255**	**9,549**	**9,498**
Income tax expense	7	(2,582)	(2,546)	(1,628)
Profit for the financial year		**673**	**7,003**	**7,870**
Attributable to:				
Equity shareholders		429	6,957	7,968
Non-controlling interests		244	46	(98)
		673	**7,003**	**7,870**
Basic earnings per share	8	**0.87p**	**13.74p**	**15.20p**
Diluted earnings per share	8	**0.87p**	**13.65p**	**15.11p**

Consolidated statement of comprehensive income

for the years ended 31 March

2013	2012	2011

	£m	£m	£m
(Losses)/gains on revaluation of available-for-sale investments, net of tax	(73)	(17)	310
Foreign exchange translation differences, net of tax	362	(3,673)	(2,132)
Net actuarial (losses)/gains on defined benefit pension schemes, net of tax	(198)	(272)	136
Foreign exchange losses/(gains) transferred to the income statement	1	(681)	(630)
Fair value gains transferred to the income statement	(12)		(2,192)
Other, net of tax	(4)	(10)	19
Other comprehensive income/(loss)	**76**	**(4,653)**	**(4,489)**
Profit for the financial year	673	7,003	7,870
Total comprehensive income for the year	**749**	**2,350**	**3,381**
Attributable to:			
Equity shareholders	604	2,383	3,567
Non-controlling interests	145	(33)	(186)
	749	**2,350**	**3,381**

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

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 statement of comprehensive income.

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

Revenue

Revenue fell by 4.2% to £44.4 billion. The decrease was primarily due to the negative impact of adverse foreign exchange rate movements, as much of the Group s revenue is generated in currencies other than sterling, and the challenging economic conditions in southern Europe. Our operating results on pages 40 to 44 explain in more detail the geographical split of our revenue.

Share of result in associates

Share of results in associates increased 30.5% to £6.5 billion. This is primarily due to the strong performance of VZW, in which we have a 45% interest. For more information on what has driven the growth at VZW, see page 44.

Impairment losses

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. Note 12 provides more information on how we test for impairment.

Other income and expense

Other income and expense has decreased from a gain of £3.7 billion in the prior year to a gain of £0.5 billion this year. The decrease is primarily due to the £3.7 billion gain on disposal of the Group s 44% interest in SFR and 24.4% interest in Polkomtel recognised in the prior year, whereas in the current year we recognised a gain on acquisition of CWW of £0.5 billion. Note 11 provides more information on our acquisitions and disposals.

Taxation

The effective tax rate for the year ended 31 March 2013 was 79.3% compared to 26.7% in the prior year, with the difference primarily due to higher impairment losses in the current financial year and a significant gain on disposal of

an investment in the prior year, neither of which result in any tax consequences.

Earnings per share[3]

Basic earnings per share was 0.87 pence, a reduction of 12.87 pence from the prior year. This was driven by higher impairment losses in the current year, whilst the prior year benefited from a gain on disposal of our 44% interest in SFR and 24.4% interest in Polkomtel.

Adjusted earnings per share, which is a non-GAAP measure used by management and which excludes the one-off items noted above together with items that we do not view as being reflective of our performance, was 15.65 pence, an increase of 5.0% compared to the prior year. The increase was primarily due to an increase in earnings on higher adjusted operating profit. Our calculation of the adjusted earnings on which we base our adjusted earnings per share calculation is set out below. Note 8 provides information on the number of shares.

	2013 **£m**	2012 £m
Profit attributable to equity shareholders	**429**	**6,957**
Pre-tax adjustments:		
Impairment loss	7,700	4,050
Other income and expense[1]	(468)	(3,705)
Non-operating income and expense	(10)	162
Investment income and financing costs	51	(138)
	7,273	**369**
Taxation[2]	(12)	242
Non-controlling interests	6	(18)
Adjusted profit attributable to equity shareholders	**7,696**	**7,550**

Notes:

1 Other income and expense for the year ended 31 March 2013 included a £473 million gain on acquisition of CWW. The year ended 31 March 2012 included a £3,419 million gain on disposal of the Group s 44% interest in SFR and a £296 million gain on disposal of the Group s 24.4% interest in Polkomtel.

2 Taxation for the year ended 31 March 2012 included a £206 million charge in respect of the disposal of the Group s 24.4% interest in Polkomtel. The gain arising on our acquisition of CWW in the year ended 31 March 2013 and the disposal of our 44% interest in SFR in the 2012 financial year did not give rise to a tax charge. The impairment charges of £7,700 million and £4,050 million in the years ended 31 March 2013 and 2012 respectively did not result in any tax consequences.

3 See note 8 on page 107 for the weighted average number of shares used to calculate basic/adjusted earnings per share.

The consolidated statement of comprehensive income records all of the income and losses generated for the year. Total comprehensive income was over £0.7 billion, comprising a profit of £0.7 billion and other comprehensive income of £0.1 billion.

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

Foreign exchange differences, net of tax

Foreign exchange translation differences arise when we translate the results and net assets of our operating companies and associates, which transact their operations in foreign currencies including the euro, South African rand and Indian rupee, as well as US dollars for VZW, into our presentation currency of sterling. The net movement in foreign exchange rates resulted in a gain of £0.4 billion for the year. In the prior year there was a loss of £3.7 billion.

Net actuarial (losses)/gains on defined benefit schemes

We incurred a loss of £0.2 billion from the revaluation of the Group s defined benefit pension schemes after comparing the outcomes to those anticipated by the Group s actuary. In the prior year there was a loss of £0.3 billion.

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

The prior year gains were a result of the recycling of foreign exchange losses on the disposal of our investments in SFR and Polkomtel.

Profit for the financial year

The reasons underlying the £6.3 billion decrease in profit for the financial year are provided above.

The financial commentary on this page forms part of the business review and is unaudited.

Consolidated statement of financial position

at 31 March

	Note	2013 £m	2012 £m
Non-current assets			
Goodwill	10	30,372	38,350
Other intangible assets	10	22,025	21,164
Property, plant and equipment	13	20,331	18,655
Investments in associates	15	38,635	35,108
Other investments	16	774	791
Deferred tax assets	7	2,920	1,970
Post employment benefits	A5	52	31
Trade and other receivables	17	4,302	3,482
		119,411	**119,551**
Current assets			
Inventory	A3	450	486
Taxation recoverable		452	334
Trade and other receivables	17	9,412	10,744
Other investments	16	5,350	1,323
Cash and cash equivalents	23	7,623	7,138
		23,287	**20,025**
Total assets		**142,698**	**139,576**
Equity			
Called up share capital	25	3,866	3,866
Additional paid-in capital		154,279	154,123
Treasury shares		(9,029)	(7,841)
Retained losses		(88,785)	(84,184)
Accumulated other comprehensive income		11,146	10,971
Total equity shareholders funds		**71,477**	**76,935**
Non-controlling interests		1,890	2,090
Put options over non-controlling interests		(879)	(823)
Total non-controlling interests		**1,011**	**1,267**
Total equity		**72,488**	**78,202**

Non-current liabilities			
Long-term borrowings	24	29,108	28,362
Taxation liabilities		150	250
Deferred tax liabilities	7	6,698	6,597
Post employment benefits	A5	629	337
Provisions	19	907	479
Trade and other payables	18	1,494	1,324
		38,986	**37,349**
Current liabilities			
Short-term borrowings	24	12,289	6,258
Taxation liabilities		1,919	1,898
Provisions	19	818	633
Trade and other payables	18	16,198	15,236
		31,224	**24,025**
Total equity and liabilities		**142,698**	**139,576**

The consolidated financial statements were approved by the Board of directors and authorised for issue on 21 May 2013 and were signed on its behalf by:

/s/ Vittorio Colao	/s/ Andy Halford
Vittorio Colao	**Andy Halford**
Chief Executive	Chief Financial Officer

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

Commentary on the consolidated statement of financial position

The consolidated statement of financial position shows all of our assets and liabilities at 31 March. Total assets increased by 2.2% to £142.7 billion driven by the increase in the carrying value of our 45% interest in VZW and higher cash and investment balances following our bond issues during the year, partially offset by the goodwill impairments recorded for Italy and Spain. Total liabilities increased by 14.4% to £70.2 billion driven by the £5.4 billion of long-term debt issued.

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

Assets

Goodwill and other intangible assets

Our intangible assets decreased to £52.4 billion (2012: £59.5 billion) with goodwill comprising the largest element at £30.4 billion (2012: £38.4 billion). The decrease primarily resulted from impairment losses of £7.7 billion, amortisation of £3.4 billion and unfavourable foreign exchange rate movements of £0.4 billion, partially offset by £4.0 billion of additions and £0.5 billion arising on acquisitions. Further details of the impairment loss are provided in note 12.

Property, plant and equipment

Property, plant and equipment increased to £20.3 billion (2012: £18.7 billion) predominantly as a result of £4.7 billion of additions and £1.6 billion arising from the acquisition of businesses, partially offset by £4.3 billion of depreciation charges.

Investments in associates

Investments in associates increased to £38.6 billion (2012: £35.1 billion), with VZW being our largest investment. The increase was driven by our share of VZW s results of £6.4 billion and £1.9 billion of favourable exchange rate movements, partially offset by £4.8 billion of dividends received from associates (see page 97).

Other non-current assets

Other non-current assets increased to £8.0 billion (2012: £6.3 billion) mainly due to a £1.0 billion increase in our deferred tax asset and an increase of £0.8 billion in trade and other receivables, both driven by acquisitions during the year.

Current assets

Current assets increased to £23.3 billion (2012: £20.0 billion) primarily due to a £4.5 billion increase in cash and short-term investments driven by the £2.4 billion income dividend received from VZW in December 2012 and the £3.9 billion of bonds issued in February 2013.

Total equity and liabilities

Total equity

Total equity decreased to £72.5 billion (2012: £78.2 billion). The profit for the year of £0.7 billion was more than offset by dividends paid to equity shareholders and non-controlling interests of £5.2 billion and share buybacks of £1.5 billion.

Borrowings

Borrowings increased to £41.4 billion (2012: £34.6 billion) mainly as a result of issuing bonds, in September 2012 and February 2013, and commercial paper. This was partially offset by the repayment of certain borrowings which had reached maturity.

Taxation liabilities

Total tax liabilities were stable at £2.1 billion (2012: £2.1 billion).

Other current liabilities

Other current liabilities increased to £17.0 billion (2012: £15.9 billion). Trade payables at 31 March 2013 were equivalent to 37 days (2012: 43 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 21.

					Payments due by period
					£m
Contractual obligations[1]	Total	< 1 year	1 3 years	3 5 years	>5 years
Borrowings[2]	50,308	13,002	11,627	8,679	17,000
Operating lease commitments[3]	6,640	1,238	1,732	1,194	2,476
Capital commitments[3 4]	1,959	1,785	159	15	
Purchase commitments	4,808	3,149	869	500	290
Total	**63,715**	**19,174**	**14,387**	**10,388**	**19,766**

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 158) and

obligations to pay dividends to non-controlling shareholders (see Dividends from associates and to non-controlling shareholders on page 158). The table excludes current and deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 7 and A5 respectively. The table also excludes the contractual obligations of associates.

2 See note 24.
3 See note 20.
4 Primarily related to network infrastructure.

The financial commentary on this page forms part of the business review and is unaudited.

Consolidated statement of changes in equity

for the years ended 31 March

				Other comprehensive income						
Share capital	Additional paid-in capital[1]	Treasury shares	Retained losses	Currency reserve	Pensions reserve	Investment reserve	Revaluation surplus	Other	Equity share-holders funds	contr int
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
4,153	153,509	(7,810)	(79,655)	17,086	(363)	2,357	1,040	64	90,381	
		232	(125)						107	
(71)	71	1,532	(1,532)							
		(2,125)							(2,125)	
	180[2]								180	
			(120)						(120)	
			7,968	(2,669)	136	(1,882)		14	3,567	
			7,968						7,968	
				(2,053)	190	347		14	(1,502)	
				14	(54)	(37)			(77)	
				(630)		(2,192)[3]			(2,822)	
			(4,468)						(4,468)	
			271			(238)			33	
4,082	**153,760**	**(8,171)**	**(77,661)**	**14,417**	**(227)**	**237**	**1,040**	**78**	**87,555**	
	2	277	(208)						71	

(216)	216	4,724	(4,724)						
		(4,671)[4]							(4,671)
	145[2]								145
			(1,908)						(1,908)
			6,957	(4,279)	(272)	(17)		(6)	2,383
			6,957						6,957
				(3,629)	(365)	(17)		(14)	(4,025)
				31	93			8	132
				(681)					(681)
			(6,654)						(6,654)
			14						14
3,866	**154,123**	**(7,841)**	**(84,184)**	**10,138**	**(499)**	**220**	**1,040**	**72**	**76,935**
	2	287	(237)						52
		(1,475)[4]							(1,475)
	152[2]								152
			(7)						(7)
			429	462	(198)	(85)		(4)	604
			429						429
				482	(259)	(73)		(6)	144
				(21)	61			2	42
				1		(12)			(11)
			(4,801)						(4,801)
	2		15						17
3,866	**154,279**	**(9,029)**	**(88,785)**	**10,600**	**(697)**	**135**	**1,040**	**68**	**71,477**

Notes:

1

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

2 Includes £18 million tax credit (2012: £2 million; 2011: £24 million).

3 Amounts for 2011 include a £208 million tax credit.

4 Amount for 2013 includes a commitment for the purchase of own shares of £1,026 million (2012: £1,091 million; 2011: £nil).

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 -7.1% to £71.5 billion as the profit for the year was more than offset by the purchase of our own shares under the share buyback programmes and equity dividends paid.

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

Acquisition of non-controlling interest

We did not acquire any significant non-controlling interests in the current year. In the year ended 31 March 2012 we acquired an additional stake in Vodafone India.

Purchase of own shares

We acquired 894 million of our own shares at a cost of £1.5 billion in the year. These arose from the two share buyback programmes that were in place.

- We initiated a £4.0 billion share buyback programme following the disposal of our entire 44% interest in SFR to Vivendi on 16 June 2011. Under this programme, which was completed in August 2012, we purchased a total of 2,330,039,575 shares at an average price per share, including transaction costs, of 171.67 pence.

- Following the receipt of a US$3.8 billion (£2.4 billion) income dividend from VZW in December 2012, we initiated a £1.5 billion share buyback programme. The Group placed irrevocable purchase instructions with a third party to enable shares to be repurchased on our behalf when we may otherwise have been prohibited from buying in the market.

The aggregate number of shares and the amount of consideration paid by the Company in relation to the £1.5 billion buyback programme at 20 May 2013 was 406 million and £0.7 billion respectively. The maximum value of shares that may yet be purchased under the programme at 20 May 2013 is £0.8 billion.

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

	Number Million	£m
1 April 2012	4,169	7,841
Reissue of shares	(161)	(287)
Purchase of shares	894	1,475
31 March 2013	**4,902**	**9,029**

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

Comprehensive income

The Group generated over £0.7 billion of comprehensive income in the year, primarily a result of the profit for the year attributable to equity shareholders of £0.4 billion. The reasons underlying the £0.1 billion increase (2012: £4.7 billion decrease) in comprehensive income are provided on page 91.

Dividends

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

The £4.8 billion equity dividend reduction in the current year comprises £3.2 billion in relation to the final dividend for the year ended 31 March 2012 and £1.6 billion for the interim dividend for the year ended 31 March 2013. This is reduced from the total £6.7 billion charge in the prior year primarily due to the special dividend of £2.0 billion paid in relation to a VZW income dividend received in the prior year.

The interim dividend of 3.27 pence per share announced by the directors in November 2012 represented a 7.2% increase over last year s interim dividend. The directors are proposing a final dividend of 6.92 pence per share. Total dividends for the year, excluding the second interim dividend paid in the prior year, increased by 7.0% to 10.19 pence per share, in line with our dividend per share growth target of at least 7% per annum for each of the financial years in the period ending 31 March 2013, issued in May 2010.

The financial commentary on this page forms part of the business review and is unaudited.

Consolidated statement of cash flows

for the years ended 31 March

	Note	2013 £m	2012 £m	2011 £m
Net cash flow from operating activities	22	**10,694**	**12,755**	**11,995**
Cash flows from investing activities				
Purchase of interests in subsidiaries and joint ventures, net of cash acquired		(1,432)	(149)	(46)
Other investing activities in relation to purchase of subsidiaries			310	(356)
Purchase of interests in associates		(6)	(5)	
Purchase of intangible assets		(4,036)	(3,090)	(4,290)
Purchase of property, plant and equipment		(4,666)	(4,762)	(4,350)
Purchase of investments		(4,249)	(417)	(318)
Disposal of interests in subsidiaries and joint ventures, net of cash disposed		27	832	
Disposal of interests in associates			6,799	
Disposal of property, plant and equipment		153	117	51
Disposal of investments		1,523	66	4,467
Dividends received from associates		4,827	4,023	1,424
Dividends received from investments		2	3	85
Interest received		459	322	1,659
Taxation on investing activities			(206)	(208)
Net cash flow from investing activities		**(7,398)**	**3,843**	**(1,882)**
Cash flows from financing activities				
Issue of ordinary share capital and reissue of treasury shares		52	71	107
Net movement in short-term borrowings		1,672	1,206	(573)
Proceeds from issue of long-term borrowings		5,422	1,642	4,861
Repayment of borrowings		(1,720)	(3,520)	(4,064)
Purchase of treasury shares		(1,568)	(3,583)	(2,087)
Equity dividends paid		(4,806)	(6,643)	(4,468)
Dividends paid to non-controlling shareholders in subsidiaries		(379)	(304)	(320)
Other transactions with non-controlling shareholders in subsidiaries		15	(2,605)	(137)
Interest paid		(1,644)	(1,633)	(1,578)
Net cash flow from financing activities		**(2,956)**	**(15,369)**	**(8,259)**

Net cash flow		340	1,229	1,854
Cash and cash equivalents at beginning of the financial year	23	7,088	6,205	4,363
Exchange (gain)/loss on cash and cash equivalents		170	(346)	(12)
Cash and cash equivalents at end of the financial year	23	**7,598**	**7,088**	**6,205**

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

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. Cash and cash equivalents at the end of the financial year increased 7.2% to £7.6 billion. We have maintained a robust liquidity position throughout the year enabling us to service shareholder returns, debt and expansion through capital investment. This position has been achieved through cash generated from operations, dividends from associates, and borrowings through short-term and long-term debt issued through the capital markets. We expect these to be our key sources of liquidity for the foreseeable future. We also have access to the committed facilities detailed on page 157.

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 46 to 49. We do not use non-consolidated special purpose entities as a source of liquidity or for other financing purposes.

Purchase of interest in subsidiaries and joint ventures, net of cash acquired

During the year we acquired CWW and TelstraClear for cash consideration of £1.1 billion and £0.4 billion respectively. Further details on the assets and liabilities acquired are outlined in note 11.

Purchase of intangible assets

The purchase of intangible assets was primarily in relation to spectrum. We acquired spectrum in the UK, the Netherlands, Romania, Egypt and India, totalling £2.5 billion during the year.

Disposal of interests in associates and joint ventures

In the prior year we disposed of our 44% interest in SFR and our 24.4% interest in Polkomtel for proceeds of £6.8 billion and £0.8 billion respectively. There were no significant disposals in the current year.

Disposal of investments

In April 2012 we received the remaining consideration of £1.5 billion from the disposal of our interests in SoftBank Mobile Corp.

Purchase of investments

The Group purchases short-term investments as part of its treasury strategy. See note 16.

Dividends received from associates

Dividends received from associates increased by 20.0% to £4.8 billion, primarily due to dividends received from VZW. The Group received an income dividend of £2.4 billion (2012: £2.9 billion) and also tax distributions totalling £2.4 billion (2012: £1.0 billion) during the year.

Proceeds from issues of long-term debt

The Group issued bonds, under its US shelf programme, in September 2012 and February 2013 of US$2.0 billion (£1.2 billion) and US$6.0 billion (£3.9 billion) respectively.

Purchase of treasury shares

During the year the Group completed the £4.0 billion share buyback programme announced in 2011 and also initiated a £1.5 billion programme on receipt of the income dividend from VZW in December 2012.

Equity dividends paid

Equity dividends paid during the year decreased by -27.7%, primarily due to the payment of a special dividend in the prior year. The special dividend was paid following the receipt of an income dividend from VZW.

Other transactions with non-controlling shareholders in subsidiaries

In the year ended 31 March 2012 we acquired an additional stake in Vodafone India.

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 decreased by
-7.4% to £13.7 billion, primarily driven by lower adjusted EBITDA (see page 40). Free cash flow decreased by -8.1% to £5.6 billion primarily due to lower adjusted EBITDA and higher payments for taxation, partially offset by lower cash capital expenditure, working capital movements and higher dividends received from associates and investments.

	2013	2012	
	£m	£m	%
Adjusted EBITDA	13,275	14,475	(8.3)
Working capital	318	206	
Other	134	143	
Cash generated by operations	**13,727**	**14,824**	**(7.4)**
Cash capital expenditure[1]	(6,195)	(6,423)	
Capital expenditure	(6,266)	(6,365)	
Working capital movement in respect of capital expenditure	71	(58)	
Disposal of property, plant and equipment	153	117	
Operating free cash flow	**7,685**	**8,518**	**(9.8)**
Taxation	(2,933)	(1,969)	
Dividends received from associates and investments[2]	2,420	1,171	

Dividends paid to non-controlling shareholders in subsidiaries	(379)	(304)	
Interest received and paid	(1,185)	(1,311)	
Free cash flow	**5,608**	**6,105**	**(8.1)**
Tax settlement[3]	(100)	(100)	
Licence and spectrum payments	(2,507)	(1,429)	
Acquisitions and disposals[4]	(1,723)	4,872	
Equity dividends paid	(4,806)	(6,643)	
Purchase of treasury shares	(1,568)	(3,583)	
Foreign exchange	(828)	1,283	
Income dividend from VZW	2,409	2,855	
Other[5]	982	2,073	
Net debt (increase)/decrease	**(2,533)**	**5,433**	
Opening net debt	(24,425)	(29,858)	
Closing net debt	**(26,958)**	**(24,425)**	**10.4**

Notes:

1 Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, during the year.
2 Dividends received from associates and investments for the year ended 31 March 2013 includes a £2,389 million (2012: £965 million) tax distribution from our 45% interest in VZW. In the year ended 31 March 2012 a final dividend of £178 million was received from SFR prior to completion of the disposal of the Group s 44% interest . It does not include the £2,409 million income dividend from VZW received in December 2012 and the £2,855 million income dividend received from VZW in January 2012.
3 Related to a tax settlement in the year ended 31 March 2011.
4 Acquisitions and disposals for the year ended 31 March 2013 primarily includes the £1,050 million payment in relation to the acquisition of the entire share capital of CWW and £243 million in respect of convertible bonds acquired as part of the CWW acquisition, and £440 million in relation to the acquisition of TelstraClear. The year ended 31 March 2012 primarily included £6,805 million proceeds from the sale of the Group s 44% interest in SFR, £784 million proceeds from the sale of the Group s 24.4% interest in Polkomtel and £2,592 million payment in relation to the purchase of non-controlling interests in Vodafone India Limited.
5 Other for the year ended 31 March 2013 primarily includes the remaining £1,499 million consideration for the disposal of SoftBank Mobile Corp. interests in November 2010, received in April 2012, partially offset by £322 million in relation to fair value and interest accrual movements on financial instruments. The year ended 31 March 2012 primarily included £2,301 million movement in the written put options in relation to India and the return of a court deposit made in respect of the India tax case (£310 million).

Net debt

Net debt increased by £2.5 billion to £27.0 billion primarily due to the purchase of CWW and TelstraClear, share buybacks, payments to acquire spectrum, foreign exchange movements and dividend payments to equity holders, partially offset by cash generated by operations, the remaining consideration from the Group s disposal of SoftBank Mobile Corp. and the £2.4 billion income dividend from VZW.

The financial commentary on this page forms part of the business review and is unaudited.

Notes to the consolidated financial statements

1. Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. For a discussion on the Group s critical accounting estimates see Critical accounting estimates on pages 86 and 87. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

2. Significant accounting policies

Detailed below are new accounting pronouncements that we will adopt in future years and our current view of the impacts they will have on our financial reporting. There have been no significant changes to the significant accounting policies that we applied in the year; for full details refer to note A1. This note should be read in conjunction with Critical accounting estimates on pages 86 and 87.

New accounting pronouncements to be adopted on 1 April 2013

The following pronouncements have been issued by the IASB or the IFRIC, are effective for annual periods beginning on or after 1 January 2013 and have been endorsed for use in the EU unless otherwise stated:

- Amendments to IAS 1, Presentation of items of other comprehensive income , effective for annual periods beginning on or after 1 July 2012.

- Amendments to IAS 19, Employee benefits , 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 corridor approach method of spreading the recognition of actuarial gains and losses, which is not used by the Group, is prohibited. The amendments also include a revised definition of short- and long-term benefits to employees and revised criteria for the recognition of termination benefits.

- Amendment to IFRS 1, Government loans , effective for annual periods beginning on or after 1 January 2013.

- Amendments to IFRS 7, Disclosures offsetting financial assets and financial liabilities , effective for annual periods beginning on or after 1 January 2013.

- IFRS 10, Consolidated Financial Statements , which replaces parts of IAS 27, Consolidated and Separate Financial Statements and all of SIC-12, Consolidation Special Purpose Entities , builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group s principal subsidiaries (see note A8) will continue to be consolidated upon adoption of IFRS 10.

- IAS 27, Separate Financial Statements , now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable in the Group s consolidated financial statements.

- IFRS 11, Joint Arrangements , which replaces IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities Non-monetary Contributions by Venturers , requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. Under IFRS 11, the Group s principal joint ventures, excluding Cornerstone Telecommunications Infrastructure Limited (see note 14), will be incorporated into the consolidated financial statements using the equity method of accounting.

- IAS 28, Investments in Associates and Joint Ventures , was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment.

- IFRS 12, Disclosure of Interest in Other Entities , is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities within the scope of IFRS 10 and IFRS 11.

- Amendments to IFRS 10, IFRS 11 and IFRS 12, Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ; clarifies the disclosures required on adoption of these standards.

- Investment Entities, amendments to IFRS 10, IFRS 12 and IAS 27, effective for annual periods beginning on or after 1 January 2014, but will be early-adopted by the Group on 1 January 2013. This standard has not yet been endorsed for use in the EU.

- IFRS 13, Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013.

- Improvements to IFRS 2009 2011 Cycle, effective for annual periods beginning on or after 1 January 2013.

- IFRIC 20, Stripping costs in the production phase of a surface mine, effective for annual periods beginning on or after 1 January 2013.

For periods commencing on or after 1 April 2013, the Group s financial reporting will be presented in accordance with the new standards above. Except for IFRS 11 and the amendments to IAS 19, these pronouncements are not expected to have a material impact on the consolidated results, financial position or cash flows of the Group. The impact of restating key financial information for the impact of IFRS 11 and the amendments to IAS 19 for the year to 31 March 2013 is described below:

Consolidated income statement and statement of comprehensive income for the years ended:

			2013			2012
	As reported	**Adjustments**	**New basis**	As reported	Adjustments	New basis
	£m	**£m**	**£m**	£m	£m	£m
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	6,997	4,963	1,033	5,996
Operating profit	4,728	(508)	4,220	11,187	(702)	10,485
Profit before tax	3,255	(372)	2,883	9,549	(561)	8,988
Profit for the financial year	673	(16)	657	7,003	(9)	6,994
Other comprehensive income	76	16	92	(4,653)	9	(4,644)
Total comprehensive income	749		749	2,350		2,350

Consolidated statement of financial position at:

			2013			2012
	As reported	**Adjustments**	**New basis**	As reported	Adjustments	New basis
	£m	**£m**	**£m**	£m	£m	£m
Non-current assets	119,411	(2,736)	116,675	119,551	(3,132)	116,419
Current assets	23,287	(1,672)	21,615	20,025	(994)	19,031
Total assets	**142,698**	**(4,408)**	**138,290**	**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	(2,889)	28,335	24,025	(2,402)	21,623
Total equity and liabilities	**142,698**	**(4,408)**	**138,290**	**139,576**	**(4,126)**	**135,450**

Consolidated statement of cash flows for the year ended:

	2013			2012		
	As reported	**Adjustments**	**New basis**	As reported	Adjustments	New basis
	£m	**£m**	**£m**	£m	£m	£m
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 or after 1 April 2014

The Group will adopt Amendments to IAS 32, Offsetting financial assets and financial liabilities , which is effective for annual periods beginning on or after 1 January 2014 and has been endorsed for use in the EU, on 1 April 2014. In addition, the Group will adopt IFRIC 21, Levies , which is effective for annual periods beginning on or after 1 January 2014 and has not been endorsed for use by the EU, on 1 April 2014.

Phase I of IFRS 9 Financial Instruments was issued in November 2009 and has subsequently been updated and amended. The standard is effective for annual periods beginning on or after 1 January 2015 and has not yet been endorsed for use in the EU. The standard introduces changes to the classification and measurement of financial assets, 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.

Table of Contents

3. Operating profit

Detailed below are the key items charged/(credited) in arriving at our operating profit.

	2013	2012	2011
	£m	£m	£m
Net foreign exchange losses	22	34	14
Depreciation of property, plant and equipment (note 13):			
Owned assets	4,209	4,284	4,318
Leased assets	44	79	54
Amortisation of intangible assets (note 10)	3,447	3,496	3,504
Impairment of goodwill in subsidiaries, joint ventures and associates (note 12)	7,700	3,848	6,150
Impairment of licences and spectrum (note 12)		121	
Impairment of property, plant and equipment (note 12)		81	
Negative goodwill (note 11)	(473)		
Research and development expenditure	307	304	287
Staff costs (note 5)	4,051	3,843	3,642
Operating lease rentals payable:			
Plant and machinery	159	173	127
Other assets including fixed line rentals	1,661	1,672	1,761
Loss on disposal of property, plant and equipment	92	47	91
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(418)	(374)	(331)

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:

	2013	2012	2011
	£m	£m	£m
Audit fees:			
Parent company	1	1	1
Subsidiaries	7	6	7
	8	**7**	**8**
Audit-related assurance services[1]	1	1	1
Audit and audit-related fees:	**9**	**8**	**9**
Taxation advisory services[2]			1
Other non-audit services[2]		1	
Total fees	**9**	**9**	**10**

Notes:

1 Relates to fees for statutory and regulatory filings.
2 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 £0.4 million.

In addition to the above, the Group s joint ventures and associates paid fees totalling £1 million (2012: £2 million; 2011: £1 million) and £4 million (2012: £5 million; 2011: £5 million) respectively to Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited during the year.

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

4. Directors and key management compensation

This note details the total amounts earned by the Company s directors and members of the Executive Committee. Further details can be found in Directors remuneration on pages 79 to 82.

Directors

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

	2013 £m	2012 £m	2011 £m
Salaries and fees	5	5	5
Incentive schemes[1]	7	4	3
Other benefits[2]	1	1	1
	13	**10**	**9**

Notes:

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

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 31 March 2013 by directors who served during the year was £2 million (2012: £nil; 2011: £nil).

Key management compensation

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

	2013 £m	2012 £m	2011 £m
Short-term employee benefits	25	17	18

Post employment benefits defined contribution schemes			1
Share-based payments	23	26	22
	48	**43**	**41**

5. 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.

During the year the Group changed its organisation structure. The information on employees by segment is presented on the revised basis, with prior years amended to conform to the current year presentation.

	2013	2012	2011
	Employees	Employees	Employees
By activity:			
Operations	15,422	14,522	14,171
Selling and distribution	32,162	30,286	28,311
Customer care and administration	43,688	41,565	41,380
	91,272	**86,373**	**83,862**
By segment:			
Germany	11,088	12,115	12,594