VODAFONE GROUP PUBLIC LTD CO
Form 20-F
June 01, 2012

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, 2012**

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 238 080

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	49,645,940,182
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
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

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
7.875% Notes due February 2030	New York Stock Exchange
6.25% Notes due November 2032	New York Stock Exchange
6.15% Notes due Feb 2037	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.

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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 Europe, Africa, Middle East and Asia Pacific, and Non-Controlled Interests and Common Functions have developed in the last three years.

2012 financial year compared to the 2011 financial year

Group[1]

	Europe £m	Africa, Middle East and Asia Pacific £m	Non-Controlled Interests and Common Functions2 £m	Eliminations £m	2012 £m	2011 £m	% change £	% change Organic
Revenue	32,181	13,868	423	(55)	46,417	45,884	1.2	2.2
Service revenue	29,914	12,751	272	(52)	42,885	42,738	0.3	1.5
Adjusted EBITDA	10,445	4,115	(85)		14,475	14,670	(1.3)	(0.6)
Adjusted operating profit	5,260	1,472	4,800		11,532	11,818	(2.4)	2.5
Adjustments for:								
Impairment loss					(4,050)	(6,150)		
Other income/(expense)[3]					3,705	(72)		
Operating profit					**11,187**	**5,596**		
Non-operating (expense)/income[4]					(162)	3,022		
Net (financing costs)/investment income					(1,476)	880		
Profit before taxation					**9,549**	**9,498**		
Income tax expense					(2,546)	(1,628)		
Profit for the financial year					**7,003**	**7,870**		

Notes:

1 Current year results reflect average foreign exchange rates of £1:1.16 and £1:US$1.60.

2 Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.

3 Other income/(expense) for the year ended 31 March 2012 includes 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. The year ended 31 March 2011 included £56 million representing the net loss on disposal of certain Alltel investments by Verizon Wireless. This is included within the line item Share of results in associates in the consolidated income statement.

4 Non-operating (expense)/income for the year ended 31 March 2011 included £3,019 million profit arising on the sale of the Group s 3.2% interest in China Mobile Limited.

Revenue

Group revenue was up 1.2% to £46.4 billion, with service revenue of £42.9 billion, an increase of 1.5%* on an organic basis. Our overall performance reflects continued strong demand for data services and further voice penetration growth in emerging markets, offset by regulatory changes, ongoing competitive pressures and challenging macroeconomic conditions in a number of our mature markets. As a result of the leap year, service revenue growth of 2.3%* in Q4 benefited from the additional day by around 1 percentage point.

AMAP service revenue was up by 8.0%*, with a strong performance in India, Qatar, Ghana and Vodacom and a return to growth in Egypt offset by a decline in Australia.

In Europe, service revenue was down by 1.1%* reflecting challenging macroeconomic conditions in Southern Europe partially offset by growth in Germany, the UK, the Netherlands and Turkey.

Adjusted EBITDA and profit

Group adjusted EBITDA was down 1.3% to £14.5 billion, as revenue growth was offset by higher customer investment due to increased smartphone penetration.

Adjusted operating profit was down 2.4% to £11.5 billion, driven by a reduction in our share of profits from associates following the disposal of our 44% interest in SFR in June 2011. Our share of profits of Verizon Wireless grew by 9.3%* to £4.9 billion.

Operating profit increased by 100% to £11.2 billion, primarily due to the gain on disposal of the Group s 44% interest in SFR and 24.4% interest in Polkomtel, and lower impairment losses compared to the prior year.

An impairment loss of £4.0 billion was recorded in relation to Italy, Spain, Portugal and Greece, primarily driven by lower projected cash flows within business plans and an increase in discount rates, resulting from adverse changes in the economic environment.

Net (financing costs)/investment income

	2012	2011
	£m	£m
Investment income	456	1,309
Financing costs	(1,932)	(429)
Net (financing costs)/investment income	**(1,476)**	**880**
Analysed as:		
Net financing costs before income from investments	(1,642)	(852)
Potential interest credit/(charges) arising on settlement of outstanding tax issues[1]	9	(46)
Income from investments	19	83
Foreign exchange[2]	138	256
Equity put rights and similar arrangements[3]		95
Interest related to the settlement of tax cases		872
Disposal of SoftBank Mobile Corp. Limited financial instruments		472
	(1,476)	**880**

Notes:

1 Excluding interest credits related to a tax case settlement.

2 Comprises foreign exchange rate differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange rate differences on financial instruments received as consideration on the disposal of Vodafone Japan to SoftBank in April 2006.

3 The year ended 31 March 2011 included foreign exchange rate movements, accretion expense and fair value charges.

Net financing costs before income from investments increased from £852 million to £1,642 million, primarily due to the decision to increase the fixed rate debt mix, which is expected to result in lower interest in future periods, and the subsequent recognition of mark-to-market losses. Income from investments decreased by £64 million as a result of the disposal of the Group s 3.2% interest in China Mobile Limited and the Group s interests in SoftBank Mobile Corp. Limited during the 2011 financial year.

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Taxation

	2012	2011
	£m	£m
Income tax expense	2,546	1,628
Tax on adjustments to derive adjusted profit before tax	(242)	(232)
Tax benefit related to settlement of tax cases		929
Adjusted income tax expense	**2,304**	**2,325**
Share of associates tax	302	519
Adjusted income tax expense for purposes of calculating adjusted tax rate	**2,606**	**2,844**
Profit before tax	9,549	9,498
Adjustments to derive adjusted profit before tax[1]	369	1,505
Adjusted profit before tax	**9,918**	**11,003**
Add: Share of associates tax and non-controlling interest	382	604
Adjusted profit before tax for the purpose of calculating adjusted effective tax rate	**10,300**	**11,607**
Adjusted effective tax rate	**25.3%**	**24.5%**

Note:

1 See Earnings per share .

The adjusted effective tax rate for the year ended 31 March 2012 was 25.3%. This is in line with our mid 20s adjusted effective tax rate guidance range.

The Group s share of associates tax declined due to the absence of the tax related to SFR following the disposal of our 44% interest in June 2011.

Income tax expense has increased in the year ended 31 March 2012 largely due to the favourable impact of a tax settlement in the 2011 financial year.

Earnings per share

Adjusted earnings per share was 14.91 pence, a decline of 11.0% year-on-year, reflecting the loss of our 44% interest in SFR and Polkomtel s profits, the loss of interest income from investment disposals and mark-to-market items charged through finance costs, partially offset by a reduction in shares arising from the Group s share buyback programme. Basic earnings per share was 13.74 pence (2011: 15.20 pence), reflecting the profit on disposal of our 44% interest in SFR and 24.4% interest in Polkomtel and lower impairment charges compared to the prior financial year, all of which are excluded from adjusted earnings per share.

	2012	2011
	£m	£m
Profit attributable to equity shareholders	**6,957**	**7,968**
Pre-tax adjustments:		
Impairment loss[1]	4,050	6,150
Other income and expense[1 2]	(3,705)	72
Non-operating income and expense[1 3]	162	(3,022)
Investment income and financing costs[4]	(138)	(1,695)
	369	**1,505**

Taxation[1]	242	(697)
Non-controlling interests	(18)	
Adjusted profit attributable to equity shareholders	**7,550**	**8,776**
	Million	Million
Weighted average number of shares outstanding		
Basic	50,644	52,408
Diluted	50,958	52,748

Notes:

1 Taxation for the 2012 financial year includes a £206 million charge in respect of the disposal of the Group s 24.4% interest in Polkomtel. The 2011 financial year included £929 million credit in respect of a tax settlement and a £208 million charge in respect of the disposal of the Group s 3.2% interest in China Mobile Limited. The impairment charges of £4,050 million and £6,150 million in the 2012 and 2011 financial years respectively do not result in any tax consequences. The disposal of our 44% interest in SFR did not give rise to a tax charge.

2 Other income and expense for the 2012 financial year includes 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. The 2011 financial year includes £56 million representing the net loss on disposal of certain Alltel investments by Verizon Wireless. This is included within the line item Share of results in associates in the consolidated income statement.

3 Non-operating income and expense for the 2011 financial year includes £3,019 million profit arising on the sale of the Group s 3.2% interest in China Mobile Limited.

4 See notes 2 and 3 in Net (financing costs)/investment income on page 40.

Europe

	Germany	Italy	Spain	UK	Other	Eliminations	Europe	% change	
	£m	£m	£m	£m	£m	£m	£m	£m	Organic
Year ended 31 March 2012									
Revenue	8,233	5,658	4,763	5,397	8,352	(222)	32,181	0.5	(0.1)
Service revenue	7,669	5,329	4,357	4,996	7,780	(217)	29,914	(0.6)	(1.1)
Adjusted EBITDA	2,965	2,514	1,193	1,294	2,479		10,445	(3.5)	(4.5)
Adjusted operating profit	1,491	1,735	566	402	1,066		5,260	(8.1)	(9.6)
Adjusted EBITDA margin	36.0%	44.4%	25.0%	24.0%	29.7%		32.5%		
Year ended 31 March 2011									
Revenue	7,900	5,722	5,133	5,271	8,253	(264)	32,015	(2.5)	0.6
Service revenue	7,471	5,432	4,735	4,931	7,787	(259)	30,097	(3.4)	(0.4)
Adjusted EBITDA	2,952	2,643	1,562	1,233	2,433		10,823	(7.1)	(3.7)
Adjusted operating profit	1,548	1,903	915	348	1,012		5,726	(9.8)	(6.1)
Adjusted EBITDA margin	37.4%	46.2%	30.4%	23.4%	29.5%		33.8%		

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Operating results (continued)

Revenue increased by 0.5% including a 0.5 percentage point impact from favourable foreign exchange rate movements. On an organic basis service revenue declined by 1.1%* primarily due to the impact of MTR cuts, competitive pricing pressures and continued economic weakness, partially offset by growth in data revenue. Growth in the UK, Germany, the Netherlands and Turkey was offset by declines in most other markets, in particular, Italy, Spain and Greece.

Adjusted EBITDA declined by 3.5% including a 1.1 percentage point favourable impact from foreign exchange rate movements. On an organic basis adjusted EBITDA decreased by 4.5%*, resulting from higher customer investment due to the increased penetration of smartphones, and a reduction in service revenue in most markets, partially offset by direct cost efficiencies.

	Organic change %	Other activity1 pps	Foreign exchange pps	Reported change %
Revenue Europe	**(0.1)**	**0.1**	**0.5**	**0.5**
Service revenue				
Germany	1.2	(0.1)	1.6	2.7
Italy	(3.4)		1.5	(1.9)
Spain	(9.4)	(0.1)	1.5	(8.0)
UK	1.6	(0.3)		1.3
Other Europe	1.7	(0.2)	(1.6)	(0.1)
Europe	**(1.1)**		**0.5**	**(0.6)**
Adjusted EBITDA				
Germany	(1.1)		1.5	0.4
Italy	(6.4)		1.5	(4.9)
Spain	(24.9)	(0.2)	1.5	(23.6)
UK	5.0	(0.1)		4.9
Other Europe	1.7	(0.1)	0.3	1.9
Europe	**(4.5)**	**(0.1)**	**1.1**	**(3.5)**
Adjusted operating profit				
Germany	(5.3)	0.1	1.5	(3.7)
Italy	(10.4)		1.6	(8.8)
Spain	(39.2)	(0.3)	1.4	(38.1)
UK	15.7	(0.2)		15.5
Other Europe	3.0	(0.6)	2.9	5.3
Europe	**(9.6)**	**(0.2)**	**1.7**	**(8.1)**

Note:

1 Other activity includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2012. Refer to organic growth on page 172 for further detail.

Germany

Service revenue increased by 1.2%* as strong growth in data and enterprise revenue more than offset the impact of an MTR cut effective from 1 December 2010 and increasing competitive pressures. Data revenue grew by 21.3%* driven by a higher penetration of smartphones, an increase in those sold with a data bundle and the launch of prepaid integrated tariffs. Enterprise revenue grew by 5.6%* driven by significant customer wins and the success of converged service offerings. A number of innovative products were launched during the second half of the 2012 financial year, including OfficeNet, a cloud based solution.

The roll out of LTE has continued, following the launch of services in the prior financial year. Nearly 2,700 base stations had been upgraded to LTE at 31 March 2012, providing approximately 35% household coverage.

Adjusted EBITDA declined by 1.1%* as the higher revenue was offset by restructuring costs and regulation changes.

Italy

Service revenue declined by 3.4%* as a result of weak economic conditions, intense competition and the impact of an MTR cut effective from 1 July 2011. Strong data revenue growth of 16.8%* was driven by mobile internet which benefited from a higher penetration of smartphones and an increase in those sold with a data bundle. From Q3, all new consumer contract customers are now on an integrated tariff. Enterprise revenue grew by 5.1%* with a strong contribution from Vodafone One Net, a converged fixed and mobile solution, and growth in the customer base. Fixed line growth benefited from strong customer additions although slowed in Q4 due to intense competition.

Adjusted EBITDA decreased by 6.4%*, and adjusted EBITDA margin fell by 1.9* percentage points resulting from the decline in service revenue partially offset by operating cost efficiencies such as site sharing agreements and outsourcing of network maintenance to Ericsson.

Spain

Service revenue declined by 9.4%* impacted by intense competition, continuing economic weakness and high unemployment during the year, which have driven customers to reduce or optimise their spend on tariffs. Data revenue increased by 18.4%* benefiting from the penetration of integrated voice, SMS and data tariffs initially launched in October 2010. Improvements were seen in fixed line revenue which increased by 7.3%* resulting from a competitive proposition leading to good customer additions. Mobile customer net additions were strong as a result of our more competitive tariffs and a focus on improving the retention of higher-value customers.

Adjusted EBITDA declined by 24.9%*, with a 5.5* percentage point fall in adjusted EBITDA margin, primarily due to lower revenue with sustained investment in acquisition and retention costs. This was partially offset by operating cost efficiencies.

UK

Service revenue increased by 1.6%* driven by an increase in data and consumer contract revenue supported by the success of integrated offerings. This was partially offset by the impact of an MTR cut effective from 1 April 2011 and lower consumer confidence leading to reduced out-of-bundle usage. Data revenue grew by 14.5%* due to higher penetration of smartphones and an increase in those sold with a data bundle.

Adjusted EBITDA increased by 5.0%* and adjusted EBITDA margin improved by 0.6* percentage points, due to a number of cost saving initiatives, including acquisition and retention efficiencies.

Other Europe

Service revenue increased by 1.7%* as growth in Albania, Malta, the Netherlands and Turkey more than offset a decline in the rest of the region, particularly in Greece, Portugal and Ireland, which continued to be impacted by the challenging macroeconomic environment and competitive factors. Service revenue in Turkey grew by 25.1%* driven by strong growth in consumer contract and data revenue resulting from an expanding contract customer base and the launch of innovative propositions. In the Netherlands service revenue increased by 2.1%*, driven by an increase in the customer base, partially offset by MTR cuts, price competition and customers optimising tariffs.

Adjusted EBITDA grew by 1.7%*, with strong growth in Turkey, driven by a combination of service revenue growth and cost efficiencies, partially offset by declines in the majority of the other markets.

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Africa, Middle East and Asia Pacific

	India	Vodacom	Other Africa, Middle East and Asia Pacific	Eliminations	Africa, Middle East and Asia Pacific	% change	
	£m	£m	£m	£m	£m	£m	Organic
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%		
Year ended 31 March 2011							
Revenue	3,855	5,479	3,971	(1)	13,304	20.0	9.5
Service revenue	3,804	4,839	3,650	(1)	12,292	20.0	9.5
Adjusted EBITDA	985	1,844	1,170		3,999	20.7	7.5
Adjusted operating profit	15	827	430		1,272	55.5	8.6
Adjusted EBITDA margin	25.6%	33.7%	29.5%		30.1%		

Revenue grew by 4.2% after a 4.2 percentage point adverse impact from foreign exchange rate movements. On an organic basis service revenue grew by 8.0%* driven by customer and data growth, partially offset by the impact of MTR reductions. Growth was driven by strong performances in India, Vodacom, Ghana and Qatar and a return to growth in Egypt, offset by service revenue declines in Australia and New Zealand.

Adjusted EBITDA grew by 2.9% after a 4.8 percentage point adverse impact from foreign exchange rate movements. On an organic basis, Adjusted EBITDA grew by 7.8%* driven primarily by strong growth in India and Vodacom and improved contributions from Ghana and Qatar, offset in part by declines in Egypt and Australia.

		Organic change	Other activity1	Foreign exchange	Reported change
		%	pps	pps	%
Revenue	**Africa, Middle East and Asia Pacific**	**8.4**		**(4.2)**	**4.2**
Service revenue					

India	19.5	(0.1)	(8.6)	10.8
Vodacom	7.1		(5.7)	1.4
Other Africa, Middle East and Asia Pacific	(1.8)	(0.1)	1.3	(0.6)
Africa, Middle East and Asia Pacific	**8.0**		**(4.3)**	**3.7**
Adjusted EBITDA				
India	22.9	(0.2)	(8.8)	13.9
Vodacom	11.3		(6.6)	4.7
Other Africa, Middle East and Asia Pacific	(9.1)	(0.1)	0.1	(9.1)
Africa, Middle East and Asia Pacific	**7.8**	**(0.1)**	**(4.8)**	**2.9**
Adjusted operating profit				
India	389.3	(40.6)	(48.7)	300.0
Vodacom	41.1		(10.0)	31.1
Other Africa, Middle East and Asia Pacific	(22.4)	(0.2)	(1.1)	(23.7)
Africa, Middle East and Asia Pacific	**22.4**	**(0.3)**	**(6.4)**	**15.7**

India

Service revenue grew by 19.5%,* driven by an 11.8% increase in the customer base, strong growth in incoming and outgoing voice minutes and 51.3%* growth in data revenue. 3G services were available to Vodafone customers in 860 towns and cities across 20 circles at 31 March 2012. Growth also benefited from mobile operators starting to charge for SMS termination during the second quarter of the 2012 financial year. At 31 March 2012 the customer base had increased to 150.5 million, with data customers totalling 35.4 million, a year-on-year increase of 81.5%. This was driven by an increase in data enabled handsets and the impact of successful marketing campaigns. Whilst the market remains highly competitive, the effective rate per minute remained broadly stable during the year, with promotional offers offsetting headline price increases.

Adjusted EBITDA grew by 22.9%* driven by the increase in revenue and economies of scale, partially offset by higher customer acquisition costs and increased interconnection costs. Full year adjusted EBITDA margin increased 0.8* percentage points to 26.3%, driven by cost efficiencies and scale benefits.

Vodacom

Service revenue grew by 7.1%,* driven by service revenue growth in South Africa of 4.4%*, where strong net customer additions and growth in data revenue was partially offset by the impact of MTR cuts (effective 1 March 2011 and 1 March 2012). Despite competitive pricing pressures, data revenue in South Africa grew by 24.3%,* driven by higher smartphone penetration and data bundles leading to a 35.4% increase in active data customers to 12.2 million at 31 March 2012.

Vodacom s mobile operations outside South Africa delivered strong service revenue growth of 31.9%*[2], driven by customer net additions and the simplification of tariff structures in Mozambique and Tanzania. M-Pesa, our mobile phone based money transfer service, continues to perform well in Tanzania with over 3.1 million active users.

Adjusted EBITDA increased by 11.3%* driven by robust service revenue growth and continued focus on operating cost efficiencies.

Notes:

1 Other activity includes the impact of M&A activity and the revision to intra-group roaming charges from 1 October 2012. Refer to Organic growth on page 172 for further detail.
2 Excludes Gateway and Vodacom Business Africa.

Operating results (continued)

Other Africa, Middle East and Asia Pacific

Organic service revenue, which now includes Australia, declined by 1.8%* with both New Zealand and Australia being impacted by MTR cuts effective from 6 May 2011 and 1 January 2012, respectively. In Australia, despite improvements in network and customer operations performance, service revenue declined by 8.8%* driven by the competitive market and weakness in brand perception following the network and customer service issues experienced from late 2010 to early 2011 and further accelerated by MTR cuts. On 22 March 2012, Vodafone Hutchison Australia appointed Bill Morrow as its new CEO. In Egypt service revenue was suppressed by the challenging economic and political environment, however, organic growth of 1.4%* was achieved as a result of an increased customer base and strong data usage. In Qatar an increase in the customer base delivered service revenue growth of 27.1%*, despite a competitive pricing environment. Service revenue in Ghana grew by 29.2%* through strong gains in customer market share.

Adjusted EBITDA margin declined 2.2* percentage points, driven by the service revenue decline in Australia and the challenging economic and competitive environment in Egypt, partially offset by growth in Qatar and Ghana.

Safaricom, Vodafone s associate in Kenya, grew service revenue by 13.6%*, driven by increases in customer base, voice usage and M-Pesa activity. Adjusted EBITDA margin improved in the second half of the 2012 financial year through a tariff increase in October, operating cost efficiencies and a strengthening of the local currency to take the margin for the 2012 financial year to 35.0%.

Non-Controlled Interests

Verizon Wireless[1 2 3]

	2012	2011	% change	
	£m	£m	£	Organic
Service revenue	18,039	17,238	4.6	7.3
Revenue	20,187	18,711	7.9	10.6
Adjusted EBITDA	7.689	7,313	5.1	7.9
Interest	(212)	(261)	(18.8)	
Tax[2]	(287)	(235)	22.1	
Group s share of result in Verizon Wireless	4,867	4,569	6.5	9.3

In the United States Verizon Wireless reported 4.6 million net mobile customer additions bringing its closing mobile customer base to 93.0 million, up 5.2%.

Service revenue growth of 7.3%* continues to be driven by the expanding customer base and robust growth in data ARPU driven by increased penetration of smartphones.

Adjusted EBITDA margin remained strong despite the competitive challenges and macroeconomic environment. Efficiencies in operating expenses and customer acquisition costs resulting from lower volumes have been partly offset by a higher level of customer retention costs reflecting the increased demand for smartphones.

Verizon Wireless net debt at 31 March 2012 totalled US$6.4 billion[4] (31 March 2011: net debt US$9.8 billion[4]), after paying a dividend to its shareholders of US$10 billion on 31 January 2012.

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 Verizon Wireless relates only to the corporate entities held by the Verizon Wireless partnership and certain state taxes which are levied on the partnership. The tax attributable to the Group s share of the partnership s pre-tax profit is included within the Group tax charge.

3

Organic growth rates include the impact of a non-cash revenue adjustment which was recorded to defer previously recognised data revenue that will be earned and recognised in future periods. Excluding this the equivalent organic growth rates for service revenue, revenue, adjusted EBITDA and the Group s share of result in Verizon Wireless would have been 6.8%*, 10.1 % , 6.7%* and 7.5%* respectively.

4 Net debt excludes pending credit card receipts. Comparatives are presented on a comparable basis.

2011 financial year compared to the 2010 financial year

Group[1]

	Europe £m	Africa, Middle East and Asia Pacific £m	Non-Controlled Interests and Common Functions2 £m	Eliminations £m	2011 £m	2010 £m	% change £	% change Organic3
Revenue	32,015	13,304	659	(94)	45,884	44,472	3.2	2.8
Service revenue	30,097	12,292	412	(63)	42,738	41,719	2.4	2.1
Adjusted EBITDA	10,823	3,999	(152)		14,670	14,735	(0.4)	(0.7)
Adjusted operating profit	5,726	1,272	4,820		11,818	11,466	3.1	1.8
Adjustments for:								
Impairment losses					(6,150)	(2,100)		
Other (income)/expense4					(72)	114		
Operating profit					**5,596**	**9,480**		
Non-operating income/(expense)5					3,022	(10)		
Net investment income/(financing costs)					880	(796)		
Profit before taxation					**9,498**	**8,674**		
Income tax expense					(1,628)	(56)		
Profit for the financial year					**7,870**	**8,618**		

Notes:

1 2011 results reflect average exchange rates of £1:1.18 and £1:US$1.56.

2 Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.

3 Organic growth includes Vodacom at the 2011 level of ownership but excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009.

4 Other income and expense for the year ended 31 March 2011 included £56 million representing the net loss on disposal of certain Alltel investments by Verizon Wireless. This is included within the line item Share of results in associates in the consolidated income statement.

5 Non-operating income and expense for the year ended 31 March 2011 includes £3,019 million profit arising on the sale of the Group s 3.2% interest in China Mobile Limited.

Revenue

Group revenue increased by 3.2% to £45,884 million and Group service revenue increased by 2.4% to £42,738 million. On an organic basis Group service revenue increased by 2.1%*, with a 0.8 percentage point improvement between the first and second half of the 2011 financial year as both Europe and AMAP delivered improved organic service revenue trends.

In Europe service revenue fell by 0.4%* with a decline of 0.3%* in the second half of the 2011 financial year. Both the UK and Germany performed well delivering full year service revenue growth of 4.7%* and 0.8%* respectively. Spain continued to experience economic pressures which intensified competition leading to a 6.9%* decline in service revenue. Service revenue also declined by 2.1 %* in Italy driven by a challenging economic and competitive environment combined with the impact of MTR cuts. Our improved commercial offers in Turkey delivered service revenue growth of 28.9%*, despite a 52% cut in MTRs which was effective from 1 April 2010. Challenging economic and competitive conditions continued in our other central European businesses where service revenue growth was also impacted by MTR cuts. European enterprise revenue increased by 0.5%* with improved roaming activity and important customer wins.

In AMAP service revenue grew by 9.5%*. Vodacom continued to perform well, with strong data revenue growth from mobile broadband offsetting weaker voice revenue which was impacted by two MTR cuts during the year. In India service revenue increased by 16.2%*, driven by an increase in the mobile customer base and a more stable pricing environment towards the end of the 2011 financial year. In Qatar the customer base reached 757,000 by 31 March 2011, with 45% of the population actively using Vodafone services less than two years after launch. On an organic basis, service revenue in Egypt declined by 0.8%* where performance was impacted by the socio-political unrest during the fourth quarter of the 2011 financial year.

Adjusted EBITDA and profit

Adjusted EBITDA decreased by 0.4% to £14,670 million with a 1.1 percentage point decline in both the reported and organic adjusted EBITDA margin.

In Europe adjusted EBITDA decreased by 3.7%*, with a decline in adjusted EBITDA margin of 1.7 percentage points, primarily driven by a reduction in service revenue in most markets and higher investment in acquisition and retention costs, partially offset by operating cost efficiencies.

In AMAP adjusted EBITDA increased by 7.5%*, driven primarily by growth in India, together with improvements in Vodacom, Ghana, New Zealand and Qatar, partially offset by a slight decline in Egypt. The adjusted EBITDA margin fell 0.6* percentage points, the two main factors behind the decline being higher recurring licence fee costs in India and the change in regional mix from the strong growth in India.

Adjusted operating profit grew by 3.1% as a result of an increase in the Group s share of results of Verizon Wireless partially offset by the decline in Group adjusted EBITDA. The Group s share of results in Verizon Wireless, the Group s associate in the United States, increased by 8.5%* primarily due to the expanding customer base, robust data revenue, efficiencies in operating expenses and lower acquisition costs partially offset by higher customer retention costs reflecting the increased demand for smartphones in the United States.

The Group recorded other net income of £5,342 million, primarily in relation to a £2.8 billion net gain on the sale of the Group s interest in China Mobile Limited, £1.8 billion on the settlement of a tax case and £0.5 billion from the disposal of investment in SoftBank Mobile Corp. Limited.

Operating profit decreased by 41.0% primarily due to higher impairment losses compared to the prior year. Impairment losses totalling £6,150 million were recorded relating to our businesses in Spain (£2,950 million), Italy (£1,050 million), Ireland (£1,000 million), Greece (£800 million) and Portugal (£350 million) primarily resulting from increased discount rates as a result of increases in government bond rates together with lower cash flows within business plans, reflecting weaker country-level macroeconomic environments. The impairment loss in the 2010 financial year was £2,100 million.

Profit for the year decreased by 8.7%.

Operating results (continued)

Net investment income/(financing costs)

	2011	2010
	£m	£m
Investment income	1,309	716
Financing costs	(429)	(1,512)
Net investment income/(financing costs)	**880**	**(796)**
Analysed as:		
Net financing costs before income from investments	(852)	(1,024)
Potential interest charges arising on settlement of outstanding tax issues[1]	(46)	(23)
Income from investments	83	145
Foreign exchange[2]	256	(1)
Equity put rights and similar arrangements[3]	95	(94)
Interest related to the settlement of tax cases[4]	872	201
Disposal of SoftBank Mobile Corp. Limited financial instruments	472	
	880	**(796)**

Notes:

1 Excluding interest credits related to a tax case settlement.

2 Comprises foreign exchange rate differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange rate differences on financial instruments received as consideration on the disposal of Vodafone Japan to SoftBank in April 2006.

3 Includes foreign exchange rate movements, accretion expense and fair value charges.

4 The £872 million in the year ended 31 March 2011 relates to the settlement of a tax case and the £201 million in the year ended 31 March 2010 relates to the settlement of the German tax loss claim.

Net financing costs before income from investments decreased from £1,024 million to £852 million primarily due to a reduction in net debt, partially offset by an increase in average interest rates for debt denominated in US dollars. In addition, £138 million of interest was capitalised compared to £1 million in the prior year. At 31 March 2011 the provision for potential interest charges arising on settlement of outstanding tax issues was £398 million (31 March 2010: £1,312 million), with the reduction primarily reflecting the settlement of a tax case.

Taxation

	2011	2010
	£m	£m
Income tax expense	1,628	56
Tax on adjustments to derive adjusted profit before tax	(232)	(39)
Tax benefit related to settlement of tax cases[1]	929	2,103
Adjusted income tax expense	**2,325**	**2,120**
Share of associates tax	519	572
Adjusted income tax expense for purposes of calculating adjusted tax rate	**2,844**	**2,692**
Profit before tax	9,498	8,674
Adjustments to derive adjusted profit before tax[2]	1,505	1,890
Adjusted profit before tax	**11,003**	**10,564**
Add: Share of associates tax and non-controlling interest	604	652
Adjusted profit before tax for the purpose of calculating adjusted effective tax rate	**11,607**	**11,216**
Adjusted effective tax rate	**24.5%**	**24.0%**

Notes:

1 The £929 million in the year ended 31 March 2011 relates to the settlement of a tax case and the £2,103 million in the year ended 31 March 2010 relates to the settlement of the German tax loss claim.

2 See Earnings per share .

The adjusted effective tax rate for the year ended 31 March 2011 was 24.5%. This is in line with the adjusted effective tax rate for the year ended 31 March 2010 of 24.0%. Tax on adjustments to derive adjusted profit before tax includes tax payable on the gain on the disposal of the Group s 3.2% interest in China Mobile Limited.

Income tax expense includes a credit of £929 million arising as a result of the settlement of a tax case in July 2010.

Earnings per share

Adjusted earnings per share increased by 4.0% to 16.75 pence for the year ended 31 March 2011 due to growth in adjusted earnings and a reduction in shares arising from the Group s share buyback programme. Basic earnings per share decreased to 15.2 pence primarily due to the £6,150 million of impairment charges partially offset by a gain on disposal of the Group s 3.2% interest in China Mobile Limited and the settlement of a tax case.

	2011	2010
	£m	£m
Profit attributable to equity shareholders	**7,968**	**8,645**
Pre-tax adjustments:		
Impairment loss[1]	6,150	2,100
Other income and expense[2]	72	(114)
Non-operating income and expense[3]	(3,022)	10
Investment income and financing costs[4]	(1,695)	(106)
	1,505	**1,890**
Taxation[1]	(697)	(2,064)
Adjusted profit attributable to equity shareholders	**8,776**	**8,471**
	Million	Million
Weighted average number of shares outstanding		
Basic	52,408	52,595
Diluted	52,748	52,849

Notes:

1 Taxation for the 2011 financial year included £929 million credit in respect of a tax settlement and a £208 million charge in respect of the disposal of the Group s interest in China Mobile Limited. The 2010 financial year included £2,103 million arising from the German tax authorities decision that 15 billion of losses booked by a German subsidiary in 2001 were tax deductible. The impairment charges of £6,150 million and £2,100 million in the 2011 and 2010 financial years respectively did not result in any tax consequences.

2 The year ended 31 March 2011 includes £56 million representing the net loss on disposal of certain Alltel investments by Verizon Wireless. This is included within the line item Share of results in associates in the consolidated income statement.

3 The year ended 31 March 2011 includes £3,019 million representing the profit arising on the sale of the Group s 3.2% interest in China Mobile Limited.

4 See notes 2, 3, and 4 in Net investment income/(financing costs) .

Europe

	Germany	Italy	Spain	UK	Other	Eliminations	Europe		% change
	£m	£m	£m	£m	£m	£m	£m	£m	Organic
Year ended 31 March 2011									
Revenue	7,900	5,722	5,133	5,271	8,253	(264)	32,015	(2.5)	0.6
Service revenue	7,471	5,432	4,735	4,931	7,787	(259)	30,097	(3.4)	(0.4)
Adjusted EBITDA	2,952	2,643	1,562	1,233	2,433		10,823	(7.1)	(3.7)
Adjusted operating profit	1,548	1,903	915	348	1,012		5,726	(9.8)	(6.1)
Adjusted EBITDA margin	37.4%	46.2%	30.4%	23.4%	29.5%		33.8%		
Year ended 31 March 2010									
Revenue	8,008	6,027	5,713	5,025	8,357	(297)	32,833		
Service revenue	7,722	5,780	5,298	4,711	7,943	(295)	31,159		
Adjusted EBITDA	3,122	2,843	1,956	1,141	2,582		11,644		
Adjusted operating profit	1,695	2,107	1,310	155	1,084		6,351		
Adjusted EBITDA margin	39.0%	47.2%	34.2%	22.7%	30.9%		35.5%		

Revenue declined by 2.5% reflecting a 3.2 percentage point impact from unfavourable foreign exchange rate movements. On an organic basis service revenue declined by 0.4%* reflecting reductions in most markets offset by growth in Germany, the UK, the Netherlands and Turkey. The decline was primarily driven by lower voice revenue resulting from continued market and regulatory pressure on pricing and the challenging economic climate, partially offset by growth in data and fixed line revenue.

Adjusted EBITDA decreased by 7.1% including a 3.5 percentage point impact from unfavourable exchange rate movements. On an organic basis adjusted EBITDA decreased by 3.7%*, with a 1.7 percentage point decline in adjusted EBITDA margin resulting from a reduction in service revenue in most markets and higher customer investment, partially offset by operating cost savings.

	Organic change	M&A activity	Foreign exchange	Reported change
	%	pps	pps	%
Revenue Europe	**0.6**	**0.1**	**(3.2)**	**(2.5)**
Service revenue				
Germany	0.8		(4.1)	(3.3)
Italy	(2.1)		(3.9)	(6.0)
Spain	(6.9)		(3.7)	(10.6)
UK	4.7			4.7
Other Europe	0.5	0.5	(3.0)	(2.0)
Europe	**(0.4)**	**0.1**	**(3.1)**	**(3.4)**
Adjusted EBITDA				
Germany	(1.5)		(3.9)	(5.4)
Italy	(3.1)		(3.9)	(7.0)
Spain	(16.8)		(3.3)	(20.1)

UK	8.0			8.0
Other Europe	(2.4)	0.2	(3.6)	(5.8)
Europe	**(3.7)**	**0.1**	**(3.5)**	**(7.1)**
Adjusted operating profit				
Germany	(4.9)		(3.8)	(8.7)
Italy	(5.9)		(3.8)	(9.7)
Spain	(27.3)		(2.9)	(30.2)
UK	125.1			125.1
Other Europe	(2.0)	0.3	(4.9)	(6.6)
Europe	**(6.1)**	**0.1**	**(3.8)**	**(9.8)**

Germany

Service revenue increased by 0.8%* driven by strong data and messaging revenue growth. Data revenue grew by 27.9%* as a result of increased penetration of smartphones and Superflat Internet tariffs. Mobile revenue remained stable in the fourth quarter of the 2011

financial year despite an MTR cut effective from 1 December 2010. Enterprise revenue grew by 3.6%* driven by strong customer and data revenue growth.

Adjusted EBITDA declined by 1.5%*, with a 1.6 percentage point reduction in the adjusted EBITDA margin. This decline was driven by increased customer acquisition and retention, contributed to by the launch of the iPhone in the third quarter, partially offset by operating cost efficiencies.

During the 2011 financial year we acquired LTE spectrum in Germany and launched LTE services towards the end of the year, initially targeting rural areas underserved by fixed broadband.

Italy

Service revenue declined by 2.1%* primarily driven by the challenging economic and competitive environment, the impact of MTR cuts and customer tariff optimisation. The average contract customer base grew by 12.6% enabling the partial offset of these pressures. Data revenue growth remained strong at 21.5%* driven by the high level of customers migrating to smartphones and taking advantage of data plans. There was continued investment to improve quality and coverage of the network. Fixed line revenue continued to grow with the broadband customer base reaching 1.7 million at 31 March 2011 on a 100% basis.

Adjusted EBITDA decreased by 3.1%*, with a fall in the adjusted EBITDA margin of 1.0 percentage point, as a result of the decline in service revenue and higher investment in acquisition and retention costs partially offset by a reduction in operating expenses.

Spain

Service revenue declined by 6.9%* impacted by continued intense competition, general economic weakness and the penetration of lower priced tariffs into the customer base. New integrated plans were introduced in the third quarter in response to the demand for combined voice and data tariffs driven by the increase in smartphones. Data revenue grew by 14.8%* driven by mobile broadband and mobile internet. One-off items contributed to a 1.8* percentage point improvement to service revenue growth for the fourth quarter of the 2011 financial year.

Adjusted EBITDA declined 16.8%*, with a 3.8 percentage point fall in the adjusted EBITDA margin, due to lower service revenue and proportionately higher acquisition and retention costs, partially offset by a reduction in operating expenses.

UK

Service revenue increased by 4.7%* driven by data revenue growth due to increasing penetration of smartphones and mobile internet bundles and strong net contract customer additions, which more than offset continued competitive pressures and weaker prepaid revenue. The MTR cuts announced in March 2011 were expected to have a significant negative impact on revenue growth during the 2012 financial year.

Operating results (continued)

Adjusted EBITDA increased by 8.0%* with the adjusted EBITDA margin increasing by 0.7 percentage points, reflecting higher service revenue partially offset by higher customer acquisition and retention costs.

Other Europe

Service revenue increased by 0.5%* with growth in Turkey and the Netherlands being partially offset by declines in other markets due to the challenging economic environment and intense competitive factors. In Turkey service revenue grew by 28.9%* driven by strong

growth in both data and voice revenue, despite a 52% cut in MTRs effective from 1 April 2010. In Greece service revenue declined by 19.4%* with intense competition driving a reduction in prepaid revenue and economic factors leading to customer tariff optimisation.

Adjusted EBITDA declined by 2.4%*, with declines in all markets except Turkey and the Netherlands, due primarily to lower service revenue and higher acquisition and retention costs partially offset by operating cost efficiencies.

Africa, Middle East and Asia Pacific

	India	Vodacom	Other	Eliminations	Africa, Middle East and Asia Pacific	% change	
	£m	£m	£m	£m	£m	£m	Organic1
Year ended 31 March 2011							
Revenue	3,855	5,479	3,971	(1)	13,304	20.0	9.5
Service revenue	3,804	4,839	3,650	(1)	12,292	20.0	9.5
Adjusted EBITDA	985	1,844	1,170		3,999	20.7	7.5
Adjusted operating profit	15	827	430		1,272	55.5	8.6
Adjusted EBITDA margin	25.6%	33.7%	29.5%		30.1%		
Year ended 31 March 2010							
Revenue	3,114	4,450	3,526	(1)	11,089		
Service revenue	3,069	3,954	3,224	(1)	10,246		
Adjusted EBITDA	807	1,528	977		3,312		
Adjusted operating (loss)/profit	(37)	520	335		818		
Adjusted EBITDA margin	25.9%	34.3%	27.7%		29.9%		

Note:

1 Organic growth includes Vodacom at the 2011 level of ownership and excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009.

Revenue grew by 20.0% with an 8.5 percentage point benefit from foreign exchange rate movements and the full year impact of the consolidation of Vodacom results from 18 May 2009 partially offset by the impact of the creation of the Vodafone Hutchison Australia (VHA) joint venture on 9 June 2009. On an organic basis service revenue grew by 9.5%* despite the impact of MTR reductions and difficult economic environments. The growth was driven by a strong performance in India and continued growth from Vodacom and the rest of the region, other than Egypt where performance was impacted by the socio-political unrest during the fourth quarter of the 2011 financial year.

Adjusted EBITDA grew by 20.8% with foreign exchange rate movements contributing 8.0 percentage points of growth. On an organic basis Adjusted EBITDA grew by 7.5%* driven primarily by growth in India, together with improvements in Vodacom, Ghana, Qatar and New Zealand, partially offset by a decline in Egypt following pricing pressure and socio-political unrest.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue Africa, Middle East and Asia Pacific	**9.5**	**2.0**	**8.5**	**20.0**
Service revenue				
India	16.2		7.7	23.9
Vodacom	5.8	6.7	9.9	22.4
Other Africa, Middle East and Asia Pacific	7.2	(0.9)	6.9	13.2
Africa, Middle East and Asia Pacific	**9.5**	**2.2**	**8.3**	**20.0**
Adjusted EBITDA				
India	15.1		7.0	22.1
Vodacom	4.9	4.9	10.9	20.7
Other Africa, Middle East and Asia Pacific	5.1	10.6	4.1	19.8
Africa, Middle East and Asia Pacific	**7.5**	**5.3**	**8.0**	**20.8**
Adjusted operating profit				
India	134.0		6.5	140.5
Vodacom	5.7	38.2	15.1	59.0
Other Africa, Middle East and Asia Pacific	2.2	29.2	(3.0)	28.4
Africa, Middle East and Asia Pacific	**8.6**	**39.9**	**7.0**	**55.5**

India

Service revenue grew by 16.2%* including a 1.7* percentage point benefit from Indus Towers, the Group s network sharing joint venture. Growth was driven by a 39.0% increase in the average mobile customer base and stable usage per customer trends, partially offset by a fall in the effective rate per minute due to an increase in the penetration of lower priced tariffs into the customer base and strong competition in the market.

February 2011 saw the launch of commercial 3G services following the purchase of 3G spectrum in May 2010 and subsequent network build. By 31 March 2011 1.5 million customers had activated their 3G access.

Adjusted EBITDA grew by 15.1%* driven by the increase in the customer base and economies of scale which absorbed pricing and cost pressures.

Vodacom

Service revenue grew by 5.8%* driven by South Africa where growth in data revenue of 35.9%*[1] offset a decline in voice revenue caused by MTR cuts effective from 1 March 2010 and 1 March 2011.

In South Africa data revenue growth was driven by a 48.9%* increase in data usage due to strong growth in mobile connect cards and smartphones. In addition, successful commercial activity, particularly in off-peak periods, drove higher voice usage during the 2011 financial year which partially offset the impact of MTR cuts. Net customer additions returned to pre-registration levels for the first time in the third quarter of the 2011 financial year, with the trend continuing during the fourth quarter of the 2011 financial year with net additions of 1.2 million.

In Vodacom s operations outside South Africa service revenue growth continued with strong performances from Tanzania and Mozambique. Trading conditions remain challenging in the Democratic Republic of Congo and the Gateway operations.

Adjusted EBITDA grew by 4.9%* driven by the increase in service revenue, strong handset sales and lower interconnection costs, partially offset by higher operating expenses.

On 1 April 2011 Vodacom refreshed its branding to more closely align with that of the Group.

Other Africa, Middle East and Asia Pacific

Service revenue grew by 7.2%* with growth across all markets except Egypt. In Qatar the customer base reached 757,000 by 31 March 2011, with 45% of the population actively using Vodafone services. The decline in Egypt service revenue was driven by a combination of MTR reductions, competitive pressure on pricing and socio-political unrest during the fourth quarter of the 2011 financial year, offset in part by strong customer and data revenue growth during the year. In Ghana service revenue growth of 21.0%* was supported by competitive tariffs and improved brand awareness.

VHA integration remained on track and a number of important initiatives were completed during the 2011 financial year to begin realising the benefits of the merger. Contact centre operations were consolidated into two major centres in Hobart and Mumbai India, substantial progress was made in the consolidation of the retail footprint, and a major refit of retail stores was underway. VHA appointed new suppliers for network managed services, core, transmission and IT managed services.

Adjusted EBITDA increased by 5.1%* driven by growth in Ghana, New Zealand and Qatar partially offset by a decline in Egypt resulting primarily from the lower effective price per minute but also impacted by the socio-political unrest during the fourth quarter of the 2011 financial year.

Note:

1 Data revenue in South Africa grew by 41.8%*. Excluding the impact of reclassifications between messaging and data revenue during the year, data revenue grew by 35.9%*.

Non-Controlled Interests

Verizon Wireless[2 3 4]

	2011	2010		% change
	£m	£m	£	Organic
Service revenue	17,238	15,898	8.4	5.8
Revenue	18,711	17,222	8.6	6.0
Adjusted EBITDA	7,313	6,689	9.3	6.7
Interest	(261)	(298)	(12.4)	
Tax[3]	(235)	(205)	14.6	
Group s share of result in Verizon Wireless	4,569	4,112	11.1	8.5

In the United States Verizon Wireless reported 2.6 million net mobile customer additions bringing its mobile customer base to 88.4 million at 31 March 2011, a 3.1% increase. Customer growth improved in the fourth quarter of the 2011 financial year following the launch of the iPhone 4 on the Verizon Wireless network in February 2011.

Service revenue growth of 5.8%* was driven by the expanding customer base and robust data revenue primarily derived from growth in the penetration of smartphones.

The adjusted EBITDA margin remained strong despite the competitive challenges and economic environment. Efficiencies in operating expenses and lower customer acquisition costs resulting from lower volumes were partly offset by a higher level of customer retention costs reflecting the increased demand for smartphones.

As part of the regulatory approval for the Alltel acquisition, Verizon Wireless was required to divest overlapping properties in 105 markets. On 26 April 2010 Verizon Wireless completed the sale of network and licence assets in 26 markets, encompassing 0.9 million customers, to Atlantic Tele-Network for US$0.2 billion. On 22 June 2010 Verizon Wireless completed the sale of network assets and mobile licences in the remaining 79 markets to AT&T Mobility for US$2.4 billion. As a result the Verizon Wireless customer base reduced by approximately 2.1 million net customers on a 100% basis, partially offset by certain adjustments in relation to the Alltel acquisition.

On 23 August 2010 Verizon Wireless acquired a spectrum licence, network assets and related customers in southwest Mississippi and in Louisiana, formerly owned by Centennial Communications Corporation, from AT&T Inc. for cash consideration of US$0.2 billion. This acquisition was made to enhance Verizon Wireless network coverage in these two locations.

Verizon Wireless net debt at 31 March 2011 totalled US$9.8 billion[5] (31 March 2010: US$22.6 billion[5]).

Notes:

2 All amounts represent the Group s share based on its 45% equity interest, unless otherwise stated.

3 The Group s share of the tax attributable to Verizon Wireless relates only to the corporate entities held by the Verizon Wireless partnership and certain state taxes which are levied on the partnership. The tax attributable to the Group s share of the partnership s pre-tax profit is included within the Group tax charge.

4 Organic growth rates include the impact of a non-cash revenue adjustment which was recorded by Verizon Wireless to defer previously recognised data revenue that will be earned and recognised in future periods. Excluding this the equivalent organic growth rates for service revenue, revenue, adjusted EBITDA and the Group s share of result in Verizon Wireless would have been 6.4%*, 6.6%*, 8.2%* and 10.8%* respectively.

5 Net debt excludes pending credit card receipts. Comparatives are presented on a comparable basis.

Guidance

Performance against 2012 financial year guidance

Based on guidance foreign exchange rates, our adjusted operating profit for the 2012 financial year was £11.8 billion, at the top end of the £11.0 billion to £11.8 billion range set in May 2011. On the same basis, our free cash flow was £6.2 billion, in the middle of the £6.0 billion to £6.5 billion range.

2013 financial year guidance

	Adjusted operating profit £bn	Free cash flow £bn
2012 reported performance	11.5	6.1
SFR/Polkomtel contribution and restructuring cost		(0.2)
Foreign exchange[1]	(0.4)	(0.3)
2012 financial rebased reported	11.1	5.6
2013 financial year guidance	11.1 11.9	5.3 5.8

Note:

1 Impact of rebasing the 2012 reported performance using the 2013 financial year guidance foreign exchange rates of £1:1.23 and £1:$US1.62.

Guidance for the 2013 financial year is based on our current assessment of the global macroeconomic outlook and assumes foreign exchange rates of £1: 1.23 and £1: US$1.62. In addition, we will no longer receive a dividend from SFR after the sale of our stake during the 2012 financial year. We have restated the 2012 financial year adjusted operating profit and free cash flow for both these changes in the table above.

Therefore, on an underlying basis, we expect growth in adjusted operating profit, and stability in free cash flow, compared with the 2012 financial year.

Adjusted operating profit is expected to be in the range of £11.1 billion to £11.9 billion and free cash flow in the range of £5.3 billion to £5.8 billion, excluding any income dividends received from Verizon Wireless.

We expect the Group adjusted EBITDA margin decline to continue its improving trend, supported by continued strong growth and operating leverage in our AMAP region, and improving control of commercial costs in Europe. We expect capital expenditure to remain broadly steady on a constant currency basis.

In November 2010 we gave annual guidance ranges for organic service revenue growth and free cash flow which were based on the prevailing macroeconomic environment, regulatory framework and foreign exchange rates. Given larger MTR reductions than previously envisaged, we now expect organic service revenue growth in the 2013 financial year to be slightly below our previous medium term guidance range. We will provide an update on revenue prospects for the 2014 financial year when we publish our results for the year ending 31 March 2013. We expect the Group adjusted EBITDA margin to stabilise by March 2014.

Our medium term free cash flow guidance is £5.5 billion to £6.5 billion per annum to March 2014. This was based on the prevailing foreign exchange rates in November 2010, including an exchange rate of £1: 1.15. Based on the £1: 1.23 foreign exchange rate used for the 2013 financial guidance, the equivalent range is £5.2 billion to £6.2 billion. This cash generation underpins the three year 7% per annum dividend per share growth target issued in May 2010. We continue to expect that total ordinary dividends per share will be no less than 10.18 pence for the 2013 financial year.

Assumptions

Guidance for the 2013 financial year and the medium term is based on our current assessment of the global macroeconomic outlook and assumes foreign exchange rates of £1: 1.23 and £1:US$1.62. It excludes the impact of licence and spectrum purchases, income dividends from Verizon Wireless, 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.

With respect to the 7% per annum dividend per share growth target, as the Group s free cash flow is predominantly generated by companies operating within the eurozone, we have assumed that the euro to sterling exchange rate remains within 5% of the above guidance foreign exchange rate.

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 £40 million and free cash flow by approximately £30 million and a 1% change in the dollar to sterling exchange rate would impact adjusted operating profit by approximately £50 million.

Principal risk factors and uncertainties

1. 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 United States. 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.

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 adequately protect customer information could have a material adverse effect on our reputation and may lead to legal action against the Group.

3. Our business could be adversely affected by a failure or significant interruption to telecommunications networks.

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

.4. Technological advances in handsets and use of alternative communication services may result in less demand for our traditional service offerings.

Risk: Strategic handset and technology suppliers are developing mobile content and services. Advancements in smartphone branding and technology places more focus on 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 handset suppliers could significantly impact our future profitability.

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

Risk: We face intensifying competition; in particular competing with established competitors in mature markets and competing with new entrants in emerging markets, 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, as customers may 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.

6. Our business may be impaired 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.

7. One or more countries may exit the eurozone.

Risk: In light of recent economic conditions in Europe, there is a possibility of one or more countries exiting the eurozone, causing currency devaluation in those countries and possibly leading to a reduction in our revenue and impairment of our financial and non-financial assets. This may also lead to adverse economic impacts elsewhere.

8. We may be unable to obtain additional/renew sufficient spectrum with an adequate return.

Risk: The spectrum we use for the delivery of our services is regulated in each of our markets. The regulators supervise the allocation of frequency spectrum and monitor and enforce regulation and competition laws which apply to the mobile telecommunications industry. Decisions by regulators regarding the granting, amendment or renewal of licences, to us or to third parties, including the implementation of unsustainable cost and revenue models, could adversely affect our future operations in these geographic areas. Our mobile data strategy and roll out of 4G/LTE services is dependent upon us being able to renew and obtain additional spectrum licences.

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Principal risk factors and uncertainties (continued)

9. 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 a recent positive India Supreme Court decision relating to an ongoing tax case in India, as set out on pages 139 and 140, the Indian government is proposing retroactive tax legislation which would in effect overturn the court s decision.

Such or similar types of action in other jurisdictions may expose us to significant additional tax liabilities which would affect the results of the business.

10. A malicious attack on our network may be successful and disrupt our services or compromise our data.

Risk: There is a risk that an attack by a malicious individual or group could be successful on our networks. This could lead to a loss of confidential customer data or 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).

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 (IFRS), 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 risk

Country and currency risk

Recent conditions in the eurozone have resulted in a higher risk of disruption and business risk from high currency volatility and/or the potential of an exit of one or more countries from the euro.

As part of our response to these conditions we have reviewed our existing processes and policies, and in places, evolved them with the aim of both minimising 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 it transacts.

The Operating results section of the annual report on pages 40 to 49 sets out a discussion and analysis of the relative contributions of the Group s Europe and AMAP regions and the major geographical markets in each, to the Group s service revenue and adjusted EBITDA performance. Our markets in Italy, Ireland, Greece, Portugal and Spain have been most directly impacted by the current market conditions and in order of contribution, represent 17% (Italy), 8% (Spain), 3% (Portugal) and 3% (Ireland and Greece combined) of the Group s adjusted EBITDA. An average 3% decline in the sterling equivalent of these combined geographical markets due to currency revaluation would reduce Group adjusted EBITDA by £0.1 billion. The Group s foreign currency earnings are diversified through its 45% equity interest in Verizon Wireless, which operates in the United States and generates its earnings in US dollars. Verizon Wireless, which is equity accounted, contributed 42% of the Group s adjusted operating profit for the year ended 31 March 2012.

The Group employs 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 21 to the consolidated financial statements.

Operational planning

We have worked to develop operational plans to use as a basis for continuity planning across the Group in the event of significant exchange rate volatility and/or the withdrawal of one, or a small number of countries, from the euro. We have categorised at risk countries into three categories based on risk profile and identified three broad areas of operational risks for the Group where work has been focused, being:

Financial/investment risk: Our activities are focused on counterparty risk management and in particular the protection and availability of cash deposits and investments. Exposures in relation to liquid Group investments have been reviewed and actions have been taken to reduce counterparty limits with certain financial institutions and to convert a significant proportion of euro denominated holdings and deposits into sterling and US dollar investments. Existing Group policy requires cash sweep arrangements, to ensure no operating company has more than 5 million on deposit on any one day. Further, the Group has had in place for a number of years collateral support agreements with a significant number of its counterparties to pass collateral to the Group under certain circumstances. The

Group has a net £980 million of collateral assets in its statement of financial position at 31 March 2012. Further information is provided within Financial risk management Credit risk within note 21 to the consolidated financial statements.

Trading risks: We have investigated the structure of existing procurement contracts and we have started the process of amending certain contractual clauses to place the Group in a better position in the event of the exit of a country from the eurozone.

Business continuity risks: We have identified a number of key business continuity priorities which are focused on planning to allow 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 have also put in place contingency plans with key suppliers that would assist us to continue to support our network infrastructure, retail operations and employees.

The Group continues to maintain appropriate levels of cash and short-term investments in many currencies and, with a carefully controlled group of counterparties, to minimise the risks to the ongoing access to that liquidity and therefore to the ability of the Group to settle debts as they become due. Further information is provided within Financial risk management Liquidity risk within note 21 to the consolidated financial statements.

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.

The Group has 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 2012 and identified aggregate impairment charges of £4.0 billion in relation to Vodafone Italy, Spain, Greece and Portugal. Further detail on this exercise together with the sensitivity of the results of this assessment to reasonably possible adverse assumptions is set out in note 10 to the consolidated financial statements.

Our operating companies in Italy, Ireland, Greece, Portugal and Spain have billed and unbilled trade receivables totalling £2.0 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. Detailed disclosures made in relation to 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 as set out in Financial risk management Credit risk within note 21 to the consolidated financial statements.

Financial position and resources

Consolidated statement of financial position

	2012 £m	2011 £m
Non-current assets		
Intangible assets	59,514	68,558
Property, plant and equipment	18,655	20,181
Investments in associates	35,108	38,105
Other non-current assets	6,274	7,373
	119,551	**134,217**
Current assets	20,025	17,003
Total assets	**139,576**	**151,220**
Total equity shareholders funds	76,935	87,555
Total non-controlling interests	1,267	6
Total equity	**78,202**	**87,561**
Liabilities		
Borrowings		
Long-term	28,362	28,375
Short-term	6,258	9,906
Taxation liabilities		
Deferred tax liabilities	6,597	6,486
Current taxation liabilities	2,148	2,262
Other non-current liabilities	2,140	1,373
Other current liabilities	15,869	15,257
Total liabilities	**61,374**	**63,659**
Total equity and liabilities	**139,576**	**151,220**

Assets

Intangible assets

At 31 March 2012 our intangible assets were £59.5 billion (2011: £68.6 billion) with goodwill comprising the largest element at £38.4 billion (2011: £45.2 billion). The decrease primarily resulted from impairment losses of £3.9 billion, amortisation of £3.5 billion and unfavourable foreign exchange rate movements of £4.2 billion partially offset by £2.9 billion of additions. Refer to note 10 to the consolidated financial statements for further information on the impairment charge.

Property, plant and equipment

Property, plant and equipment decreased to £18.7 billion at 31 March 2012 from £20.2 billion at 31 March 2011 predominantly as a result of £4.4 billion of depreciation charges and unfavourable foreign exchange rate movements of £1.3 billion partially offset by £4.7 billion of additions.

Investments in associates

Investments in associates decreased to £35.1 billion at 31 March 2012 from £38.1 billion at 31 March 2011 primarily due to a reduction of £4.0 billion in relation to the sale of our 44% interest in SFR and £4.0 billion of dividends received partially offset by our share of the results of associates, after deductions of interest, tax and non-controlling interest, which contributed £5.0 billion, mainly arising from our investment in Verizon Wireless.

Other non-current assets

Other non-current assets decreased to £6.3 billion at 31 March 2012 (2011: £7.4 billion) mainly due to other investments which totalled £0.8 billion at 31 March 2012 compared to £1.4 billion at 31 March 2011.

Current assets

Current assets increased to £20.0 billion at 31 March 2012 from £17.0 billion at 31 March 2011 due to an increase in cash and short-term investments resulting from the element of the proceeds from the disposal of our 44% interest in SFR not yet utilised for the share buyback programme, and an increase in other receivables due to the second tranche of the proceeds from the sale of our interest in SoftBank Mobile Corp. Limited which was received in April 2012.

Total equity and liabilities

Total equity

Total equity decreased to £78.2 billion at 31 March 2012 from £87.6 billion at 31 March 2011. The profit for the year of £7.0 billion was more

than offset by equity dividends of £6.7 billion, other comprehensive loss of £4.7 billion, share buyback of £4.7 billion and £1.9 billion in relation to the acquisition of non-controlling interests, primarily in India. Total non-controlling interests have increased by £1.3 billion primarily as a result of the exercise of put options over non-controlling interests during the year.

Borrowings

Long-term borrowings and short-term borrowings decreased to £34.6 billion at 31 March 2012 from £38.3 billion at 31 March 2011 mainly as a result of foreign exchange rate movements, bond repayments during the year and settlement of certain put options held by the Essar Group.

Taxation liabilities

Current tax liabilities decreased to £2.1 billion at 31 March 2012 from £2.3 billion at 31 March 2011 mainly as a result of the resolution and payment of longstanding tax disputes.

Other current liabilities

Other current liabilities increased to £15.9 billion at 31 March 2012 from £15.3 billion at 31 March 2011. Trade payables at 31 March 2012 were equivalent to 43 days (2011:37 days) outstanding, calculated by reference to the amount owed to suppliers as a proportion of the amounts invoiced by suppliers during the year. It is our policy to agree terms of transactions, including payment terms, with suppliers and it is our normal practice that payment is made accordingly.

Contractual obligations and contingencies

A summary of our principal contractual financial obligations is shown below. Further details on the items included can be found in the notes to the consolidated financial statements. Details of the Group s contingent liabilities are included in note 29 to the consolidated financial statements.

	Payments due by period £m				
Contractual obligations[1]	Total	<1 year	1-3 years	3-5 years	>5 years
Borrowings[2]	42,079	6,266	11,419	10,400	13,994
Operating lease commitments[3]	6,141	1,110	1,633	1,152	2,246
Capital commitments[3 4]	2,018	1,798	195	25	
Purchase commitments	5,138	3,237	1,081	446	374
Total	**55,376**	**12,411**	**14,328**	**12,023**	**16,614**

Notes:

1 The above table of contractual obligations includes commitments in respect of options over interests in Group businesses held by non-controlling shareholders (see Option agreements and similar arrangements) and obligations to pay dividends to non-controlling shareholders (see Dividends from associates and to non-controlling shareholders). The table excludes current and deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 6 and 23 to the consolidated financial statements respectively. The table also excludes the contractual obligations of associates.
2 See note 22 to the consolidated financial statements.
3 See note 28 to the consolidated financial statements.
4 Primarily related to network infrastructure.

Equity dividends

The table below sets out the amounts of interim, final and total cash dividends paid or, in the case of the final dividend for the 2012 financial year, proposed, in respect of each financial year.

	Pence per ordinary share		
Year ended 31 March	Interim	Final	Total
2008	2.49	5.02	7.51
2009	2.57	5.20	7.77
2010	2.66	5.65	8.31
2011	2.85	6.05	8.90
2012	7.05[1]	6.47[2]	13.52

Notes:

1 Includes the 4.0 pence special dividend paid in February 2012.

2 The final dividend for the year ended 31 March 2012 was proposed on 22 May 2012 and is payable on 1 August 2012 to holders on record as of 8 June 2012. For American depositary share (ADS) holders the dividend will be payable in US dollars under the terms of the ADS depositary agreement. Dividend payments on ordinary shares will be paid by direct credit into a nominated bank or building society account or, alternatively, into the Company s dividend reinvestment plan.

We provide returns to shareholders through dividends and have historically paid dividends semi-annually, with a regular interim dividend in respect of the first six months of the financial year payable in February and a final dividend payable in August. The directors expect that we will continue to pay dividends semi-annually.

In November 2011 the directors announced an interim dividend of 3.05 pence per share representing a 7.0% increase over last year s interim dividend. In addition a special, second interim, dividend of 4.0 pence per share was paid in February 2012 following the receipt of a US$4.5 billion (£2.9 billion) income dividend from Verizon Wireless. The directors are proposing a final dividend of 6.47 pence per share. Total dividends, excluding special dividends, for the year increased by 7.0% to 9.52 pence per share.

In May 2010 the directors issued a dividend per share growth target, excluding special dividends, of at least 7% per annum for each of the financial years in the period ending 31 March 2013, assuming no material adverse foreign exchange rate movements. We expect that total ordinary dividends per share will therefore be no less than 10.18 pence for the 2013 financial year. See page 50 for the assumptions underlying this expectation.

Liquidity and capital resources

The major sources of Group liquidity for the 2012 and 2011 financial years were cash generated from operations, dividends from associates, disposal of investments and borrowings through short-term and long-term issuances in the capital markets. We do not use non-consolidated special purpose entities as a source of liquidity or for other financing purposes.

Our key sources of liquidity for the foreseeable future are likely to be cash generated from operations and borrowings through long-term and short-term issuances in the capital markets as well as committed bank facilities.

Our liquidity and working capital may be affected by a material decrease in cash flow due to factors such as reduced operating cash flow resulting from further possible business disposals, increased competition, litigation, timing of tax payments and the resolution of outstanding tax issues, regulatory rulings, delays in the development of new services and networks, licence and spectrum payments, inability to receive expected revenue from the introduction of new services, reduced dividends from associates and investments or increased dividend payments to non-controlling shareholders. Please see the section titled Principal risk factors and uncertainties on pages 51 to 53.

We are also party to a number of agreements that may result in a cash outflow in future periods. These agreements are discussed further in Option agreements and similar arrangements at the end of this section.

Wherever possible, surplus funds in the Group (except in Albania, Egypt, India, Qatar and Vodacom) are transferred to the centralised treasury department through repayment of borrowings, deposits, investments, share purchases and dividends. These are then loaned internally or contributed as equity to fund our operations, used to retire external debt, invested externally or used to fund shareholder returns.

Cash flows

Cash generated by operations decreased by 3.7% to £14.8 billion primarily driven by working capital movements and lower adjusted adjusted EBITDA.

Free cash flow decreased by 13.4% to £6.1 billion primarily due to increased cash capital expenditure, working capital movements and lower dividends from associates[1], offset by lower payments for taxation.

Cash capital expenditure increased by £0.8 billion, driven by a reduction in working capital creditors and increased investment, particularly in Vodacom and Germany.

Payments for taxation decreased by 24.2% to £2.0 billion primarily due to accelerated tax depreciation in the United States and the timing of tax payments in Italy.

Dividends received from associates and investments[1] decreased by £0.3 billion due to the loss of dividends resulting from the disposal of the Group s interest in SFR and China Mobile Limited. Net interest payments were stable at £1.3 billion.

	2012	2011	
	£m	£m	%
Adjusted EBITDA	14,475	14,670	(1.3)
Working capital	206	566	
Other	143	156	
Cash generated by operations	**14,824**	**15,392**	**(3.7)**
Cash capital expenditure[2]	(6,423)	(5,658)	
Capital expenditure	(6,365)	(6,219)	
Working capital movement in respect of capital expenditure	(58)	561	
Disposal of property, plant and equipment	117	51	
Operating free cash flow	**8,518**	**9,785**	**(12.9)**
Taxation	(1,969)	(2,597)	
Dividends received from associates and investments[1]	1,171	1,509	
Dividends paid to non-controlling shareholders in subsidiaries	(304)	(320)	
Interest received and paid	(1,311)	(1,328)	
Free cash flow	**6,105**	**7,049**	**(13.4)**
Tax settlement[3]	(100)	(800)	
Licence and spectrum payments	(1,429)	(2,982)	
Acquisitions and disposals[4]	4,872	(183)	
Equity dividends paid	(6,643)	(4,468)	
Purchase of treasury shares	(3,583)	(2,087)	
Foreign exchange	1,283	709	
Income dividend from Verizon Wireless	2,855		
Disposal of the Group s 3.2% interest in China Mobile Limited		4,269	
Disposal of the Group s SoftBank Mobile Corp. Limited interests		1,409	
Other[5]	2,073	542	
Net debt decrease	**5,433**	**3,458**	
Opening net debt	(29,858)	(33,316)	
Closing net debt	**(24,425)**	**(29,858)**	**(18.2)**

Notes:

1 Dividends received from associates and investments for the year ended 31 March 2012 includes £965 million (2011: £1.024 million) tax distribution from our 45% interest in Verizon Wireless and a final dividend of £178 million (2011: £383 million) from SFR prior to the completion of the disposal of our 44% interest. It does not include the £2,855 million income dividend from Verizon Wireless received in January 2012.

2 Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, during the year.

3 Related to a tax settlement in the year ended 31 March 2011.

4 Acquisitions and disposals for the year ended 31 March 2012 primarily includes £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 2012 primarily includes £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). Other for the year ended 31 March 2011 primarily includes £356 million in relation to a court deposit made in respect of the India tax case.

Financial position and resources (continued)

Dividends from associates and to non-controlling shareholders

Dividends from our associates are generally paid at the discretion of the board of directors or shareholders of the individual operating and holding companies and we have no rights to receive dividends except where specified within certain of the Group s shareholders agreements. Similarly, we do not have existing obligations under shareholders agreements to pay dividends to non-controlling interest partners of our subsidiaries or joint ventures, except as specified below.

During the year we received distributions totalling £3.8 billion from Verizon Wireless, which included a one-off US$4.5 billion (£2.9 billion) income dividend received in January 2012 and a tax distribution amount of £965 million (2011: £1,024 million) which is included in dividends received from associates and investments as shown on page 55. Until April 2005 Verizon Wireless distributions were determined by the terms of the partnership agreement distribution policy and comprised income distributions and tax distributions. Since April 2005 only tax distributions have been issued, with the exception of the one-off income dividend received in January 2012. Following the announcement of Verizon Wireless acquisition of Alltel, certain additional tax distributions were agreed in addition to the tax distributions required by the partnership agreement. Current projections forecast that tax distributions will cover the United States tax liabilities arising from our partnership interest in Verizon Wireless.

Under the terms of the partnership agreement the Verizon Wireless board has no obligation to effect additional distributions above the level of the tax distributions. However, the Verizon Wireless board has agreed that it will review distributions from Verizon Wireless on a regular basis. When considering whether distributions will be made each year, the Verizon Wireless board will take into account its debt position, the relationship between debt levels and maturities, and overall market conditions in the context of the five year business plan.

In June 2011 we sold our entire 44% interest in SFR and received a final dividend from SFR of 200 million (£178 million) (2011: dividend received of £373 million). Future cash flows will be reduced by the loss of dividends from SFR.

Verizon Communications Inc. has an indirect 23.1% shareholding in Vodafone Italy and under the shareholders agreement the shareholders have agreed to take steps to cause Vodafone Italy to pay dividends at least annually, provided that such dividends will not impair the financial condition or prospects of Vodafone Italy including, without limitation, its credit standing. During the 2012 financial year Vodafone Italy paid dividends net of withholding tax totalling 289 million (2011: 325 million) to Verizon Communications Inc.

Acquisitions and disposals

We received a net £4,872 million (2011: invested £183 million), net of cash and cash equivalents disposed and acquired, from acquisition and disposal activities during the year.

On 16 June 2011 we sold our entire 44% interest in SFR to Vivendi for a cash consideration of 7.75 billion (£6.8 billion) before tax and transaction costs and received a final dividend from SFR of 200 million (£178 million). Vodafone and SFR also entered into a partner market agreement which will maintain their commercial cooperation.

On 1 July 2011 we acquired an additional 22% stake in Vodafone India Limited (VIL) from the Essar Group for a cash consideration of US$4.2 billion (£2.6 billion) including withholding tax.

On 9 November 2011 we sold our entire 24.4% interest in Polkomtel in Poland for cash consideration of approximately 918 million (£784 million) before tax and transaction costs.

On 23 April 2012 we announced a recommended cash offer to acquire the entire issued ordinary share capital of Cable & Wireless Worldwide plc, at a value of approximately £1,045 million. For further details refer to note 33 to the consolidated financial statements.

Treasury shares

The Companies Act 2006 permits companies to purchase their own shares out of distributable reserves and to hold shares in treasury. While held in treasury, no voting rights or pre-emption rights accrue and no dividends are paid in respect of treasury shares. Treasury shares may be sold for cash, transferred (in certain circumstances) for the purposes of an employee share scheme or cancelled. If treasury shares are sold, such sales are deemed to be a new issue of shares and will accordingly count towards the 5% of share capital which the Company is permitted to issue on a non pre-emptive basis in any one year as approved by its shareholders at the AGM. The proceeds of any sale of treasury shares up to the amount of the original purchase price, calculated on a weighted average price method, is attributed to distributable profits which would not occur in the case of the sale of non-treasury shares. Any excess above the original purchase price must be transferred to the share premium account.

Following the disposal of our 3.2% interest in China Mobile Limited on 10 September 2010, we initiated a £2.8 billion share buyback programme under the authority granted by our shareholders at the 2010 AGM which was completed in June 2011. Under this programme the Group purchased a total of 1,631,662,645 shares at an average price per share, including transaction costs, of 171.60 pence.

Following the disposal of our entire 44% interest in SFR to Vivendi on 16 June 2011, we initiated a £4.0 billion share buyback programme. The Group placed irrevocable purchase instructions with a number of banks to enable the banks to buy back shares on our behalf when we may otherwise have been prohibited from buying in the market. Details of the shares purchased to date, including those purchased under irrevocable instructions, are shown below:

Date of share purchase	Number of shares purchased1 000	Average price paid per share inclusive of transaction costs Pence	Total number of shares purchased under share repurchase programme2 000	Maximum value of shares that may yet be purchased under the programme3 £m
June 2011	95,908	164.15	95,908	3,843
July 2011	178,643	163.77	274,551	3,550
August 2011	196,798	165.14	471,349	3,225
September 2011	199,672	162.77	671,021	2,900
October 2011	173,100	172.69	844,121	2,601
November 2011	201,279	174.42	1,045,400	2,250
December 2011	125,000	175.60	1,170,400	2,030
January 2012	158,400	177.22	1,328,800	1,750
February 2012	181,200	174.42	1,510,000	1,434
March 2012	197,700	171.37	1,707,700	1,095
April 2012	149,800	172.63	1,857,500	836
May 2012	117,000	170.86	1,974,500	636

Total	**1,974,500**[4]	**170.35**	**1,974,500**	**636**

Notes:

1 The nominal value of shares purchased is 11 3/7 US cents each.
2 No shares were purchased outside the publicly announced share buyback programme.
3 In accordance with shareholder authority granted at the 2011 AGM.
4 The total number of shares purchased represents 4.0% of our issued share capital at 21 May 2012.

The aggregate amount of consideration paid by the Company for the shares at 21 May 2012 was £3,364 million.

Shares purchased are held in treasury in accordance with sections 724 to 732 of the Companies Act 2006 and are cancelled in accordance with the Association of British Insurers guidelines. The movement in treasury shares during the year is shown below:

	Number Million	£m
1 April 2011	5,234	8,171
Reissue of shares	(166)	(277)
Purchase of shares	2,101	4,671
Cancelled shares	(3,000)	(4,724)
31 March 2012	**4,169**	**7,841**

Funding

We have maintained a robust liquidity position throughout the year thereby enabling us to service shareholder returns, debt and expansion through capital investment. This position has been achieved through continued delivery of strong operating cash flows, cash receipts from investment disposals, issuances of short-term and long-term debt, and non-recourse borrowing assumed in respect of the emerging market businesses. It has not been necessary for us to draw down on our syndicated committed bank facilities during the year.

Net debt

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

	2012 £m	2011 £m
Cash and cash equivalents	**7,138**	**6,252**
Short-term borrowings:		
Bonds	(1,289)	(2,470)
Commercial paper[1]	(2,272)	(1,660)
Put options over non-controlling interests		(3,113)
Bank loans	(1,635)	(2,070)
Other short-term borrowings[2]	(1,062)	(593)
	(6,258)	**(9,906)**
Long-term borrowings:		
Put options over non-controlling interests	(840)	(78)
Bonds, loans and other long-term borrowings	(27,522)	(28,297)
	(28,362)	**(28,375)**
Other financial instruments[3]	3,057	2,171

Net debt	**(24,425)**	**(29,858)**

Notes:

1 At 31 March 2012 US$1,689 million was drawn under the US commercial paper programme, and 1,226 million and US$309 million were drawn under the euro commercial paper programme.

2 At 31 March 2012 the amount includes £980 million (2011:£531 million) in relation to cash received under collateral support agreements.

3 Comprises i) mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables (2012: £2,959 million; 2011: £2,045 million) and trade and other payables (2012: £889 million; 2011: £548 million) and ii) short-term investments primarily in index linked government bonds included as a component of other investments (2012: £987 million; 2011: £674 million).

At 31 March 2012 we had £7,138 million of cash and cash equivalents which are held in accordance with our treasury policy.

We hold cash and liquid investments in accordance with the counterparty and settlement risk limits of the Board approved treasury policy. The main forms of liquid investment at 31 March 2012 were money market funds, UK index linked government bonds and bank deposits.

Net debt decreased by £5.4 billion to £24.4 billion primarily due to cash generated by operations, the proceeds from the sale of the Group s 44% interest in SFR and 24.4% interest in Polkomtel, and the £2.9 billion income dividend from Verizon Wireless, partially offset by share buybacks and dividend payments to equity holders.

Net debt represented 28.6% of our market capitalisation at 31 March 2012 compared to 32.8% at 31 March 2011. Average net debt at month end accounting dates over the 12 month period ended 31 March 2012 was £25.6 billion and ranged between £22.3 billion and £29.6 billion during the year.

The cash received from collateral support agreements mainly reflects the value of our interest rate swap portfolio which is substantially net present value positive. See note 21 to the consolidated financial statements for further details on these agreements.

Commercial paper programmes

We currently have US and euro commercial paper programmes of US$15 billion and £5 billion respectively which are available to be used to meet short-term liquidity requirements. At 31 March 2012 amounts external to the Group of 1,226 million (£1,022 million) and US$309 million (£193 million) were drawn under the euro commercial paper programme and US$1,689 million (£1,056 million) was drawn down under the US commercial paper programme, with such funds being provided by counterparties external to the Group. At 31 March 2011 1,490 million (£1,317 million) was drawn under the euro commercial paper programme and US$551 million (£343 million) was drawn under the US commercial paper programme. The commercial paper facilities were supported by US$4.2 billion (£2.7 billion) and 4.2 billion (£3.5 billion) of syndicated committed bank facilities (see Committed facilities). No amounts had been drawn under either bank facility.

Bonds

We have a 30 billion euro medium-term note programme and a US shelf programme which are used to meet medium- to long-term funding requirements. At 31 March 2012 the total amounts in issue under these programmes split by currency were US$13.3 billion, £2.5 billion, 8.9 billion and £0.2 billion sterling equivalent of other currencies.

In the year ended 31 March 2012 bonds with a nominal value equivalent of £0.7 billion at the relevant 31 March 2012 foreign exchange rates were issued under the US shelf and the euro medium-term note programme. The bonds issued during the year were:

Date of bond issue	Maturity of bond	Nominal amount Million	Sterling equivalent Million
22 August 2011	22 August 2012	US$100	65
20 March 2012	20 March 2017	US$1,000	625

On 11 July 2011 we also raised US$850 million (£543 million) through a US private placement with a maturity of 11 July 2016.

At 31 March 2012 we had bonds outstanding with a nominal value of £18,333 million (2011: £20,987 million).

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Financial position and resources (continued)

Committed facilities

The following table summarises the committed bank facilities available to us at 31 March 2012.

Committed bank facilities	Amounts drawn
1 July 2010	
4.2 billion syndicated revolving credit facility, maturing 1 July 2015	No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions.
9 March 2011	
US$4.2 billion syndicated revolving credit facility, maturing 9 March 2016, US$4.1 billion of this facility has been extended by one year, maturing 9 March 2017	No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions.
16 November 2006	
0.4 billion loan facility, maturing 14 February 2014	This facility was drawn down in full on 14 February 2007.
28 July 2008	
0.4 billion loan facility, maturing 12 August 2015	This facility was drawn down in full on 12 August 2008.
15 September 2009	
0.4 billion loan facility, maturing 30 July 2017	This facility was drawn down in full on 30 July 2010.
29 September 2009	
US$0.7 billion export credit agency loan facility, final maturity date 19 September 2018	This facility is fully drawn down and is amortising.
8 December 2011	
0.4 billion loan facility, maturing on the seven year anniversary of the first drawing	This facility is undrawn and has an availability period of 18 months. The facility is available for financing a project to increase the service availability of the UMTS (3G) mobile network in Italy.
20 December 2011	
0.3 billion loan facility, maturing on the seven year anniversary of the first drawing	This facility is undrawn and has an availability period of nine months. The facility is available for financing a project to upgrade and expand the mobile telecommunications networks in Turkey and Romania.

Under the terms and conditions of the 4.2 billion and US$4.2 billion syndicated committed bank facilities lenders have the right, but not the obligation, to cancel their commitments and have outstanding advances repaid no sooner than 30 days after notification of a change of control. This is in addition to the rights of lenders to cancel their commitment if we commit an event of default; however, it should be noted that a material adverse change clause does not apply.

The facility agreements provide for certain structural changes that do not affect the obligations to be specifically excluded from the definition of a change of control.

The terms and conditions of the 0.4 billion loan facility maturing on 14 February 2014 are similar to those of the 4.2 billion and US$4.2 billion syndicated committed bank facilities with the addition that, should our Turkish operating company spend less than the equivalent of 0.8 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.

The terms and conditions of the 0.4 billion loan facility maturing 12 August 2015 are similar to those of the 4.2 billion and US$4.2 billion syndicated committed bank facilities with the addition that, should our Italian operating company spend less than the equivalent of 1.5 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 18% of the capital expenditure.

The loan facility agreed on 15 September 2009 provides 0.4 billion of seven year term finance for the Group s virtual digital subscriber line (VDSL) project in Germany. The terms and conditions are similar to those of the 4.2 billion and US$4.2 billion syndicated committed bank facilities with the addition that should the Group s German operating company spend less than the equivalent of 0.8 billion on VDSL related capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the VDSL capital expenditure.

The Group entered into an export credit agency loan agreement on 29 September 2009 for US$0.7 billion. The terms and conditions of the facility are similar to those of the 4.2 billion and US$4.2 billion syndicated committed bank facilities with the addition that the Company was permitted to draw down under the facility based on the eligible spend with Ericsson up until the final drawdown date of 30 June 2011. Quarterly repayments of the drawn balance commenced on 30 June 2010 with a final maturity date of 19 September 2018.

The terms and conditions of the 0.4 billion loan facility agreed on 8 December 2011 are similar to those of the 4.2 billion and US$4.2 billion syndicated committed bank facilities with the addition that, should our Italian operating company spend less than the equivalent of 1.3 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.

The terms and conditions of the 0.3 billion loan facility agreed on 20 December 2011 are similar to those of the 4.2 billion and US$4.2 billion syndicated committed bank facilities with the addition that, should our Turkish and Romanian operating companies spend less than the equivalent of 1.3 billion on capital expenditure, we will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.

Furthermore, certain of our subsidiaries are funded by external facilities which are non-recourse to any member of the Group other than the borrower due to the level of country risk involved. These facilities may only be used to fund their operations. At 31 March 2012 Vodafone India had facilities of INR 396 billion (£4.9 billion) of which INR 340 billion (£4.2 billion) is drawn. Vodafone Egypt has partly drawn EGP 1.2 billion (£126 million) from a syndicated bank facility of EGP 4.0 billion (£414 million) that matures in March 2014. Vodacom had fully drawn facilities of ZAR 11.2 billion (£912 million), US$94 million (£59 million) and TZS 115 billion (£45 million). Vodafone Americas has a US$1.4 billion (£875 million) US private placement with a maturity of 17 August 2015 as well as a US$850 million (£532 million) US private placement with a maturity of 11 July 2016. Ghana had a facility of US$240 million (£150 million) of which US$203 million (£127 million) was drawn with a final maturity of 15 March 2018.

In aggregate we have committed facilities of approximately £17,304 million, of which £7,865 million was undrawn and £9,439 million was drawn at 31 March 2012.

We believe that we have sufficient funding for our expected working capital requirements for at least the next 12 months. Further details regarding the maturity, currency and interest rates of the Group s gross borrowings at 31 March 2012 are included in note 22 to the consolidated financial statements.

Financial assets and liabilities

Analysis of financial assets and liabilities including the maturity profile of debt, currency and interest rate structure are included in notes 18 and 22 to the consolidated financial statements. Details of our treasury management and policies are included within note 21 to the consolidated financial statements.

Option agreements and similar arrangements

Potential cash outflows

In respect of our interest in the Verizon Wireless partnership, an option granted to Price Communications, Inc. by Verizon Communications Inc. was exercised on 15 August 2006. Under the option agreement Price Communications, Inc. exchanged its preferred limited partnership interest in Verizon Wireless of the East LP for 29.5 million shares of common stock in Verizon Communications Inc. Verizon Communications Inc. has the right, but not the obligation, to contribute the preferred interest to the Verizon Wireless partnership diluting our interest. However, we also have the right to contribute further capital to the Verizon Wireless partnership in order to maintain our percentage partnership interest. Such amount, if contributed, would be US$0.8 billion.

In respect of our interest in Vodafone India Limited (VIL), Piramal Healthcare (Piramal) acquired approximately 11% shareholding in VIL from Essar during the 2012 financial year. The agreements contemplate various exit mechanisms for Piramal including participating in an initial public offering by VIL or, if such initial public offering has not completed by 18 August 2013 or 8 February 2014 respectively or Piramal chooses not to participate in such initial public offering, Piramal selling its shareholding to the Vodafone Group in two tranches of 5.485% for an aggregate price of between approximately INR 70 billion (£0.8 billion) and INR 83 billion (£1.0 billion).

Off-balance sheet arrangements

We do not have any material off-balance sheet arrangements as defined in item 5.E.2. of the SEC s Form 20-F. Please refer to notes 28 and 29 to the consolidated financial statements for a discussion of our commitments and contingent liabilities.

Quantitative and qualitative disclosures about market risk

A discussion of our financial risk management objectives and policies and the exposure of the Group to liquidity, market and credit risk is included within note 21 to the consolidated financial statements.

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 22 May 2012 are as follows (with further information available at www.vodafone.com/investor):

Chairman
Gerard Kleisterlee
Age: 65
Time on Board: 1 year 2 months

Skills and experience:
Gerard has a proven track record as an international business leader with deep knowledge of the consumer electronics, healthcare and lifestyle sectors; a wealth of experience of operating in developed and emerging markets; and technology industry familiarity.

Career history:

President/Chief Executive Officer and Chairman of the Board of Management of Koninklijke Philips Electronics N.V. from 2001 to 2011 following a career with Philips spanning over 30 years.

Additional appointments:
Member of Daimler AG Supervisory Board; non-executive director and member of the Audit Committee of Royal Dutch Shell; Board of Directors of Dell.

Committees:

Nominations and Governance (Chairman)

Chief Executive
Vittorio Colao
Age: 50
Time on Board: 5 years 7 months

Skills and experience:
With demonstrated international business leadership skills, Vittorio has deep telecoms experience having worked in the sector for 20 years.

Career history:

McKinsey & Company (1986 1996); Omnitel Pronto Italia S.p.A. (which became Vodafone Italy) (1996 2004); Regional Chief Executive Officer, Southern Europe for Vodafone Group Plc (role later expanded to include Middle East and Africa regions); Chief Executive RCS MediaGroup (2004 2006).

Additional appointments:
Member of the International Advisory Board of Bocconi University, Italy; member of the Advisory Board of McKinsey & Company; member of the Advisory Council of Oxford Martin School.

Chief Financial Officer
Andy Halford
Age: 53
Time on Board: 6 years 10 months

Skills and experience:

A leading member of the finance profession, Andy has extensive experience as a finance director of UK, US and multinational companies.

Career history:

Group Finance Director at East Midlands Electricity Plc (1993 1998); Financial Director, Vodafone Limited (the UK operating company) (1999 2001); Financial Director for Vodafone s Northern Europe, Middle East and Africa region (2001 2002); Chief Financial Officer of the Verizon Wireless partnership (2002 2005);

Additional appointments:

Member of the Board of Representatives of the Verizon Wireless partnership in the US; Chairman of the Hundred Group of Finance Directors in the UK.

Chief Executive Officer, Europe region
Michel Combes
Age: 50
Time on Board: 2 years 11 months

Skills and experience:

Michel is well-regarded for his breadth of experience across both fixed line and mobile operations, with over 25 years experience in the field of telecommunications.

Career history:

France Telecom, External Networks Division, later Industrial and International Affairs Division; technical advisor to the French Minister of Transport; Chairman and Chief Executive Officer of GlobeCast; Executive Vice President of Nouvelles Frontieres Group; Chief Executive

member of the France Telecom Group Strategic Committee; Chairman and Chief Executive Officer of TDF Group.

Additional appointments:

Chairman of the Supervisory Board of Assystem SA in France; non-executive director on the boards of ISS Equity A/S, ISS Holding A/S and ISS A/S.

Michel will retire from the Board at the conclusion of the Company s AGM on 24 July 2012.

Fellow of the Institute of Chartered Accountants in England and Wales.

Officer of Assystem-Brime; Senior Vice President of Group Finance and Chief Financial Officer, France Telecom; Senior Executive Vice President, in charge of NExT Finance Balance & Value Creation;

Chief Technology Officer
Stephen Pusey
Age: 50
Time on Board: 2 years 11 months

Skills and experience:

Stephen has a wealth of international experience across both the wireline and wireless industries and in business applications and solutions.

Career history:

Executive Vice President and President, Nortel Networks Corporation s EMEA region; British Telecom.

Deputy Chairman and Senior Independent Director
Sir John Buchanan
Age: 68
Time on Board: 9 years 1 month

Skills and experience:

Sir John has many years of experience and a track record of success gained during a wide-ranging career at BP p.l.c. spanning over 30 years. His financial and management skills in multinational business provide further strength to the Board.

Career history:

Board of Directors and Chief Executive Officer of BP p.l.c. (1996 2002); member of the United Kingdom Accounting Standards Board; non-executive director of The Boots Company Plc (1997 2003); non-executive director of AstraZeneca PLC (2002 2010).

Additional appointments:

Chairman of Smith & Nephew plc; Senior Independent Director of BHP Billiton Plc; Chairman of ARM Holdings plc; Chairman of the International Chamber of Commerce (UK); Chairman of the Trustees for UK Christchurch Earthquake Appeal.

Committees:

Nominations and Governance Audit and Risk

Sir John will retire from the Board at the conclusion of the Company s AGM on 24 July 2012.

Non-executive director
Renee James
Age: 47 **Time on Board:** 1 year 5 months

Skills and experience:
Renee has deep knowledge of the high-tech sector and wide ranging experience of international management.

Career history:

Joined Intel Corporation in 1988 with the acquisition of Bell Technologies; currently senior vice president and general manager of Intel Corporation s Software and Services Group; previous roles within Intel: vice president for Developer Programs, Chief Operating Officer of Intel Online Services Intel s datacenter business.

Additional appointments:
Senior vice president and general manager of the Software and Services Group for Intel Corporation; Chairman of the software subsidiaries of Intel Corporation, Havok Inc., Wind River Systems Inc. and McAfee, Inc.; independent director on the Board of Directors of VMware Inc and a member of its Audit Committee.

Renee will join the Remuneration Committee on conclusion of the AGM on 24 July 2012.

Non-executive director
Alan Jebson
Age: 62 **Time on Board:** 5 years 6 months

Skills and experience:
Alan s experience as a senior leader in an international business, his knowledge of international information technology systems and his financial services background are great assets to the Board.

Career history:

HSBC Holdings plc: Head of IT Audit (1978 1984); Senior Manager Planning and Operations, Saudi British Bank (1984 1987); HSBC Holdings plc: Group Chief Operating Officer, Group Chief Information Officer; non-executive director of MacDonald, Dettwiler and Associates (Canada).

Additional appointments:
Non-executive director of Experian plc.

Committees:

Audit and Risk

Non-executive director
Samuel Jonah
Age: 62 **Time on Board:** 2 years 2 months

Skills and experience:

Sam brings widespread experience of business in Africa, particularly South Africa and Ghana where we have interests.

Career history:

Chief Executive Officer of Ashanti Goldfields Co Ltd (1986 2002); Executive President of AngloGold Ashanti Ltd (2002 2005); director of Lonmin Plc. (1992 2004); member of the Advisory Council of the President of the African Development Bank; advisor to the former Presidents of Ghana, South Africa, Nigeria and Namibia. Currently advises the Presidents of Togo and Nigeria. Honorary Knighthood awarded in 2003; awarded Ghana s highest national award, the Companion of the Order of the Star, in 2006. Recipient of Lifetime Award in June 2010 by the Commonwealth Business Council and African Business Magazine.

Additional appointments:

Executive Chairman of Jonah Capital (Pty) Limited; serves on the boards of various public and private companies including The Standard Bank of South Africa Limited.

Committees:

Remuneration

Non-executive director
Nick Land
Age: 64 **Time on Board:** 5 years 6 months

Skills and experience:

Nick s financial expertise and experience of dealing with major corporations in many parts of the world is invaluable to the Board.

Career history:

Chairman of Ernst & Young and Managing Partner of the North European, Middle East, India and Africa region. Retired from Ernst & Young in 2006 after a career spanning 36 years.

Additional appointments:

Non-executive director of Alliance Boots GmbH, BBA Aviation plc, Ashmore Group plc and the Financial Reporting Council; advisor to the Board of SNR Denton UK LLP; member of the Advisory Board of Alsbridge plc; Chairman of the Board of Trustees of Farnham Castle; member of the Finance and Audit Committees of The National Gallery; Chairman of the Board of Trustees of the Vodafone Foundation.

Committees:

Audit and Risk (Chairman)

Non-executive director
Anne Lauvergeon
Age: 52
Time on Board: 6 years 7 months

Skills and experience:

Anne s wealth of international business knowledge gained while Chief Executive of an international energy company means she brings valuable insights to the Board.

Career history:

Chief Executive Officer of AREVA group; Adviser for Economic International Affairs at the French Presidency and Deputy Chief of its Staff; Partner of Lazard Frères & Cie; Senior Executive Vice President of Alcatel.

Additional appointments:

Non-executive director of Total S.A. and GDF SUEZ; member of the Advisory Board of the Global Business Coalition on HIV/AIDS.

Committees:

Audit and Risk

Non-executive director
Luc Vandevelde
Age: 61
Time on Board: 8 years 9 months

Skills and experience:

Luc has many years of experience and a track record of success in retailing and consumer goods. He has a deserved reputation as an international businessman of considerable standing. His financial, management and marketing skills in international business are of great value to the Board.

Career history:

Kraft General Foods (1971 1995); Chief Executive Officer of Promodés/ Carrefour (1995 2000); Chairman of Marks and Spencer Group plc (2000 2004); Chairman of the Supervisory Board of Carrefour S.A. (2005 2007).

Additional appointments:

Director of Societe Generale; Founder and Managing Director of Change Capital Partners LLP.

Committees:

Nominations and Governance
Remuneration (Chairman)

Luc will become Senior Independent Director on conclusion of the AGM on 24 July 2012.

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Board of directors and Group management (continued)

Non-executive director

Anthony Watson CBE

Age: 67

Time on Board: 6 years 1 month

Skills and experience:

Tony s depth of experience in the City and in investment and asset management are invaluable to the Board.

Career history:

Hermes Pensions Management Ltd: Chief Investment Officer, later Chief Executive. Managing Director of AMP Asset Management plc; Chief International Investment Officer, Citicorp Investment Management; Chairman of the Strategic Investment Board in Northern Ireland; member of the Advisory Board of Norges Bank Investment Management; Chairman of Marks & Spencer Pension Trust and the Asian Infrastructure Fund; member of the Financial Reporting Council. In January 2009, Tony was awarded a CBE for his services to the economic redevelopment of Northern Ireland.

Additional appointments:

Senior Independent Director of Hammerson plc and Witan Investment Trust; non-executive director of Lloyds Banking Group plc; member of the Board of the Shareholder Executive.

Committees:

Nominations and Governance
Remuneration

Tony will step down from the Remuneration Committee and join the Audit and Risk Committee on conclusion of the AGM on 24 July 2012.

Non-executive director

Philip Yea

Age: 57

Time on Board: 6 years 9 months

Skills and experience:

Philip brings to the Board his considerable experience as a leader of public and private businesses (as Chief Financial Officer, Chief Executive Officer and as Chairman) and, as a private equity investor, deploying his financial and strategic skills. He also has experience of business and financial turnarounds.

Career history:

Finance Director of Guinness PLC, becoming Finance Director of Diageo plc upon the merger of Guinness and Grand Metropolitan Public Limited Company in 1997 (1993 1999); Managing Director at Investcorp (1999 2004); Chief Executive at 3i Group plc (2005 2009); non-executive directorships of HBOS plc and Manchester United plc.

Additional appointments:

Advisor to HRH The Duke of York; member of the Advisory Board to PricewaterhouseCoopers in the UK; member of the Advisory Board of Bridges Ventures LLP; Chairman of the Trustees of the British Heart Foundation; independent director and trustee on the Board of The Francis Crick Institute; Chairman of The Rose Partnership, Executive Search.

Committees:

Remuneration

Philip will join the Nominations and Governance Committee on conclusion of the AGM on 24 July 2012.

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 membership comprises the executive directors, details of whom are shown on page 60, and the senior managers who are listed below.

Senior management

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

Group Strategy and Business Development Director

Warren Finegold

Group External Affairs Director

Matthew Kirk

Age: 55

Time on Executive Committee: 6 years 2 months

Career history:

Executive in the Corporate Finance department of Hill Samuel & Co. Limited (1981 1985); Executive Director Goldman Sachs International (1985 1995) holding positions in New York and London; Managing Director of UBS Investment Bank and most recently head of its Technology team in Europe (1995 2006).

Age: 51

Years on Executive Committee: 3 years 3 months

Career history:

Group Director of External Relationships, Vodafone Group Plc; member of the British Diplomatic Service for more than 20 years; British Ambassador to Finland (2002 2006).

Group Chief Commercial Officer

Morten Lundal

Age: 47

Time on Executive Committee: 3 years 7 months

Career history:

Chief Executive Officer at Vodafone for the Africa and Central Europe region; various senior positions with Nordic mobile operator, Telenor (1997 2004), including Chief Executive Officer for the Internet Division and Telenor Business Solutions, as well as the position of Executive Vice President for Corporate Strategy; Chief Executive Officer of Telenor s Malaysian subsidiary, DiGi Telecommunication (2004 2008).

Group General Counsel and Company Secretary

Rosemary Martin

Age: 52

Time on Executive Committee: 2 years 3 months

Career history:

Chief Executive Officer of the Practical Law Group (2008); Reuters Group Plc in various company secretarial and legal roles, with the last five years as Group General Counsel and Company Secretary (1997 2008); partner with Mayer, Brown, Rowe & Maw (1990 1997).

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

Nick Read

Age: 47

Time on Executive Committee: 3 years 7 months

Career history:

Various senior roles in Vodafone Limited (the UK operating company), including Chief Financial Officer, Chief Commercial Officer and Chief Executive Officer (2002 2008); senior global finance positions with United Business Media plc (1998 2002) and Federal Express Worldwide Inc. (1995 1998).

Group Human Resources Director

Ronald Schellekens

Age: 48

Time on Executive Committee: 3 years 5 months

Career history:

Executive Vice President Human Resources for Royal Dutch Shell Plc s global downstream business (2003 2008), various international senior human resources roles at PepsiCo (1994 2003); human resources roles at AT&T Network Systems in the Netherlands and Poland.

Corporate governance

Chairman s overview

Strong governance ensures Vodafone conducts its business responsibly, safeguarding our assets while promoting business growth.

Dear Shareholder

Sound corporate governance is critical to our business integrity and to maintaining investors trust in us. Responsibility for good governance lies with your Board and the directors and I spend quality time at Board and committee meetings and in our discussions with executives to ensure there is a strong and effective governance system in place throughout the Group.

In this section we describe the way corporate governance works in Vodafone. It is embedded both in the way we organise our business, with local boards and audit committees having responsibility for our operations in local markets, overseen by regional governance teams for Europe and for the Africa, Middle East and Asia Pacific region, as well as in the way we expect our people to behave, with every employee required to comply with our Code of Conduct and encouraged to work in the Vodafone Way (see page 34 for more information).

We strive to continuously improve the effectiveness of our Board, our Board committees and our Executive Committee and we undertake annual reviews to assess our performance. The review for the 2012 financial year is described on page 67.

The Nominations and Governance Committee monitors developments in corporate governance to ensure we remain aligned with best practice. In view of the increased focus on diversity in the boardroom, I would like to take this opportunity to set out our approach to this topic. Joining me on your Board are four executive directors and nine non-executive directors representing seven different nationalities reflecting the international nature of our business. Your Board acknowledges the importance of diversity, including gender, to the effective functioning of the Board and commits to supporting diversity in the boardroom. It is our aspiration to have a minimum of 25% female representation on your Board by 2015. We also value diversity of business skills and experience because directors with diverse skills sets, capabilities and experience gained from different geographic and cultural backgrounds enhance your Board by bringing a wide range of perspectives to the business. More information can be found about our boardroom diversity policy under the report of the Nominations and Governance Committee on page 68.

Looking ahead, we will strive to maintain our high standard of corporate governance as it is central to our continuing success. We will continue to balance the use of our time in Board meetings between discussion of strategy, review of financial and operational performance, oversight of risk management and internal controls, ensuring the safeguarding our assets, and keeping Board and executive succession plans refreshed.

Gerard Kleisterlee

Chairman

22 May 2012

Compliance with the UK Corporate Governance Code

Throughout the year ended 31 March 2012 and to the date of this document, we complied with the provisions and applied the Main Principles of the UK Corporate Governance Code (the Code). The Code can be found on the FRC website (www.frc.org.uk). We describe how we have applied those Principles in this annual report, notably, in the following section together with the Directors remuneration section on pages 74 to 87. The Financial Reporting Council has announced that a revised version of the Code incorporating changes regarding boardroom diversity will be published in 2012, to take effect for financial years beginning on or after 1 October 2012. We are voluntarily reporting on these changes in this annual report (see Performance evaluation on page 67 and Nominations and Governance Committee on page 68).

Corporate governance statement

We comply with the corporate governance statement requirements pursuant to the FSA s Disclosure and Transparency Rules by virtue of the information included in this Corporate governance section of the annual report together with information contained in the Shareholder information section on pages 150 to 157.

Corporate governance (continued)

Our governance

The role of the Board is outlined in greater detail below. The Executive and Operating Committees sit below the Board for the management of the business.

The executive directors, together with certain Group functional heads and regional chief executives, meet 11 times a year as the Executive Committee under the chairmanship of the Chief Executive. The Executive Committee is responsible for our competitive and financial performance, reviewing strategy and new business opportunities including major acquisitions and disposals, the management of our capital structure and funding, and key organisational and policy decisions. The members of the Executive Committee and their biographical details are set out on pages 60 to 62 (or at www.vodafone.com/investor).

In April every year a Group level strategy review is conducted with the members of the Executive Committee along with the chief executives of the major operating companies. This review identifies key strategic issues for further investigation, following which the Group strategy is updated for presentation to the Board in September.

Individual operating companies review and update their strategies and present to their respective regional chief executives in the autumn. The agreed strategy is used as a basis for the development of the upcoming budget and three year operating plans. Final reviews of the operating company strategies, budgets and three year plans are held in March.

The Policy and Compliance Committee is a sub-committee of the Executive Committee, appointed to assist the Executive Committee fulfil its accountabilities with regard to 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. Local market 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.

The Vodafone Code of Conduct, applicable to all employees and those who work for or on behalf of Vodafone, is a unified policy document that 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).

The Disclosure Committee, appointed by the Chief Executive and Chief Financial Officer to ensure the accuracy of external reporting, reviews and approves controls and procedures concerning the public disclosure of financial and related information.

The role of the Board

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

g 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;
- annual budget and operating plan;
- Group financial structure, including tax and treasury;

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

- system of internal control and risk management.

The schedule is reviewed annually. It was last formally reviewed in March 2012 at which time it was determined that no amendments were required.

Other specific responsibilities are delegated to Board committees, details of which are given on pages 68 to 71.

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 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; and
- maintaining a close working relationship with the Chairman.

The Deputy Chairman and Senior Independent Director

Sir John Buchanan

The Senior Independent Director is responsible for:

- acting as a sounding board for the Chairman;
- serving as an intermediary for the other directors;

The Company Secretary

Rosemary Martin

The Company Secretary acts as Secretary to the Board. In addition, she:

- assists the Chairman in ensuring that all directors have full and timely access to all relevant information;

- 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.

- 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, Senior Independent Director and Company Secretary can be found on pages 60 to 62 or at www.vodafone.com/board. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

How the Board operates

Board balance and independence

Our Board consists of 14 directors, all of whom served throughout the year. At 31 March 2012, in addition to the Chairman, Gerard Kleisterlee, there were four executive directors and nine non-executive directors. Sir John Bond was a member of the Board until his retirement at the AGM on 26 July 2011.

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.

We consider all of our non-executive directors to be independent. 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. Changes to the commitments of all the directors are reported to the Board. The directors are required to complete a conflicts questionnaire initially on appointment and annually thereafter. In the event of a potential conflict being identified, details of that conflict 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 an authorisation is granted, it would be recorded in a register of potential conflicts and reviewed periodically. On an ongoing basis 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 financial year. Copies of the service contracts of the directors and terms and conditions of appointment of all non-executive directors are available for inspection at our registered office.

Board meetings

The Board meets at least seven times a year. Certain matters are considered at all Board meetings including the Chief Executive s business report; the latest available management accounts/Chief Financial Officer s report; business updates; an operations update (covering commercial, technology and operations matters); an investor relations report and, where applicable, reports from the Nominations and Governance Committee, Audit and Risk Committee, and Remuneration Committee. In addition to standing agenda items, there may be discussions on deep-dive topics. During the year deep-dive presentations have included commercial strategy, technology strategy, spectrum auctions, talent and succession, our enterprise business and our partner markets business.

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Corporate governance (continued)

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 scheduled Board meetings, there are a number of other meetings to deal with specific matters.

Attendance at scheduled meetings of the Board and its committees in the 2012 financial year

Director	Board	Nominations and Governance Committee	Audit and Risk Committee	Remuneration Committee
Gerard Kleisterlee (Chairman)[1]	7/7	3/3		
Sir John Bond[2]	2/2			
Sir John Buchanan	6/7	2/3	3/4	
Vittorio Colao	7/7			
Michel Combes	7/7			
Andy Halford	7/7			
Renee James	7/7			
Alan Jebson	7/7		4/4	
Samuel Jonah	7/7			5/5
Nick Land[3]	7/7		4/4	
Anne Lauvergeon	7/7		4/4	
Stephen Pusey	6/7			
Luc Vandevelde[4]	7/7	3/3		5/5
Anthony Watson	7/7	3/3		5/5
Philip Yea	6/7			5/5

Notes:

1 Appointed as a director of the Board 1 April 2011 and became Chairman of the Board and Chairman of the Nominations and Governance Committee at the conclusion of the Company s AGM on 26 July 2011.
2 Chairman of the Board and Chairman of the Nominations and Governance Committee until he retired on 26 July 2011.
3 Chairman and financial expert of the Audit and Risk Committee.
4 Chairman of the Remuneration Committee.

Gaining valuable industry insight

In January, the Board held its meeting at Xone, Vodafone s Innovation Centre in California. Whilst there, the Board had the opportunity to meet with senior representatives of a number of leading technology companies including Facebook, Google, Intel, Oracle, Microsoft, Nokia, Qualcomm and Samsung. These meetings provided the Board with valuable insight into views on our industry and its likely developments.

Board activities in the 2012 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 financial 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 composition

The Board has due regard for the benefits of diversity in its membership on the Board, including gender, and strives to maintain the right balance. Our Board comprises individuals with deep knowledge and experience in core and diverse business sectors within local, international and global markets.

Information and professional development

Keeping up-to-date with key business developments is essential for the directors to maintain and enhance their effectiveness. From time to time the Board receives presentations from executives in our business on matters of significance. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings. The directors also have the opportunity to learn the views of major investors at planned events throughout the financial year (see Shareholder engagement on page 71).

Our directors periodically visit different parts of the Group. The visit to Vodafone s Innovation Centre in California (see page 66) in January presented an important opportunity for the non-executive directors to learn more about industry trends. In addition, the non-executive directors are provided with briefings and information to assist them in performing their duties. Throughout their period in office, 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.

The Chairman is responsible for ensuring that induction and training programmes are provided and the Company Secretary organises the programmes. As part of the performance evaluation, Gerard Kleisterlee has meetings with each Board director (see Performance evaluation below) during which directors are given the opportunity to discuss training and development needs. Individual directors are also 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.

Director induction programme

On appointment, directors undergo 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.

If appropriate the induction will also include:

- briefings on the scope of the internal audit function and the role of the Audit and Risk Committee; and
- meetings with the external auditor and other areas deemed appropriate considering the director s area of responsibility.

During the year, the induction programmes of Gerard Kleisterlee and Renee James have followed structured timetables enabling them to meet key personnel within the Group including the executive and non-executive directors, the chief executives of local markets (visiting local markets where possible) and partner markets, key external advisors and key suppliers.

Performance evaluation

Performance evaluation of the Board, its committees and individual directors takes place on an annual basis and is conducted within the terms of reference of the Nominations and Governance Committee (see www.vodafone.com/governance). Every three years the performance evaluation is conducted by an external advisor. The last external evaluation took place in respect of the 2010 financial year.

This year, Board members were asked to consider and comment on the performance of the Board as a whole as well as to reconsider the report of the Board s self-assessment in the 2011 financial year. The Chairman led the assessment of the directors. He held one-to-one interviews with each director and these discussions were facilitated by the directors being asked to consider a number of questions in advance. Amongst other things, directors were asked for their views on company strategy; key challenges for the business; the mix of skills, experience, independence, knowledge and diversity on the Board (including gender); effectiveness of the Board s engagement with shareholders; and how well the Board operates. The output of the interviews were discussed with the Board at the March Board meeting following a review by the Nominations and Governance Committee.

Each Board committee undertook a detailed self-assessment questionnaire and the respective chairman reported feedback to the Board at the Board meeting in March. The Senior Independent Director led the review of the performance of the Chairman.

The Board found the performance of each director to be effective and concluded that the Board provides the effective leadership and control required for a listed company. The evaluations found the Board committees were working well. As a result of recommendations made in this year s Board performance evaluation, each Board meeting is now preceded by a meeting of the Chairman and non-executive directors; more time is being given during Board meetings to discuss organic growth opportunities; and more opportunities are being given to directors to visit local markets and various Group businesses. The Board will continue to review its procedures, its effectiveness and development in the financial year ahead.

Annually, the Nominations and Governance Committee reviews performance of the Executive Committee and reports the output to the Board.

Re-election of directors

With the exception of Sir John Buchanan and Michel Combes who are retiring from the Board, all the directors submit themselves for re-election at the AGM to be held on 24 July 2012. 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 2012 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 respect of those matters for which the directors may not be indemnified, we maintained a directors and officers liability insurance policy throughout the financial 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, each of which has formal terms of reference approved by the Board which can be found on our website at www.vodafone.com/governance or obtained from the Company Secretary. Further biographical details of the members of each of the committees can be found on pages 60 to 62 or at www.vodafone.com/board.

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.

Corporate governance (continued)

Nominations and Governance Committee

The Nominations and Governance Committee continues its work of ensuring the Board composition is right and that our governance is effective.

Chairman:
Gerard Kleisterlee (Company Chairman)

Members:
Sir John Buchanan (Deputy Chairman and Senior Independent Director)
Luc Vandevelde (Independent non-executive director)
Anthony Watson (Independent non-executive director)

Key objective:
to ensure the Board comprises individuals with the requisite skills, knowledge and experience to ensure that it is effective in discharging its responsibilities.

Responsibilities:

- 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;
- makes recommendations to the Board on the composition of the Nominations and Governance Committee and the composition and chairmanship of the Audit and Risk, and Remuneration Committees;
- 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;
- oversees the performance evaluation of the Board, its committees and individual directors (see page 67);
- reviews the tenure of each of the non-executive directors; and
- is responsible for the oversight of all matters relating to corporate governance, bringing any issues to the attention of the Board.

Membership

The Committee which I chair comprises a majority of independent, non-executive directors. Effective from the conclusion of the AGM on 24 July 2012, Sir John Buchanan will retire and Philip Yea will join the Committee. 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

During the year the Committee met three times.

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

In July a review of executive succession plans was undertaken. In addition, the Committee received a commentary from the Chief Executive concerning the performance of the senior executives.

In March the Committee reviewed the output from the evaluations of the Board and committees performance in the 2011 financial year (see Performance evaluation on page 67 for further information).

A boardroom diversity policy was introduced during the financial year. The Board acknowledges that diversity extends beyond the boardroom and supports management in their efforts to build a diverse organisation throughout the Group. 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 policy 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. Subject to securing suitable candidates, when recruiting additional directors and/or filling vacancies which arise when directors do not seek re-election, we will seek to appoint new 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 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 pages 34 to 35, and within the organisation overall, is contained in our 2012 sustainability report at www.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 nine years as of 31 August 2012. The Code suggests that length of tenure is a factor to consider when determining the independence of non-executive directors. The Board has considered the matter carefully and considers that Luc Vandevelde remains independent. His length of service and resulting high degree of knowledge and understanding of the Company, are of great benefit to shareholders and add significantly to the strength of the Board.

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.

Gerard Kleisterlee

On behalf of the Nominations and Governance Committee

22 May 2012

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Audit and Risk Committee

Having broadened our scope during the year, the Committee will focus on risk management in addition to its existing role in relation to the integrity of the Group s financial reporting, the external audit process and the appropriateness of the Group s system of internal controls. It will continue to evolve its activities in light of guidance from regulators and market conditions.

Chairman and financial expert:
Nick Land (Independent non-executive director)

Members:
Sir John Buchanan (Deputy Chairman and Senior Independent Director)
Alan Jebson (Independent non-executive director)
Anne Lauvergeon (Independent non-executive director)

Key objective:
to provide effective financial governance over the appropriateness of the Group s financial results, 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:

g reviewing our financial results announcements and financial statements;

g monitoring compliance with relevant statutory and listing requirements;

g reporting to the Board on the quality and acceptability of our accounting policies and practices including critical accounting policies and practices;

g overseeing the relationship with the external auditor;

g reviewing correspondence from regulators regarding our financial reporting;

g reviewing the scope, extent and effectiveness of the activity of the Group internal audit department;

g playing an active role in monitoring our compliance efforts in respect of section 404 of the Sarbanes-Oxley Act;

g consider and make recommendations to the Board on the nature and extent of the significant risks the Group is willing to take in achieving its strategic objectives;

g overseeing the Group s compliance processes; and

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

Membership

The Committee comprises independent non-executive directors under my chairmanship and meets at least four times during the year. The Committee members have been selected to provide 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. With effect from the close of the AGM in July, Sir John Buchanan will retire and Anthony Watson will join the Committee.

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. The Group Compliance Director and other relevant people from the business are also invited to attend certain meetings in order to provide insight and enhance the Committee s awareness of key issues and developments. I also invite our external auditor, Deloitte LLP, to each meeting. The Committee regularly meets separately with Deloitte LLP, the Chief Financial Officer and the Group Audit Director without other management 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.

Following agreement with the Board in July 2011, the scope of the Committee s work was broadened and it is now responsible for 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. Its role in relation to the review of risk management processes has also been extended. Here the Committee aims to focus both on monitoring the Company s approach to the management of existing risks together with emerging risks that arise by virtue of the dynamic markets in which the company operates. In addition, the Committee s activities in the year have placed additional focus on the Group s processes for monitoring and sustaining compliance with the laws and regulations applicable to the Group as well as its own internal policies. As a result of the above, the Committee s terms of reference have been updated and can be found on our website www.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 the review with both management and the external auditor of the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

g the quality and acceptability of accounting policies and practices;

g 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; and

- any correspondence from regulators in relation to our financial reporting.

To aid our review, the Committee considered 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 2012 accounts were:

- the assumptions underlying impairment testing of the Group s goodwill and intangible assets, particularly in relation to the Group s interests in southern Europe;

- in relation to taxation, both the provisioning for potential current tax liabilities and the appropriateness of deferred tax asset recognition in relation to accumulated tax losses; and

- the level of provisioning appropriate for contingent and other liabilities in a number of our markets.

Corporate governance (continued)

Internal control and risk management

During the year we reviewed the process by which the Group evaluated its control environment, its risk assessment process and the way in which significant business risks were managed. The agenda was driven primarily by the Group s assessment of its principal risks and uncertainties, as set out on pages 51 to 53. The Committee also received regular updates from the Group s Compliance Director on compliance related activities where throughout the year the Group has continued to expand its work to formalise a more centralised approach to the co-ordination of these activities. Further we also considered 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. Oversight of the Group s compliance activities in relation to section 404 of the Sarbanes-Oxley Act also fell within the Committee s remit.

The Committee conducted a number of in-depth reviews in the year covering the control environments and risk management processes in a number of our markets, the appropriateness of the Group s whistle blowing procedures, ensuring arrangements are in place for the independent investigation and follow up of such matters, corporate security and two sessions on information security. In light of recent economic conditions in the eurozone the Committee also undertook a detailed review of the country and currency risks facing the business and the plans in place to mitigate the Group s exposures. We have summarised the main elements of this review on page 53 in view of the significance of the Group s operations in Europe. 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

A substantial agenda item at each Committee meeting is the monitoring and reviewing of the scope, extent and effectiveness of the activity of the Group Internal Audit department. 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 the Group Audit Director outside the formal committee process.

External audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification and at the start of the audit cycle we receive from Deloitte LLP a detailed audit plan, identifying their assessment of these key risks. For 2012 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 whenever we receive reporting from Deloitte LLP.

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 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 three years.

Deloitte LLP have been the Company s external auditor since its stock market listing in 1988; as part of the Committee s review of the objectivity and effectiveness of the audit process an 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. After extensive discussion, the Committee felt a tender was not necessary at present and provided the Board with its recommendation to the shareholders on the reappointment of Deloitte LLP as external auditor for the year ended 31 March 2012. This position will be kept under annual review.

In accordance with section 489 of the Companies Act 2006, a resolution proposing the reappointment of Deloitte LLP as our auditor will be put to the shareholders at the 2012 AGM. There are no contractual obligations restricting the Committee s choice of external auditor and we do not indemnify our external auditor.

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 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 SEC.

During the year Deloitte LLP and member firms of Deloitte Touche Tohmatsu Limited charged the Group £8 million (2011: £9 million, 2010: £9 million) for audit and audit related services. The Committee approved the fees for audit services for 2012 after a review of the level and nature of work to be performed and after being satisfied by Deloitte LLP that the fees were appropriate for the scope of the work required.

Non-audit services

As a further safeguard to help avoid the objectivity and independence of the external auditor becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. This policy precludes Deloitte LLP from providing certain services such as valuation work or the provision of accounting services. This policy was extended in December 2011 and now sets the presumption that Deloitte LLP 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.

During the year Deloitte LLP and member firms of Deloitte Touche Tohmatsu Limited charged the Group £1 million (2011: £1 million, 2010: £1 million) for non-audit assignments. An analysis of the fees paid to Deloitte LLP, for both audit and non audit services, can be found in note 4 to the consolidated financial statements. Non-audit services performed during the year by Deloitte LLP were primarily in relation to non-audit related compliance matters, corporate finance activities and debt issuance.

Committee evaluation

The Committee conducts a formal review of its effectiveness annually and concluded that its performance was effective. A number of changes have been agreed to be implemented for the forthcoming year. Details of the Board and Committee evaluation process can be found under Performance evaluation on page 67.

Nick Land

On behalf of the Audit and Risk Committee

22 May 2012

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Remuneration Committee

Our remuneration policies and executive pay packages are designed to be competitive and drive behaviour in order to achieve long-term strategic goals. When making decisions we are mindful of the wider economic conditions and shareholder feedback.

Chairman:
Luc Vandevelde (Independent non-executive director)

Members:
Samuel Jonah (Independent non-executive director)
Anthony Watson (Independent non-executive director)
Philip Yea (Independent non-executive director)

Key objective:
responsibility to the Board for the assessment and recommendation of policy on 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.

Membership

The members of the Committee are independent non-executive directors. Following the AGM in July, Renee James will join and Anthony Watson will step down from the Committee. 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.

Main activities of the Committee during the year

The Committee met five times 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 74 to 87.

Luc Vandevelde

On behalf of the Remuneration Committee

22 May 2012

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;
- briefing meetings with major institutional shareholders in the UK, the US and in Continental Europe after the half-year results and preliminary announcement;
- regular meetings between institutional investors and analysts, and the Chief Executive and Chief Financial Officer to discuss business performance;
- meetings between major shareholders and the Chairman on an ongoing basis;
- 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 to enquiries from shareholders and analysts through our Investor Relations team; and
- www.vodafone.com/investor which is a section dedicated to shareholders on our website.

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, rests with the Chairman who 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 principal communication with private investors is via the website, annual report and through the AGM, an occasion which is attended by all of our directors and at which all shareholders present are given the opportunity to question the Chairman, the Chairmen of the Committees and the rest of the Board. After the AGM shareholders can meet informally with directors. A summary presentation of results is given at the AGM before the Chairman deals with the formal business of the meeting. The AGM is broadcast live on our website (www.vodafone.com/ agm) and a recording of the webcast can subsequently be viewed on our website. All substantive resolutions at our AGMs are decided on a poll. The poll is conducted by our registrars and scrutinised by Electoral Reform Services. The proxy votes cast in relation to all resolutions, including details of votes withheld, are disclosed to those in attendance at the meeting and the results of the poll are published on our website and announced via the Regulatory News Service. Financial and other information is made available on our website (www.vodafone.com/ investor) which is regularly updated.

A summary of our share and control structures is set out in Shareholder information on pages 150 to 157.

Corporate governance (continued)

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.

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 approval of the 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 89 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:

- a formal annual confirmation provided by the Chief Executive and Chief Financial Officer of each Group company certifying the operation of their control systems and highlighting any weaknesses, the results of which are reviewed by regional management, the Audit and Risk Committee, and the Board;
- ongoing review of the appropriateness of disclosures undertaken by the Group s Disclosure Committee, on behalf of the Chief Executive and the Chief Financial Officer, and an annual report from the Group s Disclosure Committee to the Chief Executive and the Chief Financial Officer regarding the effectiveness of the Group s disclosure controls and procedures; and
- periodic examination of business processes on a risk basis including reports on controls, throughout the Group, undertaken by the Group Internal Audit department which reports directly 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 in evaluating the risks we face in achieving our objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of the risks concerned materialising, in identifying our ability to reduce the incidence and impact on the business of risks that do materialise, and in ensuring that the costs of operating particular controls are proportionate to the benefit.

Risk mitigation

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 51 to 53. The framework for identifying and managing our risks is set out on page 39.

A range of mitigations for risks faced by the Group include:

- 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.

- 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.

- 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 access network equipment is installed on trucks ready to be moved on site if required. Network contingency plans are linked with our overall business continuity and crisis management plans. A crisis management team and escalation processes are in place both nationally and internationally, and crisis simulations are conducted annually.

- We have developed strategies which strengthen our relationships with customers, including the development of our own branded products, offering a broad selection of handsets and devices from a variety of manufacturers and providing our own alternatives to our more traditional services. We have accelerated the introduction of integrated voice, messaging and data tariffs to minimise customers reducing their out-of-bundle usage through substitution.

- We 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 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 who oversee a coordinated global programme to address and reduce public concern. We have close engagement with EU 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.

- 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. Further details are provided on page 53.

- Local executives and regulatory staff manage negotiations with local regulators on renewal of spectrum licences. In the event of a failure to renew, we could migrate traffic onto other frequencies. To date, all licences have been renewed but it is possible that political or competitor influences may create significant complications or uncertainty in some markets.

- We maintain constructive but robust 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.

- Our critical infrastructure has been designed to prevent unauthorised access and reduce the likelihood and impact of a successful attack. Business continuity and disaster recovery plans are in place to cover residual risk that cannot be mitigated. We also manage the risk using our global security operations centre that provides 24/7 monitoring of our network in many countries.

- We review the carrying value of the Group s goodwill 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 quantum 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 91.

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 2011 to 22 May 2012 (the date of approval of our 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.

Disclosure controls and procedures

We maintain 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.

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 document.

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 89.

Risk management

An overview of the Group s framework for identifying and managing risk, both at an operational and strategic level, is set out on page 39.

Annual report

The directors are responsible for preparing the annual report.

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. The corporate governance practices of the Company 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, and has not explicitly taken 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 requirements of the Code and has determined in its judgement that all of the non-executive directors (who make up the majority of the Board) are independent within 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 audit committee required to have a written charter that addresses the committees purpose and responsibilities.
- 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 the Board has determined to be independent, as set out above, and who also meet the requirements of the Exchange Act.

- We have terms of reference for our Nominations and Governance, Audit and Risk and Remuneration Committees, which comply with the requirements of the Code and are available on our website (www. 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 (www.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 to have a minimum quorum of 33.33% of the shareholders of ordinary shares for shareholder meetings in accordance with the NASDAQ rules.

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 meet certain financial thresholds or where transactions have unusual features in accordance with the Listing Rules issued by the FSA in the UK (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 Listing Rules and the NASDAQ rules, when determining whether shareholder approval is required for proposed transactions.

- Under the NASDAQ rules, whether shareholder approval is required for transactions depends on, among other things, the percentage of shares to be issued or sold in connection with a transaction. Under the Listing Rules, shareholder approval is required, among other things, when 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

The subject of executive reward has been, and continues to be, an issue of concern both to shareholders and the wider public. In September the department of Business Skills and Innovation (BIS) issued two consultative papers on the subject and although Vodafone shareholders seem satisfied with the present remuneration report, we have incorporated a number of amendments to it to respond to some legitimate concerns. Specifically we have divided the report into the following discrete sections to make it clearer and easier to understand:

- Page 75. The composition and activities of the Remuneration Committee.
- Pages 76 to 77. A summary of remuneration for the 2012 financial year including a table that shows a single figure for total remuneration paid during the year along with a detailed justification of any incentive payments.
- Pages 77 to 81. A forward-looking statement setting out our reward philosophy, details of our current reward packages and a table that sets out the value of these packages under different performance scenarios.
- Pages 82 to 87. All other disclosures currently required by statute or best practice guidelines.

Summary of key decisions on remuneration

Our remuneration policies and executive pay packages are designed to be competitive and drive behaviour in order to achieve long-term strategic goals such as the £20.9 billion in adjusted free cash flow produced over the last three year period and rewarded under our long-term plan. When making decisions we are mindful of the wider economic conditions and shareholder feedback as well as the need to adapt to our market and competitive environment. The Remuneration Committee receives regular updates on corporate governance as well as pay increase budgets and incentive plan payouts in our local markets.

We also consider the total amount spent on executive pay (as detailed on page 76) in relation to the dividends and profit for the financial year. As can be seen from the enclosed chart for 2012, in both cases executive pay at Vodafone was very small in comparison.

The key decisions and rationale made during the year are described in more detail on the following pages but in summary were:

- Awarding no pay increases for the executive directors in the coming year;
- Continuing our practice of setting stretching performance targets thus ensuring pay is firmly linked to performance;
- Approving an annual bonus payment for the year of 93.4%of target;
- Approving the vesting of the 2008 share award (that vested in July 2011) at 30.6% of maximum;
- Reducing the value of the maximum possible payments on future long-term incentive awards from four times the target value to three times the target value; and
- Further strengthening the share ownership culture. As at 31 March the Executive Committee collectively owned shares with a value of £22 million. Vittorio Colao personally held shares with a value of just under six times his salary and, by committing to hold the shares that vest in July 2012, this will be further increased to over ten times.

Consultation with shareholders

As in previous years the Remuneration Committee has had dialogue with its shareholders the largest shareholders are invited to meet with me in person or by video conference and all letters or emails from other shareholders are always replied to. The Remuneration Committee continues to take an active interest in investors views and were delighted that last year the remuneration report received a 96.12% vote in favour. We sincerely hope to receive your continued support at the AGM on 24 July 2012.

Luc Vandevelde

Chairman of the Remuneration Committee

22 May 2012

Remuneration Committee

In this section we give details of the composition and activities of the Remuneration Committee.

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. The Deputy Group Company Secretary advises the Committee on corporate governance guidelines and acts as secretary to the Committee.

External advisors

PricewaterhouseCoopers LLP (pwc)

pwc were appointed by the Remuneration Committee in 2007. During the year they provided advice on market practice, governance, performance analysis and plan design. pwc also provide a range of services to Vodafone globally including international mobility, tax, technology, finance, operations and compliance.

As noted in his biographical details on page 62 of this annual report, Philip Yea sits on an advisory board for pwc. In light of their role as advisor to the Remuneration Committee on remuneration matters, the Committee continue to consider this position and have determined that there is no conflict or potential conflict arising.

Towers Watson

Towers Watson were appointed by the Remuneration Committee in 2007. During the year they provided the Committee with market data on executive rewards. They also provide pensions and benefit administration, and reward consultancy services to the company.

Meetings

The Remuneration Committee had five meetings during the year. The principal agenda items were as follows:

- a review of the total compensation packages of the executive directors and the most senior management of the company;

- approval of the 2012 Global Short-Term Incentive bonus (GSTIP) framework and targets;
- approval of the GSTIP payout for the 2011 performance period;
- a review of the design of the Global Long-Term Incentive plan (GLTI) as well as setting the framework and target levels for the 2012 grant;
- approval of the July 2008 GLTI vesting levels;
- approval of the granting of share awards to other levels of management;
- a review of the directors remuneration report;
- a review of the share ownership targets within the company;

- a review of the UK corporate governance environment, the implications for Vodafone and our response to Government consultations on executive remuneration;
- a risk assessment of the design of incentive plans; and
- a review of the Chairman s fees.

On an annual basis, the Committee s effectiveness is reviewed as part of the evaluation of the Board.

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Directors remuneration (continued)

Summary of remuneration for the 2012 financial year

In this section we summarise the pay packages awarded to our executive directors for performance in the 2012 financial year versus 2011. Specifically we have provided a table that shows all remuneration that was received by the individual during the year. In response to the debate on simplifying remuneration disclosure we have included a single total remuneration value for the year. Although there are some technical difficulties in arriving at a single value, particularly concerning the timing and valuation of awards which may not be aligned with the financial year end, we have attempted to provide the data in a logical format along with accompanying explanatory notes. Specifically we have included the value of the short-term incentive (GSTIP) that was earned during the year but paid out in the following year and the value of long-term incentive (GLTI) that vested and paid out during the year. For completeness the GLTI that vests in the following year has also been included in a separate table below although in the case of the award vesting in June 2012, the value can only be estimated at this stage.

Total remuneration for the 2012 financial year

	00000000000	00000000000	00000000000	00000000000	00000000000	00000000000	00000000000	00000000000
		Vittorio Colao		Andy Halford		Michel Combes		Stephen Pusey
	2012	2011	2012	2011	2012	2011	2012	2011
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Salary/fees	1,099	1,043	700	694	785	763	569	538
GSTIP	1,037	1,323	654	869	728	745	537	683
GLTI vesting during the year[1]	3,745	590	2,289	451	1,776		758	186
Cash in lieu of GLTI dividends[2]	545	92	333	70	326		110	29
Cash in lieu of pension	330	313	210	208	236	229	171	161
Benefits /other[3]	24	55	30	27	25	22	21	31
Total	**6,780**	**3,416**	**4,216**	**2,319**	**3,876**	**1,759**	**2,166**	**1,628**

Notes:

1 The value shown in the 2012 column is for the award which vested on 29 July 2011 and is valued using the closing share price on that day of 171.7 pence; the value shown in the 2011 column is for the award which vested on 24 July 2010 using the closing share price on the first trading day after the award vested (26 July 2010) of 151.5 pence. Michel Combes award did not vest until 12 February 2012 and is valued using the closing share price on that day of 174.5 pence.

2 Under the GLTI rules, participants receive a cash award equivalent to any dividends that would have been paid on the matching shares during the performance period.

3 Includes amounts in respect of cost of living allowance, private healthcare and car allowance.

GLTI awards with a performance period ending on the 31 March of the year under review but that do not vest until the following financial year[1]:

	00000000000	00000000000	00000000000	00000000000	00000000000	00000000000	00000000000	00000000000
		Vittorio Colao		Andy Halford		Michel Combes		Stephen Pusey
	2012	2011	2012	2011	2012	2011	2012	2011
GLTI base shares	4,564,995	1,262,735	2,524,934	698,428	2,771,771	792,473	1,872,818	288,292
GLTI matching shares	1,817,866	918,353	1,676,756	634,935	533,854	225,497	510,879	153,258
Total value of GLTI awards £ 000	10,991	3,745	7,235	2,289	5,692	1,776	4,105	758

Note:

1 The awards summarised in this table represent those that vested after the close of the financial year, but are based on the three-year performance period ended at 31 March 2012 for the awards shown in the 2012 column, and 31 March 2011 for the awards shown in the 2011 column. The awards listed under 2012 will not vest until 30 June 2012. We valued the award using a closing share price on 31 March 2012 of 172.2 pence, however, the final award value will not be certain until the award vests.

In light of the high value of the award that will vest in June, Vittorio Colao has committed to hold 100% of the shares that vest (net of those sold to cover tax) for an additional two years. Similarly the other executive directors have all agreed to hold 50% (net of those sold to cover tax) for the same period.

Below we summarise our performance over the financial year, and three-year performance period ended 31 March 2012, which resulted in the remuneration disclosed in the above tables.

Details of the GSTIP payout

In the table below we describe our achievement against each of the performance measures in our annual bonus plan (GSTIP) and the resulting total incentive payout level for the year ended 31 March 2012 of 93.4%. Vittorio Colao, Andy Halford and Stephen Pusey were measured purely on Group performance whilst Michel Combes was measured on a combination of Group and Europe region performance. The corresponding total incentive payout for Michel Combes was 92.1%. Details of how this works can be found on page 79.

Performance measure	Payout at target performance 100%	Payout at maximum performance 200%	Actual payout	Commentary
Service revenue	25%	50%	25.8%	Organic service revenue up 1.5% in the year.
Adjusted EBITDA	25%	50%	24.8%	In-line with market guidance for the year.
Adjusted free cash flow	20%	40%	8.5%	Within the range of market guidance.
Competitive performance assessment	30%	60%	34.3%	Outperformance of key competitors in most markets. Ranked first or second for net promoter score in over 70% of our markets.
Total incentive payout level	**100%**	**200%**	**93.4%**	

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Details of the GLTI vesting in July 2011

Adjusted free cash flow for the three-year period ended on 31 March 2011 was £16.9 billion which compares with a target of £17.5 billion and a maximum of £19.5 billion. The graph below shows that our TSR performance against our peer group for the same period resulted in an outperformance of the median by 3.9% a year. Using our combined payout matrix, this performance resulted in a payout of 30.6% of the maximum. These shares vested on 29 July 2011.

Details of the GLTI vesting in June 2012

Adjusted free cash flow for the three-year period ended on 31 March 2012 was £20.9 billion which compares with a target of £18.0 billion and a maximum of £20.5 billion The graph below shows that our TSR performance against our peer group for the same period resulted in an outperformance of the median by 18.5% a year. Using our combined payout matrix, this performance will result in a payout of 100% of the maximum. These shares will vest on 30 June 2012.

In both cases 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 79.

Summary of remuneration and performance for the 2013 financial year

In this forward-looking section we describe our reward principles 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.

Principles of reward

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

Competitive reward assessed on a total compensation basis

Vodafone wishes to provide a level of remuneration which attracts, retains and motivates executive directors of the highest calibre. Within the package there needs to be the opportunity for executive directors to achieve significant upside for truly exceptional performance. The package provided to the executive directors is reviewed annually on a total compensation basis i.e. single elements of the package are not reviewed in isolation. When the package is reviewed it is done so in the context of individual and Company performance, internal relativities, criticality of the individual to the business, experience, and the scarcity or otherwise of talent with the relevant skill set.

The principal external comparator group (which is used for reference purposes only) is 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. When undertaking the benchmarking process the Remuneration Committee makes assumptions that individuals will invest their own money into the long-term incentive plan. This means that individuals will need to make a significant investment in order to achieve the maximum payout.

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 over 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 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.

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Directors remuneration (continued)

Equally important as the package design is the setting of the performance targets. The Remuneration Committee consistently set stretching targets which can be seen from the following table of historic payments under both the short- and long-term plans, and ensures that maximum or near maximum payouts are only delivered for exceptional performance.

Year	GSTIP % of max	GLTI % of max
2009	49%	0%
2010	64%	25%
2011	62%	31%
2012	47%	100%

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 two times base salary; and
- senior leadership team members (227 members) one times base salary.

In all cases executives have been given five years to achieve these goals.

Current levels of ownership, and the date by which the goal should be achieved, are as shown below. These values do not include the value of the shares that will vest in June but which the directors have committed to hold for the next two years.

	Goal as a % of salary	Current % of salary held1	% of goal achieved	Value of shareholding (£m)1	Date for goal to be achieved
Vittorio Colao	400%	581%	145%	6.5	July 2012
Andy Halford	300%	653%	218%	4.6	July 2010
Michel Combes	300%	301%	100%	2.4	June 2014
Stephen Pusey	300%	263%	88%	1.5	June 2014

Note:

1 Based on a share price at 31 March 2012 of 172.2 pence and includes the post tax value of any unexercised options.

Collectively the Executive Committee including the executive directors own 13 million Vodafone shares, with a value of £22 million at 31 March 2012.

Incentive targets linked to business strategy

When designing our incentives, performance measures are chosen that support our strategic objectives as shown below:

Strategic objectives	Supported by
Aiming to deliver organic service revenue growth of 1 4% a year until the year ended 31 March 2014, focusing on key areas of growth potential: mobile data, emerging markets, enterprise, total communications and new services.	Revenue and relative performance targets in the GSTIP.
Delivering value and efficiency from scale continuing to drive benefit from the Group s scale advantage and maintain our focus on cost.	Adjusted EBITDA, adjusted free cash flow and relative performance targets in the GSTIP.
Generate liquidity or free cash flow from non-controlled interests aim to seek to maximise the value of non-controlled interests through generating liquidity or increasing free cash flow in order to fund profitable investments and enhance shareholders returns.	The use of TSR as a performance measure in GLTI as well as the value of the underlying shares.
Apply rigorous capital discipline to investment decisions continuing to apply capital discipline to our investment decisions through rigorous commercial analysis and demanding investment criteria to ensure any investment in existing businesses or acquisitions will enhance value for shareholders.	Adjusted free cash flow targets in both the GSTIP and GLTI as well as the TSR target in the GLTI.

Assessment of 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 in company shares in order to fully participate in the long-term arrangements;
- the considerable weighting on 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 in determining the outcome of awards paid out or vesting.

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

The remuneration package

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

	Objective and practice	Performance period	Award size and performance conditions
Base salary	g To attract and retain the best talent.	n/a	g Salaries are reviewed against:
	g Base salaries are reviewed annually and set on 1 July.		g level of skill, experience and scope of responsibilities of individual and business performance, economic climate and market conditions; and
			g European peer group of comparably sized companies and other telecom businesses.
Benefits	g To aid retention and remain competitive within the market place.	n/a	g Executive directors may choose to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of pension. 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.
			g Company car or cash allowance worth £19,200 per annum.
			g Private medical insurance.
			g Chauffeur services, where appropriate, to assist with their role.
Global Short-Term Incentive Plan (GSTIP)	g To motivate employees and incentivise delivery of performance over the one-year operating cycle.	1 year	g Performance over the financial year is measured against stretching financial and non-financial performance targets set at the start of the financial year.
	g Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure they continue to support our strategy.		g Summary of the plan:

	g The annual bonus is paid in cash in June each year for performance over the previous financial year.		g service revenue (25%); g adjusted EBITDA (25%); g adjusted free cash flow (20%); and g competitive performance assessment (30%). 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.
Global Long-Term Incentive Plan (GLTI) base awards	g To motivate and incentivise delivery of sustained performance over the long-term. 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 and vest three years later based on Group operational and external performance.	3 years	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: g adjusted free cash flow as our operational performance measure; and g relative TSR as our external performance measure. g Awards vest to the extent performance conditions are satisfied, three years from grant. An additional cash payment in lieu of dividends is also paid at vesting. g The Chief Executive s base award will have a target face value of 137.5% of base salary. The base award for the other executive directors will have a target face value of 110% of base salary. g Minimum vesting is zero times and maximum vesting is three times the base award level.
Global Long-Term	g To support and encourage greater shareholder alignment through a high level of personal financial commitment.	3 years	g GLTI matching awards are subject to the same performance conditions as the main GLTI award and

Incentive Plan (GLTI) co-investment matching awards	g Individuals may purchase Vodafone shares and hold them in trust for three years in order to receive additional performance shares in the form of a GLTI matching award. g GLTI matching awards are granted each year in June/July in line with the investment made and vest three years later based on Group operational and external performance.	also receive an additional cash payment in lieu of dividends. g Executive directors can co-invest up to their annual gross salary. g Matching awards will be granted on a one-for-one basis at target performance. g Minimum vesting is zero times and maximum vesting is three times the target award level

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Directors remuneration (continued)

Base pay

The Remuneration Committee considers the remuneration increases for the different groups of employees across all of our local markets and other relevant factors when assessing the pay of the executive directors. During its regular review of total compensation in March 2012, the Remuneration Committee decided not to award salary increases to the executive directors. Base salary levels will therefore remain unchanged from 1 July 2011.

	Base pay £ 000
Vittorio Colao	1,110
Andy Halford	700
Michel Combes	790
Stephen Pusey	575

It should be noted that the average increase for Group employees based in the UK was 2.5% to 3.0%.

GSTIP

The Remuneration Committee has reviewed the GSTIP and decided that no design changes were necessary for the coming year.

GLTI

As mentioned earlier, given concerns about the public acceptability of highly leveraged pay packages and their influence on risk taking behaviour, the Committee reduced the maximum leverage on the share awards to Executive Committee members from four times target to a maximum of three times target. Otherwise, the structure of both the base award and matching award, which will be granted in the 2013 financial year, will remain broadly unchanged from the awards granted in the 2012 financial year. 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:

- Verizon Wireless 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 2013, 2012, 2011 and 2010 financial years are shown in the table below:

Performance	Vesting percentage 2013	2013 £bn	Vesting percentage 2010-2012	2012 £bn	2011 £bn	2010 £bn
Threshold	50%	15.4	50%	16.70	18.00	15.50
Target	100%	17.9	100%	19.20	20.50	18.00
Maximum	150%	20.4	200%	21.70	23.00	20.50

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. It is worth noting that the targets for the award granted in the 2013 year are lower than those set for the 2012 financial year to reflect differing exchange rates, and the loss of dividend streams from the sale of SFR and China Mobile Limited.

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 2013, 2012, 2011 and 2010 financial years is:

- BT Group;
- Deutsche Telekom;
- France Telecom;
- Telecom Italia;
- Telefonica; and
- Emerging market composite (consists of the average TSR performance of Bharti, MTN and Turkcell).

For awards made in the 2013, 2012, 2011 and 2010 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 2013 financial year gives a combined vesting matrix as follows:

	TSR performance		
Adjusted free cash flow measure	Up to median	65th	80th
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 2013 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 2013 financial year. Potential outcomes based on different performance scenarios are provided for each executive director.

The assumptions underlying each scenario are described below.

All scenarios

- Other benefits reflect those which were paid in the year to 31 March 2012, plus pension.
- Each executive is assumed to co-invest the maximum allowed under the GLTI, 100% of salary, and the GLTI matching award reflects this.
- The amounts shown for the GSTIP and GLTI are based on the salary disclosed on page 80. The actual amounts for the GLTI will be based on the share price on the date the award vests in 2015. They do not include an estimate of dividend equivalents which accumulate on the vested shares and are paid in cash to the executive after the award vests.

Below threshold

- No pay for performance is payable.

Target

- 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 80. 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 80. We assumed that TSR performance was at or above the 80th percentile.

Directors remuneration (continued)

Other considerations

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

Cascade to senior management

The principles of the reward policy for executive directors are cascaded, where appropriate, to the other members of the Executive Committee as set out below.

Cascade of policy to Executive Committee 2012 financial year

Total remuneration and base salary

Methodology consistent with the executive directors.

Annual bonus

The annual bonus is based on the same measures. For some individuals these are measured within a region rather than across the whole Group.

Long-term incentive

The long-term incentive is consistent with the executive directors including the opportunity to invest in the GLTI to receive matching awards. In addition, Executive Committee members have a share ownership requirement of two times base salary.

Service contracts of executive directors

The Remuneration Committee has determined that after an initial term of up to two years duration 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:

Detailed items

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

	Date of service agreement
Vittorio Colao	27 May 2008
Andy Halford	20 May 2005
Michel Combes	1 June 2009
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. Michel Combes was the only executive director with such positions held at Assystem SA and ISS Group, and in accordance with Group policy he retained fees for the year of 24,545 from Assystem SA and DKK 407,292 from ISS Group (£66,112 in total).

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 85.

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 3.1% of the Company s share capital at 31 March 2012 (3.1% at

31 March 2011), whilst from all employee share awards it is approximately 0.3% (0.3% at 31 March 2011). This gives a total dilution of 3.4% (3.4% at 31 March 2011).

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.

TSR performance

The following chart is included in order to be compliant with the requirements of the large and medium sized companies and Groups (Accounts and Reports) Regulations 2008. Data was provided by FTSE and DataStream and shows performance of the Company relative to the FTSE 100 index over a five year period, of which we were a constituent throughout the year. 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 77 and not on the graph below.

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Information for executive directors

Remuneration for the year ended 31 March 2012

This table[1] shows the remuneration of the executive directors during the year in the currently prescribed format. The table on page 76 includes a value for GLTI payments. All other numbers are identical.

	Vittorio Colao		Andy Halford		Michel Combes		Stephen Pusey	
	2012 £ 000	2011 £ 000	2012 £ 000	2011 £ 000	2012 £ 000	2011 £ 000	2012 £ 000	2011 £ 000
Salary/fees	1,099	1,043	700	694	785	763	569	538
GSTIP[2]	1,037	1,323	654	869	728	745	537	683
Cash in lieu of GLTI dividends	545	92	333	70	326		110	29
Cash in lieu of pension	330	313	210	208	236	229	171	161
Benefits /other[3]	24	55	30	27	25	22	21	31
Total	**3,035**	**2,826**	**1,927**	**1,868**	**2,100**	**1,759**	**1,408**	**1,442**

Notes:

1 The information in this table is audited.
2 Payments are made in June following the end of the financial year.
3 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 2012 is set out below.

	2012 £ 000	2011 £ 000
Salaries/fees	2,822	3,151
GSTIP[1]	2,758	4,081
Cash in lieu of GLTI dividends	490	89
Cash in lieu of pension	747	456
Benefits/other	169	799
Total	**6,986**	**8,576**

Note:

1 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 84.

Pensions

Vittorio Colao, Andy Halford, Michel Combes 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 2012 were:

	Total accrued benefit at 31 March 2012[1]	Change in accrued benefit over the year[1]	Transfer value at 31 March 2011[2]	Transfer value at 31 March 2012[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	18.7	0.9	701.2	846.9	145.7	(0.1)	(4.8)	

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, and this increased on 1 April 2011 by 5%, in line with the scheme rules, to £18,700 per year and remained so at 31 March 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 2012 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 2011.

In respect of the Executive Committee, the Group has made aggregate contributions of £100,000 (2011: £508,600) into defined contribution pension schemes.

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Directors remuneration (continued)

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: £3,342,473 (Vittorio Colao); £2,035,516 (Andy Halford); £1,118,582 (Michel Combes); and £762,856 (Stephen Pusey). The total value is calculated using the closing mid-market share price on 31 March 2012 of 172.2 pence.

		Total interest in performance shares at 1 April 2011 or date of appointment	Shares conditionally awarded during the 2012 financial year1	Shares forfeited during the 2012 financial year2	Shares vested during the 2012 financial year2	Total interest in performance shares at 31 March 2012	Total value	Market price at date awards granted	Vesting date
		Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	£ 000	Pence	
Vittorio Colao									
2008	Base award	4,126,587		(2,863,852)	(1,262,735)			129.95	Jul 2011
2008	Match award	3,001,154		(2,082,801)	(918,353)			129.95	Jul 2011
2009	Base award	4,564,995				4,564,995	7,861	117.47	Jun 2012
2009	Match award	1,817,866				1,817,866	3,130	117.47	Jun 2012
2010	Base award	4,097,873				4,097,873	7,057	142.94	Jun 2013
2010	Match award	2,980,271				2,980,271	5,132	142.94	Jun 2013
2011	Base award		3,740,808			3,740,808	6,442	163.20	Jun 2014
2011	Match award		2,720,588			2,720,588	4,685	163.20	Jun 2014
Total		**20,588,746**	**6,461,396**	**(4,946,653)**	**(2,181,088)**	**19,922,401**	**34,307**		
Andy Halford									
2008	Base award	2,282,447		(1,584,019)	(698,428)			129.95	Jul 2011
2008	Match award	2,074,952		(1,440,017)	(634,935)			129.95	Jul 2011
2009	Base award	2,524,934				2,524,934	4,348	117.47	Jun 2012
2009	Match award	1,676,756				1,676,756	2,887	117.47	Jun 2012
2010	Base award	2,154,750				2,154,750	3,710	142.94	Jun 2013
2010	Match award	1,958,863				1,958,863	3,373	142.94	Jun 2013
2011	Base award		1,887,254			1,887,254	3,250	163.20	Jun 2014
2011	Match award		756,036			756,036	1,302	163.20	Jun 2014
Total		**12,672,702**	**2,643,290**	**(3,024,036)**	**(1,333,363)**	**10,958,593**	**18,870**		
Michel Combes									
2008	Base award	2,589,782		(1,797,309)	(792,473)			129.95	Feb 2012
2008	Match award	736,919		(511,422)	(225,497)			129.95	Feb 2012
2009	Base award	2,771,771				2,771,771	4,773	117.47	Jun 2012
2009	Match award	533,854				533,854	919	117.47	Jun 2012
2010	Base award	2,370,225				2,370,225	4,082	142.94	Jun 2013
2010	Match award	1,144,116				1,144,116	1,970	142.94	Jun 2013
2011	Base award		2,129,901			2,129,901	3,668	163.20	Jun 2014
2011	Match award		876,531			876,531	1,509	163.20	Jun 2014
Total		**10,146,667**	**3,006,432**	**(2,308,731)**	**(1,017,970)**	**9,826,398**	**16,921**		

Stephen Pusey

2008	Base award	942,132		(653,840)	(288,292)			129.95	Jul 2011
2008	Match award	500,844		(347,586)	(153,258)			129.95	Jul 2011
2009	Base award	1,872,818				1,872,818	3,225	117.47	Jun 2012
2009	Match award	510,879				510,879	880	117.47	Jun 2012
2010	Base award	1,693,018				1,693,018	2,915	142.94	Jun 2013
2010	Match award	571,097				571,097	983	142.94	Jun 2013
2011	Base award		1,550,245			1,550,245	2,670	163.20	Jun 2014
2011	Match award		612,745						