

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

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Going concern

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

We confirm that:

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

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

Our assessment of risks of material misstatement

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

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

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

	<p>→ comparing growth rates against those achieved historically and external market data where available.</p>
	<p>We have also evaluated the sensitivity analysis performed by management and the disclosures relating to the impairment review.</p>
<p>The key judgements in respect of the transaction to dispose of the Group's investment in Verizon Wireless relate to the valuation of the consideration and calculation of the related gain on disposal.</p>	<p>We have involved our valuation, financial instruments and tax specialists in responding to this risk and focused our work on:</p>
<p>There are a number of additional accounting complexities including assessment of embedded derivatives, the tax effect of the disposal, and the related acquisition of a controlling interest in Vodafone Italy.</p>	<p>→ assessing the appropriateness of the fair values assigned to each element of the consideration received by reference to third party data as applicable;</p>
	<p>→ evaluating management's assessment of embedded derivatives within the sale and purchase agreement;</p>
	<p>→ challenging the fair value of Vodafone Italy and the related allocation of the purchase price to the assets and liabilities acquired by reference to the key assumptions used; and</p>
	<p>→ testing of controls around the transaction process.</p>
	<p>We also evaluated the presentation and disclosure of the transactions within the Group financial statements.</p>
<p>The tax affairs of the Group are complex, particularly as they relate to the legal claim in respect of withholding tax on the acquisition of Hutchison Essar Limited and the recognition and measurement of deferred tax assets in Germany and Luxembourg.</p>	<p>Our approach was to use our tax specialists to evaluate tax provisions and potential exposures for the year ended 31 March 2014, challenging the Group's assumptions and judgements through our knowledge of the tax circumstances and a review of relevant correspondence.</p>
<p>Evaluation of the legal claim in respect of the withholding tax on the acquisition of Hutchinson Essar Limited is subject to significant uncertainty.</p>	<p>In particular, we have assessed legal advice obtained by management to support the judgement taken in relation to the withholding tax case in India, which included discussion with external counsel. We also considered the adequacy of disclosure in this respect.</p>
<p>The recognition of deferred tax assets in Germany and Luxembourg requires assessment of both the availability of losses and future profitability.</p>	<p>In respect of deferred tax assets, we have considered the appropriateness of management's assumptions and estimates. We have assessed management's view of the likelihood of generating suitable future taxable profits to support the recognition of deferred tax assets, including a consideration of whether the changing circumstances of the Group affect the conclusion, in particular with regard to recent acquisitions, disposals and impairment charges.</p>
<p>The accounting for the acquisition of Kabel Deutschland Holding AG required a significant amount of management estimation.</p>	<p>We have made use of our valuations specialists to support a review of the acquisition accounting and in particular the purchase price allocation. This involved challenging both the identification and valuation of tangible and intangible assets.</p>
<p>Key judgements relate to the allocation of the purchase price to the assets and liabilities acquired and adjustments made to align accounting policies.</p>	<p>We also reviewed the work of the local auditors and conducted additional audit procedures to assess other aspects of the accounting including the adjustments made to align accounting policies with those of the Group.</p>
<p>We identified deficiencies in certain privileged user access controls at the IT infrastructure level that could have a negative impact on the Group's controls and financial reporting systems. A number of the Group's significant IT applications depend upon the infrastructure affected.</p>	<p>Where these deficiencies affected specific applications within our audit scope, we extended our controls testing to provide assurance over both compensating controls and the completeness and accuracy of management information used in other key controls. In addition, and where appropriate, we extended the scope of our substantive procedures.</p>

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

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

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

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

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

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

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

Our application of materiality

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

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

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

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

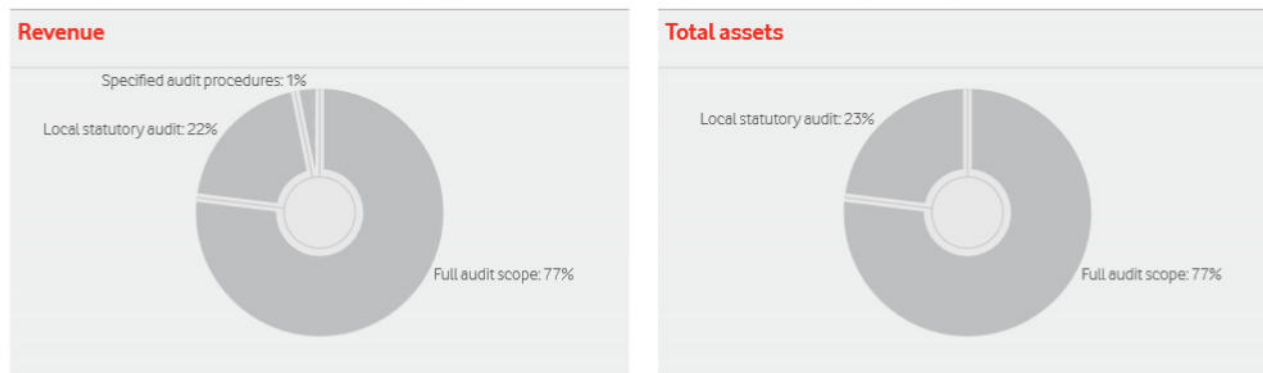


at a component materiality level of £100 million which is 40% of the Group audit materiality, or the local statutory materiality if lower.

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

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

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



Impact of changes to materiality on audit scope

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

audit; or

→ otherwise misleading.

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

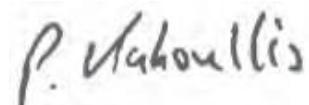
Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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

Scope of the audit of the financial statements

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



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

Chartered Accountants and Statutory Auditor
London, United Kingdom

20 May 2014