Contents

Directors' statement of responsibility

Financial statements and accounting records

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the EU;
- state for the Company financial statements whether applicable UK accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

Directors' responsibility statement

The Board confirms to the best of its knowledge:

- the consolidated financial statements, prepared in accordance with IFRS as issued by the International Accounting Standards Board ('IASB') and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

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

Disclosure of information to auditors

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

Going concern

After reviewing the Group's and Company's budget for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. Further detail is included within liquidity and capital resources on pages 41 to 44 and notes 21 and 22 to the consolidated financial statements which include disclosure in relation to the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Management's report on internal control over financial reporting

As required by Section 404 of the Sarbanes-Oxley Act management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS, as adopted by the EU and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorisation of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management has assessed the effectiveness of the internal control over financial reporting at 31 March 2010 based on the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO'). Based on management's assessment management has concluded that the internal control over financial reporting was effective at 31 March 2010.

The assessment excluded the internal controls over financial reporting relating to Vodacom because it became a subsidiary during the year as described in note 26 to the consolidated financial statements. Vodacom's controls will be included in the Group's assessment at 31 March 2011.

Key sub-totals that result from the consolidation of Vodacom, whose internal controls have not been assessed, are set out below:

	£m
Total assets	8,996
Net assets	5,717
Revenue	4,450
Profit for the financial year	122

Management is not required to evaluate the internal controls of entities accounted for under the equity method. Accordingly, the internal controls of these entities, which contributed a net profit of £4,742 million (2009: £4,091 million) to the profit for the financial year, have not been assessed, except relating to controls over the recording of amounts relating to the investments that are recorded in the Group's consolidated financial statements.

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

The Company's internal control over financial reporting at 31 March 2010 has been audited by Deloitte LLP, an independent registered public accounting firm who also audit the Group's consolidated financial statements. Their audit report on internal controls over financial reporting is on page 70.

By Order of the Board

Rosemary Martin
Secretary
18 May 2010

Audit report on internal controls

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

We have audited the internal control over financial reporting of Vodafone Group Plc and subsidiaries and applicable joint ventures (the 'Group') as of 31 March 2010 based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in management's report on internal control over financial reporting, management excluded from its assessment the internal control over financial reporting at Vodacom Group Limited ('Vodacom'), which became a subsidiary during the year and whose financial statements constitute 6.3% and 5.7% of net and total assets, respectively, 10.0% of revenue, and 1.4% of profit for the financial year of the consolidated financial statements amounts as of and for the year ended 31 March 2010. Accordingly, our audit did not include the internal control over financial reporting at Vodacom. Management is not required to evaluate the internal controls of entities accounted for under the equity method. Accordingly, the internal controls of these entities, which contributed a net profit of £4,742 million (2009: £4,091 million) to the profit for the financial year, have not been assessed, except relating to the Group's controls over the recording and related disclosures of amounts relating to the investments that are recorded in the consolidated financial statements.

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

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

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

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

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of 31 March 2010, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Group as of and for the year ended 31 March 2010, prepared in conformity with International Financial Reporting Standards ('IFRS'), as adopted by the European Union and IFRS as issued by the International Accounting Standards Board. Our report dated 18 May 2010 expressed an unqualified opinion on those financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
18 May 2010

Critical accounting estimates

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

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

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each below.

The discussion below should also be read in conjunction with the Group's disclosure of significant IFRS accounting policies which is provided in note 2 to the consolidated financial statements, "Significant accounting policies".

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

Impairment reviews

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

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

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

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

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

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

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

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

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

The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in note 10 to the consolidated financial statements.

Revenue recognition and presentation

Arrangements with multiple deliverables

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

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

Presentation: gross versus net

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

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

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

Taxation

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

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

Significant items on which the Group has exercised accounting judgement include a provision in respect of an enquiry from UK HMRC with regard to the CFC tax legislation (see note 29 to the consolidated financial statements), litigation with the Indian tax authorities in relation to the acquisition of Vodafone Essar (see note 29 to the consolidated financial statements) and recognition of a deferred tax asset in respect of the losses arising following the agreement of German tax loss claims (see note 6 of the consolidated financial statements). The amounts recognised in the consolidated financial statements in respect of each matter are derived from the Group's best estimation and judgement as described above. However the inherent uncertainty regarding the outcome of these items means eventual resolution could differ from the accounting estimates and therefore impact the Group's results and cash flows.

Critical accounting estimates continued

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted.Where the temporary differences related to losses, the availability of the losses to offset against forecast taxable profits is also considered.

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

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

Business combinations

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

Goodwill

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

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

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

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

Finite lived intangible assets

Other intangible assets include the Group's aggregate amounts spent on the acquisition of 2G and 3G licences, computer software, customer bases, brands and development costs. These assets arise from both separate purchases and from acquisition as part of business combinations.

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

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

At 31 March 2010 intangible assets, excluding goodwill, amounted to £22,420 million (2009: £20,980 million) and represented 14.3% (2009: 13.7%) of the Group's total assets.

Estimation of useful life

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

Licences and spectrum fees

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

Customer bases

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

Capitalised software

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

Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the asset base of the Group being 12.9% (2009: 12.6%) of the Group's total assets. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance.

Estimation of useful life

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

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

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

Provisions and contingent liabilities

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 29 to the consolidated financial statements). Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Audit report on the consolidated financial statements

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

We have audited the consolidated financial statements of Vodafone Group Plc for the year ended 31 March 2010 which comprise the consolidated income statement, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditors

As explained more fully in the directors' statement of responsibilities, 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 the consolidated 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 (APB's) Ethical Standards for Auditors.

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 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.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the listing rules we are required to review:
- the directors' statement contained within the directors' report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Vodafone Group Plc for the year ended 31 March 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Panos Kakoullis (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London
United Kingdom
18 May 2010

Consolidated income statement

for the years ended 31 March

	Note	2010 £m	2009 £m	2008 £m
Revenue	3	**44,472**	**41,017**	**35,478**
Cost of sales		(29,439)	(25,842)	(21,890)
Gross profit		**15,033**	**15,175**	**13,588**
Selling and distribution expenses		(2,981)	(2,738)	(2,511)
Administrative expenses		(5,328)	(4,771)	(3,878)
Share of result in associates	14	4,742	4,091	2,876
Impairment losses, net	10	(2,100)	(5,900)	–
Other income and expense		114	–	(28)
Operating profit	4	**9,480**	**5,857**	**10,047**
Non-operating income and expense		(10)	(44)	254
Investment income	5	716	795	714
Financing costs	5	(1,512)	(2,419)	(2,014)
Profit before taxation		**8,674**	**4,189**	**9,001**
Income tax expense	6	(56)	(1,109)	(2,245)
Profit for the financial year		**8,618**	**3,080**	**6,756**
Attributable to:				
– Equity shareholders		8,645	3,078	6,660
– Non-controlling interests		(27)	2	96
		8,618	**3,080**	**6,756**
Basic earnings per share	8	**16.44p**	**5.84p**	**12.56p**
Diluted earnings per share	8	**16.36p**	**5.81p**	**12.50p**

Consolidated statement of comprehensive income

for the years ended 31 March

	2010 £m	2009 £m	2008 £m
Gains/(losses) on revaluation of available-for-sale investments, net of tax	206	(2,383)	1,949
Foreign exchange translation differences, net of tax	(1,021)	12,375	5,537
Net actuarial losses on defined benefit pension schemes, net of tax	(104)	(163)	(37)
Revaluation gain	860	68	–
Foreign exchange gains transferred to the income statement	(84)	(3)	(7)
Fair value losses/(gains) transferred to the income statement	3	–	(570)
Other, net of tax	67	(40)	37
Other comprehensive (loss)/income	**(73)**	**9,854**	**6,909**
Profit for the financial year	8,618	3,080	6,756
Total comprehensive income for the year	**8,545**	**12,934**	**13,665**
Attributable to:			
– Equity shareholders	8,312	13,037	13,912
– Non-controlling interests	233	(103)	(247)
	8,545	**12,934**	**13,665**

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

Consolidated statement of financial position

at 31 March

	Note	2010 £m	2009 £m
Non-current assets			
Goodwill	9	51,838	53,958
Other intangible assets	9	22,420	20,980
Property, plant and equipment	11	20,642	19,250
Investments in associates	14	36,377	34,715
Other investments	15	7,591	7,060
Deferred tax assets	6	1,033	630
Post employment benefits	23	34	8
Trade and other receivables	17	2,831	3,069
		142,766	**139,670**
Current assets			
Inventory	16	433	412
Taxation recoverable		191	77
Trade and other receivables	17	8,784	7,662
Other investments	15	388	–
Cash and cash equivalents	18	4,423	4,878
		14,219	**13,029**
Total assets		**156,985**	**152,699**
Equity			
Called up share capital	19	4,153	4,153
Additional paid-in capital		153,509	153,348
Treasury shares		(7,810)	(8,036)
Retained losses		(79,655)	(83,820)
Accumulated other comprehensive income		20,184	20,517
Total equity shareholders' funds		**90,381**	**86,162**
Non-controlling interests		3,379	1,787
Put options over non-controlling interests		(2,950)	(3,172)
Total non-controlling interests		**429**	**(1,385)**
Total equity		**90,810**	**84,777**
Non-current liabilities			
Long-term borrowings	22	28,632	31,749
Deferred tax liabilities	6	7,377	6,642
Post employment benefits	23	237	240
Provisions	24	497	533
Trade and other payables	25	816	811
		37,559	**39,975**
Current liabilities			
Short-term borrowings	22	11,163	9,624
Current taxation liabilities		2,874	4,552
Provisions	24	497	373
Trade and other payables	25	14,082	13,398
		28,616	**27,947**
Total equity and liabilities		**156,985**	**152,699**

The consolidated financial statements were approved by the Board of directors on 18 May 2010 and were signed on its behalf by:

Vittorio Colao
Chief Executive

Andy Halford
Chief Financial Officer

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

Consolidated statement of changes in equity

for the years ended 31 March

	Share capital £m	Additional paid-in capital[(1)] £m	Treasury shares £m	Retained losses £m	Other comprehensive income: Currency reserve £m	Pensions reserve £m	Investment reserve £m	Revaluation surplus £m	Other £m	Equity share-holders' funds £m	Non-controlling interests £m	Total £m
1 April 2007	4,172	152,889	(8,047)	(85,253)	101	(59)	3,152	112	–	67,067	226	67,293
Issue or reissue of shares	10	129	191	(60)	–	–	–	–	–	270	–	270
Redemption or cancellation of shares	–	7	–	(7)	–	–	–	–	–	–	–	–
Share-based payment	–	114	–	–	–	–	–	–	–	114	–	114
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,435)	(1,435)
Comprehensive income	–	–	–	6,660	5,873	(37)	1,379	–	37	13,912	(247)	13,665
Profit	–	–	–	6,660	–	–	–	–	–	6,660	96	6,756
OCI – before tax	–	–	–	–	5,827	(47)	1,949	–	37	7,766	(343)	7,423
OCI – taxes	–	–	–	–	53	10	–	–	–	63	–	63
Transfer to the income statement	–	–	–	–	(7)	–	(570)	–	–	(577)	–	(577)
Dividends	–	–	–	(3,653)	–	–	–	–	–	(3,653)	(113)	(3,766)
Equity put rights and similar arrangements	–	–	–	333	–	–	–	–	–	333	–	333
Other	–	–	–	–	–	–	–	–	–	–	(3)	(3)
31 March 2008	**4,182**	**153,139**	**(7,856)**	**(81,980)**	**5,974**	**(96)**	**4,531**	**112**	**37**	**78,043**	**(1,572)**	**76,471**
Issue or reissue of shares	3	4	65	(44)	–	–	–	–	–	28	–	28
Purchase of own shares	–	–	(1,000)	–	–	–	–	–	–	(1,000)	–	(1,000)
Redemption or cancellation of shares	(32)	47	755	(770)	–	–	–	–	–	–	–	–
Share-based payment	–	158	–	–	–	–	–	–	–	158	–	158
Acquisition of subsidiaries	–	–	–	(87)	–	–	–	–	–	(87)	436	349
Comprehensive income	–	–	–	3,078	12,477	(163)	(2,383)	68	(40)	13,037	(103)	12,934
Profit	–	–	–	3,078	–	–	–	–	–	3,078	2	3,080
OCI – before tax	–	–	–	–	12,614	(220)	(2,383)	68	(56)	10,023	(105)	9,918
OCI – taxes	–	–	–	–	(134)	57	–	–	16	(61)	–	(61)
Transfer to the income statement	–	–	–	–	(3)	–	–	–	–	(3)	–	(3)
Dividends	–	–	–	(4,017)	–	–	–	–	–	(4,017)	(162)	(4,179)
Other	–	–	–	–	–	–	–	–	–	–	16	16
31 March 2009	**4,153**	**153,348**	**(8,036)**	**(83,820)**	**18,451**	**(259)**	**2,148**	**180**	**(3)**	**86,162**	**(1,385)**	**84,777**
Issue or reissue of shares	–	–	189	(119)	–	–	–	–	–	70	–	70
Share-based payment	–	161	–	–	–	–	–	–	–	161	–	161
Acquisition of subsidiaries	–	–	–	(133)	–	–	–	–	–	(133)	1,636	1,503
Comprehensive income	–	–	–	8,645	(1,365)	(104)	209	860	67	8,312	233	8,545
Profit/(loss)	–	–	–	8,645	–	–	–	–	–	8,645	(27)	8,618
OCI – before tax	–	–	–	–	(1,320)	(149)	377	860	79	(153)	260	107
OCI – taxes	–	–	–	–	39	45	(171)	–	(12)	(99)	–	(99)
Transfer to the income statement	–	–	–	–	(84)	–	3	–	–	(81)	–	(81)
Dividends	–	–	–	(4,131)	–	–	–	–	–	(4,131)	(56)	(4,187)
Other	–	–	37	(97)	–	–	–	–	–	(60)	1	(59)
31 March 2010	**4,153**	**153,509**	**(7,810)**	**(79,655)**	**17,086**	**(363)**	**2,357**	**1,040**	**64**	**90,381**	**429**	**90,810**

Note:
(1) Includes share premium and the capital redemption reserve.

Consolidated statement of cash flows

for the years ended 31 March

	Note	2010 £m	2009 £m	2008 £m
Net cash flow from operating activities	27	**13,064**	**12,213**	**10,474**
Cash flows from investing activities				
Purchase of interests in subsidiaries and joint ventures, net of cash acquired		(1,777)	(1,389)	(5,957)
Purchase of intangible assets		(2,134)	(1,764)	(846)
Purchase of property, plant and equipment		(4,841)	(5,204)	(3,852)
Purchase of investments		(522)	(133)	(96)
Disposal of interests in subsidiaries, net of cash disposed		–	4	–
Disposal of interests in associates		–	25	–
Disposal of property, plant and equipment		48	317	39
Disposal of investments		17	253	785
Dividends received from associates		1,436	647	873
Dividends received from investments		141	108	72
Interest received		195	302	438
Net cash flow from investing activities		**(7,437)**	**(6,834)**	**(8,544)**
Cash flows from financing activities				
Issue of ordinary share capital and reissue of treasury shares		70	22	310
Net movement in short-term borrowings		227	(25)	(716)
Proceeds from issue of long-term borrowings		4,217	6,181	1,711
Repayment of borrowings		(5,184)	(2,729)	(3,847)
Purchase of treasury shares		–	(963)	–
B share capital redemption		–	(15)	(7)
Equity dividends paid		(4,139)	(4,013)	(3,658)
Dividends paid to non-controlling shareholders in subsidiaries		(56)	(162)	(113)
Amounts received from non-controlling shareholders		613	618	–
Interest paid		(1,601)	(1,470)	(1,545)
Net cash flow from financing activities		**(5,853)**	**(2,556)**	**(7,865)**
Net cash flow		**(226)**	**2,823**	**(5,935)**
Cash and cash equivalents at beginning of the financial year	18	4,846	1,652	7,458
Exchange (loss)/gain on cash and cash equivalents		(257)	371	129
Cash and cash equivalents at end of the financial year	18	**4,363**	**4,846**	**1,652**

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

Notes to the consolidated financial statements

1. Basis of preparation

The consolidated financial statements are prepared in accordance with IFRS as issued by the IASB. The consolidated financial statements are also prepared in accordance with IFRS adopted by the EU, the Companies Act 2006 and Article 4 of the EU IAS Regulations.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. For a discussion on the Group's critical accounting estimates see "Critical accounting estimates" on pages 71 and 72. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

2. Significant accounting policies

Accounting convention

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

New accounting pronouncements adopted

IFRIC 13 – "Customer Loyalty Programmes"

The Group adopted IFRIC 13 on 1 April 2009. The interpretation addresses how companies that grant their customers loyalty award credits when buying goods and services should account for their obligations to provide free or discounted goods and services. It requires that consideration received be allocated between the award credits and the other components of the sale. The adoption of this interpretation did not result in a material impact on the Group's results or financial position.

IAS 23 (Revised) – "Borrowing Costs"

The Group adopted IAS 23 (Revised) on 1 April 2009. This standard requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, production or construction of a qualifying asset. The option of immediate recognition of those borrowing costs as an expense, previously used by the Group, has been removed. The adoption of this standard did not result in a material impact on the Group's results or financial position.

IAS 1 (Revised) – "Presentation of Financial Statements"

The Group adopted IAS 1 (Revised) on 1 April 2009. A separate consolidated statement of changes in equity is now included as part of the primary financial statements. The Group changed the naming of the primary financial statements and adopted certain new terminology set out in the revised standard.

IFRS 7 – "Financial Instruments: Disclosure"

The Group adopted an amendment to IFRS 7 on 1 April 2009. The standard requires enhanced disclosure regarding fair value measurements and liquidity risk. The adoption of this standard did not impact the Group's results or financial position.

New accounting pronouncements not yet adopted

IFRS 3 (Revised) "Business Combinations" was issued in January 2008 and will apply to business combinations occurring on or after 1 April 2010. The revised standard introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that a business combination occurs and future reported results. This standard is likely to have a significant impact on the Group's accounting for business combinations post adoption.

An amendment to IAS 27 "Consolidated and Separate Financial Statements" was issued in January 2008 and is effective for annual periods beginning on or after 1 July 2009. The amendment requires that when a transaction occurs with non-controlling interests in Group entities that do not result in a change in control, the difference between the consideration paid or received and the recorded non-controlling interest should be recognised in equity. In cases where control is lost, any retained interest should be remeasured to fair value with the difference between fair value and the previous carrying value being recognised immediately in the income statement. The Group has historically entered into transactions that would have been within the scope of the amendment to this standard and may do so in the future.

Phase I of IFRS 9 "Financial Instruments" was issued in November 2009 and is effective for annual periods beginning on or after 1 January 2013. The standard introduces changes to the classification and measurement of financial assets. The Group is currently assessing the impact of the standard on its results, financial position and cash flows. This standard has not yet been endorsed for use in the EU.

The Group has not adopted the following pronouncements, which have been issued by the IASB or the IFRIC. The Group does not currently believe the adoption of these pronouncements will have a material impact on the consolidated results, financial position or cash flows of the Group. These pronouncements have been endorsed for use in the EU, unless otherwise stated.

- "Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting", effective for annual periods beginning on or after 1 July 2009.
- "Embedded derivatives: Amendments to IFRIC 9 and IAS 39", effective for annual periods beginning on or after 30 June 2009.
- "Improvements to IFRSs" issued in April 2009 are effective over a range of dates, with the earliest being for annual periods beginning on or after 1 January 2010.
- IFRS 1, "Additional Exemptions for First-time Adopters", effective for periods beginning on or after 1 January 2010. This standard has not yet been endorsed for use in the EU.
- "IFRS for Small and Medium-Sized Entities", issued July 2009, effective immediately. This standard has not yet been endorsed for use in the EU.
- IFRS 2, "Group Cash-settled Share-based Payment Transactions", effective for periods beginning on or after 1 January 2010.
- "Amendment to IAS 32, "Classification of Rights Issues", effective for annual periods beginning on or after 1 February 2010.
- "Amendment to IAS 24, "Related Party Disclosures – State-controlled Entities and the Definition of a Related Party", effective for annual periods beginning on or after 1 January 2011. This amendment has not yet been endorsed for use in the EU.
- Amendment to IFRIC 14, "Prepayments on a Minimum Funding Requirement", effective for annual periods beginning on or after 1 January 2011. This interpretation has not yet been endorsed for use in the EU.
- IFRIC 17, "Distributions of Non-cash Assets to Owners", effective for annual periods beginning on or after 1 July 2009.
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments", effective annual periods beginning on or after 1 July 2010 with early adoption permitted. This interpretation has not yet been endorsed for use in the EU.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled, both unilaterally and jointly, by the Company.

Accounting for subsidiaries

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Losses applicable to the non-controlling shareholders in excess of the non-controlling shareholders' share of changes in equity are allocated against the interests of the Group except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where the Group increases its interest in an entity such that control is achieved, previously held identifiable assets, liabilities and contingent liabilities of the acquired entity are revalued to their fair value at the date of acquisition, being the date at which the Group achieves control of the acquiree. The movement in fair value is taken to the asset revaluation surplus.

Acquisition of interests from non-controlling shareholders

Acquisitions of non-controlling interests in subsidiaries are accounted for as transactions between shareholders. There is no remeasurement to fair value of net assets acquired that were previously attributable to non-controlling shareholders.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined with the equivalent items in the results on a line-by-line basis.

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

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Group's interest in that associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The licences of the Group's associate in the US, Verizon Wireless, are indefinite lived assets as they are subject to perfunctory renewal. Accordingly, they are not subject to amortisation but are tested annually for impairment, or when indicators exist that the carrying value is not recoverable.

Intangible assets

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

Goodwill

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

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each end of reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

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

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

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

Finite lived intangible assets

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

Licence and spectrum fees

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

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

Computer software

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

Software integral to a related item of hardware equipment is accounted for as property, plant and equipment.

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

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

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

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

Other intangible assets

Other intangible assets including brands and customer bases, are recorded at fair value at the date of acquisition. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

Estimated useful lives

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

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

Property, plant and equipment

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

Equipment, fixtures and fittings are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

Equipment, fixtures and fittings:

Network infrastructure	3 – 25 years
Other	3 – 10 years

Depreciation is not provided on freehold land.

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

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

Impairment of assets

Goodwill

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

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

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

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

Property, plant and equipment and finite lived intangible assets

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

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

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

Revenue

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

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

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

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

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

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

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

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

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

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

- the Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and
- the Group can reliably estimate the fair value of that benefit.

Cash incentives that do not meet these criteria are recognised as a reduction of the related device revenue.

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

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

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

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

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

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

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

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

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

The net foreign exchange gain recognised in the consolidated income statement is £35 million (2009: £131 million loss, 2008: £373 million gain).

Research expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

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

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

2. Significant accounting policies continued

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill.

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

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

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

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

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

Financial instruments

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

Trade receivables

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

Other investments

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

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

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

Cash and cash equivalents

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

Trade payables

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

Financial liabilities and equity instruments

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

Capital market and bank borrowings

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

Equity instruments

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

Derivative financial instruments and hedge accounting

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

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

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

- hedges of the change of fair value of recognised assets and liabilities ('fair value hedges'); or
- hedges of net investments in foreign operations.

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

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

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

Put option arrangements
The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary.
The amount that may become payable under the option on exercise is initially recognised at fair value within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries. The Group recognises the cost of writing such put options, determined as the excess of the fair value of the option over any consideration received, as a financing cost.

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

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

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

Fair value is measured using a binomial pricing model, being a lattice-based option valuation model, which is calibrated using a Black-Scholes framework. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group uses historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behaviour are considered separately for valuation purposes. The expected life of options granted is derived from the output of the option valuation model and represents the period of time that options are expected to be outstanding. Expected volatilities are based on implied volatilities as determined by a simple average of no less than three international banks, excluding the highest and lowest numbers. The risk-free rates for periods within the contractual life of the option are based on the UK gilt yield curve in effect at the time of grant.

Some share awards have an attached market condition, based on TSR, which is taken into account when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone's ranking within the same group of companies, where possible, over the past five years. The volatility of the ranking over a three year period is used to determine the probable weighted percentage number of shares that could be expected to vest and hence affect fair value.

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

Notes to the consolidated financial statements continued

3. Segment analysis

The Group has a single group of related services and products being the supply of communications services and products. Segment information is provided on the basis of geographic areas, being the basis on which the Group manages its worldwide interests. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue. Inter-segment sales are charged at arm's length prices.

During the year ended 31 March 2010 the Group changed how it determines and discloses segmental EBITDA and adjusted operating profit in order to ensure the Group's disclosures better reflect the contribution of each segment to the Group's underlying operating performance and remain consistent with internal reporting to management. The changes do not impact Vodafone's consolidated results. Intercompany revenue and expenses arising from royalty fees for the use of the Vodafone brand, which were previously included within operating expenses, are now excluded from the calculation of EBITDA and adjusted operating profit of each segment and Common Functions. In addition, intercompany charges for fixed asset usage, which were also previously included within operating expenses, are now reported within depreciation for purposes of calculating EBITDA of each segment. The tables below present segment information on the revised basis, with prior years amended to conform to the current year presentation.

	Segment revenue £m	Common Functions £m	Intra-region revenue £m	Regional revenue £m	Inter-region revenue £m	Group revenue £m	EBITDA £m
31 March 2010							
Germany	8,008		(37)	7,971	(12)	7,959	3,122
Italy	6,027		(37)	5,990	(5)	5,985	2,843
Spain	5,713		(79)	5,634	(4)	5,630	1,956
UK	5,025		(45)	4,980	(12)	4,968	1,141
Other Europe[1]	5,354		(51)	5,303	(5)	5,298	1,865
Europe	**30,127**		**(249)**	**29,878**	**(38)**	**29,840**	**10,927**
Vodacom[2]	4,450		–	4,450	(7)	4,443	1,528
Other Africa and Central Europe[3]	3,576		–	3,576	(53)	3,523	799
Africa and Central Europe	**8,026**		**–**	**8,026**	**(60)**	**7,966**	**2,327**
India	3,114		(1)	3,113	(20)	3,093	807
Other Asia Pacific and Middle East[4]	3,368		–	3,368	(31)	3,337	1,033
Asia Pacific and Middle East	**6,482**		**(1)**	**6,481**	**(51)**	**6,430**	**1,840**
Common Functions[5]	–	269	–	269	(33)	236	(359)
Group[6]	**44,635**	**269**	**(250)**	**44,654**	**(182)**	**44,472**	**14,735**
Verizon Wireless[6]	*17,222*						*6,689*
31 March 2009							
Germany	7,847		(52)	7,795	(16)	7,779	3,225
Italy	5,547		(36)	5,511	(6)	5,505	2,565
Spain	5,812		(93)	5,719	(4)	5,715	2,034
UK	5,392		(46)	5,346	(10)	5,336	1,368
Other Europe[1]	5,329		(66)	5,263	(5)	5,258	1,957
Europe	**29,927**		**(293)**	**29,634**	**(41)**	**29,593**	**11,149**
Vodacom[2]	1,778		–	1,778	–	1,778	606
Other Africa and Central Europe[3]	3,723		–	3,723	(48)	3,675	1,114
Africa and Central Europe	**5,501**		**–**	**5,501**	**(48)**	**5,453**	**1,720**
India	2,689		(1)	2,688	(19)	2,669	717
Other Asia Pacific and Middle East[4]	3,131		–	3,131	(31)	3,100	1,062
Asia Pacific and Middle East	**5,820**		**(1)**	**5,819**	**(50)**	**5,769**	**1,779**
Common Functions[5]	–	216	–	216	(14)	202	(158)
Group[6]	**41,248**	**216**	**(294)**	**41,170**	**(153)**	**41,017**	**14,490**
Verizon Wireless[6]	*14,085*						*5,543*
31 March 2008							
Germany	6,866		(51)	6,815	(11)	6,804	2,816
Italy	4,435		(33)	4,402	(6)	4,396	2,148
Spain	5,063		(96)	4,967	(4)	4,963	1,908
UK	5,424		(46)	5,378	(10)	5,368	1,560
Other Europe[1]	4,583		(64)	4,519	(3)	4,516	1,735
Europe	**26,371**		**(290)**	**26,081**	**(34)**	**26,047**	**10,167**
Vodacom[2]	1,609		–	1,609	–	1,609	586
Other Africa and Central Europe[3]	3,337		–	3,337	(35)	3,302	1,108
Africa and Central Europe	**4,946**		**–**	**4,946**	**(35)**	**4,911**	**1,694**
India	1,822		–	1,822	(12)	1,810	598
Other Asia Pacific and Middle East[4]	2,577		–	2,577	(26)	2,551	906
Asia Pacific and Middle East	**4,399**		**–**	**4,399**	**(38)**	**4,361**	**1,504**
Common Functions[5]	–	170	–	170	(11)	159	(187)
Group[6]	**35,716**	**170**	**(290)**	**35,596**	**(118)**	**35,478**	**13,178**
Verizon Wireless[6]	*10,144*						*3,930*

Notes:
(1) EBITDA is stated before £574 million (2009: £520 million; 2008: £425 million) representing the Group's share of results in associates.
(2) EBITDA is stated before £(2) million (2009: £(1); 2008: £nil) representing the Group's share of results in associates.
(3) EBITDA is stated before £50 million (2009: £27; 2008: £nil) representing the Group's share of results in associates.
(4) EBITDA is stated before £6 million (2009: £4 million; 2008: £2 million) representing the Group's share of results in associates.
(5) EBITDA is stated before £2 million (2009: £(1) million; 2008: £2 million) relating to the Group's share of results in associates.
(6) Values shown for Verizon Wireless are not included in the calculation of Group revenue or EBITDA as Verizon Wireless is an associate.

A reconciliation of EBITDA to operating profit is shown below. For a reconciliation of operating profit to profit before taxation, see the consolidated income statement on page 74.

	2010 £m	2009 £m	2008 £m
EBITDA	14,735	14,490	13,178
Depreciation and amortisation including loss on disposal of fixed assets	(8,011)	(6,824)	(5,979)
Share of results in associates	4,742	4,091	2,876
Impairment losses, net	(2,100)	(5,900)	–
Other income and expense	114	–	(28)
Operating profit	**9,480**	**5,857**	**10,047**

	Non-current assets[1] £m	Capital expenditure[2] £m	Other expenditure on intangible assets £m	Depreciation and amortisation £m	Impairment losses, net £m
31 March 2010					
Germany	20,211	766	18	1,422	–
Italy	17,941	610	60	732	–
Spain	12,746	543	–	638	–
UK	6,977	494	–	963	–
Other Europe	8,862	618	–	781	–
Europe	**66,737**	**3,031**	**78**	**4,536**	**–**
Vodacom	7,783	520	–	1,005	–
Other Africa and Central Europe	6,357	869	228	811	(200)
Africa and Central Europe	**14,140**	**1,389**	**228**	**1,816**	**(200)**
India	8,665	853	–	848	2,300
Other Asia Pacific and Middle East	4,589	552	–	634	–
Asia Pacific and Middle East	**13,254**	**1,405**	**–**	**1,482**	**2,300**
Common Functions	769	367	19	76	–
Group	**94,900**	**6,192**	**325**	**7,910**	**2,100**
31 March 2009					
Germany	21,617	750	16	1,378	–
Italy	18,666	521	–	735	–
Spain	13,324	632	–	606	3,400
UK	7,414	446	–	1,010	–
Other Europe	9,375	511	–	766	–
Europe	**70,396**	**2,860**	**16**	**4,495**	**3,400**
Vodacom	2,287	237	–	231	–
Other Africa and Central Europe	5,700	625	21	837	2,500
Africa and Central Europe	**7,987**	**862**	**21**	**1,068**	**2,500**
India	10,308	1,351	–	746	–
Other Asia Pacific and Middle East	4,687	524	1,101	484	–
Asia Pacific and Middle East	**14,995**	**1,875**	**1,101**	**1,230**	**–**
Common Functions	810	312	–	21	–
Group	**94,188**	**5,909**	**1,138**	**6,814**	**5,900**
31 March 2008					
Germany		613	14	1,229	–
Italy		411	1	627	–
Spain		533	–	522	–
UK		465	–	1,016	–
Other Europe		469	11	650	–
Europe		**2,491**	**26**	**4,044**	**–**
Vodacom		204	2	219	–
Other Africa and Central Europe		702	5	698	–
Africa and Central Europe		**906**	**7**	**917**	**–**
India		1,030	–	562	–
Other Asia Pacific and Middle East		463	–	394	–
Asia Pacific and Middle East		**1,493**	**–**	**956**	**–**
Common Functions		185	8	(8)	–
Group		**5,075**	**41**	**5,909**	**–**

Notes:
(1) Includes goodwill, other intangible assets and property, plant and equipment.
(2) Includes additions to property, plant and equipment and computer software, reported within intangible assets.

4. Operating profit

Operating profit has been arrived at after charging/(crediting):

	2010 £m	2009 £m	2008 £m
Net foreign exchange (gains)/losses	(29)	30	(27)
Depreciation of property, plant and equipment (note 11):			
Owned assets	4,412	4,025	3,400
Leased assets	44	36	27
Amortisation of intangible assets (note 9)	3,454	2,753	2,482
Impairment losses, net (note 10)	2,100	5,900	–
Research and development expenditure	303	280	234
Staff costs (note 32)	3,770	3,227	2,698
Operating lease rentals payable:			
Plant and machinery	71	68	43
Other assets including fixed line rentals	1,587	1,331	1,117
Loss on disposal of property, plant and equipment	101	10	70
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(296)	(273)	(245)

The total remuneration of the Group's auditor, Deloitte LLP, and its affiliates for services provided to the Group is analysed below:

	2010 £m	2009 £m	2008 £m
Audit fees:			
Parent company	1	1	1
Subsidiaries[1]	7	5	5
	8	**6**	**6**
Fees for statutory and regulatory filings	1	2	1
Audit and audit-related fees	**9**	**8**	**7**
Other fees:			
Taxation	1	1	1
Other	–	–	1
	1	**1**	**2**
Total fees	**10**	**9**	**9**

Note:
(1) The increase primarily arises from the consolidation of Vodacom Group Limited as a subsidiary from 18 May 2009.

In addition to the above, the Group's joint ventures and associates paid fees totalling £2 million (2009: £3 million; 2008: £2 million) and £7 million (2009: £6 million; 2008: £3 million) respectively to Deloitte LLP and its affiliates during the year. Deloitte LLP and its affiliates have also received amounts totalling less than £1 million in each of the last three years in respect of services provided to pension schemes and charitable foundations associated to the Group.

A description of the work performed by the Audit Committee in order to safeguard auditor independence when non-audit services are provided is set out in "Corporate governance" on page 55.

5. Investment income and financing costs

	2010 £m	2009 £m	2008 £m
Investment income:			
Available-for-sale investments:			
Dividends received	145	110	72
Loans and receivables at amortised cost	423	339	451
Fair value through the income statement (held for trading):			
Derivatives – foreign exchange contracts	3	71	125
Other[1]	92	275	66
Equity put rights and similar arrangements[2]	53	–	–
	716	**795**	**714**
Financing costs:			
Items in hedge relationships:			
Other loans	888	782	612
Interest rate swaps	(464)	(180)	61
Dividends on redeemable preference shares	56	53	42
Fair value hedging instrument	228	(1,458)	(635)
Fair value of hedged item	(183)	1,475	601
Cash flow hedges transferred from equity	82	–	–
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts	591	452	347
Other loans[3]	185	440	390
Potential interest on settlement of tax issues[4]	(178)	(81)	399
Equity put rights and similar arrangements[2]	94	627	143
Finance leases	7	1	7
Fair value through the income statement (held for trading):			
Derivatives – forward starting swaps and futures	206	308	47
	1,512	**2,419**	**2,014**
Net financing costs	**796**	**1,624**	**1,300**

Notes:
(1) Amounts include foreign exchange gains on certain intercompany balances and investments held following the disposal of Vodafone Japan to SoftBank.
(2) Includes amounts in relation to the Group's arrangements with non-controlling shareholders in India. Further information is provided in "Option agreements and similar arrangements" on page 44.
(3) Amount for 2010 includes £48 million (2009: £94 million) of foreign exchange losses arising from net investments in foreign operations.
(4) Amount for 2010 and 2009 includes a reduction of the provision for potential interest on tax issues.

6. Taxation

Income tax expense

	2010 £m	2009 £m	2008 £m
United Kingdom corporation tax (income)/expense:			
Current year	40	(132)	–
Adjustments in respect of prior years	(4)	(318)	(53)
	36	**(450)**	**(53)**
Overseas current tax expense/(income):			
Current year	2,377	2,111	2,539
Adjustments in respect of prior years	(1,718)	(934)	(293)
	659	**1,177**	**2,246**
Total current tax expense	**695**	**727**	**2,193**
Deferred tax on origination and reversal of temporary differences:			
United Kingdom deferred tax	(166)	20	(125)
Overseas deferred tax	(473)	362	177
Total deferred tax (income)/expense	**(639)**	**382**	**52**
Total income tax expense	**56**	**1,109**	**2,245**

Tax charged/(credited) directly to other comprehensive income

	2010 £m	2009 £m	2008 £m
Current tax (credit)/charge	(38)	133	–
Deferred tax charge/(credit)	137	(72)	(63)
Total tax charged/(credited) directly to other comprehensive income	**99**	**61**	**(63)**

Tax (credited)/charged directly to equity

	2010 £m	2009 £m	2008 £m
Current tax (credit)/charge	(1)	1	(5)
Deferred tax (credit)/charge	(10)	8	(2)
Total tax (credited)/charged directly to equity	**(11)**	**9**	**(7)**

Factors affecting tax expense for the year

The table below explains the differences between the expected tax expense on continuing operations, at the UK statutory tax rate of 28% for 2010 and 2009 and 30% for 2008, and the Group's total tax expense for each year. Further discussion of the current year tax expenses can be found in the section titled "Operating results" on page 26.

	2010 £m	2009 £m	2008 £m
Profit before tax as shown in the consolidated income statement	**8,674**	**4,189**	**9,001**
Expected income tax expense on profit at UK statutory tax rate	2,429	1,173	2,700
Effect of taxation of associates, reported within operating profit	160	118	134
Impairment losses with no tax effect	588	1,652	–
Impact of agreement of German write down losses(1)	(2,103)	–	–
Expected income tax expense at UK statutory rate on profit, before impairment losses and taxation of associates	**1,074**	**2,943**	**2,834**
Effect of different statutory tax rates of overseas jurisdictions	516	382	320
Effect of current year changes in statutory tax rates	35	(31)	66
Deferred tax on overseas earnings	5	(26)	255
Assets revalued for tax purposes	–	(155)	(16)
Effect of previously unrecognised temporary differences including losses	(1,040)	(881)	(833)
Adjustments in respect of prior years(1)	(387)	(1,124)	(254)
Expenses not deductible for tax purposes and other items	425	423	321
Exclude taxation of associates	(572)	(422)	(448)
Income tax expense	**56**	**1,109**	**2,245**

Note:
(1) See 'Taxation' on page 26.

Deferred tax

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

	£m
1 April 2009	(6,012)
Exchange movements	(15)
Credited to the profit for the financial year	639
Debited to other comprehensive income	(137)
Credited directly to equity	10
Reclassification from current tax	2
Arising on acquisition	(853)
Change in consolidation status	22
31 March 2010	**(6,344)**

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

	Amount credited/ (charged) in income statement £m	Gross deferred tax asset £m	Gross deferred tax liability £m	Less amounts unrecognised £m	Net recognised deferred tax asset/ (liability) £m
Accelerated tax depreciation	(577)	627	(2,881)	(1)	(2,255)
Tax losses	493	27,816	–	(27,185)	631
Deferred tax on overseas earnings	(22)	–	(4,086)	–	(4,086)
Other short-term timing differences	745	4,796	(3,135)	(2,295)	(634)
31 March 2010	**639**	**33,239**	**(10,102)**	**(29,481)**	**(6,344)**

Analysed in the balance sheet, after offset of balances within countries, as:

	£m
Deferred tax asset	1,033
Deferred tax liability	(7,377)
31 March 2010	**(6,344)**

	Amount credited/ (charged) in income statement £m	Gross deferred tax asset £m	Gross deferred tax liability £m	Less amounts unrecognised £m	Net recognised deferred tax asset/ (liability) £m
Accelerated tax depreciation	(330)	765	(2,488)	(52)	(1,775)
Tax losses	(366)	23,538	–	(23,386)	152
Deferred tax on overseas earnings	26	–	(4,052)	–	(4,052)
Other short-term timing differences	288	3,927	(2,416)	(1,848)	(337)
31 March 2009	**(382)**	**28,230**	**(8,956)**	**(25,286)**	**(6,012)**

Analysed in the balance sheet, after offset of balances within countries, as:

	£m
Deferred tax asset	630
Deferred tax liability	(6,642)
31 March 2009	**(6,012)**

Factors affecting the tax charge in future years

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

Vodafone is routinely subject to audit by tax authorities in the territories in which it operates, and the items discussed below have reached litigation. Provisions are held in respect of the potential tax liability that may arise, however the amount ultimately paid may differ materially from the amount accrued and could therefore affect our overall profitability and cash flows in future periods.

Following the conclusion of our legal challenge to the UK Controlled Foreign Company ('CFC') rules (see the legal proceedings section of note 29), HMRC are enquiring into the establishment and activities of certain Group holding companies in Luxembourg to determine whether they constitute 'wholly artificial arrangements', which the Group maintains that they do not. The Group carries provisions of £2.2 billion in relation to the potential tax exposure at 31 March 2010 (2009: £ 2.2 billion).

A Spanish subsidiary, Vodafone Holdings Europe SL ('VHESL'), is in disagreement with the Spanish tax authorities regarding the tax treatment of interest expenses claimed by VHESL in the accounting periods ended 31 March 2003 and 31 March 2004. In October 2009 the first tier Spanish court ruled against VHESL. VHESL has appealed and the legal process is expected to continue for a number of years.

6. Taxation continued

At 31 March 2010 the gross amount and expiry dates of losses available for carry forward are as follows:

	Expiring within 5 years £m	Expiring within 6-10 years £m	Unlimited £m	Total £m
Losses for which a deferred tax asset is recognised	12	–	4,070	4,082
Losses for which no deferred tax asset is recognised	1,820	57	100,396	102,273
	1,832	**57**	**104,466**	**106,355**

Included above are losses amounting to £1,909 million (2009: £1,940 million) in respect of UK subsidiaries which are only available for offset against future capital gains and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised.

The losses above also include £83,168 million (2009: £77,780 million) that have arisen in overseas holding companies as a result of revaluations of those companies' investments for local GAAP purposes. Since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised.

During the year the German tax authorities decided to allow £13,513 million of a potential £46,716 million of losses arising on the write down of investments in Germany (see "Taxation" on page 26). These losses are available to use against both federal and trade tax liabilities in Germany. Losses of £3,922 million (£1,747 million for federal tax and £2,175 million for trade tax) are included in the above table on which the Group has recognised a deferred tax asset. The Group has not recognised a deferred tax asset on £14,544 million (£9,391 million for federal tax and £5,153 million for trade tax) of the losses as it is uncertain that these losses will be utilised.

The Group holds provisions in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint ventures were to be realised after the year end reporting date. No deferred tax liability has been recognised in respect of a further £51,783 million (2009: £63,551 million) of unremitted earnings of subsidiaries, associates and joint ventures because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.

7. Equity dividends

	2010 £m	2009 £m	2008 £m
Declared during the financial year:			
Final dividend for the year ended 31 March 2009: 5.20 pence per share (2008: 5.02 pence per share, 2007: 4.41 pence per share)	2,731	2,667	2,331
Interim dividend for the year ended 31 March 2010: 2.66 pence per share (2009: 2.57 pence per share, 2008: 2.49 pence per share)	1,400	1,350	1,322
	4,131	**4,017**	**3,653**
Proposed after the end of the reporting period and not recognised as a liability:			
Final dividend for the year ended 31 March 2010: 5.65 pence per share (2009: 5.20 pence per share, 2008: 5.02 pence per share)	2,976	2,731	2,667

8. Earnings per share

	2010 Millions	2009 Millions	2008 Millions
Weighted average number of shares for basic earnings per share	52,595	52,737	53,019
Effect of dilutive potential shares: restricted shares and share options	254	232	268
Weighted average number of shares for diluted earnings per share	**52,849**	**52,969**	**53,287**

	£m	£m	£m
Earnings for basic and diluted earnings per share	**8,645**	**3,078**	**6,660**

9. Intangible assets

	Goodwill £m	Licences and spectrum £m	Computer software £m	Other £m	Total £m
Cost:					
1 April 2008	91,762	22,040	5,800	1,188	120,790
Exchange movements	14,298	2,778	749	153	17,978
Arising on acquisition	613	199	69	130	1,011
Additions	–	1,138	1,144	–	2,282
Disposals	–	(1)	(403)	–	(404)
Change in consolidation status	(9)	(16)	–	–	(25)
31 March 2009	**106,664**	**26,138**	**7,359**	**1,471**	**141,632**
Exchange movements	(2,751)	62	(72)	326	(2,435)
Arising on acquisition	1,185	1,454	153	1,604	4,396
Change in consolidation status	(102)	(413)	(281)	(175)	(971)
Additions	–	306	1,199	19	1,524
Disposals	–	–	(114)	–	(114)
31 March 2010	**104,996**	**27,547**	**8,244**	**3,245**	**144,032**
Accumulated impairment losses and amortisation:					
1 April 2008	40,426	5,132	4,160	741	50,459
Exchange movements	6,630	659	569	126	7,984
Amortisation charge for the year	–	1,522	885	346	2,753
Impairment losses	5,650	250	–	–	5,900
Disposals	–	–	(391)	–	(391)
Change in consolidation status	–	(11)	–	–	(11)
31 March 2009	**52,706**	**7,552**	**5,223**	**1,213**	**66,694**
Exchange movements	(1,848)	(29)	(104)	64	(1,917)
Amortisation charge for the year	–	1,730	1,046	678	3,454
Change in consolidation status	–	(135)	(154)	(181)	(470)
Impairment losses, net	2,300	(200)	–	–	2,100
Disposals	–	–	(87)	–	(87)
31 March 2010	**53,158**	**8,918**	**5,924**	**1,774**	**69,774**
Net book value:					
31 March 2009	**53,958**	**18,586**	**2,136**	**258**	**74,938**
31 March 2010	**51,838**	**18,629**	**2,320**	**1,471**	**74,258**

For licences and spectrum and other intangible assets, amortisation is included within the cost of sales line within the consolidated income statement. Licences and spectrum with a net book value of £2,570 million (2009: £2,765 million) have been pledged as security against borrowings.

The net book value at 31 March 2010 and expiry dates of the most significant licences are as follows:

	Expiry date	2010 £m	2009 £m
Germany	December 2020	4,802	5,452
UK	December 2021	3,914	4,246
Qatar	June 2028	1,328	1,482
Italy	December 2021	1,097	1,240

10. Impairment

Impairment losses, net

The net impairment losses recognised in the consolidated income statement, as a separate line item within operating profit, in respect of goodwill and licences and spectrum fees are as follows:

Cash generating unit	Reportable segment	2010 £m	2009 £m	2008 £m
India	India	2,300	–	–
Spain	Spain	–	3,400	–
Turkey	Other Africa and Central Europe	(200)	2,250	–
Ghana	Other Africa and Central Europe	–	250	–
		2,100	**5,900**	**–**

Year ended 31 March 2010

The net impairment losses were based on value in use calculations. The pre-tax adjusted discount rate used in the most recent value in use in the year ended 31 March 2010 calculation are as follows:

	Pre-tax adjusted discount rate
India	13.8%
Turkey	17.6%

India

During the year ended 31 March 2010 the goodwill in relation to the Group's operations in India was impaired by £2,300 million primarily due to intense price competition following the entry of a number of new operators into the market. The pre-tax risk adjusted discount rate used in the previous value in use calculation at 31 March 2009 was 12.3%.

Turkey

During the year ended 31 March 2010 impairment losses of £200 million, previously recognised in respect of intangible assets in relation to the Group's operations in Turkey, were reversed. The reversal was in relation to licences and spectrum and was as a result of favourable changes in the discount rate. The cash flow projections within the business plans used for impairment testing were substantially unchanged from those used at 31 March 2009. The pre-tax risk adjusted discount rate used in the previous value in use calculation at 31 March 2009 was 19.5%.

Year ended 31 March 2009

The impairment losses were based on value in use calculations. The pre-tax adjusted discount rate used in the most recent value in use in the year ended 31 March 2009 calculation are as follows:

	Pre-tax adjusted discount rate
Spain	10.3%
Turkey(1)	19.5%
Ghana	26.9%

Note:
(1) The pre-tax adjusted discount rate used in the value in use calculation at 30 September 2008 was 18.6%.

Spain

During the year ended 31 March 2009 the goodwill in relation to the Group's operations in Spain was impaired by £3,400 million following a fall in long-term cash flow forecasts resulting from the economic downturn. The pre-tax risk adjusted discount rate used in the previous value in use calculation at 31 January 2008 was 10.6%.

Turkey

During the year ended 31 March 2009 the goodwill and other intangible assets in relation to the Group's operations in Turkey was impaired by £2,250 million. At 30 September 2008 the goodwill was impaired by £1,700 million following adverse movements in the discount rate and adverse performance against previous plans. During the second half of the 2009 financial year, impairment losses of £300 million in relation to goodwill and £250 million in relation to licences and spectrum resulted from adverse changes in both the discount rate and a fall in the long-term GDP growth rate. The cash flow projections within the business plans used for impairment testing were substantially unchanged from those used at 30 September 2008. The pre-tax risk adjusted discount rate used in the previous value in use calculation at 31 January 2008 was 16.2%.

Ghana

During the year ended 31 March 2009 the goodwill in relation to the Group's operations in Ghana was impaired by £250 million following an increase in the discount rate. The cash flow projections within the business plan used for impairment testing was substantially unchanged from the acquisition business case in 2008.

Goodwill

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

	2010 £m	2009 £m
Germany	12,301	12,786
Italy	14,786	15,361
Spain	10,167	10,561
	37,254	**38,708**
Other	14,584	15,250
	51,838	**53,958**

Key assumptions used in the value in use calculations

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

Assumption	How determined
Budgeted EBITDA	Budgeted EBITDA has been based on past experience adjusted for the following: ■ voice and messaging revenue is expected to benefit from increased usage from new customers, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be offset by increased competitor activity, which may result in price declines, and the trend of falling termination rates; ■ non-messaging data revenue is expected to continue to grow strongly as the penetration of 3G enabled devices rises and new products and services are introduced; and ■ margins are expected to be impacted by negative factors such as an increase in the cost of acquiring and retaining customers in increasingly competitive markets and the expectation of further termination rate cuts by regulators, and by positive factors such as the efficiencies expected from the implementation of Group initiatives.
Budgeted capital expenditure	The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to roll out networks in emerging markets, to provide enhanced voice and data products and services and to meet the population coverage requirements of certain of the Group's licences. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Long-term growth rate	For businesses where the five year management plans are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of: ■ the nominal GDP rates for the country of operation; and ■ the long-term compound annual growth rate in EBITDA in years six to ten estimated by management. For businesses where the plan data is extended for an additional five years for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of: ■ the nominal GDP rates for the country of operation; and ■ the compound annual growth rate in EBITDA in years eight to ten of the management plan.
Pre-tax risk adjusted discount rate	The discount rate applied to the cash flows of each of the Group's operations is based on the risk free rate for ten year bonds issued by the government in the respective market, where possible adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the Group's operations determined using an average of the betas of comparable listed mobile telecommunications companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration both studies by independent economists, the average equity market risk premium over the past ten years and the market risk premiums typically used by investment banks in evaluating acquisition proposals.

Sensitivity to changes in assumptions

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

31 March 2010

The estimated recoverable amount of the Group's operations in India equalled its respective carrying value and, consequently, any adverse change in key assumption would, in isolation, cause a further impairment loss to be recognised. The estimated recoverable amount of the Group's operations in Turkey, Germany, Ghana, Greece, Ireland, Italy, Portugal, Romania, Spain and the UK exceeded their carrying value by approximately £130 million, £4,752 million, £18 million, £118 million, £259 million, £1,253 million, £1,182 million, £372 million, £821 million, £1,207 million respectively.

10. Impairment continued

The tables below show the key assumptions used in the value in use calculation and, for India, Turkey, Germany, Ghana, Greece, Ireland, Italy, Portugal, Romania, Spain and the UK, the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value.

	Assumptions used in value in use calculation										
	India %	Turkey %	Germany %	Ghana %	Greece %	Ireland %	Italy %	Portugal %	Romania %	Spain %	UK %
Pre-tax adjusted discount rate	13.8	17.6	8.9	24.4	12.1	9.8	11.5	10.6	11.5	10.2	9.6
Long-term growth rate	6.3	7.7	1.0	5.2	1.0	1.0	–	0.5	2.1	1.5	1.5
Budgeted EBITDA[(1)]	17.5	34.4	n/a	20.2	3.9	0.8	(0.1)	n/a	(2.5)	(0.7)	4.9
Budgeted capital expenditure[(2)]	13.4 – 30.3	8.3 – 32.5	n/a	8.4 – 39.6	11.1 – 13.6	7.4 – 9.6	8.2 – 11.4	n/a	12.0 – 19.0	9.1 – 10.9	9.3 – 11.2

Notes:
(1) Budgeted EBITDA is expressed as the compound annual growth rates in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.
(2) Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.

	Change required for carrying value to equal the recoverable amount									
	Turkey pps	Germany pps	Ghana pps	Greece pps	Ireland pps	Italy pps	Portugal pps	Romania pps	Spain pps	UK pps
Pre-tax adjusted discount rate	0.5	1.8	1.0	0.7	1.0	0.8	4.5	2.0	0.6	1.3
Long-term growth rate	(1.1)	(1.9)	(5.1)	(0.9)	(1.2)	(0.8)	(5.6)	(2.6)	(0.6)	(1.6)
Budgeted EBITDA[(1)]	(2.0)	n/a	(2.8)	(3.7)	(8.7)	(5.0)	n/a	(14.1)	(4.5)	(7.8)
Budgeted capital expenditure[(2)]	1.5	n/a	2.5	2.8	7.0	5.1	n/a	13.8	3.5	5.8

Notes:
(1) Budgeted EBITDA is expressed as the compound annual growth rates in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.
(2) Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the aggregate impairment loss/(reversal) recognised in the year ended 31 March 2010:

	India		Turkey		All other	
	Increase by 2 pps £bn	Decrease by 2 pps £bn	Increase by 2 pps £bn	Decrease by 2 pps £bn	Increase by 2 pps £bn	Decrease by 2 pps £bn
Pre-tax adjusted discount rate	(1.7)	2.3	(0.3)	n/a	(4.4)	–
Long-term growth rate	2.3	(1.6)	n/a	(0.1)	–	(3.7)
Budgeted EBITDA[(1)]	0.2	(0.2)	n/a	–	–	–
Budgeted capital expenditure[(2)]	(0.2)	0.2	–	n/a	–	–

Notes:
(1) Represents the compound annual growth rate for the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.
(2) Represents capital expenditure as a percentage of revenue in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.

31 March 2009

The estimated recoverable amount of the Group's operations in Spain, Turkey and Ghana equalled their respective carrying value and, consequently, any adverse change in key assumption would, in isolation, cause a further impairment loss to be recognised. The estimated recoverable amount of the Group's operations in the UK, Ireland, Romania, Germany and Italy exceeded their carrying value by approximately £900 million, £60 million, £300 million, £9,250 million and £2,200 million respectively. The tables below show the key assumptions used in the value in use calculation and, for the UK, Ireland, Romania, Germany and Italy, the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value.

	Assumptions used in value in use calculation							
	Spain %	Turkey[(1)] %	Ghana %	UK %	Ireland %	Romania %	Germany %	Italy %
Pre-tax adjusted discount rate	10.3	19.5	26.9	8.6	10.2	14.8	8.5	11.8
Long-term growth rate	1.1	7.5	7.3	1.0	–	1.1	1.1	–
Budgeted EBITDA[(2)]	(3.9)	22.3	37.2	(2.8)	(3.5)	(3.1)	n/a	2.2
Budgeted capital expenditure[(3)]	9.1 – 11.8	8.2 – 69.8	7.7 – 91.6	n/a	n/a	n/a	5.5 – 9.7	7.7 – 9.9

Notes:
(1) The assumptions listed in the table were used in the value in use calculation at 31 March 2009. The pre-tax adjusted discount rate, long-term growth rate, budgeted EBITDA and budgeted capital expenditure assumptions used in the value in use calculation at 30 September 2008 were 18.6%, 10.0%, 13.1% and 8.2% to 54.7%.
(2) Budgeted EBITDA is expressed as the compound annual growth rates in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.
(3) Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.

	Change required for carrying value to equal the recoverable amount				
	UK	Ireland	Romania	Germany	Italy
	pps	pps	pps	pps	pps
Pre-tax adjusted discount rate	0.9	0.2	2.2	3.3	1.4
Long-term growth rate	(1.1)	(0.3)	(3.4)	(3.9)	(1.5)
Budgeted EBITDA[1]	(6.9)	(1.6)	(9.0)	n/a	(9.1)
Budgeted capital expenditure[2]	n/a	n/a	n/a	23.8	8.5

Notes:
(1) Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years of the plans used for impairment testing.
(2) Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years of the plans used for impairment testing.

11. Property, plant and equipment

	Land and buildings £m	Equipment, fixtures and fittings £m	Total £m
Cost:			
1 April 2008	1,430	35,814	37,244
Exchange movements	191	4,775	4,966
Arising on acquisition	15	223	238
Additions	100	4,665	4,765
Disposals	(101)	(1,450)	(1,551)
Transfer to investment in associates	–	(298)	(298)
Reclassifications	(214)	214	–
31 March 2009	**1,421**	**43,943**	**45,364**
Exchange movements	(6)	8	2
Arising on acquisition	157	1,457	1,614
Additions	115	4,878	4,993
Disposals	(27)	(1,109)	(1,136)
Change in consolidation status	(107)	(2,274)	(2,381)
Reclassifications	24	(58)	(34)
31 March 2010	**1,577**	**46,845**	**48,422**
Accumulated depreciation and impairment:			
1 April 2008	522	19,987	20,509
Exchange movements	79	2,811	2,890
Charge for the year	91	3,970	4,061
Disposals	(17)	(1,217)	(1,234)
Transfer to investment in associates	–	(112)	(112)
Reclassifications	(92)	92	–
31 March 2009	**583**	**25,531**	**26,114**
Exchange movements	(12)	(260)	(272)
Charge for the year	102	4,354	4,456
Disposals	(10)	(995)	(1,005)
Change in consolidation status	(28)	(1,461)	(1,489)
Reclassifications	(2)	(22)	(24)
31 March 2010	**633**	**27,147**	**27,780**
Net book value:			
31 March 2009	**838**	**18,412**	**19,250**
31 March 2010	**944**	**19,698**	**20,642**

The net book value of land and buildings and equipment, fixtures and fittings includes £91 million and £111 million respectively (2009: £106 million and £82 million) in relation to assets held under finance leases. Included in the net book value of land and buildings and equipment, fixtures and fittings are assets in the course of construction, which are not depreciated, with a cost of £45 million and £1,496 million respectively (2009: £44 million and £1,186 million). Property, plant and equipment with a net book value of £389 million (2009: £148 million) has been pledged as security against borrowings.

Notes to the consolidated financial statements continued

12. Principal subsidiaries

At 31 March 2010 the Company had the following principal subsidiaries carrying on businesses which affect the profits and assets of the Group. Unless otherwise stated the Company's principal subsidiaries all have share capital consisting solely of ordinary shares and are indirectly held. The country of incorporation or registration of all subsidiaries is also their principal place of operation. All subsidiaries are directly or indirectly owned by the Company except for Vodafone Qatar Q.S.C.(1)

Name	Principal activity	Country of incorporation or registration	Percentage(2) shareholdings
Gateway Group (Pty) Limited	Holding company	South Africa	65.3
Ghana Telecommunications Company Limited	Network operator	Ghana	70.0
VM, SA(3)	Network operator	Mozambique	55.5
Vodacom Congo (RDC) s.p.r.l.	Network operator	The Democratic Republic of Congo	33.3
Vodacom Group Limited(4)(5)	Network operator	South Africa	65.3
Vodacom Lesotho (Pty) Limited	Network operator	Lesotho	57.7
Vodacom Tanzania Limited	Network operator	Tanzania	42.4
Vodafone Albania Sh.A.	Network operator	Albania	99.9
Vodafone Americas Inc.(6)	Holding company	USA	100.0
Vodafone Czech Republic a.s.	Network operator	Czech Republic	100.0
Vodafone D2 GmbH	Network operator	Germany	100.0
Vodafone Egypt Telecommunications S.A.E.	Network operator	Egypt	54.9
Vodafone España S.A.U.	Network operator	Spain	100.0
Vodafone Essar Limited(7)	Network operator	India	57.6
Vodafone Europe B.V.	Holding company	Netherlands	100.0
Vodafone Group Services Limited(8)	Global products and services provider	England	100.0
Vodafone Holding GmbH	Holding company	Germany	100.0
Vodafone Holdings Europe S.L.U.	Holding company	Spain	100.0
Vodafone Hungary Mobile Telecommunications Company Limited	Network operator	Hungary	100.0
Vodafone International Holdings B.V.	Holding company	Netherlands	100.0
Vodafone Investments Luxembourg S.a.r.l.	Holding company	Luxembourg	100.0
Vodafone Ireland Limited	Network operator	Ireland	100.0
Vodafone Libertel B.V.	Network operator	Netherlands	100.0
Vodafone Limited	Network operator	England	100.0
Vodafone Malta Limited	Network operator	Malta	100.0
Vodafone Marketing S.a.r.l.	Provider of partner market services	Luxembourg	100.0
Vodafone New Zealand Limited	Network operator	New Zealand	100.0
Vodafone-Panafon Hellenic Telecommunications Company S.A.	Network operator	Greece	99.9
Vodafone Portugal-Comunicações Pessoais, S.A.(9)	Network operator	Portugal	100.0
Vodafone Qatar Q.S.C.(1)	Network operator	Qatar	23.0
Vodafone Romania S.A.	Network operator	Romania	100.0
Vodafone Telekomunikasyon A.S.	Network operator	Turkey	100.0

Notes:
(1) The Group has rights that enable it to control the strategic and operating decisions of Vodafone Qatar Q.S.C.
(2) Effective ownership percentages of Vodafone Group Plc at 31 March 2010, rounded to nearest tenth of one percent.
(3) The share capital of VM, SA consists of 1,380,000,000 ordinary shares and 9,158,334,043 preference shares.
(4) Vodacom Group Limited was converted to a public company on 18 May 2009 and, accordingly, changed its name from Vodacom Group (Pty) Limited.
(5) At 31 March 2010 the Group owned 65.0% of the issued share capital of Vodacom Group Limited ('Vodacom') with the 65.3% ownership interest in the outstanding shares in Vodacom resulting from the acquisition of treasury shares by Vodacom.
(6) Share capital consists of 395,834,251 ordinary shares and 1.65 million class D and E redeemable preference shares, of which 100% of the ordinary shares are held by the Group.
(7) The Group's aggregate direct and indirect equity interest in Vodafone Essar Limited was 57.59% at 31 March 2010. The Group has call options to acquire shareholdings in three companies which indirectly own further 9.39% interests in Vodafone Essar Limited. The shareholders of these companies also have put options which, if exercised, would require Vodafone to purchase the remaining shares in the respective company. If these options were exercised, which can only be done in accordance with Indian law prevailing at the time of exercise, the Group would have a direct and indirect interest of 66.98% of Vodafone Essar Limited.
(8) Share capital consists of 600 ordinary shares and one deferred share, of which 100% of the shares are held directly by Vodafone Group Plc.
(9) 38.6% of the issued share capital of Vodafone Portugal-Comunicações Pessoais, S.A. is held directly by Vodafone Group Plc.

13. Investments in joint ventures

Principal joint ventures

At 31 March 2010 the Company had the following joint ventures carrying on businesses which affect the profits and assets of the Group. Unless otherwise stated the Company's principal joint ventures all have share capital consisting solely of ordinary shares, which are indirectly held, and the country of incorporation or registration is also their principal place of operation.

Name	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Indus Towers Limited	Network infrastructure	India	24.2[2]
Polkomtel S.A.[3]	Network operator	Poland	24.4
Vodafone Hutchison Australia Pty Limited[3]	Network operator	Australia	50.0
Vodafone Fiji Limited	Network operator	Fiji	49.0[4]
Vodafone Omnitel N.V.[5]	Network operator	Netherlands	76.9[6]

Notes:
(1) Rounded to nearest tenth of one percent.
(2) Vodafone Essar Limited, in which the Group has a 57.6% equity interest, owns 42.0% of Indus Towers Limited.
(3) Polkomtel S.A. and Vodafone Hutchinson Australia Pty Limited have a year end of 31 December.
(4) The Group holds substantive participating rights which provide it with a veto over the significant financial and operating policies of Vodafone Fiji Limited and which ensure it is able to exercise joint control over Vodafone Fiji Limited with the majority shareholder.
(5) The principal place of operation of Vodafone Omnitel N.V. is Italy.
(6) The Group considered the existence of substantive participating rights held by the non-controlling shareholder provide that shareholder with a veto right over the significant financial and operating policies of Vodafone Omnitel N.V., and determined that, as a result of these rights, the Group does not have control over the financial and operating policies of Vodafone Omnitel N.V., despite the Group's 76.9% ownership interest.

Effect of proportionate consolidation of joint ventures

The following table presents, on a condensed basis, the effect on the consolidated financial statements of including joint ventures using proportionate consolidation. The results of Vodacom Group Limited are included until 18 May 2009 when it became a subsidiary (see note 26) and the results of Safaricom Limited ('Safaricom') are included until 28 May 2008, at which time its consolidation status changed from joint venture to associate following completion of the share allocation for the public offering of 25% of Safaricom's shares previously held by the Government of Kenya and termination of the shareholding agreement with the Government of Kenya. The results of Australia are included from 9 June 2009 following its merger with Hutchison 3G Australia (see note 26) and results from the 4.8% stake in Polkomtel acquired during the 2009 financial year are included from 18 December 2008.

	2010 £m	2009 £m	2008 £m
Revenue	7,896	7,737	6,448
Cost of sales	(4,216)	(4,076)	(3,225)
Gross profit	**3,680**	**3,661**	**3,223**
Selling, distribution and administrative expenses	(1,369)	(1,447)	(1,155)
Operating income and expense	(12)	–	–
Operating profit	**2,299**	**2,214**	**2,068**
Net financing costs	(152)	(170)	(119)
Profit before tax	**2,147**	**2,044**	**1,949**
Income tax expense	(655)	(564)	(829)
Profit for the financial year	**1,492**	**1,480**	**1,120**

	2010 £m	2009 £m
Non-current assets	20,787	22,688
Current assets	763	1,148
Total assets	**21,550**	**23,836**
Total shareholders' funds	17,407	20,079
Non-controlling interests	–	20
Total equity	**17,407**	**20,099**
Non-current liabilities	833	865
Current liabilities	3,310	2,872
Total liabilities	**4,143**	**3,737**
Total equity and liabilities	**21,550**	**23,836**

Notes to the consolidated financial statements continued

14. Investments in associates

At 31 March 2010 the Company had the following principal associates carrying on businesses which affect the profits and assets of the Group. The Company's principal associates all have share capital consisting solely of ordinary shares, unless otherwise stated, and are all indirectly held. The country of incorporation or registration of all associates is also their principal place of operation.

Name	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Cellco Partnership[2]	Network operator	USA	45.0
Société Française du Radiotéléphone S.A.	Network operator	France	44.0
Safaricom Limited[3][4]	Network operator	Kenya	40.0

Notes:
(1) Rounded to nearest tenth of one percent.
(2) Cellco Partnership trades under the name Verizon Wireless.
(3) The Group also holds two non-voting shares.
(4) At 31 March 2010 the fair value of Safaricom Limited was KES89 billion (£756 million) based on the closing quoted share price on the Nairobi Stock Exchange.

The Group's share of the aggregated financial information of equity accounted associates is set out below. The amounts for the year ended 31 March 2009 include the share of results in Safaricom from 28 May 2008, at which time its consolidation status changed from being a joint venture to an associate.

	2010 £m	2009 £m	2008 £m
Revenue	23,288	19,307	13,630
Share of result in associates	4,742	4,091	2,876
Share of discontinued operations in associates	93	57	–

	2010 £m	2009 £m
Non-current assets	47,048	50,732
Current assets	4,901	4,641
Share of total assets	**51,949**	**55,373**
Non-current liabilities	8,295	8,668
Current liabilities	6,685	11,394
Non-controlling interests	592	596
Share of total liabilities and non-controlling interests	**15,572**	**20,658**
Share of equity shareholders' funds in associates	**36,377**	**34,715**

15. Other investments

Non-current other investments comprise the following, all of which are classified as available-for-sale, with the exception of other debt and bonds, which are classified as loans and receivables, and cash held in restricted deposits:

	2010 £m	2009 £m
Included within non-current assets:		
Listed securities:		
Equity securities	4,072	3,931
Unlisted securities:		
Equity securities	879	833
Public debt and bonds	11	20
Other debt and bonds	2,355	2,094
Cash held in restricted deposits	274	182
	7,591	**7,060**
Included within current assets:		
Government bonds	**388**	–

The fair values of listed securities are based on quoted market prices and include the Group's 3.2% investment in China Mobile Limited, which is listed on the Hong Kong and New York stock exchanges and incorporated under the laws of Hong Kong. China Mobile Limited is a mobile network operator and its principal place of operation is China.

Unlisted equity securities include a 26% interest in Bharti Infotel Private Limited, through which the Group has a 4.36% economic interest in Bharti Airtel Limited. Unlisted equity investments are recorded at fair value where appropriate, or at cost if their fair value cannot be reliably measured as there is no active market from which their fair values can be derived.

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

Other debt and bonds include preferred equity and a subordinated loan received as part of the disposal of Vodafone Japan to SoftBank. The fair value of these instruments cannot be reliably measured as there is no active market in which these are traded. As discussed in note 29, the Group has covenanted to provide security in favour of the Trustee of the Vodafone Group UK Pension Scheme in respect of the funding deficit in the scheme. The initial security takes the form of a Japanese law share pledge over 400,000 class 1 preferred shares of ¥200,000 in BB Mobile Corp, a subsidiary of SoftBank.

Current short-term investments of £388 million (2009: £nil) are classified as available-for-sale and consist of index linked government bonds which are held on an effective floating rate basis.

16. Inventory

	2010 £m	2009 £m
Goods held for resale	**433**	**412**

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

	2010 £m	2009 £m	2008 £m
1 April	111	118	100
Exchange movements	5	13	11
Amounts charged /(credited) to the income statement	4	(20)	7
31 March	**120**	**111**	**118**

Cost of sales includes amounts related to inventory amounting to £5,268 million (2009: £4,853 million; 2008: £4,320 million).

17. Trade and other receivables

	2010 £m	2009 £m
Included within non-current assets:		
Trade receivables	59	56
Other receivables	678	423
Prepayments and accrued income	148	132
Derivative financial instruments	1,946	2,458
	2,831	**3,069**
Included within current assets:		
Trade receivables	4,008	3,751
Amounts owed by associates	24	50
Other receivables	1,122	744
Prepayments and accrued income	3,448	2,868
Derivative financial instruments	182	249
	8,784	**7,662**

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

	2010 £m	2009 £m
1 April	874	664
Exchange movements	(27)	101
Amounts charged to administrative expenses	465	423
Trade receivables written off	(383)	(314)
31 March	**929**	**874**

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

	2010 £m	2009 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	1,031	16
Foreign exchange swaps	132	104
	1,163	**120**
Fair value hedges:		
Interest rate swaps	965	2,587
	2,128	**2,707**

The fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at 31 March.

Notes to the consolidated financial statements continued

18. Cash and cash equivalents

	2010 £m	2009 £m
Cash at bank and in hand	745	811
Money market funds	3,678	3,419
Repurchase agreements	–	648
Cash and cash equivalents as presented in the statement of financial position	**4,423**	**4,878**
Bank overdrafts	(60)	(32)
Cash and cash equivalents as presented in the statement of cash flows	**4,363**	**4,846**

Bank balances and money market funds comprise cash held by the Group on a short-term basis with original maturity of three months or less. The carrying amount of these assets approximates their fair value.

19. Called up share capital

	2010		2009	
	Number	£m	Number	£m
Authorised:				
Ordinary shares of 11 3/7 US cents each	68,250,000,000	4,875	68,250,000,000	4,875
B shares of 15 pence each	38,563,935,574	5,784	38,563,935,574	5,784
Deferred shares of 15 pence each	28,036,064,426	4,206	28,036,064,426	4,206
Ordinary shares allotted, issued and fully paid:(1)				
1 April	57,806,283,716	4,153	58,255,055,725	4,182
Allotted during the year	2,963,016	–	51,227,991	3
Cancelled during the year	–	–	(500,000,000)	(32)
31 March	**57,809,246,732**	**4,153**	**57,806,283,716**	**4,153**
B shares allotted, issued and fully paid:(2)				
1 April	–	–	87,429,138	13
Redeemed during the year	–	–	(87,429,138)	(13)
31 March	**–**	**–**	**–**	**–**

Notes:
(1) At 31 March 2010 the Group held 5,146,112,159 (2009: 5,322,411,101) treasury shares with a nominal value of £370 million (2009: £382 million). The market value of shares held was £7,822 million (2009: £6,533 million). During the year 149,298,942 (2009: 41,146,589) treasury shares were reissued under Group share option schemes. The number of shares held by the Group as treasury shares, at 31 March 2010, has been adjusted down by 27 million which represents a number of shares that the Company previously reported as being purchased on the 10 September 2008, via Lehman Brothers International (Europe) ('LBIE'), and held in treasury. As a result of LBIE being placed in administration on the 15 September 2008 the shares were not settled to the Company's designated treasury account and are believed to be held in a proprietary account with the administrator. The Company has treated the transaction to buy back the shares as failed.
(2) On 31 July 2006 the Company undertook a return of capital to shareholders via a B share scheme and associated share consolidation. A total of 66,271,035,240 B shares were issued on that day, and 66,271,035,240 existing ordinary shares of 10 US cents each were consolidated into 57,987,155,835 new ordinary shares of 11 3/7 US cents each. B shareholders were given the alternatives of initial redemption or future redemption at 15 pence per share or the payment of an initial dividend of 15 pence per share. The initial redemption took place on 4 August 2006 with future redemption dates on 5 February and 5 August each year until 5 August 2008 when the Company redeemed all B shares still in issue at their nominal value of 15 pence.

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
UK share awards and option scheme awards	1,612,486	–	1
US share awards and option scheme awards	1,350,530	–	2
Total for share awards and option scheme awards	**2,963,016**	**–**	**3**

20. Share-based payments

The Company currently uses a number of equity settled share plans to grant options and shares to its directors and employees.

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

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

Share options

Vodafone Group executive plans

No share options have been granted to any directors or employees under the Company's discretionary share option plans in the year ended 31 March 2010.

There are options outstanding under a number of plans: the Vodafone Group 1998 Executive Share Option Scheme and the Vodafone Group 1988 Share Option Scheme, the Vodafone Group 1999 Long-Term Incentive Plan and the Vodafone Global Incentive Plan. These options are normally exercisable between three and ten years from the date of grant. The vesting of some of these options is subject to satisfaction of performance conditions. Grants made to US employees are made in respect of ADSs.

Vodafone Group Sharesave Plan

The Vodafone Group 2008 Sharesave Plan and its predecessor the Vodafone Group 1998 Sharesave Scheme enable UK staff to acquire shares in the Company through monthly savings of up to £250 over a three or five year period, at the end of which they also receive a tax free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the Company's shares.

Other share option plans

Share option plans are operated by certain of the Group's subsidiaries although awards are no longer made under these plans.

Share plans

Vodafone Group executive plans

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

Under the Vodafone Group Deferred Share Bonus Plan, directors and certain employees were able to defer their 2007 annual bonuses into shares. These shares were released in 2009 together with additional shares based on the outcome of a two year performance condition.

Vodafone Share Incentive Plan

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

Vodafone Group Global AllShare Plan

A significant number of employees received a conditional award of 340 shares (2009: 290) in the Company on 30 June 2009 under the Vodafone Group Global AllShare Plan. The awards vest after two years and are not subject to performance conditions but are subject to continued employment. There will be no further grants under this plan.

Movements in ordinary share options and ADS options outstanding

	ADS options			Ordinary share options		
	2010 Millions	2009 Millions	2008 Millions	2010 Millions	2009 Millions	2008 Millions
1 April	1	1	3	334	373	584
Granted during the year	–	–	–	13	7	46
Forfeited during the year	–	–	–	(2)	(11)	(30)
Exercised during the year	–	–	(1)	(47)	(16)	(204)
Expired during the year	–	–	(1)	(32)	(19)	(23)
31 March	**1**	**1**	**1**	**266**	**334**	**373**
Weighted average exercise price:						
1 April	$15.37	$18.15	$21.46	£1.41	£1.42	£1.35
Granted during the year	–	–	–	£0.94	£1.21	£1.63
Forfeited during the year	–	–	–	£1.50	£1.47	£1.67
Exercised during the year	–	–	$19.52	£1.11	£1.09	£1.20
Expired during the year	–	–	$28.50	£1.67	£1.55	£1.72
31 March	**$15.07**	**$15.37**	**$18.15**	**£1.41**	**£1.41**	**£1.42**

Notes to the consolidated financial statements continued

20. Share-based payments continued

Summary of options outstanding and exercisable at 31 March 2010

	Outstanding			Exercisable		
	Outstanding shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months	Exercisable shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months
Vodafone Group savings related and Sharesave Plan:						
£0.01 – £1.00	14	£0.94	40	–	–	–
£1.01 – £2.00	8	£1.24	24	–	–	–
	22	**£1.04**	**35**	**–**	**–**	**–**
Vodafone Group executive plans:						
£1.01 – £2.00	8	£1.58	16	8	£1.58	16
£2.01 – £3.00	14	£2.79	4	14	£2.79	4
	22	**£2.36**	**8**	**22**	**£2.36**	**8**
Vodafone Group 1999 Long-Term Stock Incentive Plan:						
£0.01 – £1.00	55	£0.90	27	55	£0.90	27
£1.01 – £2.00	165	£1.49	42	139	£1.46	33
£2.01 – £3.00	1	£2.92	4	1	£2.92	4
	221	**£1.36**	**38**	**195**	**£1.31**	**31**
Other share option plans:						
£1.01 – greater than £3.01	**1**	**£2.63**	**20**	**1**	**£2.63**	**20**
Vodafone Group 1999 Long-Term Stock Incentive Plan:						
$10.01 – $30.00	**1**	**$15.07**	**30**	**1**	**$14.76**	**29**

Fair value of options granted

	ADS options	Ordinary share options			
	Other[1]	Board of directors and Executive Committee[1]			Other
	2008	2008	2010	2009	2008
Expected life of option (years)	4-5	4-5	3-5	3-5	4-5
Expected share price volatility	25.5-33.5%	25.7-27.7%	32.5-33.5%	30.9-31.0%	25.5-33.5%
Dividend yield	3.8-4.2%	4.0-4.4%	6.62%	5.04%	3.8-4.2%
Risk free rates	4.4-5.7%	5.5%	2.5-3.0%	4.9%	4.4-5.7%
Exercise price[2]	£1.67-1.76	£1.68	£0.94	£1.21	£1.67-1.76

Notes:
(1) There were no options granted in the years ended 31 March 2010 and 31 March 2009.
(2) In the year ended 31 March 2008 there was more than one option grant.

The fair value of options granted is estimated at the date of grant using a lattice-based option valuation model, which incorporates ranges of assumptions for inputs as disclosed above. Certain options granted to the Board of directors and Executive Committee have a market based performance condition attached and as a result the assumptions are disclosed separately.

Share awards

Movements in non-vested shares during the year ended 31 March 2010 are as follows:

	Global AllShare Plan		Other		Total	
	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date
1 April 2009	32	£1.43	288	£1.11	320	£1.15
Granted	21	£1.02	147	£0.90	168	£0.92
Vested	(17)	£1.53	(74)	£1.00	(91)	£1.10
Forfeited	(2)	£1.19	(21)	£1.00	(23)	£1.02
31 March 2010	**34**	**£1.15**	**340**	**£1.05**	**374**	**£1.06**

Other information

The weighted average grant date fair value of options granted during the 2010 financial year was £0.26 (2009: £0.39; 2008: £0.34).

The total fair value of shares vested during the year ended 31 March 2010 was £100 million (2009: £84 million; 2008: £75 million).

The compensation cost included in the consolidated income statement in respect of share options and share plans was £150 million (2009: £128 million; 2008: £107 million) which is comprised entirely of equity-settled transactions.

The average share price for the year ended 31 March 2010 was 132 pence.

21. Capital and financial risk management

Capital management

The following table summarises the capital of the Group:

	2010 £m	2009 £m
Cash and cash equivalents	(4,423)	(4,878)
Borrowings	39,795	41,373
Other financial instruments	(2,056)	(2,272)
Net debt	**33,316**	**34,223**
Equity	90,810	84,777
Capital	**124,126**	**119,000**

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

Financial risk management

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

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed annually by the Board, most recently on 28 July 2009. A treasury risk committee comprising of the Group's Chief Financial Officer, Group General Counsel and Company Secretary, Corporate Finance Director and Director of Financial Reporting meets at least annually to review treasury activities and its members receive management information relating to treasury activities on a quarterly basis. The Group accounting function, which does not report to the Group Corporate Finance Director, provides regular update reports of treasury activity to the Board. The Group's internal auditors review the internal control environment regularly.

The Group uses a number of derivative instruments for currency and interest rate risk management purposes only that are transacted by specialist treasury personnel. In light of the ongoing financial conditions within the banking sector the Group has reviewed the types of financial risk it faces and continues to monitor these on an ongoing basis. The Group considers that credit risk in the banking sector remains high and has mitigated this risk by the adoption of collateral support agreements for the majority of its bank counterparties.

Credit risk

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

	2010 £m	2009 £m
Cash at bank and in hand	745	811
Cash held in restricted deposits	274	182
Government bonds	388	–
Repurchase agreements	–	648
Money market fund investments	3,678	3,419
Derivative financial instruments	2,128	2,707
Other investments – debt and bonds	2,366	2,114
Trade receivables	4,067	3,807
	13,646	**13,688**

The Group has invested in index linked government bonds for the first time this year on the basis that they generate a swap return in excess of £ LIBOR.

Money market investments are in accordance with established internal treasury policies which dictate that an investment's long-term credit rating is no lower than single A. Additionally, the Group invests in AAA unsecured money market mutual funds where the investment is limited to 10% of each fund.

The Group invests in repurchase agreements which are fully collateralised investments. The collateral is sovereign and supranational debt of major EU countries denominated in euros and US dollars and can be readily converted to cash. In the event of any default, ownership of the collateral would revert to the Group. At 31 March 2010 the Group had no outstanding repurchase agreements (2009: £648 million). The value of the collateral held by the Group at 31 March 2009 is shown below:

	2010 £m	2009 £m
Sovereign	–	544
Supranational	–	104
	–	**648**

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

In the event of any default, ownership of the cash collateral would revert to the respective holder at that point. Detailed below is the value of the cash collateral, which is reported within short-term borrowings, held by the Group at 31 March 2010:

	2010 £m	2009 £m
Cash collateral	604	691

The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from consumers and business customers. At 31 March 2010 £2,111 million (2009: £1,987 million) of trade receivables were not yet due for payment. Total trade receivables consisted of £2,506 million (2009: £2,798 million) relating to the Europe region, £997 million (2009: £561 million) relating to the Africa and Central Europe region and £564 million (2009: £448 million) relating to the Asia Pacific and Middle East region. Accounts are monitored by management and provisions for bad and doubtful debts raised where it is deemed appropriate.

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

	2010 £m	2009 £m
30 days or less	1,499	1,430
Between 31 – 60 days	119	131
Between 61 – 180 days	155	121
Greater than 180 days	183	138
	1,956	**1,820**

Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated. Due to this management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables. Amounts charged to administrative expenses during the year ended 31 March 2010 were £465 million (2009: £423 million, 2008: £293 million) (see note 17).

The Group has other investments in preferred equity and a subordinated loan received as part of the disposal of Vodafone Japan to SoftBank in the 2007 financial year. The carrying value of those investments at 31 March 2010 was £2,288 million (2009: £2,073 million). As discussed in notes 15 and 29 the Group has covenanted to provide security in favour of the Trustee of the Vodafone Group UK Pension Scheme in respect of the funding deficit in the scheme. The initial security takes the form of a Japanese law share pledge over 400,000 class 1 preferred shares of ¥200,000 in BB Mobile Corp, a subsidiary of SoftBank.

21. Capital and financial risk management continued

Liquidity risk

At 31 March 2010 the Group had US$9.1 billion committed undrawn bank facilities and US$15 billion and £5 billion commercial paper programmes, supported by the US$9.1 billion committed bank facilities, available to manage its liquidity. The Group uses commercial paper and bank facilities to manage short-term liquidity and manages long-term liquidity by raising funds on capital markets.

US$4.1 billion of the committed facility has a maturity date of 28 July 2011 and the remaining US$5 billion has a maturity of 22 June 2012. Both facilities have remained undrawn throughout the financial year and since year end and provide liquidity support.

The Group manages liquidity risk on long-term borrowings by maintaining a varied maturity profile with a cap on the level of debt maturing in any one calendar year, therefore minimising refinancing risk. Long-term borrowings mature between one and 27 years.

Liquidity is reviewed daily on at least a 12 month rolling basis and stress tested on the assumption that all commercial paper outstanding matures and is not reissued. The Group maintains substantial cash and cash equivalents which at 31 March 2010 amounted to £4,423 million (2009: £4,878 million).

Market risk

Interest rate management

Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in euros, US dollars and sterling are maintained on a floating rate basis except for periods up to four years when at least 20% of net debt is fixed. Where assets and liabilities are denominated in other currencies interest rates may also be fixed. In addition, fixing is undertaken for longer periods when interest rates are statistically low.

At 31 March 2010 36% (2009: 43%) of the Group's gross borrowings were fixed for a period of at least one year. For each one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 March 2010 there would be a reduction or increase in profit before tax by approximately £165 million (2009: increase or reduce by £175 million) including mark-to-market revaluations of interest rate and other derivatives and the potential interest on outstanding tax issues. There would be no material impact on equity.

Foreign exchange management

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

As such, at 31 March 2010 120% of net debt was denominated in currencies other than sterling (49% euro, 46% US dollar and 25% other) while 20% of net debt had been purchased forward in sterling in anticipation of sterling denominated shareholder returns via dividends. This allows euro, US dollar and other debt to be serviced in proportion to expected future cash flows and therefore provides a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies. Yen debt is used as a hedge against the value of yen assets as the Group has minimal yen cash flows. A relative strengthening in the value of sterling against certain currencies in which the Group maintains cash and cash equivalents has resulted in a reduction in cash and cash equivalents of £257 million from currency translation differences in the year ended 31 March 2010 (2009: £371 million increase).

Under the Group's foreign exchange management policy foreign exchange transaction exposure in Group companies is generally maintained at the lower of €5 million per currency per month or €15 million per currency over a six month period. The Group is exposed to profit and loss account volatility on the retranslation of certain investments received upon the disposal of Vodafone Japan to SoftBank which are yen denominated financial instruments but are owned by legal entities with either a sterling or euro functional currency. In addition, a US dollar denominated financial liability arising from the put rights granted over the Essar Group's interests in Vodafone Essar in the 2008 financial year and discussed on page 44, were granted by a legal entity with a euro functional currency. A 19%, 8% or 12% (2009: 23%, 10% or 15%) change in the ¥/£, ¥/€ or US$/€ exchange rates would have a £146 million, £122 million or £393 million (2009: £164 million, £136 million and £496 million) impact on profit or loss in relation to these financial instruments.

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

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

	2010 £m
Euro 12% change – Operating profit	804
US dollar 15% change – Operating profit	617

At 31 March 2009 sensitivity of the Group's operating profit was analysed for euro 12% change and US dollar 17% change, representing £347 million and £632 million respectively.

Equity risk

The Group has equity investments, primarily in China Mobile Limited and Bharti Infotel Private Limited, which are subject to equity risk. See note 15 to the consolidated financial statements for further details on the carrying value of these investments.

Fair value of financial instruments

The table below sets out the valuation basis of financial instruments held at fair value by the Group at 31 March 2010.

	Level 1[(1)] £m	Level 2[(2)] £m	Total £m
Financial assets:			
Derivative financial instruments:			
Interest rate swaps	–	1,996	1,996
Foreign exchange contracts	–	132	132
Interest rate futures	–	20	20
	–	**2,148**	**2,148**
Financial investments available-for-sale:			
Listed equity securities[(3)]	4,072	–	4,072
Unlisted equity securities[(3)]	–	623	623
	4,072	**623**	**4,695**
	4,072	**2,771**	**6,843**
Financial liabilities:			
Derivative financial instruments:			
Interest rate swaps	–	365	365
Foreign exchange contracts	–	95	95
	–	**460**	**460**

Notes:
(1) Level 1 classification is used where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.
(2) Level 2 classification is used where valuation inputs are observable directly or indirectly from quoted prices. Fair values for unlisted equity securities are derived from observable quoted market prices for similar items.
(3) Details of listed and unlisted equity securities are included in note 15 "Other Investments".

22. Borrowings

Carrying value and fair value information

	2010			2009		
	Short-term borrowings £m	Long-term borrowings £m	Total £m	Short-term borrowings £m	Long-term borrowings £m	Total £m
Financial liabilities measured at amortised cost:						
Bank loans	3,460	4,183	7,643	893	5,159	6,052
Bank overdrafts	60	–	60	32	–	32
Redeemable preference shares	–	1,242	1,242	–	1,453	1,453
Commercial paper	2,563	–	2,563	2,659	–	2,659
Bonds	1,174	12,675	13,849	515	8,064	8,579
Other liabilities[(1)(2)]	3,906	385	4,291	1,015	4,122	5,137
Bonds in fair value hedge relationships	–	10,147	10,147	4,510	12,951	17,461
	11,163	**28,632**	**39,795**	**9,624**	**31,749**	**41,373**

Notes:
(1) At 31 March 2010 amount includes £604 million (2009: £691 million) in relation to collateral support agreements.
(2) Amounts at 31 March 2010 includes £3,405 million (2009: £3,606 million) in relation to the written put options disclosed in note 12 and written put options granted to the Essar Group that, if exercised, would allow the Essar Group to sell its 33% shareholding in Vodafone Essar to the Group for US$5 billion or to sell up to US$5 billion worth of Vodafone Essar shares at an independently appraised fair market value.

Banks loans include a ZAR 4.85 billion loan borrowed by Vodafone Holdings SA Pty Limited ('VHSA'), which directly and indirectly owns the Group's 65% interest in Vodacom Group Limited. VHSA has pledged its 100% equity shareholding in Vodafone Investments SA ('VISA'), which holds a direct 20.1% equity shareholding in Vodacom Group Limited, as security for its loan obligations. The terms and conditions of the pledge mean that should VHSA not meet all of its loan payment and performance obligations, the lenders may sell the equity shareholding in its subsidiary VISA at market value to recover their losses, with any remaining sales proceeds being returned to VHSA. Vodafone International Holdings B.V. has also guaranteed this loan with recourse only to the VHSA shares it has pledged. The terms and conditions of the security arrangement mean the lenders may be able to sell these respective shares in preference to the VISA shares held by VHSA. An arrangement has been put in place where the Vodacom Group Limited shares held by VHSA and VISA are held in an escrow account to ensure the shares cannot be sold to satisfy the pledge made by the Company. The maximum collateral provided is ZAR 4.85 billion, being the carrying value of the bank loan at 31 March 2010 (2009: ZAR 6.4 billion). Bank loans also include INR175 billion of loans held by Vodafone Essar Limited ('VEL') and its subsidiaries (the 'VEL Group'). The VEL Group has a number of security arrangements supporting certain licences secured under the terms of tri-party agreements between the relevant borrower, the department of telecommunications, Government of India and the agent representing the secured lenders and certain share pledges of the shares under VEL. The terms and conditions of the security arrangements mean that should members of the VEL Group not meet all of their loan payment and performance obligations, the lenders may sell the pledged shares and enforce rights over the certain licences under the terms of the tri-party agreements to recover their losses, with any remaining sales proceeds being returned to the VEL Group. Each of the eight legal entities within the VEL Group provide cross guarantees to the lenders in respect to debt contracted by the other seven.

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

	Sterling equivalent nominal value		Fair value		Carrying value	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Financial liabilities measured at amortised cost	11,023	5,131	11,130	5,108	11,163	5,114
Bonds in fair value hedge relationships:	–	4,320	–	4,397	–	4,510
4.25% euro 1,859 million bond due May 2009	–	1,720	–	1,722	–	1,780
4.75% euro 859 million bond due May 2009	–	794	–	798	–	831
7.75% US dollar 2,582 million bond due February 2010	–	1,806	–	1,877	–	1,899
Short-term borrowings	**11,023**	**9,451**	**11,130**	**9,505**	**11,163**	**9,624**

22. Borrowings continued

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

	Sterling equivalent nominal value		Fair value		Carrying value	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Financial liabilities measured at amortised cost:						
Bank loans	4,149	4,993	4,183	5,159	4,183	5,159
Redeemable preference shares	1,174	1,237	1,098	1,453	1,242	1,453
Other liabilities	385	4,314	385	4,186	385	4,122
Bonds:	11,455	6,976	11,961	6,559	12,675	8,064
US dollar floating rate note due June 2011	230	245	230	227	230	245
5.5% US dollar 750 million bond due June 2011	494	–	518	–	524	–
Euro floating rate note due January 2012	1,158	1,203	1,157	1,136	1,161	1,218
US dollar floating rate note due February 2012	329	350	329	322	329	350
5.35% US dollar 500 million bond due February 2012	329	–	351	–	352	–
3.625% euro 1,250 million bond due November 2012	1,113	–	1,157	–	1,149	–
6.75% Australian dollar 265 million bond due January 2013	160	–	161	–	167	–
Czech krona floating rate note due June 2013	19	18	19	18	19	18
Euro floating rate note due September 2013	757	786	756	714	758	788
5.0% US dollar 1,000 million bond due December 2013	658	–	704	–	718	–
6.875% euro 1,000 million bond due December 2013	891	–	1,024	–	936	–
Euro floating rate note due June 2014	1,113	1,157	1,099	1,029	1,114	1,158
4.15% US dollar 1,250 million bond due June 2014	823	–	856	–	852	–
5.125% euro 500 million bond due April 2015	445	463	496	470	475	495
3.375% US dollar 500 million bond due November 2015	329	–	327	–	330	–
5% euro 750 million bond due June 2018	668	694	721	699	694	721
7.875% US dollar 750 million bond due February 2030	494	525	589	577	814	876
6.25% US dollar 495 million bond due November 2032	326	346	328	333	453	485
6.15% US dollar 1,700 million bond due February 2037	1,119	1,189	1,139	1,034	1,600	1,710
Bonds in fair value hedge relationships:	9,395	11,823	10,085	11,982	10,147	12,951
5.875% euro 1,250 million bond due June 2010	–	1,157	–	1,195	–	1,258
5.5% US dollar 750 million bond due June 2011	–	525	–	544	–	575
5.35% US dollar 500 million bond due February 2012	–	350	–	357	–	385
3.625% euro 1,000 million bond due November 2012	–	925	–	919	–	967
6.75% Australian dollar 265 million bond due January 2013	–	128	–	127	–	140
5.0% US dollar 1,000 million bond due December 2013	–	699	–	713	–	786
6.875% euro 1,000 million bond due December 2013	–	925	–	1,005	–	973
4.625% sterling 350 million bond due September 2014	350	350	367	352	388	381
4.625% sterling 525 million bond due September 2014	525	525	550	526	532	519
2.15% Japanese yen 3,000 million bond due April 2015	21	21	22	22	22	22
5.375% US dollar 900 million bond due January 2015	592	630	636	632	650	711
5.0% US dollar 750 million bond due September 2015	494	525	529	516	543	598
6.25% euro 1,250 million bond due January 2016	1,113	1,157	1,278	1,208	1,168	1,182
5.75% US dollar 750 million bond due March 2016	494	525	536	527	556	614
4.75% euro 500 million bond due June 2016	445	463	477	448	503	512
5.625% US dollar 1,300 million bond due February 2017	856	909	919	904	960	1,070
5.375% sterling 600 million bond due December 2017	600	–	634	–	628	–
4.625% US dollar 500 million bond due July 2018	329	350	328	315	349	392
8.125% sterling 450 million bond due November 2018	450	450	553	535	487	483
5.45% US dollar 1,250 million bond due June 2019	823	–	857	–	849	–
4.65% euro 1,250 million bond January 2022	1,113	–	1,129	–	1,145	–
5.375% euro 500 million bond June 2022	445	463	481	433	525	534
5.625% sterling 250 million bond due December 2025	250	250	254	234	285	287
6.6324% euro 50 million bond due December 2028	45	46	64	46	54	50
5.9% sterling 450 million bond due November 2032	450	450	471	424	503	512
Long-term borrowings	**26,558**	**29,343**	**27,712**	**29,339**	**28,632**	**31,749**

During the year ended 31 March 2010 fair value hedge relationships relating to bonds with nominal value US$2,750 million (£1,810 million), €4,750 million (£4,125 million) and AUD 265 million (£161 million) were de-designated.

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

Maturity of borrowings

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

	Bank loans £m	Redeemable preference shares £m	Commercial paper £m	Bonds £m	Other liabilities £m	Loans in fair value hedge relationships £m	Total £m
Within one year	3,406	93	2,572	1,634	3,983	510	12,198
In one to two years	858	56	–	3,008	145	510	4,577
In two to three years	847	56	–	1,712	156	510	3,281
In three to four years	1,852	56	–	2,671	–	510	5,089
In four to five years	138	56	–	2,152	31	1,977	4,354
In more than five years	598	1,370	–	6,009	68	9,983	18,028
	7,699	**1,687**	**2,572**	**17,186**	**4,383**	**14,000**	**47,527**
Effect of discount/financing rates	(56)	(445)	(9)	(3,337)	(32)	(3,853)	(7,732)
31 March 2010	**7,643**	**1,242**	**2,563**	**13,849**	**4,351**	**10,147**	**39,795**
Within one year	950	127	2,670	787	1,053	5,222	10,809
In one to two years	2,361	97	–	283	3,663	1,808	8,212
In two to three years	665	59	–	2,105	25	1,443	4,297
In three to four years	525	59	–	269	314	1,589	2,756
In four to five years	1,345	59	–	1,064	252	2,118	4,838
In more than five years	342	1,517	–	7,360	71	8,928	18,218
	6,188	**1,918**	**2,670**	**11,868**	**5,378**	**21,108**	**49,130**
Effect of discount/financing rates	(136)	(465)	(11)	(3,289)	(209)	(3,647)	(7,757)
31 March 2009	**6,052**	**1,453**	**2,659**	**8,579**	**5,169**	**17,461**	**41,373**

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

	2010		2009	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	13,067	13,154	9,003	9,231
In one to two years	929	938	592	668
In two to three years	1,083	974	739	609
In three to four years	1,040	932	765	603
In four to five years	868	816	743	577
In more than five years	7,607	5,912	7,062	5,129
	24,594	**22,726**	**18,904**	**16,817**

The currency split of the Group's foreign exchange derivatives, all of which mature in less than one year, is as follows:

	2010		2009	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Sterling	–	8,257	–	6,039
Euro	8,650	3,177	5,595	13
US dollar	1,545	55	2,527	1,127
Japanese yen	548	21	214	20
Other	1,485	755	81	1,285
	12,228	**12,265**	**8,417**	**8,484**

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The £37 million net receivable (2009: £67 million net receivable) in relation to foreign exchange financial instruments in the table above is split £95 million (2009: £37 million) within trade and other payables and £132 million (2009: £104 million) within trade and other receivables.

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

	2010 £m	2009 £m
Within one year	21	10
In two to five years	47	42
In more than five years	7	18

22. Borrowings continued

Interest rate and currency of borrowings

Currency	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings[1] £m	Other borrowings[2] £m
Sterling	3,022	3,022	–	–
Euro	14,244	9,429	4,815	–
US dollar	15,195	7,329	4,461	3,405
Japanese yen	2,605	2,605	–	–
Other	4,729	4,105	624	–
31 March 2010	**39,795**	**26,490**	**9,900**	**3,405**
Sterling	2,549	2,549	–	–
Euro	15,126	13,605	1,521	–
US dollar	17,242	10,565	3,071	3,606
Japanese yen	2,660	2,660	–	–
Other	3,796	3,323	473	–
31 March 2009	**41,373**	**32,702**	**5,065**	**3,606**

Notes:
(1) The weighted average interest rate for the Group's euro denominated fixed rate borrowings is 5.3% (2009: 5.1%). The weighted average time for which the rates are fixed is 3.4 years (2009: 6.7 years). The weighted average interest rate for the Group's US dollar denominated fixed rate borrowings is 5.5% (2009: 6.6%). The weighted average time for which the rates are fixed is 12.3 years (2009: 25.4 years). The weighted average interest rate for the Group's other currency fixed rate borrowings is 10.1% (2009: 10.1%). The weighted average time for which the rates are fixed is 1.5 years (2009: 2.5 years).
(2) Other borrowings of £3,405 million (2009: £3,606 million) are the liabilities arising under put options granted over direct and indirect interests in Vodafone Essar.

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

At 31 March 2010 the Group had entered into foreign exchange contracts to decrease its sterling currency borrowings above by £8,257 million and to increase its euro, US dollar, Japanese yen and other currency borrowings above by amounts equal to £5,473 million, £1,490 million, £527 million and £730 million respectively.

At 31 March 2009 the Group had entered into foreign exchange contracts to decrease its sterling and other currency borrowings above by amounts equal to £6,039 million and £1,204 million respectively and to increase its euro, US dollar and Japanese yen borrowings above by amounts equal to £5,582 million, £1,400 million and £194 million respectively.

Further protection from euro and US dollar interest rate movements on debt is provided by interest rate swaps. At 31 March 2010 the Group had euro denominated interest rate swaps for amounts equal to £6,335 million and US dollar denominated interest rate swaps for amounts equal to £5,761 million. The average effective rate which has been fixed is 1.21% in relation to euro denominated interest rate swaps and 0.92% in relation to US dollar denominated interest rate swaps.

The Group has entered into euro and US dollar denominated interest rate futures. The euro denominated interest rate futures cover the period June 2010 to September 2010, September 2010 to December 2010 and December 2010 to March 2011 for amounts equal to £7,888 million, £8,461 million and £4,067 million respectively. The average effective rate which has been fixed is 1.27%. The US dollar denominated interest rate futures cover the period June 2010 to September 2010, September 2010 to December 2010 and December 2010 to March 2011 for amounts equal to £3,197 million, £2,582 million and £1,119 million respectively. The average effective rate which has been fixed is 0.86%.

At 31 March 2009 the Group had entered into euro and US dollar denominated interest rate futures. The euro denominated futures covered the period June 2009 to September 2009, September 2009 to December 2009 and December 2009 to March 2010 for amounts equal to £6,845 million, £6,061 million and £3,931 million respectively. The US dollar denominated interest rate futures cover the period June 2009 to September 2009, September 2009 to December 2009 and December 2009 to March 2010 for amounts equal to £7,003 million, £7,871 million, and £9,333 million respectively.

Borrowing facilities

At 31 March 2010 the Group's most significant committed borrowing facilities comprised two bank facilities of US$4,115 million (£2,709 million) and US$5,025 million (£3,308 million) both expiring between one and three years (2009: two bank facilities of US$4,115 million (£2,878 million) and US$5,025 million (£3,514 million)), a US$650 million (£428 million) bank facility which expires in more than 5 years (2009: £nil), a ¥259 billion (£1,821 million, 2009: ¥259 billion (£1,820 million)) term credit facility, which expires within one year, two loan facilities of €400 million (£356 million) and €350 million (£312 million) both expiring between two and five years and a loan facility of €410 million (£365 million) which expires in more than five years (2009: two loan facilities of €400 million (£370 million) and €350 million (£324 million)). The US dollar bank facilities remained undrawn throughout the financial year, the ¥259 billion term credit facility was fully drawn down on 21 December 2005, the €400 million and €350 million loan facilities were fully drawn on 14 February 2007 and 12 August 2008 respectively and the €410 million facility remains undrawn.

Under the terms and conditions of the US$4,115 million and US$5,025 million bank facilities, lenders have the right, but not the obligation, to cancel their commitment 30 days from the date of notification of a change of control of the Company and have outstanding advances repaid on the last day of the current interest period.

The facility agreements provide for certain structural changes that do not affect the obligations of the Company to be specifically excluded from the definition of a change of control. This is in addition to the rights of lenders to cancel their commitment if the Company has committed an event of default.

Substantially the same terms and conditions apply in the case of Vodafone Finance K.K.'s ¥259 billion term credit facility although the change of control provision is applicable to any guarantor of borrowings under the term credit facility. Additionally, the facility agreement requires Vodafone Finance K.K. to maintain a positive tangible net worth at the end of each financial year. As of 31 March 2010 the Company was the sole guarantor.

The terms and conditions of the €400 million loan facility are similar to those of the US dollar bank facilities, with the addition that, should the Group's Turkish operating company spend less than the equivalent of US$800 million on capital expenditure, the Group will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.

The terms and conditions of the €350 million loan facility are similar to those of the US dollar bank facilities, with the addition that, should the Group's Italian operating company spend less than the equivalent of €1,500 million on capital expenditure, the Group will be required to repay the drawn amount of the facility that exceeds 18% of the capital expenditure.

In addition to the above, certain of the Group's subsidiaries had committed facilities at 31 March 2010 of £5,759 million (2009: £4,725 million) in aggregate, of which £1,647 million (2009: £1,571 million) was undrawn. Of the total committed facilities £1,139 million (2009: £675 million) expires in less than one year, £2,880 million (2009: £2,275 million) expires between two and five years, and £1,740 million (2009: £1,775 million) expires in more than five years.

Redeemable preference shares

Redeemable preference shares comprise class D and E preferred shares issued by Vodafone Americas, Inc. An annual dividend of US$51.43 per class D and E preferred share is payable quarterly in arrears. The dividend for the year amounted to £56 million (2009: £51 million). The aggregate redemption value of the class D and E preferred shares is US$1.65 billion. The holders of the preferred shares are entitled to vote on the election of directors and upon each other matter coming before any meeting of the shareholders on which the holders of ordinary shares are entitled to vote. Holders are entitled to vote on the basis of twelve votes for each share of class D or E preferred stock held. The maturity date of the 825,000 class D preferred shares is 6 April 2020. The 825,000 class E preferred shares have a maturity date of 1 April 2020. The class D and E preferred shares have a redemption price of US$1,000 per share plus all accrued and unpaid dividends.

23. Post employment benefits

Background

At 31 March 2010 the Group operated a number of pension plans for the benefit of its employees throughout the world which vary depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through both defined benefit and defined contribution arrangements. Defined benefit schemes provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

The Group's principal defined benefit pension scheme in the United Kingdom, a tax approved final salary scheme which was closed to new entrants from 1 January 2006, was closed to future accrual by current members on 31 March 2010. The assets of the scheme are held in an external trustee administered fund. In addition, the Group operates defined benefit schemes in Germany, Ghana, Greece, India, Ireland, Italy, Turkey and the United States. Defined contribution pension schemes are currently provided in Australia, Egypt, Greece, Hungary, Ireland, Italy, Kenya, Malta, the Netherlands, New Zealand, Portugal, South Africa, Spain and the United Kingdom.

Income statement expense

	2010 £m	2009 £m	2008 £m
Defined contribution schemes	110	73	63
Defined benefit schemes	50	40	28
Total amount charged to the income statement (note 32)	**160**	**113**	**91**

Defined benefit schemes

The principal actuarial assumptions used for estimating the Group's benefit obligations are set out below:

	2010[1] %	2009[1] %	2008[1] %
Weighted average actuarial assumptions used at 31 March:			
Rate of inflation	3.5	2.6	3.1
Rate of increase in salaries	4.6	3.7	4.3
Rate of increase in pensions in payment and deferred pensions	3.5	2.6	3.1
Discount rate	5.7	6.3	6.1
Expected rates of return:			
Equities	8.5	8.4	8.0
Bonds[2]	5.1	5.7	4.4
Other assets	2.8	3.7	1.3

Notes:
(1) Figures shown represent a weighted average assumption of the individual schemes.
(2) For the year ended 31 March 2010 the expected rate of return for bonds consisted of a 5.5% rate of return for corporate bonds (2009: 6.1%; 2008: 4.7%) and a 4.0% rate of return for government bonds (2009: 4.0%; 2008: 3.5%).

The expected return on assets assumptions are derived by considering the expected long-term rates of return on plan investments. The overall rate of return is a weighted average of the expected returns of the individual investments made in the group plans. The long-term rates of return on equities and property are derived from considering current risk free rates of return with the addition of an appropriate future risk premium from an analysis of historic returns in various countries. The long-term rates of return on bonds and cash investments are set in line with market yields currently available at the statement of financial position date.

Mortality assumptions used are consistent with those recommended by the individual scheme actuaries and reflect the latest available tables, adjusted for the experience of the Group where appropriate. The largest scheme in the Group is the UK scheme and the tables used for this scheme indicate a further life expectancy for a male/female pensioner currently aged 65 of 22.3/25.4 years (2009: 22.0/24.8 years, 2008: 22.0/24.8 years) and a further life expectancy from age 65 for a male/female non-pensioner member currently aged 40 of 24.6/27.9 years (2009: 23.2/26.0 years, 2008: 23.2/26.0 years).

Measurement of the Group's defined benefit retirement obligations are particularly sensitive to changes in certain key assumptions including the discount rate. An increase or decrease in the discount rate of 0.5% would result in a £172 million decrease or a £199 million increase in the defined benefit obligation respectively.

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

	2010 £m	2009 £m	2008 £m
Current service cost	29	46	53
Interest cost	77	83	69
Expected return on pension assets	(76)	(92)	(89)
Curtailment/settlement	20	3	(5)
Total included within staff costs	**50**	**40**	**28**
Actuarial losses recognised in the SOCI	149	220	47
Cumulative actuarial losses recognised in the SOCI	496	347	127

23. Post employment benefits continued

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

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

	2010 £m	2009 £m	2008 £m
Movement in pension assets:			
1 April	1,100	1,271	1,251
Exchange rate movements	(10)	50	50
Expected return on pension assets	76	92	89
Actuarial gains/(losses)	286	(381)	(176)
Employer cash contributions	133	98	86
Member cash contributions	12	15	13
Benefits paid	(45)	(45)	(42)
Other movements	(65)	–	–
31 March	**1,487**	**1,100**	**1,271**
Movement in pension liabilities:			
1 April	1,332	1,310	1,292
Exchange rate movements	(15)	69	60
Arising on acquisition	–	33	–
Current service cost	29	46	53
Interest cost	77	83	69
Member cash contributions	12	15	13
Actuarial losses/(gains)	435	(161)	(129)
Benefits paid	(79)	(45)	(42)
Other movements	(101)	(18)	(6)
31 March	**1,690**	**1,332**	**1,310**

An analysis of net assets/(deficits) is provided below for the Group's principal defined benefit pension scheme in the UK and for the Group as a whole.

	UK					Group				
	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Analysis of net assets/(deficits):										
Total fair value of scheme assets	1,131	755	934	954	835	1,487	1,100	1,271	1,251	1,123
Present value of funded scheme liabilities	(1,276)	(815)	(902)	(901)	(847)	(1,625)	(1,196)	(1,217)	(1,194)	(1,128)
Net (deficit)/assets for funded schemes	**(145)**	**(60)**	**32**	**53**	**(12)**	**(138)**	**(96)**	**54**	**57**	**(5)**
Present value of unfunded scheme liabilities	–	(8)	–	–	–	(65)	(136)	(93)	(98)	(96)
Net (deficit)/assets	**(145)**	**(68)**	**32**	**53**	**(12)**	**(203)**	**(232)**	**(39)**	**(41)**	**(101)**
Net (deficit)/assets are analysed as:										
Assets	–	–	32	53	–	34	8	65	82	19
Liabilities	(145)	(68)	–	–	(12)	(237)	(240)	(104)	(123)	(120)

It is expected that contributions of £31 million will be paid into the Group's defined benefit retirement schemes during the year ending 31 March 2011.

Actual return on pension assets

	2010 £m	2009 £m	2008 £m
Actual return on pension assets	362	(289)	(87)
Analysis of pension assets at 31 March is as follows:	%	%	%
Equities	59.6	55.6	68.5
Bonds	37.5	41.9	17.7
Property	0.3	0.4	0.3
Other	2.6	2.1	13.5
	100.0	**100.0**	**100.0**

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

History of experience adjustments

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Experience adjustments on pension liabilities:					
Amount	8	6	(5)	(2)	(4)
Percentage of pension liabilities	–	–	–	–	–
Experience adjustments on pension assets:					
Amount	286	(381)	(176)	26	121
Percentage of pension assets	19%	(35%)	(14%)	2%	11%

24. Provisions

	Asset retirement obligations £m	Other provisions £m	Total £m
1 April 2008	208	454	662
Exchange movements	34	75	109
Amounts capitalised in the year	111	–	111
Amounts charged to the income statement	–	194	194
Utilised in the year – payments	(4)	(106)	(110)
Amounts released to the income statement	–	(72)	(72)
Other	12	–	12
31 March 2009	**361**	**545**	**906**
Exchange movements	(7)	(6)	(13)
Arising on acquisition	–	20	20
Amounts capitalised in the year	40	–	40
Amounts charged to the income statement	–	259	259
Utilised in the year – payments	(3)	(157)	(160)
Amounts released to the income statement	–	(37)	(37)
Other	(21)	–	(21)
31 March 2010	**370**	**624**	**994**

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

	2010 £m	2009 £m
Current liabilities	497	373
Non-current liabilities	497	533
	994	**906**

Asset retirement obligations

In the course of the Group's activities, a number of sites and other assets are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are generally expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature.

Other provisions

Included within other provisions are provisions for legal and regulatory disputes and amounts provided for property and restructuring costs. The Group is involved in a number of legal and other disputes, including notification of possible claims. The directors of the Company, after taking legal advice, have established provisions after taking into account the facts of each case. The timing of cash outflows associated with legal claims cannot be reasonably determined. For a discussion of certain legal issues potentially affecting the Group, refer to note 29. The associated cash outflows for restructuring costs are substantially short-term in nature. The timing of the cash flows associated with property is dependent upon the remaining term of the associated lease.

25. Trade and other payables

	2010 £m	2009 £m
Included within non-current liabilities:		
Other payables	76	91
Accruals and deferred income	379	322
Derivative financial instruments	361	398
	816	**811**
Included within current liabilities:		
Trade payables	3,254	3,160
Amounts owed to associates	17	18
Other taxes and social security payable	998	762
Other payables	650	1,163
Accruals and deferred income	9,064	8,258
Derivative financial instruments	99	37
	14,082	**13,398**

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

	2010 £m	2009 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	330	381
Foreign exchange swaps	95	37
	425	**418**
Fair value hedges:		
Interest rate swaps	35	17
	460	**435**

26. Acquisitions

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

	£m
Cash consideration paid:	
Vodacom Group Limited	1,577
Other acquisitions completed during the year	26
Acquisitions of non-controlling interests	150
Acquisitions completed in previous years	(20)
	1,733
Net overdrafts acquired	44
	1,777

Total goodwill acquired was £1,185 million and included £1,193 million in relation to Vodacom, £27 million in relation to other acquisitions completed during the year and a reduction of £35 million resulting from amendments to provisional purchase price allocations on acquisitions completed in previous periods. In addition, there was a reduction of £102 million in relation to the merger of Vodafone Hutchison Australia.

Vodacom Group Limited ('Vodacom')

On 20 April 2009 the Group acquired an additional 15% stake in Vodacom for cash consideration of ZAR 20.6 billion (£1.6 billion). On 18 May 2009 Vodacom became a subsidiary following the listing of its shares on the Johannesburg Stock Exchange and concurrent termination of the shareholder agreement with Telkom SA Limited, the seller and previous joint venture partner. During the period from 20 April 2009 to 18 May 2009 the Group continued to account for Vodacom as a joint venture, proportionately consolidating 65% of the results of Vodacom.

The results of the acquired entity have been consolidated in the income statement from 18 May 2009. From 18 May 2009 the acquired entity contributed £90 million to the profit attributable to equity shareholders of the Group.

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

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired:			
Identifiable intangible assets[(1)]	271	2,931	3,202
Property, plant and equipment	1,603	–	1,603
Other investments	25	–	25
Inventory	56	–	56
Trade and other receivables	870	–	870
Cash and cash equivalents	58	–	58
Current and deferred taxation liabilities	(140)	(834)	(974)
Short and long-term borrowings	(1,312)	–	(1,312)
Trade and other payables	(897)	8	(889)
Net identifiable assets acquired	**534**	**2,105**	**2,639**
Goodwill[(2)]			1,193
Total asset acquired			**3,832**
Non-controlling interests			(973)
Revaluation gain			(860)
Value of investment held prior to acquisition			(422)
Total consideration[(3)]			**1,577**

Notes:
(1) Identifiable intangible assets of £3,202 million consist of licences and spectrum fees of £1,454 million and other intangible assets of £1,748 million.
(2) The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group's acquisition of Vodacom.
(3) Includes £5 million of directly attributable costs.

Pro-forma full year information

The following unaudited pro-forma summary presents the Group as if the additional stake in Vodacom had been acquired on 1 April 2009. The pro-forma amounts include the results of Vodacom, amortisation of the acquired intangible assets recognised on acquisition and interest expense on the increase in net debt as a result of the acquisition. The pro-forma amounts do not include any possible synergies from the acquisition of an additional stake in Vodacom. The pro-forma information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

	2010 £m
Revenue	44,677
Profit for the financial year	8,556
Profit attributable to equity shareholders	8,603

	Pence
Basic earnings per share	16.36
Diluted earnings per share	16.28

Australia

On 9 June 2009 Vodafone Australia completed its merger with Hutchison 3G Australia to form a 50:50 joint venture. Vodafone Hutchison Australia (Pty) Limited, which, in due course, will market its products and services solely under the Vodafone brand. The results of the combined business have been proportionately consolidated in the Group's results as a joint venture from the date of the merger.

Other

During the 2010 financial year the Group completed a number of smaller acquisitions for net cash consideration of £26 million paid during the year. The aggregate goodwill and fair values of identifiable assets and liabilities of the acquired operations were £27 million, £23 million and £24 million respectively.

27. Reconciliation of net cash flow from operating activities

	2010 £m	2009 £m	2008 £m
Profit for the financial year	8,618	3,080	6,756
Adjustments for:			
Share-based payments	150	128	107
Depreciation and amortisation	7,910	6,814	5,909
Loss on disposal of property, plant and equipment	101	10	70
Share of result in associates	(4,742)	(4,091)	(2,876)
Impairment losses, net	2,100	5,900	–
Other income and expense	(114)	–	28
Non-operating income and expense	10	44	(254)
Investment income	(716)	(795)	(714)
Financing costs	1,512	2,419	2,014
Income tax expense	56	1,109	2,245
Decrease/(increase) in inventory	2	81	(78)
(Increase)/decrease in trade and other receivables	(714)	80	(378)
Increase/(decrease) in trade and other payables	1,164	(145)	460
Cash generated by operations	**15,337**	**14,634**	**13,289**
Tax paid	(2,273)	(2,421)	(2,815)
Net cash flow from operating activities	**13,064**	**12,213**	**10,474**

Notes to the consolidated financial statements continued

28. Commitments

Operating lease commitments

The Group has entered into commercial leases on certain properties, network infrastructure, motor vehicles and items of equipment. The leases have various terms, escalation clauses, purchase options and renewal rights, none of which are individually significant to the Group.

Future minimum lease payments under non-cancellable operating leases comprise:

	2010 £m	2009 £m
Within one year	1,200	1,041
In more than one year but less than two years	906	812
In more than two years but less than three years	776	639
In more than three years but less than four years	614	539
In more than four years but less than five years	512	450
In more than five years	2,235	2,135
	6,243	**5,616**

The total of future minimum sublease payments expected to be received under non-cancellable subleases is £246 million (2009: £197 million).

Capital commitments

	Company and subsidiaries		Share of joint ventures		Group	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Contracts placed for future capital expenditure not provided in the financial statements(1)	1,800	1,706	219	401	2,019	2,107

Note:
(1) Commitment includes contracts placed for property, plant and equipment and intangible assets.

29. Contingent liabilities

	2010 £m	2009 £m
Performance bonds	246	157
Credit guarantees – third party indebtedness	76	61
Other guarantees and contingent liabilities	496	445

Performance bonds

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

Credit guarantees – third party indebtedness

Credit guarantees comprise guarantees and indemnities of bank or other facilities including those in respect of the Group's associates and investments.

Other guarantees and contingent liabilities

Other guarantees principally comprise commitments to the Spanish tax authorities of £221 million (2009: £229 million).

The Group also enters into lease arrangements in the normal course of business which are principally in respect of land, buildings and equipment. Further details on the minimum lease payments due under non-cancellable operating lease arrangements can be found in note 28.

The Company has covenanted to provide security in favour of the Trustee of the Vodafone Group UK Pension Scheme in respect of the funding deficit in the scheme. The initial security takes the form of a Japanese law share pledge over 400,000 class 1 preferred shares of ¥200,000 in BB Mobile Corp. The security may be replaced either on a voluntary or mandatory basis but while the security asset consists of the preferred shares, the percentage cover to the secured liabilities will be 100%. As and when alternative security is provided, the Company has agreed that the security cover should include additional headroom of 33% but (i) where cash is used as the security asset the ratio will revert to 100% of the relevant liabilities and (ii) where the proposed replacement security asset is listed on an internationally recognised stock exchange in certain defined core jurisdictions, the Trustee may decide to agree a lower ratio than 133%.

Legal proceedings

The Company and its subsidiaries are currently, and may be from time to time, involved in a number of legal proceedings, including inquiries from or discussions with governmental authorities, that are incidental to their operations. However, save as disclosed below, the Company and its subsidiaries are not involved currently in any legal or arbitration proceedings (including any governmental proceedings which are pending or known to be contemplated) which may have, or have had in the 12 months preceding the date of this report, a significant effect on the financial position or profitability of the Company and its subsidiaries. With the exception of the Vodafone 2 enquiry, due to inherent uncertainties, no accurate quantification of any cost, or timing of such cost, which may arise from any of the legal proceedings outlined below can be made.

The Company is one of a number of co-defendants in four actions filed in 2001 and 2002 in the Superior Court of the District of Columbia in the United States alleging personal injury, including brain cancer, from mobile phone use. We are not aware that the health risks alleged in such personal injury claims have been substantiated and we are vigorously defending such claims. In August 2007 the trial court dismissed all four actions against the Company on the basis of the federal pre-emption doctrine. On 29 October 2009 the District of Columbia Court of Appeals ruled on the plaintiffs' appeal of the trial court's dismissal of all claims in the action on the basis of the federal pre-emption doctrine. The Court of Appeals has upheld the dismissal of most claims. However the decision permits the plaintiffs to continue any claims alleging i) injuries in respect of mobile phones purchased before 1 August 1996 (the date of the Federal Communication Commission's Specific Absorption Rate standard ('FCC standard')); ii) injuries in respect of mobile phones alleged not to have complied with the FCC standard; and iii) fraud and misrepresentation in respect of the sale or marketing of mobile phones in question. The cases have returned to the trial court to be adjudicated in accordance with the Court of Appeals' decision, and on 3 May 2010, plaintiffs in the four actions filed amended complaints with the Superior Court. The defendants are expected to answer or move to dismiss the actions in June 2010.

In October 2004, one of our subsidiaries, Vodafone 2, instigated a legal challenge to an enquiry ('the Vodafone 2 enquiry') by HMRC with regard to the UK tax treatment of its Luxembourg holding company, Vodafone Investments Luxembourg SARL ('VIL'), under the CFC Regime. Vodafone 2 argued that the CFC Regime was incompatible with EU law and the Vodafone 2 enquiry ought to be closed.

In September 2006, the European Court of Justice determined in the Cadbury Schweppes case (C-196/04) that the CFC Regime would be incompatible with EU law unless it could be interpreted as applying only to wholly artificial arrangements intended to escape national tax normally payable ('wholly artificial arrangements'). On 22 May 2009, the Court of Appeal ('CoA') held that the CFC Regime could be so interpreted by reading a new exemption into the CFC Regime in respect of subsidiaries which are 'actually established' in another EU Member State and carry on 'genuine economic activities' there. The CoA ruled that the Vodafone 2 enquiry should be allowed to continue on this basis. The CoA's decision became final when, on 17 December 2009, the Supreme Court refused Vodafone 2 permission to appeal.

The Vodafone 2 enquiry and other enquiries involving similar holding companies in Luxembourg are ongoing. The outcome of these enquiries, including whether further legal proceedings will be required to ultimately resolve them, is uncertain at this stage. We carried provisions of £2.2 billion (2009: £2.2 billion) in respect of the potential UK corporation tax exposure at 31 March 2010.

On 12 November 2007 the Company became aware of the filing of a purported class action complaint in the United States District Court for the Southern District of New York by The City of Edinburgh Council on behalf of the Lothian Pension Fund ('Lothian') against the Company and certain of the Company's current and former officers and directors for alleged violations of US federal securities laws. The complaint alleged that the Company's financial statements and certain disclosures between 10 June 2004 and 27 February 2006 were materially false and misleading, among other things, as a result of the Company's alleged failure to report on a timely basis a write-down for the impaired value of Vodafone's German, Italian and Japanese subsidiaries. The complaint sought compensatory damages of an unspecified amount and other relief on behalf of a putative class comprised of all persons who purchased publicly traded securities, including ordinary shares and American depositary receipts, of the Company between 10 June 2004 and 27 February 2006. The plaintiff subsequently served the complaint and, on or about 27 March 2008, the plaintiff filed an amended complaint asserting substantially the same claims against the same defendants on behalf of the same putative investor class. Thereafter an additional plaintiff, a US pension fund that purportedly purchased Vodafone ADRs on the New York Stock Exchange, was added as an additional plaintiff by stipulated order. We believe that the allegations are without merit and filed a motion to dismiss the amended complaint on 6 June 2008. By judgment entered on 1 December 2008 the court dismissed the amended complaint for lack of subject matter jurisdiction. The plaintiffs subsequently filed a motion for reconsideration of that dismissal arguing that the court overlooked the claims of the US pension fund, as to which there had been no subject matter jurisdiction challenge. On 9 April 2009 the court granted that motion to the extent that it sought reopening of the action for the purpose of adjudication of the claims asserted on behalf of the US pension fund but denied the motion with respect to the dismissal of Lothian's claims. On 20 May 2009, the Court granted the Company's motion to dismiss the claims of the US pension fund on the grounds that the complaint failed to plead securities fraud with the requisite specificity, but granted the plaintiff leave to file a motion to amend its complaint. The plaintiff filed a motion for leave to amend the complaint on 26 June 2009, which the Company opposed. On 22 January 2010 the Court denied that motion and on 30 January 2010 entered a judgment dismissing the action. The Company has not been served with a notice of appeal within the time permitted under the relevant civil procedure rules and now considers the case to be closed.

Vodafone Essar Limited ('VEL') and Vodafone International Holdings B.V. ('VIHBV') each received notices in August 2007 and September 2007 respectively, from the Indian tax authorities alleging potential liability in connection with alleged failure by VIHBV to deduct withholding tax from consideration paid to the Hutchison Telecommunications International Limited group ('HTIL') in respect of HTIL's gain on its disposal to VIHBV of its interests in a wholly-owned subsidiary that indirectly holds interests in VEL. Following the receipt of such notices, VEL and VIHBV each filed writs seeking orders that their respective notices be quashed and that the tax authorities take no further steps under the notices. Initial hearings have been held before the Bombay High Court and in the case of VIHBV the High Court heard the writ in June 2008. In December 2008 the High Court dismissed VIHBV's writ. VIHBV subsequently filed a special leave petition to the Supreme Court to appeal the High Court's dismissal of the writ. On 23 January 2009 the Supreme Court referred the question of the tax authority's jurisdiction to seek to pursue tax back to the tax authority for adjudication on the facts with permission granted to VIHBV to appeal that decision back to the High Court should VIHBV disagree with the tax authority's findings. On 30 October 2009 VIHBV received a notice from the tax authority requiring VIHBV to show cause as to why it believes that the tax authority does not have competent jurisdiction to proceed against VIHBV for the default of non-deduction of withholding tax from consideration paid to HTIL. VIHBV provided a response on 29 January 2010. VEL's case continues to be stayed pending the outcome of the VIHBV hearing. VIHBV believes that neither it nor any other member of the Group is liable for such withholding tax and intends to defend this position vigorously.

Notes to the consolidated financial statements continued

30. Directors and key management compensation

Directors

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

	2010 £m	2009 £m	2008 £m
Salaries and fees	5	4	5
Incentive schemes	3	2	4
Benefits	1	–	1
Other[1]	–	1	–
	9	**7**	**10**

Note:
(1) Other amounts in 2009 include the value of the cash allowance taken by some individuals in lieu of pension contributions and payments in respect of loss of office and relocation to the US.

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 31 March 2010 by directors who served during the year was £1 million (2009: £nil, 2008: £nil).

Further details of directors' emoluments can be found in "Directors' remuneration" on pages 57 to 67.

Key management compensation

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

	2010 £m	2009 £m	2008 £m
Short-term employee benefits	21	17	20
Post-employment benefits:			
Defined benefit schemes	–	–	1
Defined contribution schemes	1	1	1
Share-based payments	20	14	10
	42	**32**	**32**

31. Related party transactions

The Group's related parties are its joint ventures (see note 13), associates (see note 14), pension schemes, directors and Executive Committee members. Group contributions to pension schemes are disclosed in note 23. Compensation paid to the Company's Board and members of the Executive Committee is disclosed in note 30.

Transactions with joint ventures and associates

Related party transactions with the Group's joint ventures and associates primarily comprise fees for the use of products and services including network airtime and access charges, and cash pooling arrangements.

No related party transactions have been entered into during the year which might reasonably affect any decisions made by the users of these consolidated financial statements except as disclosed below. Transactions between the Company and its joint ventures are not material to the extent that they have not been eliminated through proportionate consolidation or disclosed below.

	2010 £m	2009 £m	2008 £m
Sales of goods and services to associates	281	205	165
Purchase of goods and services from associates	159	223	212
Purchase of goods and services from joint ventures	194	57	13
Net interest (receivable from)/payable to joint ventures[1]	(44)	(18)	27
Trade balances owed:			
by associates	24	50	21
to associates	17	18	22
by joint ventures	27	10	16
to joint ventures	40	33	39
Other balances owed by joint ventures[1]	751	311	127

Note:
(1) Amounts arise primarily through Vodafone Italy, Vodafone Hutchison Australia and Indus Towers and represent amounts not eliminated on consolidation. Interest is paid in line with market rates.

Amounts owed by and owed to associates are disclosed within notes 17 and 25. Dividends received from associates are disclosed in the consolidated statement of cash flows.

Transactions with directors other than compensation

During the three years ended 31 March 2010, and as of 17 May 2010, neither any director nor any other executive officer, nor any associate of any director or any other executive officer, was indebted to the Company.

During the three years ended 31 March 2010, and as of 17 May 2010, the Company has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel (including directors, any other executive officer, senior manager, any spouse or relative of any of the foregoing or any relative of such spouse) had or was to have a direct or indirect material interest.

32. Employees

The average employee headcount during the year by nature of activity and by segment is shown below:

	2010 Employees	2009 Employees	2008 Employees
By activity:			
Operations	14,099	13,889	12,891
Selling and distribution	27,398	25,174	22,063
Customer care and administration	43,493	40,034	37,421
	84,990	**79,097**	**72,375**
By segment:			
Germany	13,507	13,788	13,631
Italy	6,207	6,247	6,669
Spain	4,326	4,354	4,057
UK	9,766	10,350	10,367
Other Europe	8,591	8,765	8,645
Europe	**42,397**	**43,504**	**43,369**
Vodacom	6,833	3,246	2,751
Other Africa and Central Europe	14,231	13,789	10,925
Africa and Central Europe	**21,064**	**17,035**	**13,676**
India	10,132	8,674	6,323
Other Asia Pacific and Middle East	7,905	6,765	6,051
Asia Pacific and Middle East	**18,037**	**15,439**	**12,374**
Common Functions	3,492	3,119	2,956
Total	**84,990**	**79,097**	**72,375**

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

	2010 £m	2009 £m	2008 £m
Wages and salaries	3,045	2,607	2,175
Social security costs	415	379	325
Share-based payments (note 20)	150	128	107
Other pension costs (note 23)	160	113	91
	3,770	**3,227**	**2,698**

Audit report on the Company financial statements

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

We have audited the parent company financial statements of Vodafone Group Plc for the year ended 31 March 2010 which comprise the balance sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

We have reported separately on the consolidated financial statements of Vodafone Group Plc for the year ended 31 March 2010.

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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the directors' statement of responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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 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.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 March 2010;
- have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Panos Kakoullis (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London
United Kingdom
18 May 2010

Company financial statements of Vodafone Group Plc

at 31 March

	Note	2010 £m	2009 £m
Fixed assets			
Shares in Group undertakings	3	65,085	64,937
Current assets			
Debtors: amounts falling due after more than one year	4	1,914	2,352
Debtors: amounts falling due within one year	4	116,905	126,334
Other investments	5	388	–
Cash at bank and in hand		24	111
		119,231	**128,797**
Creditors: amounts falling due within one year	6	(78,185)	(92,339)
Net current assets		**41,046**	**36,458**
Total assets less current liabilities		**106,131**	**101,395**
Creditors: amounts falling due after more than one year	6	(23,840)	(21,970)
		82,291	**79,425**
Capital and reserves			
Called up share capital	7	4,153	4,153
Share premium account	9	43,011	43,008
Capital redemption reserve	9	10,101	10,101
Capital reserve	9	88	88
Other reserves	9	988	957
Own shares held	9	(7,827)	(8,053)
Profit and loss account	9	31,777	29,171
Equity shareholders' funds		**82,291**	**79,425**

The Company financial statements were approved by the Board of directors on 18 May 2010 and were signed on its behalf by:

Vittorio Colao
Chief Executive

Andy Halford
Chief Financial Officer

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

Notes to the Company financial statements

1. Basis of preparation

The separate financial statements of the Company are drawn up in accordance with the Companies Act 2006 and UK GAAP.

The preparation of Company financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Company financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company is not presented in this annual report. These separate financial statements are not intended to give a true and fair view of the profit or loss or cash flows of the Company. The Company has not published its individual cash flow statement as its liquidity, solvency and financial adaptability are dependent on the Group rather than its own cash flows.

The Company has taken advantage of the exemption contained in FRS 8 "Related Party Disclosures" and has not reported transactions with fellow Group undertakings.

The Company has taken advantage of the exemption contained in FRS 29 "Financial Instruments: Disclosures" and has not produced any disclosures required by that standard, as disclosures that comply with FRS 29 are available in the Vodafone Group Plc annual report for the year ended 31 March 2010.

2. Significant accounting policies

The Company's significant accounting policies are described below.

Accounting convention

The Company financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards of the UK Accounting Standards Board and pronouncements of the Urgent Issues Task Force.

Investments

Shares in Group undertakings are stated at cost less any provision for impairment.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

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

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the Company's functional currency at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit and loss account for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss account for the period.

Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that exist at the balance sheet date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Company financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the company balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

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

Capital market and bank borrowings

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

Equity instruments

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

Derivative financial instruments and hedge accounting

The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Company designates certain derivatives as hedges of the change of fair value of recognised assets and liabilities ('fair value hedges'). Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting or the Company chooses to end the hedging relationship.

Fair value hedges
The Company's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings.

The Company designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the profit and loss account for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. The ineffective portion is recognised immediately in the profit and loss account.

Share-based payments
The Group operates a number of equity settled share-based compensation plans for the employees of subsidiaries using the Company's equity instruments. The fair value of the compensation given in respect of these share-based compensation plans is recognised as a capital contribution to the Company's subsidiaries over the vesting period. The capital contribution is reduced by any payments received from subsidiaries in respect of these share-based payments.

Dividends paid and received
Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

Pensions
The Company is the sponsoring employer of the Vodafone Group pension scheme, a defined benefit pension scheme. The Company is unable to identify its share of the underlying assets and liabilities of the Vodafone Group pension scheme on a consistent and reasonable basis. Therefore, the Company has applied the guidance within FRS 17 to account for defined benefit schemes as if they were defined contribution schemes and recognise only the contribution payable each year. The Company had no contributions payable for the years ended 31 March 2010 and 31 March 2009.

3. Fixed assets

Shares in Group undertakings

	£m
Cost:	
1 April 2009	70,208
Additions	489
Capital contributions arising from share-based payments	150
Contributions received in relation to share-based payments	(119)
Disposals	(12)
31 March 2010	**70,716**
Amounts provided for:	
1 April 2009	5,271
Amounts provided for during the year	360
31 March 2010	**5,631**
Net book value:	
31 March 2009	**64,937**
31 March 2010	**65,085**

At 31 March 2010 the Company had the following principal subsidiaries:

Name	Principal activity	Country of incorporation	Percentage shareholding
Vodafone European Investments	Holding company	England	100
Vodafone Group Services Limited	Global products and services provider	England	100

4. Debtors

	2010 £m	2009 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	116,521	126,010
Taxation recoverable	200	44
Other debtors	184	280
	116,905	**126,334**
Amounts falling due after more than one year:		
Deferred taxation	12	18
Other debtors	1,902	2,334
	1,914	**2,352**

Notes to the Company financial statements continued

5. Other investments

	2010 £m	2009 £m
Investments	**388**	–

The short-term investments are classified as available-for-sale and consist of index linked government bonds which are held on an effective floating rate basis.

6. Creditors

	2010 £m	2009 £m
Amounts falling due within one year:		
Bank loans and other loans	4,360	7,717
Amounts owed to subsidiaries	73,663	84,394
Taxation payable	31	–
Other creditors	111	174
Accruals and deferred income	20	54
	78,185	**92,339**
Amounts falling due after more than one year:		
Other loans	23,488	21,707
Other creditors	352	263
	23,840	**21,970**

Included in amounts falling due after more than one year are other loans of £12,468 million, which are due in more than five years from 1 April 2010 and are payable otherwise than by instalments. Interest payable on these loans ranges from 2.15% to 8.125%.

7. Share capital

	2010 Number	2010 £m	2009 Number	2009 £m
Authorised:(1)				
Ordinary shares of 11 3/7 US cents each	68,250,000,000	4,875	68,250,000,000	4,875
B shares of 15 pence each	38,563,935,574	5,784	38,563,935,574	5,784
Deferred shares of 15 pence each	28,036,064,426	4,206	28,036,064,426	4,206
Ordinary shares allotted, issued and fully paid:(2)				
1 April	57,806,283,716	4,153	58,255,055,725	4,182
Allotted during the year	2,963,016	–	51,227,991	3
Cancelled during the year	–	–	(500,000,000)	(32)
31 March	**57,809,246,732**	**4,153**	**57,806,283,716**	**4,153**
B shares allotted, issued and fully paid:(3)				
1 April	–	–	87,429,138	13
Redeemed during the year	–	–	(87,429,138)	(13)
31 March	**–**	**–**	**–**	**–**

Notes:
(1) 50,000 (2009: 50,000) 7% cumulative fixed rate shares of £1 each were authorised, allotted, issued and fully paid by the Company.
(2) At 31 March 2010 the Company held 5,146,112,159 (2009: 5,322,411,101) treasury shares with a nominal value of £370 million (2009: £382 million). The number of shares held by the Group as treasury shares, at 31 March 2010, has been adjusted down by 27 million which represents a number of shares that the Company previously reported as being purchased on the 10 September 2008, via Lehman Brothers International (Europe) ('LBIE'), and held in treasury. As a result of LBIE being placed in administration on the 15 September 2008 the shares were not settled to the Company's designated treasury account and are believed to be held in a proprietary account with the Administrator. The Company has treated the transaction to buy back the shares as failed.
(3) On 31 July 2006 Vodafone Group Plc undertook a return of capital to shareholders via a B share scheme and associated share consolidation. A total of 66,271,035,240 B shares were issued on that day, and 66,271,035,240 existing ordinary shares of 10 US cents each were consolidated into 57,987,155,835 new ordinary shares of 11 3/7 US cents each. B shareholders were given the alternatives of initial redemption or future redemption at 15 pence per share or the payment of an initial dividend of 15 pence per share. The initial redemption took place on 4 August 2006 with future redemption dates on 5 February and 5 August each year until 5 August 2008 when the Company redeemed all B shares still in issue at their nominal value of 15 pence.

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
UK share awards and option scheme awards	1,612,486	–	1
US share awards and option scheme awards	1,350,530	–	2
Total for share awards and option scheme awards	**2,963,016**	**–**	**3**

8. Share-based payments

The Company currently uses a number of equity settled share plans to grant options and shares to the directors and employees of its subsidiaries, as listed below.

Share option plans

- Vodafone Group savings related and sharesave plans
- Vodafone Group executive plans
- Vodafone Group 1999 Long-Term Stock Incentive Plan and ADSs
- Other share option plans

Share plans

- Share Incentive Plan
- Other share plans

At 31 March 2010 the Company had 266 million ordinary share options outstanding (2009: 333 million) and 1 million ADS options outstanding (2009: 1 million).

The Company has made a capital contribution to its subsidiaries in relation to share-based payments. At 31 March 2010 the cumulative capital contribution net of payments received from subsidiaries was £359 million (31 March 2009: £328 million, 1 April 2008: £313 million). During the year ended 31 March 2010 the capital contribution arising from share-based payments was £150 million (2009: £128 million), with payments of £119 million (2009: £113 million) received from subsidiaries.

Full details of share-based payments, share option schemes and share plans are disclosed in note 20 to the consolidated financial statements.

9. Reserves and reconciliation of movements in equity shareholders' funds

	Share Capital £m	Share premium account £m	Capital redemption reserve £m	Capital reserve £m	Other reserves £m	Own shares held £m	Profit and loss account £m	Total equity shareholders' funds £m
1 April 2009	4,153	43,008	10,101	88	957	(8,053)	29,171	79,425
Allotment of shares	–	3	–	–	–	–	–	3
Own shares released on vesting of share awards	–	–	–	–	–	189	–	189
Profit for the financial year	–	–	–	–	–	–	6,693	6,693
Dividends	–	–	–	–	–	–	(4,131)	(4,131)
Capital contribution given relating to share-based payments	–	–	–	–	150	–	–	150
Contribution received relating to share-based payments	–	–	–	–	(119)	–	–	(119)
Other movements	–	–	–	–	–	37	44	81
31 March 2010	**4,153**	**43,011**	**10,101**	**88**	**988**	**(7,827)**	**31,777**	**82,291**

The profit for the financial year dealt with in the accounts of the Company is £6,693 million (2009: £5,853 million). Under English law, the amount available for distribution to shareholders is based upon the profit and loss reserve of the Company and is reduced by the amount of own shares held and is limited by statutory or other restrictions.

The auditor's remuneration for the current year in respect of audit and audit related services was £0.9 million (2009: £1.3 million) and for non-audit services was £0.5 million (2009: £0.2 million).

The directors are remunerated by the Company for their services to the Group as a whole. No remuneration was paid to them specifically in respect of their services to Vodafone Group Plc for either year. Full details of the directors' remuneration are disclosed in "Directors' remuneration" on pages 57 to 67.

There were no employees other than directors of the Company throughout the current or the preceding year.

10. Equity dividends

	2010 £m	2009 £m
Declared during the financial year:		
Final dividend for the year ended 31 March 2009: 5.20 pence per share (2008: 5.02 pence per share)	2,731	2,667
Interim dividend for the year ended 31 March 2010: 2.66 pence per share (2009: 2.57 pence per share)	1,400	1,350
	4,131	**4,017**
Proposed after the balance sheet date and not recognised as a liability:		
Final dividend for the year ended 31 March 2010: 5.65 pence per share (2009: 5.20 pence per share)	2,976	2,731

Notes to the Company financial statements continued

11. Contingent liabilities

	2010 £m	2009 £m
Performance bonds	5	35
Credit guarantees – third party indebtedness	5,112	5,317
Other guarantees and contingent liabilities	224	231

Performance bonds
Performance bonds require the Company to make payments to third parties in the event that the Company or its subsidiaries do not perform what is expected of them under the terms of any related contracts.

Credit guarantees – third party indebtedness
Credit guarantees comprise guarantees and indemnities of bank or other facilities.

A subsidiary of the Company has granted put options exercisable between 8 May 2010 and 8 May 2011 to members of the Essar group of companies that, if exercised, would allow the Essar group to sell its 33% shareholding in Vodafone Essar to the Group for US$5 billion or to sell up to US$5 billion worth of Vodafone Essar shares to the Group at an independently appraised fair market value. The Company has guaranteed payment of up to US$5 billion related to these options.

At 31 March 2010 the Company had also guaranteed debt of Vodafone Finance K.K. amounting to £1,821 million (2009: £1,820 million). This facility expires in March 2011.

Other guarantees and contingent liabilities
Other guarantees principally comprise of a guarantee relating to a commitment to the Spanish tax authorities of £221 million (2009: £229 million).

As discussed in note 29 to the consolidated financial statements the Company has covenanted to provide security in favour of the Trustee of the Vodafone Group UK Pension Scheme in respect of the funding deficit in the scheme.

Legal proceedings
Details regarding certain legal actions which involve the Company are set out in note 29 to the consolidated financial statements.