Vodafone Group Plc

Annual Report
For the year ended 31 March 2011

power to you

Delivering a more valuable Vodafone

Group highlights for the 2011 financial year

£45.9bn	£11.8bn	£7.0bn	370.9m	8.90p
Revenue	**Adjusted operating profit**	**Free cash flow**	**Mobile customers**	**Total dividends**
3.2% growth	3.1% growth	2.7% decrease	14.5% growth	7.1% growth

Highlights of the year

- Group revenue increased 3.2% to £45.9 billion with a strong result from emerging markets and signs of renewed growth in some parts of Europe.
- Adjusted operating profit rose 3.1% to £11.8 billion, supported by a good performance from our US associate, Verizon Wireless.
- Free cash flow of £7.0 billion, reflecting consistent levels of capital expenditure and strong working capital performance.
- £14.2 billion expected to be raised from agreed disposals of interests in China Mobile (China), SoftBank (Japan) and, after year end, SFR (France).
- Total dividends per share of 8.90 pence, up 7.1% in line with our dividend per share growth target. £6.8 billion committed to share buybacks.

Our new strategy

In November 2010 we unveiled an updated strategy to move us from 'A Stronger Vodafone' to 'A More Valuable Vodafone'. The new strategy is composed of four main elements:

Focus on key areas of growth potential

Mobile data, emerging markets, enterprise, total communications and new services.

Deliver value and efficiency from scale

Using our size and scale to drive cost efficiencies and operational effectiveness.

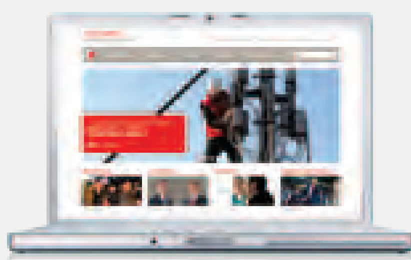
Generate liquidity or free cash flow from non-controlled interests

Releasing liquidity and free cash flow from minority stakes and investments.

Apply rigorous capital discipline to investment decisions

Allocating capital to maximise shareholder value.

Find out more on pages 12 to 27



You can visit our online annual report at:

www.vodafone.com/investor

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These sections make up the directors' report.

The terms 'Vodafone', the 'Group', 'we', 'our' and 'us' refer to the Company and, as applicable, its subsidiaries and/or interests in joint ventures and associates.

Unless otherwise stated references: to 'year' or '2011' mean the financial year ended 31 March 2011; to '2010' or 'previous year' mean the financial year ended 31 March 2010; to the 'third quarter', 'previous quarter' or 'Q3' are to the quarter ended 31 December 2010; and to the 'fourth quarter' or 'Q4' are to the quarter ended 31 March 2011.

All amounts marked with an '(*)' represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates.

Definitions of terms used throughout the report can be found on page 149.

This report is dated 17 May 2011.

About us
A business intent on meeting all our customers' communication needs

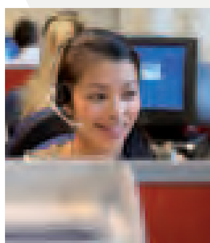
Technologies and resources
The latest technologies offering our best customer experience

Network infrastructure
We have one of the largest mobile footprints in the world with more than 224,000 base station sites. During the year our networks carried around 850 billion minutes of voice traffic (equivalent to 208 minutes per month, per customer) and 161 petabytes of data equivalent to downloading over 1,400 three minute video clips every second.

Network performance
We continue to invest around £6 billion a year to maintain leadership of our networks. Tests show that in the Europe region, Vodacom and Egypt, Vodafone offers peak user data downlink speeds which are on average 40% faster than our best competitors.

Research and development ('R&D')
We drive innovation through new technologies and enhancements to existing capabilities. This year R&D expenditure amounted to £287 million.

Customer support technologies
Our billing and customer relationship management systems are being enhanced to enable our customers to manage a single account, with a single bill, for multiple devices or for several people.



Customer service
We are redesigning and improving our customer care, retail presence and online service to ensure that customers get the best data experience with Vodafone.

Licences and spectrum
Licences and spectrum enable us to deliver fixed and mobile communications services in certain markets. During the year we acquired additional licences and spectrum in several markets, including India for third generation ('3G') services and Germany for the provision of fourth generation ('4G') or 'LTE' services, to enhance the speed, coverage and quality of voice and data services in those markets.

Strategic agreements
We work closely with some of the world's leading companies to deliver innovative products and services to our customers. Our agreements with Samsung, Google®, Microsoft®, HTC and others have enabled us to be first to market with cutting-edge smart devices. We now distribute the Apple iPad in the UK and to our enterprise customers in Europe. For enterprise customers, in partnership with Microsoft we provide the Microsoft Online suite which provides hosted email, conferencing and collaboration services. In conjunction with RIM® and Nokia, Vodafone customers using smartphones will be able to securely pay for applications via their Vodafone bill.

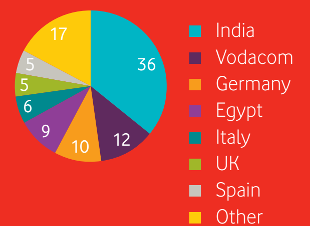
Brand
According to Brand Finance plc, the Vodafone brand has risen to become the fifth most valuable brand in the world. In the 2010 calendar year we renewed our title partnership with the Vodafone McLaren Mercedes Formula One team. It has been a strong year for the sponsorship with increased television viewing figures and greater exposure.

People
We employed approximately 83,900 people worldwide during the year, compared to 85,000 the previous year.

Customers
International customer base with diverse needs

We have an international customer base in both developed and emerging markets with over 370 million mobile customers in more than 30 countries. During the year we added over 40 million customers, mostly in India. We serve

Customers by markets (%)



Employees by activity (%)

Distribution

A broad range of channels through which customers can access our services and products

Direct channels

We directly own and manage about 2,200 stores around the world and we also have around 10,300 Vodafone-branded stores run through franchise and exclusive dealer arrangements. In most of our local markets sales forces also sell direct to enterprise customers.

Indirect channels

The level of indirect distribution varies between markets and may include using third party service providers, independent dealers, distributors and retailers.

Online

The internet has also become an increasingly powerful and cost-effective distribution channel. 51% of our European contract customers receive their bills online.

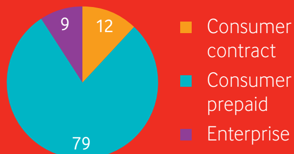
Distribution

Services

Devices

a broad range of customers from individuals on either prepaid or contract price plans to enterprise customers ranging from small and medium sized businesses to larger domestic and multinational companies. Our customers' needs are evolving with increasing demand for multi-product offers which combine mobile and fixed broadband solutions with traditional voice and SMS services.

Customers segments (%)



Services

Services to meet all our customers' needs

Voice

We are one of the largest carriers of mobile voice traffic in the world providing domestic, international and roaming voice services to more than 370 million customers.

Messaging

Our networks sent and received over 292 billion text, picture, music and video messages this year.

Data

More than 75 million customers buy our mobile data services which allow access to the internet, email and applications on their phones, tablets, laptops and netbooks.

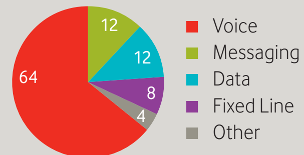
Fixed line

Over six million customers use our fixed broadband services in 13 markets to meet their total communications needs. In addition, through Gateway, we provide wholesale carrier services to more than 40 African countries.

Other service revenue

This includes business managed services, such as secure remote network access, and revenue from mobile virtual network operators generated from selling access to our network at the wholesale level.

Service revenue by type (%)



Devices

Ensuring that our services are available through multiple platforms

Smartphones and tablets

These have advanced capabilities including access to email, the internet and mobile applications such as Google Maps™ and Facebook. Smartphones now account for 19% of the total number of phones used by our customers in Europe. We now supply the iPhone in 19 markets.

Vodafone branded handsets

We are making Vodafone designed handsets available to mass market audiences while offering differentiated experiences. During the year 14 new handsets were released under our own brand and we shipped 5.8 million.

Other connected devices

In addition to handsets, we supply a range of innovative connected smart devices. During the year we launched our first ever USB stick based on 4G/LTE technology and Vodafone WebBox which enables customers to connect to the internet using existing television sets by simply plugging in a keyboard with an embedded mobile SIM.

4G/LTE mobile broadband USB stick

The Samsung GT-B3740, is our first ever 4G/LTE network device which enables customers to experience super-fast mobile broadband.

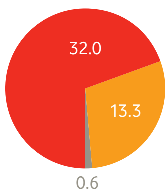
Vodafone at a glance

We are one of the world's largest mobile communications companies by revenue

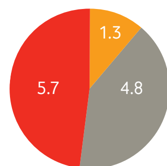
Base station
We are leaders in data networks with over 66,000 3G sites delivering high speed mobile broadband capability.

Vodafone M-Pesa
Over 20 million people, mainly in emerging markets, use this service to send and receive money using their mobile phones. More on page 20.

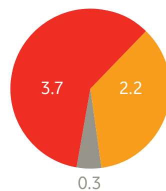
Revenue (£bn)



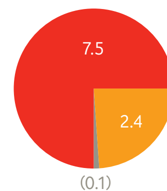
Adjusted operating profit (£bn)



Capital expenditure (£bn)



Operating free cash flow (£bn)



- Europe
- Africa, Middle East and Asia Pacific
- Non-Controlled Interests and Common Functions

Partner markets
Partner markets extend our reach outside our equity investments by entering into a partnership agreement with a local mobile operator, enabling a range of our global products and services to be marketed in that operator's territory. Under the terms of these partner market agreements we cooperate with our partners in the development and marketing of certain services and products. These partnerships create additional revenue through fees paid by the partners for access to Vodafone Group products, services and our brand portfolio without the need for equity investment.

As part of the agreement for the sale of Vodafone's interest in SFR to Vivendi, we have entered into an agreement with SFR which will continue our commercial cooperation and will allow us to continue to deliver cross-border services to customers across the major markets of western Europe.

Over 40
Partner markets

Europe

Our mobile subsidiaries and joint venture in Europe operate under the brand name 'Vodafone' and our major fixed line businesses operate as 'Vodafone' or in the case of Italy as 'TeleTu' or in Spain as 'Tele2'.

Africa, Middle East and Asia Pacific ('AMAP')

Our subsidiaries and joint ventures in AMAP operate under the 'Vodafone' brand, or in the case of Vodacom and its mobile subsidiaries, as 'Vodacom' and 'Gateway' brands. In India we operate as 'Vodafone Essar'. Our associate in Kenya operates as 'Safaricom'.

	Europe	AMAP
Revenue[1]	2.5% decrease £32.0bn (2010: £32.8bn)	20.0% growth £13.3bn (2010: £11.1bn)
Adjusted operating profit[1]	9.8% decrease £5.7bn (2010: £6.4bn)	55.5% growth £1.3bn (2010: £0.8bn)
Capital expenditure[1]	stable £3.7bn (2010: £3.7bn)	6.2% growth £2.2bn (2010: £2.1bn)
Operating free cash flow[1]	9.2% decrease £7.5bn (2010: £8.2bn)	53.7% growth £2.4bn (2010: £1.6bn)

Mobile customers by market[2]

Europe

	Millions
Germany	36.7
Italy	23.4
UK	19.1
Spain	17.3
Turkey	16.8
Romania	9.2
Portugal	6.1
Netherlands	5.0
Greece	3.9
Czech Republic	3.2
Hungary	2.7
Ireland	2.2
Albania	1.6
Malta	0.2
Total	**147.4**

AMAP

	Millions
India	134.6
Vodacom	43.5
Egypt	31.8
Australia	3.6
Ghana	3.0
New Zealand	2.5
Qatar	0.8
Fiji	0.3
Total	**220.1**

Vodacom consists of:	
South Africa	26.5
Tanzania	8.9
Democratic Republic of Congo	4.2
Mozambique	3.1
Lesotho	0.8

In addition to the above, our associate Safaricom had 6.9 million mobile customers based on our percentage ownership.

Notes:
(1) The sum of these amounts do not equal Group totals due to Non-Controlled Interests and Common Functions and intercompany eliminations.
(2) Controlled and jointly controlled businesses. Excludes 3.4 million customers representing the Group's share of customers in our Polish joint venture Polkomtel which is in our Non-Controlled Interests and Common Functions segment.

Non-Controlled Interests and Common Functions

Non-Controlled Interests are businesses in which we have an equity interest but do not have management control. We aim to maximise the value of these interests either by generating liquidity or increasing free cash flow. During the year we sold our interests in China Mobile and SoftBank and in April 2011 we announced an agreement to sell our 44% interest in SFR.

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

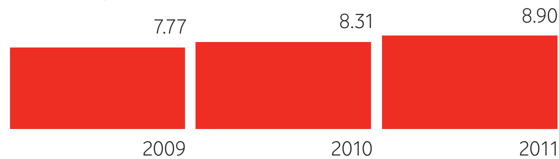
Business	Country	Ownership at 31 March 2011
Verizon Wireless	US	45.0%
SFR	France	44.0%[1]
Polkomtel	Poland	24.4%
Bharti Airtel	India	4.4%[2]
China Mobile	China	Sold[3]
SoftBank	Japan	Sold[4]

Notes:
(1) Sale announced in April 2011.
(2) Indirect interest.
(3) We previously held a 3.2% interest in China Mobile Limited.
(4) Our interests previously included loan notes and receivables issued by SoftBank.

£7.4bn
Agreed proceeds from the sale of Non-Controlled Interests

Chairman's statement

"I leave Vodafone with huge optimism for its future"



Improving operational performance

After the macroeconomic shocks of the previous financial year and the business challenges that accompanied them, our overall operating environment did not deteriorate further during the year. Most markets saw economic growth recover, although southern Europe remained weaker.

Within this context, the Group has performed well. We achieved organic service revenue growth of 2.1%(*), a significant change in momentum from last year's 1.6%(*) decline.

Our adjusted operating profit was up 3.1% at £11.8 billion, reflecting a stable performance in our controlled operations and strong growth in the contribution from Verizon Wireless, our US associate.

Data has been the key driver of growth over the last year. Our customers around the world are increasingly drawn to the experience of the mobile internet and related services. Organic data revenue growth was 26.4%(*) achieved through combining increasingly disciplined pricing structures with a broad range of devices and a network with a deserved reputation for market-leading speed and reliability.

We have continued to make substantial investments in our infrastructure to maintain our advantage over our peers, with a total capital expenditure outlay of £6.2 billion during the year. The Group, however, remains highly cash generative, with free cash flow for the year totalling £7.0 billion.

Delivering value from non-controlled interests

The Board remains committed to achieving full value from the non-controlled interests within the Group. This has been an ongoing process, starting with the disposals of our interests in Belgacom and Swisscom five years ago, but inevitably pausing during the financial crisis when asset prices were depressed. During the year, we successfully disposed of our holdings in China Mobile Limited and SoftBank, generating proceeds of £7.4 billion. Just after the year end, we were pleased to announce the sale of our 44% interest in SFR, the number two mobile operator in France.

Increasing shareholder returns

This time last year the Board put in place a target to grow total dividends per share by at least 7% per annum over the following three years, and I am pleased to announce a 7.1% increase in the final dividend for the March 2011 year, giving a total payout for the year of 8.90 pence.

In addition, from the proceeds from our portfolio rationalisation, we have committed £6.8 billion to share buyback programmes. Combined with the dividend, this takes total committed shareholder returns during the year to £15.7 billion, or 17% of our market capitalisation at 31 March 2011. Including share price appreciation, our total shareholder return for the year was 23%, compared to 8% for the FTSE 100.

Tax policy

During the year, the Group has been involved in two high profile tax cases in the UK and India. Our tax policy is straightforward: we pay taxes that are due in the countries where we make profits or record capital gains in line with the prevailing legislation of those jurisdictions.

Our people

I am proud to say every year that our people all around the world are absolutely committed to serving our customers and are often the difference between Vodafone and our competitors. However, this year I must highlight the extraordinary commitment and dedication shown to maintaining services to customers in two of our markets in extremis.

In Egypt, our employees risked their personal safety in a very volatile environment to keep the network up and running at a time when mobile communication was more important than ever, keeping the voice network outage to less than 24 hours.

In New Zealand, our people responded magnificently to the earthquake that devastated Christchurch in February 2011. They ensured network coverage was maintained 24 hours a day despite major power outages and structural damage, and managed unprecedented levels of demand as the mobile phone became the primary means of communication for the people of Christchurch and the rescue services. The team worked around the clock to ensure the safety of our own staff and to provide temporary stores and subsidised packages to support customers' communications needs.

The Vodafone Foundation

We have continued to fund the good work of the Vodafone Foundation. Through the Vodafone Foundation and our network of national affiliate foundations we support communities and societies in the countries in which we operate. In this financial year we invested a total of £50 million in foundation programmes and social causes.

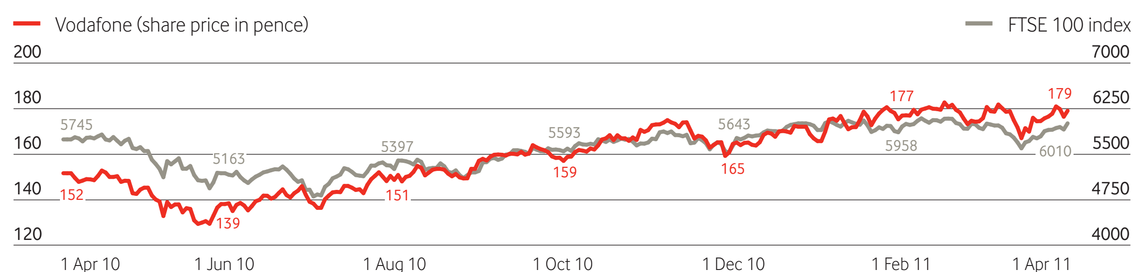
Our World of Difference programme is now in 20 countries and has so far enabled 1,500 people to take paid time to work for a charitable purpose of their choice in their own community or in a developing country.

Our Mobiles for Good programme, combining our technology with our giving, saw the launch of Instant Network, a partnership with Telecoms Sans Frontieres which enables a network to be deployed from three suitcases, covering 10 sq km for usage of up to 12,000 people. Field trials are currently underway.

+23%
Vodafone total shareholder return
(2011 financial year)

+8%
FTSE 100 total shareholder return
(2011 financial year)

Vodafone share price vs FTSE 100



Across the Group we continue to promote text giving, enabling our customers to give money simply and free of charge to support charitable appeals following disasters. Using this platform we raised over NZ$1.3 million for the Red Cross to support the people of Christchurch.

The Board

During the year the Board appointed Renee James as a non-executive director. Renee is Senior Vice President and General Manager of the Software and Services Group for Intel Corporation. She joined the Board in January 2011 and it is clear that her industry knowledge and expertise will make a strong contribution to the Group through another period of rapid technological change.

The Board welcomed the publication in February of the Davies Review on Women on Boards and, in line with its recommendations, it is our aspiration to have a minimum of 25% female representation on the Board by 2015. The Financial Reporting Council is currently consulting on changes to the UK Corporate Governance Code including a recommendation that companies adopt a boardroom diversity policy; we expect to comply with any such recommendation. The Board recognises the importance of gender balance throughout the Group and continues to support our CEO, Vittorio Colao, in his efforts to build a diverse organisation. Further information can be found in the Corporate Governance section of this report.

After five years as Chairman I am retiring from the Board at the AGM in July. It has been a privilege to chair a Board of such diverse and rich experience, and to help steer the Group through the challenges of a dynamic industry and an uncertain economic environment.

As a Board, our goal has always been to make the right decisions based on the long-term opportunities for the business. As a result, we now have an established presence in a number of emerging markets that offer attractive potential for sustained growth; and our commitment to maintaining investment throughout the economic cycle means we have mobile networks that lead the industry for speed and reliability. This will be crucial as customers' expectations grow in line with their data usage.

Furthermore, we have continually assessed the risks and opportunities of having capital deployed in some of our non-controlled interests. This is particularly true of Verizon Wireless, from which we have not received a dividend (other than tax related dividend receipts) for six years. It would arguably have been easier to sell our stake along the way, but our decision to remain invested has been strongly vindicated by its exceptional operating performance and strong cash generation, which have led to a significant increase in the value of the asset.

Our approach has led to strong returns to shareholders over the last five years. Total shareholder return since July 2006 has been 85%, compared to 22% for the FTSE 100.

I am delighted to welcome Gerard Kleisterlee as Vodafone's new Chairman. As CEO of Philips, Gerard spent ten successful years at the helm of an international consumer technology business, and the Group is certain to make continued good progress under his stewardship. I wish him, and the Group, all the best for the future.

Sir John Bond
Chairman

Mobile telecommunications industry

An industry with 5.6 billion customers with growth driven by increasing global demand for data services and rising mobile penetration in emerging markets

Where the industry is now

Revenue and customers

- **The mobile industry generates around US$900 billion of annual revenue and accounts for around 1.5% of world GDP.**
- **There are 5.6 billion mobile customers which is equivalent to around 80% of the world population.**
- **Approximately 75% of mobile customers are in emerging markets such as India and China.**

Mobile services account for around 60% of telecommunications revenue with the remainder coming from fixed. Within mobile the majority of income comes from voice calls in mature markets such as Europe. However, the fastest growing revenue segment is data services such as access to the internet through laptops, tablets and smartphones.

The number of mobile customers far exceeds other forms of electronic communication. Only 1.3 billion people have fixed line telephones, 2.1 billion have access to the internet and 1.2 billion have televisions.

The mobile proportion of voice calls has increased over the last five years and now accounts for 82% of all calls made, with the remainder over fixed lines, reflecting the benefits of mobility, lower cost handsets and cheaper calling plans.

Competition and regulation

- **There are typically between three to five mobile network operators per market, although in some markets, such as India, there are considerably more.**
- **Regulators continue to seek to impose policies to lower the cost of access to mobile networks.**

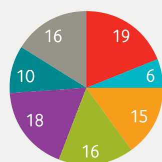
The telecommunications industry is competitive with consumers having a large choice of mobile and fixed line operators from which to select services. Newer competitors, including handset manufacturers, internet companies and software providers, are also entering the market offering integrated communication services.

Industry regulators continue to impose lower mobile termination rates (the fees mobile companies charge for calls received from other companies' networks) and lower roaming prices.

The combination of competition and regulatory pressures contributed to a 10% decline in the global average price per minute in the 2010 calendar year. However, price pressures are being partly offset by increased mobile usage leading to a 6% increase in mobile service revenue over the same period.

Mobile customers

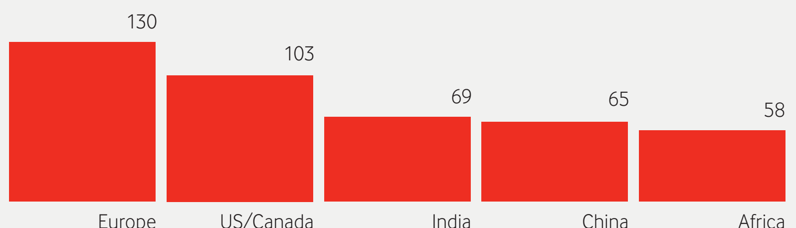
March 2011: 5.6 billion (%)



Europe
US/Canada
India
China
Other Asia Pacific
Africa
Other

Mobile penetration

March 2011 (%)



The industry data on pages 8 and 9 has been sourced from Wireless Intelligence, Strategy Analytics, Merrill Lynch, Informa WCIS and CISCO.

A growing industry
Data traffic has more than doubled year-on-year due to usage of smart connected devices and significant progress in mobile network technology.

Where the industry is going

Mobile data and networks

- **Mobile data traffic is driving revenue growth.**
- **Network speeds are increasing dramatically because of improving technology.**
- **The pace of product innovation remains high.**

In 2006 data accounted for 3% of industry revenue, in 2010 it reached 13% and by 2014 it is expected to be 21%. Demand is being driven by the widening range of smart connected devices, such as mobile broadband sticks, smartphones and tablets, greater network speeds and an increased range of applications with greater functionality. Smartphone sales grew by 66% in the 2010 calendar year, compared to a 16% increase in the 2009 calendar year, and are expected to continue to grow due to lower entry prices, device innovation and attractive applications.

Today's 3G networks offer typically achieved data download speeds of up to 4 Mbps which is around 100 times faster than that delivered by 2G networks ten years ago. The industry has recently begun to deploy 4G/LTE networks which will provide typically achieved rates of up to 12 Mbps, depending on the capability of the devices and the network.

Device innovation is a key feature of our industry. Recent developments include femtocells which enhance customers' indoor 3G signals via a fixed line broadband connection and mobile Wi-Fi devices which allow customers to share their mobile broadband connection with others.

Mobile data demand is being accelerated by devices and network improvements

	2006	2010
Smartphone share of industry handset shipments (%)	8	21
Typically achieved data download speeds (Mbps)	2.2	4

Emerging markets

- **Mobile phone usage continues to grow rapidly.**
- **Data represents a significant growth opportunity.**

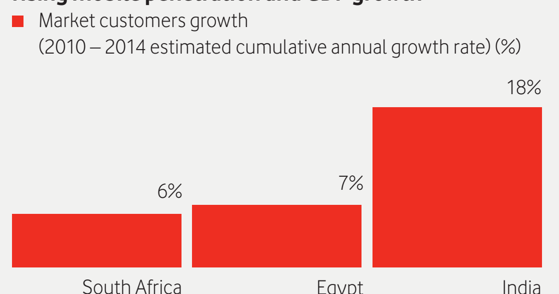
The number of customers using mobile services in emerging markets such as India and Africa has grown rapidly over the last ten years, increasing by over 17 times, compared to nearly 130% in more mature markets such as Europe. The key driver of growth has been a fundamental need for communication services against a background of often low quality alternative fixed line infrastructure and strong economic growth.

Most of the future growth in mobile customers is expected to continue to be in emerging markets where mobile penetration is only around 70% compared to approximately 130% in mature markets such as Europe, supported by the expectation of continued strong economic growth.

Data also represents a substantial growth opportunity in emerging markets both in terms of mobile broadband and mobile internet services. It is being driven partly by the lack of fixed line broadband infrastructure but also by locally relevant content and services in local languages, and software innovations that give customers a high-quality mobile internet experience on affordable handsets.

Emerging market customer growth will be driven by rising mobile penetration and GDP growth

- Market customers growth (2010 – 2014 estimated cumulative annual growth rate) (%)



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Chief Executive's review

"We are gaining or holding market share in most of our major markets and are leading our competitors in the drive to migrate customers to smartphones and data packages."

Financial review of the year

We have performed well this year, combining a better operational performance with good strategic progress. Organic service revenue growth improved during the year, with a strong result from emerging markets and signs of renewed growth in some parts of Europe.

Customers have adopted data services in increasing numbers, as smartphones proliferate and the tablet market begins to take off. Our network investment is becoming a key differentiator, as we are leading the migration to smartphones in most of our European operations. Through this and our continued stronger commercial focus, we are growing our market share again in most of our markets.

However, markets remain competitive and the economic environment, particularly across southern Europe, is challenging. We continue to keep a tight rein on costs and working capital, allowing us to maintain our levels of investment while again delivering a strong free cash flow performance.

Group revenue for the year was up 3.2% to £45.9 billion, with Group service revenue up 2.1%(*) on an organic basis and up 2.5%(*) in Q4. Group EBITDA margin fell 1.1 percentage points, reflecting continuing weakness across southern Europe, higher growth in lower margin markets, and the increased investment in migrating customers to higher value smartphones. As a result, EBITDA fell 0.4% year-on-year.

Group adjusted operating profit rose 3.1% to £11.8 billion, at the top end of our guidance range after allowing for currency exchange rate movements and despite the additional costs incurred by Verizon Wireless's iPhone launch. The main drivers were good growth in the Africa, Middle East and Asia Pacific region ('AMAP') and a strong performance from Verizon Wireless.

We recorded impairment charges of £6.1 billion relating to our businesses in Spain, Greece, Portugal, Italy and Ireland which were primarily driven by higher discount rates given sharply increased interest rates. The impairment in Spain represented approximately half of the total.

Free cash flow was £7.0 billion, at the top end of our medium-term guidance as a result of our continued financial discipline and a strong working capital performance. Capital expenditure was £6.2 billion, broadly flat on last year and in line with our target, as we focused on widening our data coverage and improving network performance.

Adjusted earnings per share was 16.75 pence, up 4.0% on last year, reflecting higher profitability and lower shares in issue as a result of the ongoing £2.8 billion buyback programme. The Board is recommending a final dividend per share of 6.05 pence, to give total dividends per share for the year of 8.90 pence, up 7.1% year-on-year.

Europe

Organic service revenue in Europe was down 0.4%(*) during the year and down 0.8%(*) in Q4. This represents a good recovery on last year (-3.8%)(*) and is the result of two different trends: the more stable economies of northern Europe (Germany, UK, Netherlands) were up 2.7%(*), while the rest of Europe was down 2.9%(*) as a result of the ongoing macroeconomic challenges. Data revenue growth continued to be strong, but was offset by continued voice price declines and cuts to mobile termination rates ('MTRs').

Organic EBITDA for Europe was down 3.7%(*) and the EBITDA margin fell 1.7 percentage points as a result of the decline in revenue, ongoing competitive activity and higher commercial costs as we accelerated smartphone adoption.

AMAP

Organic service revenue growth in AMAP was 9.5%(*), accelerating through the year to a level of 11.8%(*) in Q4. Our two major businesses, India and Vodacom, reported growth of 16.2%(*) and 5.8%(*) respectively. Our performance in India has been driven by increasing voice penetration and a more stable pricing environment. In South Africa, Vodacom continues to be highly successful in promoting data services.

Organic EBITDA was up 7.5%(*) with EBITDA margin falling 0.6 percentage points(*). The two main factors behind the margin decline were the adverse impact from higher recurring licence fee costs in India and the change in regional mix from the strong growth in India.

Verizon Wireless

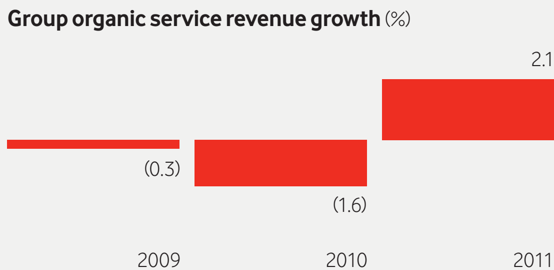
Our US associate, Verizon Wireless, has continued to perform strongly. Organic service revenue was up 5.8%(*) and EBITDA was up 6.7%(*), with good growth in customers and strong data take-up. In Q4, Verizon Wireless launched a CDMA version of the iPhone, ending the exclusivity of its main competitor. Our share of profits from Verizon Wireless amounted to £4.6 billion, up 8.5%(*).

Delivering a more valuable Vodafone

In November 2010 we announced an updated strategy, designed to build on the progress made during my first two years as CEO. There are four main elements to the strategy to build a more valuable Vodafone:

- Focus on key areas of growth potential;
- Deliver value and efficiency from scale;
- Generate liquidity or free cash flow from non-controlled interests; and
- Apply rigorous capital discipline to investment decisions.

I am pleased to say that we are making good progress in each area.



Focus on five key areas of growth potential

Mobile data: data revenue was up 26.4%(*) year-on-year to £5.1 billion, and now represents 12.0% of Group service revenue. We have continued to increase the penetration of smartphones into our customer base as these are a key driver of data adoption.

Network quality is absolutely central to our data strategy and we have made further significant investments over the last 12 months to improve the speed and reliability of our coverage. Based on third party tests performed in 16 of our main 3G markets, we rank first for overall data performance in 13 markets.

Enterprise: revenue in the overall European enterprise segment was up 0.5%(*) year-on-year and represented 29.5% of our European service revenue. Within this, Vodafone Global Enterprise, which serves our multinational customers, delivered revenue growth of around 8%(*) thanks to some important customer wins and increased penetration of existing customer accounts. This market offers attractive growth opportunities, as multinationals and smaller companies alike look not only to manage costs but also to move to converged platforms and improve mobile connectivity for their workforces.

Emerging markets: the Group has an attractive level of exposure to emerging markets where penetration is lower and GDP growth higher than in the more mature markets of western Europe.

Total communications: we continue to develop our fixed line capabilities to meet our customers' total communications needs beyond mobile connectivity. Revenue from our fixed line operations amounted to £3.4 billion, up 5.2%(*) year-on-year.

New services: machine-to-machine platforms ('M2M'), mobile financial services and near-field communications, among other new services, all offer potential for incremental growth. During the year we made good progress in our M2M business and continued the growth and expansion of our mobile money transfer platform, which now has over 20 million customers and is currently being trialled in India.

Deliver value and efficiency from scale

The current composition of the Group has enabled us to increase efficiency and achieve favourable comparable cost positions in many markets. During the year we also established a more formal relationship with Verizon to leverage our purchasing power across a wide range of suppliers.

Generate liquidity or free cash flow from non-controlled interests

During the year we agreed disposals of our 3.2% stake in China Mobile Limited and our SoftBank interests for a total cash consideration of £7.4 billion. Subsequent to the year end, we announced the sale of our 44% holding in SFR, the number two mobile operator in France, to Vivendi, the majority shareholder, for £6.8 billion. These three transactions crystallised significant value for shareholders, with £6.8 billion of proceeds being committed to share buyback programmes.

Applying rigorous capital discipline to investment decisions

We continue to apply capital discipline to our investment decisions. We apply rigorous commercial analysis and demanding hurdle rates to ensure that any investment or corporate activity will enhance shareholder returns. We will continue to undertake regular reviews of Vodafone's entire portfolio to ensure that we optimise value for shareholders.

Prospects for 2012 financial year

We enter the new financial year in a strong position. We are gaining or holding market share in most of our major markets, and are leading our competitors in the drive to migrate customers to smartphones and data packages. We will continue to focus on our key growth areas of data, enterprise and emerging markets, while maintaining investment in network quality and the development of new services.

However, we continue to face challenging macroeconomic conditions across our southern European footprint, and we expect further regulated cuts to mobile termination rates to have a negative impact of about 2.5 percentage points on service revenue growth in the 2012 financial year.

The Group EBITDA margin is expected to continue to decline, albeit at a lower rate than in the 2011 financial year. The main driver is the persistent revenue decline in some of our southern European operations.

Adjusted operating profit is expected to be in the range of £11.0 billion to £11.8 billion, reflecting the loss of our £0.5 billion share of profits from SFR as a result of the disposal of our 44% interest.

Free cash flow is expected to be in the range of £6.0 to £6.5 billion, reflecting continued strong cash generation offset by the £0.3 billion reduction in dividends from SFR and China Mobile Limited in the 2012 financial year, and the more limited working capital improvements available going forward. Capital expenditure is expected to be at a similar level to last year on a constant currency basis.

We are well positioned to continue to deliver value to shareholders through the achievement of our medium-term targets for revenue, free cash flow and dividend growth; our commitment to investment in profitable growth areas; and our clear capital discipline.

Vittorio Colao
Chief Executive

Strategy in action

"Our new strategy is delivering a more valuable Vodafone"

Our strategic goals

Focus on key areas of growth potential

More on pages 14 to 24

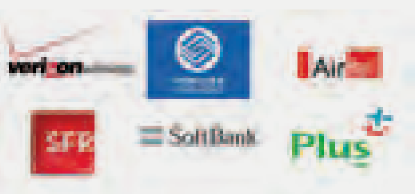
We aim to deliver organic service revenue growth of 1-4% per year until the year ending 31 March 2014. We see five key areas of growth potential:

- mobile data: accelerate mobile data growth opportunity;
- emerging markets: increase mobile penetration and data adoption;
- enterprise: selectively expand growth segments;
- total communications: continue to develop the adoption of converged fixed and mobile services; and
- new services: expand into new growth areas including machine-to-machine and financial services.

Deliver value and efficiency from scale

More on page 25

We will continue to drive benefit from the Group's scale advantage and maintain our focus on cost. We have favourable cost positions in many markets and intend to generate further significant savings from technology standardisation, off-shoring, outsourcing and platform sharing.



Generate liquidity or free cash flow from non-controlled interests

More on page 26

We will seek to maximise the value of non-controlled interests either through generating liquidity or increasing free cash flow in order to fund profitable investment and enhance shareholder returns.

Apply rigorous capital discipline to investment decisions

More on page 27

We will continue to apply capital discipline to our investment decisions through rigorous commercial analysis and demanding investment criteria to ensure any investment in existing businesses or acquisitions will enhance value for shareholders.

We aim to maintain our low single A long-term credit rating.

Notes:
(1) See "Principal risk factors and uncertainties" on pages 45 to 46 for more details on the risks facing our business and "Corporate governance – Risk management and Risk mitigation" on page 59 for detail on how we manage and mitigate risk.
(2) Organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates.
(3) India, Vodacom, Egypt, Turkey, Ghana, Qatar, and Fiji.

Our business in India has grown from 28 million customers at the time of acquisition in May 2007 to become our largest market with over 134 million customers at 31 March 2011.

Business drivers

The following are some of our principal business drivers which may influence our performance[1]

How we measure our progress

A number of factors may impact the prices we charge and therefore the revenue we receive including:

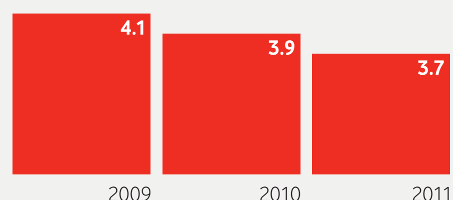
- competition;
- regulatory decisions and legislation on mobile termination rates, international roaming charges and the availability and cost of spectrum; and
- changes in macroeconomic conditions.

Key revenue performance indicators[2]

	2009	2010	2011
Service revenue growth	(0.3)%	(1.6)%	2.1%
Data revenue growth	25.9%	19.3%	26.4%
Emerging markets service revenue growth[3]	6.4%[4]	7.9%	11.8%
Europe enterprise service revenue growth	–[5]	(4.8)%	0.5%
Fixed line revenue growth	2.1%	7.9%	5.2%

The net savings from our cost efficiency programmes may be impacted by inflationary pressures and the volume of traffic on our networks which can affect our operating costs. Net savings will be used either to invest in commercial activities or respond to competitor activity or retained for margin enhancement.

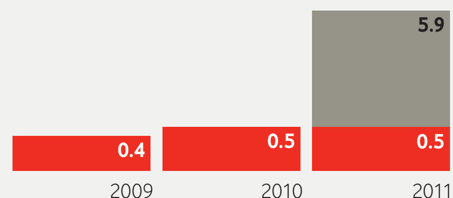
Organic European operating expenses (£bn)



In those businesses in which we have a non-controlling interest, matters such as the timing and amount of cash distribution may require the consent of our partners which can influence the level of free cash flow we receive from that business.

Dividends and sale proceeds from non-controlled interests (£bn)

- Dividend income from non-controlled interests[6]
- Cash received from the sale of non-controlled interests[7]



The returns we make on investments may be impacted by competitor activity, regulatory decisions and macroeconomic conditions that affect our commercial position, financial performance and the market environment in which we operate.

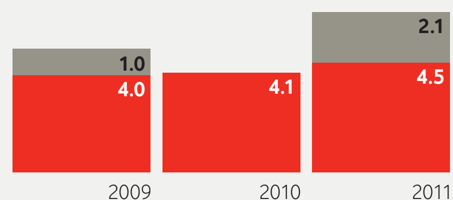
The cost of financing investment and hence the return on investment may be influenced by changes in credit markets or our credit ratings.

Return to shareholders (£bn)

- Dividends paid
- Share buybacks

£15.7bn

Total returns to shareholders over the last three years.

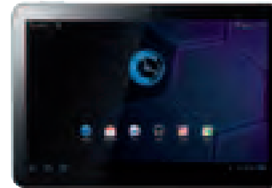


Notes:
(4) Excludes India, Ghana and Qatar as these were not owned for the full financial year.
(5) Information not available.
(6) Excludes tax related dividend receipts from Verizon Wireless.
(7) A further £1.5 billion is expected be received in April 2012 from the sale of the Group's interests in SoftBank.

Mobile data: strategy

Our data revenue was up 26.4%(*) year-on-year to £5.1 billion and now represents 12.0% of Group service revenue. Network quality is central to our data strategy and based on third party tests performed in 16 of our main 3G markets, we rank first for overall data performance in 13 markets.

Focus on key areas of growth potential: Mobile data–strategy



Samsung Galaxy Tab 10.1v
We were the first operator to launch this Samsung tablet which uses the Android™ 3.0 Honeycomb operating system to deliver mobile entertainment such as gaming, reading eBooks or updating a social network status.

How the market is developing

The fastest growing sector of the global telecommunications market is mobile data. According to industry estimates, between 2010 and 2014 total global revenue from fixed voice will decline by US$70 billion, mobile voice will increase by US$24 billion, fixed data will increase by US$49 billion and mobile data will increase by US$138 billion (source: IDC Worldwide Black Book 2010).

Mobile data penetration of our customer base in Europe is around 37%, far higher than in developing countries such as India at around 18% which highlights the opportunities in emerging markets. Data usage growth on our networks has been significant, growing by around 69% across the Group over the last year compared with 25% for voice.

Mobile data demand is being accelerated by the wide range of sophisticated devices available, including mobile broadband sticks, smartphones and tablets, greater network speeds and an increased range of applications.

Our objective is to deliver data faster, with the best experience and more profitably

To accelerate the opportunities of mobile data we are investing in:

- network technologies to deliver the best network experience;
- providing a better data experience to our customers through all our customer channels; and
- providing leading smart connected devices.

Approach

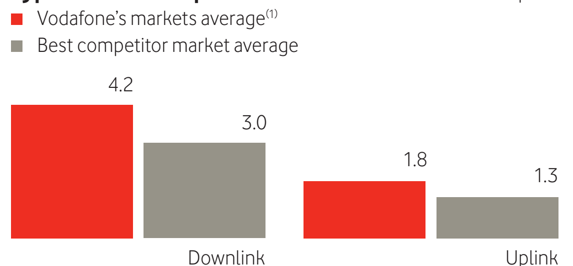
We already have a strong data position in Europe thanks to our significant 3G investment, with over 66,000 3G sites providing high speed mobile data and 65% of our 3G network providing theoretical downlink speeds faster than 14.4 Mbps. Some of our European targets are set out in the table below.

	At 31 March 2011	Target by 31 March 2013
Number of 3G sites	66,000	90,000
Percentage of 3G network at >14.4 Mbps	65%	100%

We have also launched commercial initiatives to encourage mobile data use including:

- tiered pricing plans to give customers more control (see page 19);
- re-designing customer experience and support systems to provide a better mobile data experience;
- a multiplicity of data-enabled devices such as smartphones, tablets, low-cost handsets and USB sticks; and
- managing smartphone and network yields to deliver profitable growth.

Typical achieved speeds in Vodafone's network (Mbps)



Note:
(1) Europe region plus Egypt and Vodacom.
Source: Vodafone commissioned third party drive-by tests on data user speeds (September 2010 – January 2011).

Mobile data: technology

We have collaborated with our main suppliers to pioneer the development of single RAN base station equipment which enables us to replace our existing 2G and 3G base stations with one solution which also supports LTE, providing significant savings in energy consumption and maintenance, and delivering improvements in capacity and coverage.

Focus on key areas of growth potential: Mobile data–technology

Vodafone 3G station
Branded as Vodafone Sure Signal in the UK a femtocell that guarantees a 3G signal and super-fast mobile data transfer where installed in homes; also available for enterprise customers.

Network trials

We always aim to deliver a market-leading customer experience and we use a third party to compare our networks with those of our major competitors. During the year we benchmarked our 16 main 3G markets. The results showed that we are the leading data services provider in 13 markets. On average across the networks measured we were almost 40% faster on data downlink than our best competitor and 40% faster on data uplink, a result achieved through our investment in extensive network upgrades and optimisation.

Investing to increase coverage

Continued site deployment

At 31 March 2011 we had over 66,000 3G sites in Europe, providing 83% 3G coverage across our major European markets. This represents an increase of over 8,500 sites during the year.

Vodafone 3G station

We have continued to introduce Vodafone 3G stations, also known as femtocells in our markets. These innovative devices deliver a personal 3G mobile phone signal to customers through a fixed line broadband connection, giving coverage to customers where mobile operators are unable to provide a strong enough signal. At 31 March 2011 Vodafone 3G stations were in service in seven of our markets serving almost 400,000 customers.

Investing to improve customer experience

High speed packet access ('HSPA') upgrades

We have continued to upgrade our HSPA networks with 65% of our European 3G network equipped with 14.4 Mbps theoretical peak downlink speeds or above and 90% providing 7.2 Mbps or above theoretical downlink speeds. Peak download speeds of up to 43.2 Mbps (downlink) and 5.8 Mbps (uplink) are now supported in several key traffic areas. These figures are theoretical peak rates deliverable in ideal radio conditions with no customer contention for resources.

Long-term evolution ('LTE')

During the year we commercially launched our 4G/LTE technology in Germany and Verizon Wireless launched in the US. 4G/LTE can offer better performance than our current 3G/HSPA technology while increasing network capacity.

High capacity backhaul upgrades

To support the high speed data capabilities introduced across our access networks we have upgraded our backhaul and backbone transmission networks, which connect our base stations together, to the latest high bandwidth IP technologies.

As part of a strategy to implement scalable and cost-effective self-build solutions we have deployed high capacity ethernet microwave technology and high bandwidth optical fibre transmission solutions. In Europe about 80% of our radio base stations are served by self-built transmission (where we have physically installed and own the infrastructure) and over 20% are currently connected using high capacity technologies.

New services and capabilities engineering

We have consolidated the national IP networks in all our major markets into a single IP network giving us the ability to deliver high quality IP connectivity to our customers.

Investing to improve cost efficiency

Yield management capability

We have been supporting the improvement of 3G data service quality by managing the operational effectiveness of our network capacity. This enables us to optimise content and services as well as manage our costs. We have improved 3G data service quality in this way in 18 markets.

Network sharing

To reduce the cost of mobile network infrastructure, we have continued to use network sharing agreements with other operators in all of our controlled markets, with 70% of the new radio sites throughout the Group being shared with other mobile network operators.

Single radio access network ('RAN') and green technology

By 31 March 2011 we had installed over 9,000 of these new single RAN base stations. We are also working hard to reduce our carbon impact through the wide-scale adoption of leading edge green technology solutions. Across our markets we are equipping our radio sites with advanced carbon-efficient solutions such as wind, solar and fuel cell technologies.

Research and development ('R&D')

Our R&D ambition is to pioneer innovative services and technology in order to connect anyone and any device to one another and to the internet. We have introduced six key programmes to achieve these ambitions: networks of the future; smart charging; mobile location analysis; consumer electronics; automotive; and M2M.

Our focus over the next year will be on data and smart communication. We are also launching an innovation centre in the US and have strengthened our patent portfolio through strategic patent filing activity in areas relevant to our business interests.

Mobile data: customer experience, pricing and connected devices

We are enhancing our customer care, retail presence and online service to ensure that customers get the best data experience. We are introducing data centric store formats and we now have 5,000 specialised data customer care representatives in Europe.

Focus on key areas of growth potential: Mobile data–customer experience, pricing and connected devices

Mobile Wi-Fi R201
A mobile Wi-Fi hotspot device that lets customers share their 3G mobile connection with up to five users at the press of a button.

Customer experience

To accelerate the opportunities of mobile data we are investing in providing a better data experience to our customers through all channels. They interact with us through retail stores, online, through our call centres and by our mobile phones. We place great importance on multi-channel capabilities to make it convenient and easy for people to contact us. We have developed the online self service and sales function, and website visits have grown to approximately 133 million a month.

Most of our markets are able to propose individually relevant offers, specific to a particular customer based on their usage patterns, and we are seeing as many as 50% of customers accepting them when offered. We are enhancing our billing and customer management platforms to make it easier for people to have several Vodafone SIMs, subscriptions and bundles, using different devices. We are also developing a single view of all our customers which will allow multiple services used by a customer to be managed and presented on a single bill.

To better understand our customers' satisfaction, we started to use net promoter score ('NPS') this year to measure to what extent customers would recommend us to others. We are in a NPS leadership position in either consumer or enterprise in over 60% of our markets. We are also implementing programmes in all our controlled markets to get direct feedback from customers to help us improve service.

Pricing

Tiered data pricing in Europe

We have introduced tiered data pricing to give customers more control over their mobile data spend and therefore encourage mobile data use. Customers are charged for the amount of data they use rather than a flat fee for a high level or unlimited use. The benefits include providing smaller and less expensive allowances for people who do not use much data and better cost management for higher users as well as optimising the capacity of the data network.

Data roaming

This year we launched a market leading smartphone roaming data plan that allows our European customers to use their home data plan abroad for only €2 a day to access the internet, emails and applications, making data roaming easier and more affordable.

Smart connected devices

Our handset portfolio is key to our strategy as it helps differentiate us from the competition, acquire customers and increase data usage.

Smartphones and tablets

We aim to have the most attractive portfolio in the market. Smartphones now account for 19% of the total number of phones used by our customers in Europe and this is expected to grow strongly. We are also driving down the cost of smartphones in order to make the data experience available for lower income segments in both European and emerging markets. Examples of this are the Android-powered Vodafone 845 and 945 devices launched during the year.

We also aim to lead the tablet segment, which is growing rapidly. We were the first operator to launch an Android Honeycomb tablet with the Samsung Galaxy Tab 10.1v and we have started to distribute the Apple iPad 2.

Vodafone branded handsets

We have developed a broad range of Vodafone branded handsets focused on mobile internet experience and design differentiation. The Android-powered Vodafone 845 and 945 are competitively driving mobile internet further into the prepaid segment. The Vodafone 553 accelerated the widespread use of qwerty devices and related messaging and social network trends. Additionally, devices such as the Vodafone 543 powered with Opera Mini, enhance mobile internet browsing experiences even on low bandwidth connections.

Other devices

During the year we introduced the Vodafone K4605 USB stick which provides theoretical peak data download speeds of 42.2 Mbps using 3G/HSDPA technology and a 4G/LTE USB stick which has the potential for faster download speeds. We also launched Vodafone WebBox (see page 21 for further information) and Vodafone TV services (see page 23 for further information).

Smartphone yield management

Evidence from our main markets shows that smartphones are driving incremental ARPU uplift and longer customer life times relative to non-smartphones.

Across our markets we are working to optimise the smartphone migration path by carefully managing how we allocate acquisition and retention subsidies, managing our smartphone portfolio, and maximising data attachment on smartphones and the penetration of integrated tariffs. As data penetration and usage amongst existing customers grows, we are introducing tiered data allowances.

Focus on key areas of growth potential: Emerging markets

Customer growth will be driven by rising mobile penetration and GDP growth

The number of customers using mobile services in emerging markets such as India and Africa has grown rapidly over the last ten years, increasing by over 17 times compared to nearly 130% in more mature markets such as Europe. In the 2010 calendar year the Indian mobile market increased by more than 225 million customers, nearly four times the size of the UK population. The key driver of growth has been a fundamental need for communication services against a background of low quality fixed infrastructure and strong economic growth.

Most of the future growth in mobile phone users is expected to continue to be in emerging markets where mobile penetration is still only approximately 70% compared with around 130% in Europe, supported by the expectation of continued strong economic growth. We expect to see between 20 to 40 percentage points of additional penetration by 2014 in emerging markets[1].

Data is the next major opportunity

Data represents a substantial growth opportunity as only 19% of our active customers in emerging markets use data services which is about half the rate in Europe. There are two significant opportunities. One is mobile broadband, helped by the lack of a comprehensive fixed broadband infrastructure in emerging markets. Already in South Africa mobile broadband accounts for around 90% of all broadband. The other is mobile internet which we are driving by:

- enhancing the mobile internet experience through our Opera Mini browser software which provides faster page downloads;
- driving down the cost of internet enabled handsets powered by Opera Mini, with prices starting at US$45;
- low day-to-day micro pricing which allows the purchase of individual data services, for example the download of a single ring tone; and
- locally relevant content and services in local languages.

Development impact of products and services

Mobile services are a key driver of economic development in emerging markets by increasing access to communications and mobile-enabled services. We continued to market Vodafone-branded competitively priced handsets, selling 1.7 million devices during the year in our emerging markets[2].

The uptake of Vodafone M-Pesa, which brings financial services to people without bank accounts, continued to grow, making an increasing contribution to economic development in communities that lack conventional banking services. It now has over 20 million customers globally (11 million in 2010), who transferred around US$500 million a month during the year (up from US$300 million a month in the previous financial year). We launched Vodafone M-Pesa in South Africa, Qatar and Fiji during the year, bringing the total to six markets, and began pilots in India with ICICI Bank and HDFC Bank.

The Vodafone WebBox (see opposite) was launched in South Africa in February 2011 and other markets will follow in the 2012 financial year.

Strong performance

We are either number one or two in six of our seven emerging markets based on revenue. This year's performance highlights include:

- increased revenue market share in India and Turkey;
- data revenue growth of 43.8%[*] in Vodacom and 37.7%[*] in Egypt; and
- surpassing the 134 million customer mark in India, an increase of 34 million over the year.

We launched 3G services in India in February 2011 and anticipate that this will provide further revenue growth opportunities going forward.

Notes:
(1) Source: Informa WCIS.
(2) India, Vodacom, Egypt, Turkey, Ghana, Qatar and Fiji.

Vodafone 252
In April 2011 we launched one of our most affordable devices which now comes pre-loaded with Vodafone M-Pesa for mobile payment services and a prepaid balance indicator that helps customers to keep track of their phone credit to avoid overspending.

27%
Group revenue from emerging markets[2]
(2010: 23%)

62%
Group customers from emerging markets[2]
(2010: 57%)

Vodafone WebBox

A Vodafone innovation bringing internet access to a customer's existing television set just by plugging in a keyboard with a built-in mobile SIM card. It was developed specifically for customers in emerging markets where technology and cost barriers often exclude people from enjoying readily available internet access.

Machine-to-machine ('M2M') services

Machine-to-machine communications, commonly known as M2M or telemetry, enables devices to communicate with one another via built-in mobile SIM cards. This allows key information to be automatically exchanged without human intervention making it possible to reduce costs, and improve efficiency and services to customers, for example, enabling drivers to upload and download real-time information to their sat nav devices on traffic jams which can help reduce journey times and save fuel.

Focus on key areas of growth potential: Enterprise

Enterprise customers

Our enterprise customers range from small-office-home-office ('SoHo') businesses and small to medium-sized enterprises ('SMEs'), through to large domestic and multinational companies. Across the Group we have 34 million enterprise customers accounting for around 9% of all customers and around 23% of service revenue.

Selected expansion in growth markets

SoHo and SME

Our focus for SoHos and SMEs is to provide customers with integrated fixed and mobile communications solutions where we host and maintain the entire service "in the cloud" to help customers reduce costs and simplify administration. Vodafone One Net for example, brings together fixed and mobile communications in one system and now has around 1.4 million end users in six markets. Through our partnership with Microsoft we provide our customers with hosted email, conferencing and collaboration services in a single package called Microsoft Online suite, which is now available in four markets.

Domestic companies

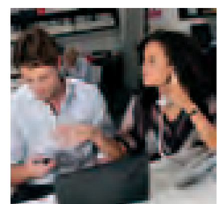
For larger domestic companies we provide unified communications solutions delivering integrated mobile and fixed services, fixed voice and data services, IP virtual private networks and network integration services.

Multinational companies

Vodafone Global Enterprise manages the communication needs of over 560 of our largest multinational corporate customers. It provides a range of managed services which bring together every aspect of a customer's telecommunications infrastructure, both fixed and mobile, providing greater visibility and control of expenditure. During the year Vodafone Global Enterprise achieved organic revenue growth of around 8%[*]. New customers and renewed contracts this year included Unilever, Luxottica and Bosch. In March 2011 Vodafone Global Enterprise received the HP Supplier of the Year Award for its role in delivering globally consistent managed mobility services to Hewlett Packard.

In October 2010 we acquired Quickcomm and TnT Expense Management, which are specialist providers of telecommunications expense management services. The acquisitions will strengthen our ability to provide our enterprise customers with greater visibility and control over their combined fixed line and mobile expenditure.

In the area of health, Vodafone Global Enterprise is working with partners such as Novartis on innovative health projects. Further information is contained in "Sustainable business" on page 30.



Vodafone One Net
Enables small and medium size business customers to combine their fixed and mobile communications into a single service with one number, one voice mailbox and one bill.

Vodafone TV
This is a new service, launched in four markets, that provides a wide range of content over the airwaves through a fixed line broadband connection. In Germany it is supplied through an innovative 'hybrid' set-top box which delivers free and pay TV channels transmitted by satellite, cable or broadband. It also provides on-demand films and TV programmes, and other premium content.

Focus on key areas of growth potential: Total communications

To meet customers' total communications needs beyond just mobile we have developed our fixed line capabilities including voice calls and broadband data, to provide a full suite of services. We can integrate customers' mobile and fixed line communications into one service and provide related services such as Vodafone TV. Enterprise customers in particular have shown an increasing demand for receiving all their communication products from one company.

Approach
Our European strategy is to obtain long-term access to fast fixed broadband to service high value customers in a capital efficient manner. Access is obtained through wholesale agreements, partnerships or acquisitions.

Fixed services
Fixed broadband and voice account for around 8% of our service revenue. We have fixed services in 13 countries with 6.1 million fixed broadband customers at 31 March 2011, a 9.5% increase over the previous year. In addition, through Gateway, we provide wholesale carrier services in over 40 African countries.

Combining fixed and mobile services
The Vodafone DSL Router, now available in 11 markets, up from six markets the previous year, combines mobile and fixed broadband services. This means customers can connect immediately after purchase via the USB broadband modem and then later with fixed broadband when this has been provisioned. During the year we have enriched this product in our largest fixed markets (Germany, Italy and Spain) through the integration of digital living network alliance ('DLNA') capabilities which facilitate the sharing of digital media between different electronic devices. For example, a DLNA compliant TV can operate with a DLNA compliant PC to play music or videos, or display photos.

We have been offering triple play services (fixed broadband, voice and TV) in Portugal since 2009. This year we increased our presence in the home TV market by launching services in Italy, Spain and Germany.

Application services
We offer a range of total communications applications as well as services for enterprise and consumer customers. For example Vodafone Always Best Connected software enables customers to stay connected to the internet on the best available connection wherever they are by automatically managing the switching between connection types including mobile broadband, Wi-Fi and LAN. Vodafone PC Backup is an online back-up and restore service that enables users to remotely store data securely and automatically via their internet connection.

Vodafone DSL Router
The DSL Router comes complete with a Vodafone Mobile Broadband USB stick so customers can have instant access to the internet while their fixed broadband is set-up.

Mobile payments (an application of NFC)
Vodafone, ABN AMRO, ING, KPN, Rabobank and T-Mobile signed a letter of intent this year to create a joint venture company and introduce simple and secure mobile payments at checkouts in the Netherlands. It is an early example of how Vodafone is leading the market for mobile payments in partnership with other mobile network operators and major banks.

Focus on key areas of growth potential: New services

We have strategically chosen to expand into a number of new growth segments to create additional revenue and enhanced customer experience that complement our core voice and data products.

Machine-to-machine ('M2M')

M2M connections allow devices to communicate with one another via built-in mobile SIM cards. This allows us to offer services such as fleet tracking and asset management, remote monitoring of, for example, vending machines, cash machines and building management, as well as security and surveillance. We are now serving around 5.3 million M2M connections around the world. Further information is contained in "Focus on key areas of growth potential: Enterprise" on page 22 and "Sustainable business" on page 30.

Third party billing

We work with third party content and service providers to simplify our customers' experience when they purchase applications and content by letting our customers charge these services direct to their mobile account ('charge to bill'). We provide a single technical interface to these providers to reach all our European customers and we plan to expand this reach to other parts of the world over the 2012 financial year.

Financial services

Vodafone M-Pesa is now live in six markets. Further information is contained in "Focus on key areas of growth potential: Emerging markets" on page 20.

Near field communication ('NFC')

NFC allows communication between devices when they are touched together or brought within a few centimetres of each other. We aim to make mobile phones the preferred device for most personal transactions including payments, tickets, coupons, identification and the provision of information. We have been developing mobile NFC standards since 2006, have conducted trials in several markets and are now developing services and partnerships in preparation for commercial launch in key markets.

Mobile advertising

We have an established mobile advertising business in 18 countries with a wide range of capabilities. The fast adoption of smartphone devices is promoting mobile as an alternative channel to reach consumers and we are collaborating with other mobile network operators to make the most of the potential of mobile advertising.

Vodafone Ad Plus in Romania allows companies to access by SMS an opted in customer base of up to five million customers. Research in Romania shows almost 58% of our customers like to receive relevant adverts on their mobile.

Delivering cost efficiency from sharing resources
This year we established two shared service centres in India to provide quick, simple and cost effective customer contact points for our technology and business operations and data services for our finance and administration functions in seven European markets and across India. We expect to gain significant benefits to help consolidate, standardise and optimise the way we run our operations.

Deliver value and efficiency from scale

Against a background of continual price pressures due to competition and regulation we continually seek to improve our cost efficiency. During the year we reduced our European operating costs by 4% on an organic basis, equivalent to saving over £140 million. We have used the savings to fund investment in customer facing activities and growth areas such as data and enterprise services.

Our cost advantage

Based on external independent benchmarking we have favourable comparative cost positions in many markets. This reflects both our scale as one of the world's largest mobile communications companies by revenue and our ongoing cost focus.

	Cost position vs competitors
Network: cost to carry a unit of data[1]	Top quartile position
Terminals: cost to purchase a handset[1]	Top quartile position
General supplies[2]	4% better than global benchmark

Notes:
(1) AT Kearney Executive Summary Report.
(2) The Hackett Group's world class benchmarking.

Our achievements to date

We have been taking advantage of the large scale of our networks. We are sharing base station sites where this makes commercial sense in order to reduce site rental and maintenance costs. We have also renegotiated leases on most of our sites, are standardising the technology we deploy, and have reduced the energy consumption of our sites and switching centres. We are reducing costs in maintenance and field activities in particular through outsourcing.

We use the Vodafone Procurement Company, the central Group procurement function based in Luxembourg, to leverage our scale to achieve better prices, more value and drive standardisation across the business. We have further reduced costs by centralising the purchasing of handsets. Our large size also allows us to drive ethical, health and safety, labour and environmental standards with our suppliers and also to get the best rates on warehousing, inbound and outbound logistics, and repair costs.

Our shared service centres in Hungary, India and Egypt have allowed us to reduce costs as well as deliver better service. Additionally, we have outsourced application development and maintenance to third party providers on multi-year competitive tenders.

70%
New radio sites deployed this year built as shared sites to reduce operating costs

Over £140m
Reduction in organic European operating costs due to our cost saving

Verizon Wireless

In the US, our associate Verizon Wireless has continued to perform strongly. Organic service revenue increased by 5.8%(*) led by a 3.1% increase in the customer base to 88.4 million and strong data revenue growth driven by increased smartphone penetration. Verizon Wireless launched 4G LTE services in December 2010 and began distribution of the iPhone on its network in February 2011.

Generate liquidity or free cash flow from non-controlled interests

Non-controlled interests constitute around 40% (based on third party estimates) of the value of the Group's assets. We aim to maximise the value of these interests either by generating liquidity or increasing free cash flow in order to fund profitable investment and enhance shareholder returns.

Verizon Wireless

Verizon Wireless is our largest non-controlled interest, in which we have an equity interest of 45%. It is the revenue market leader in the US and performed strongly this year with service revenue growth of 5.8%(*). To create additional value we are working closely with Verizon Wireless on several initiatives that leverage our combined scale and scope including purchasing of network equipment, IT and services, technology enhancements and propositions for multinational companies. We received around £1.0 billion in dividends this year, in relation to tax related dividend receipts (see "Dividends from associates and to non-controlling shareholders" on page 48 for further information), which was substantially less than our proportionate share of Verizon Wireless' free cash flow which shows the material opportunity for incremental returns.

Polkomtel

Polkomtel trades as Plus in Poland and is a leading operator in Poland. Along with the four other owners we are exploring options for a sale of the business.

Bharti Airtel

Bharti is the market leader in India. Following the purchase of our controlling interest in Vodafone Essar in India in 2007, we sold 5.6% of our stake in Bharti in 2008 and retained a 4.4% indirect interest.

Sale of interests

In September 2010 we sold our 3.2% interest in China Mobile Limited for £4.3 billion. In November 2010 we sold our interests in SoftBank of Japan for £3.1 billion and approximately half of the proceeds have been received to date and used to reduce the Group's net debt. The remaining proceeds are expected to be received in April 2012. In April 2011 we announced the sale of our 44% interest in SFR, the second largest mobile operator in France, for £6.8 billion. The transaction, which is subject to competition authority and regulatory approvals, is expected to complete during the second calendar quarter of 2011.

Proceeds from the sale of all of these interests are being used to reduce net debt and committed to a £6.8 billion buyback of our shares of which £2.6 billion has been completed to date.

39%

Group adjusted operating profit from Verizon Wireless

(2010: 36%)

Creating value for shareholders

We aim to increase shareholder returns through regular dividends and one-off returns. In 2009 we established a target to grow total dividends per share by at least 7% per annum until the financial year ending 31 March 2013, and consistent with this, total dividends per share increased by 7.1% in 2011 to 8.90 pence per share. In addition, we have committed £6.8 billion to buying back our shares, of which £2.6 billion has been returned to date.

Apply rigorous capital discipline to investment decisions

Discipline of regular business reviews

We are focused on enhancing returns to our shareholders and are therefore careful how we invest shareholders' money. We regularly review the cash needs of each of our businesses across the globe, taking into account their performance and competitive position.

How we invest your money

Organic investment

We make capital investments, such as for new equipment or spectrum, in our existing businesses to improve their performance and drive organic growth.

Returns to shareholders

We thoroughly review the best ways to provide returns to our shareholders. We have a target of increasing total dividends per share by at least 7% a year until the financial year ending 31 March 2013. When we have surplus funds we consider additional returns to shareholders through special dividends or share buyback programmes.

Selective acquisitions

When managing capital we also consider whether to strengthen the Group by acquiring other companies to increase our operations in a particular market. All potential acquisitions are judged on strict financial and commercial criteria, especially whether they would provide meaningful scale in a particular segment, the cost of the acquisition and the ability to enhance the Group's free cash flow. For example, in March 2011 we announced our intention to acquire BelCompany BV, the Netherlands' largest independent telecom retailer, which will expand our Dutch stores from 86 to 296.

Investment principles

All of our investments, whether in existing businesses or acquisitions, are subject to rigorous commercial analysis and demanding hurdle rates (the minimum rate of return on an investment) to ensure they enhance shareholder returns. We remain committed to our target credit rating of low single A for long-term debt as this provides us with a low cost of debt and good access to liquidity from financial institutions.

7%

Target annual increase in total dividends per share until March 2013

Low single A

Target long-term credit rating

Key market review
Revenue trends continue to improve

- **Group organic service revenue growth improved during the year, with a strong result from emerging markets and encouraging signs of renewed growth in some parts of Europe.**
- **In Europe service revenue was down 0.4%(*) during the year; however, this was significantly better than last year's decline of 3.8%(*). We are seeing positive revenue trends in the more stable economies of northern Europe such as Germany, the UK and the Netherlands, while our remaining mature markets in Europe, particularly those impacted by government austerity measures, have seen declining revenue growth. Turkey has seen significant revenue growth this year, driven by improvements both in voice and data revenue.**
- **Service revenue growth in our Africa, Middle East and Asia Pacific region was 9.5(*). Our two major businesses within this region, India and Vodacom, reported continued strong growth reflecting the benefits of rising mobile penetration in India and a more stable pricing environment; and strong take-up of data services in South Africa.**
- **See operating results on pages 34 to 38 for further details of performance within each of our markets during the year.**

We have gained or held market share in most of our key markets

Key market performance at a glance

Country	Key achievements	Organic service revenue growth

Germany

Service revenue growth (%)(*)	0.8
EBITDA margin (%)	37.4
Operating free cash flow (£m)	2,297

- **Excluding the impact of regulated termination rate cuts, service revenue growth was 2.1%(*).**
- **Strong growth in enterprise segment due to significant customer wins.**
- **Our first market to launch 4G/LTE.**

2009	2010	2011
(2.5)	(3.5)	0.8

Italy

Service revenue growth (%)(*)	(2.1)
EBITDA margin (%)	46.2
Operating free cash flow (£m)	2,067

- **Increased market share in a challenging economic and competitive environment.**
- **A 21.5%(*) increase in data revenue due to increased smartphone penetration.**
- **Now with 1.7 million fixed broadband customers (on a 100% basis), up 29%.**

2009	2010	2011
1.2	1.9	(2.1)

Spain

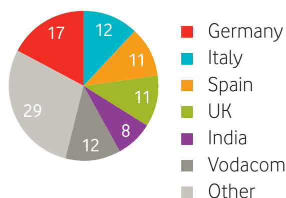
Service revenue growth (%)(*)	(6.9)
EBITDA margin (%)	30.4
Operating free cash flow (£m)	885

- **Extremely challenging economic environment and increasing competitive pressure.**
- **New integrated voice and data plans to support smartphone adoption.**
- **New management in place since April 2011.**

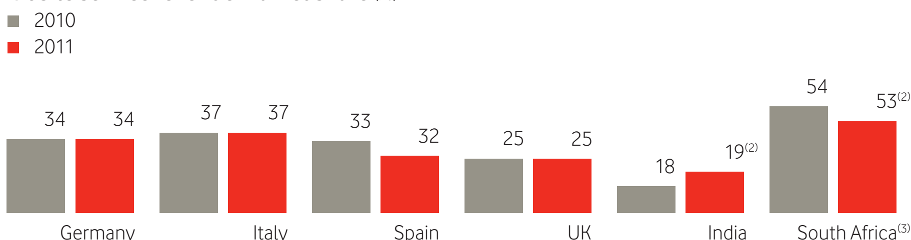
2009	2010	2011
(4.9)	(7.0)	(6.9)

Our strong brand and increased customer focus, supported by our leading network performance, is driving our improved performance.

Revenue by key market (%)



Mobile service revenue market share (%)[1]

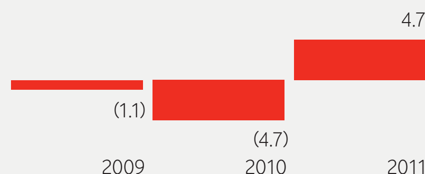


Country	Key achievements	Organic service revenue growth

United Kingdom

Service revenue growth (%)[*]	4.7
EBITDA margin (%)	23.4
Operating free cash flow (£m)	950

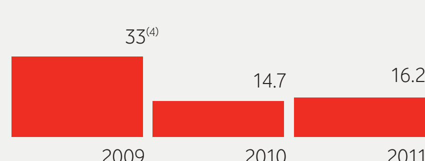
- **Significant year-on-year improvement in revenue trends.**
- **Data revenue increased 28.5%[*] due to increasing penetration of smartphones.**
- **Strong contract customer growth due to increased commercial focus.**



India

Service revenue growth (%)[*]	16.2
EBITDA margin (%)	25.6
Operating free cash flow (£m)	433

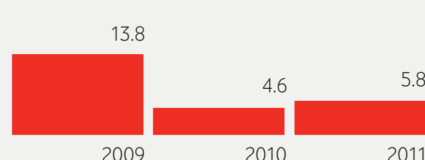
- **Revenue growth improved through the year as the customer base increased and price declines slowed.**
- **Fourth successive year of gaining revenue market share.**
- **Commenced 3G services in February 2011 with 1.5 million customers by 31 March.**



Vodacom

Service revenue growth (%)[*]	5.8
EBITDA margin (%)	33.7
Operating free cash flow (£m)	1,339

- **Strong revenue growth led by increasing demand for mobile broadband services.**
- **Launched WebBox service for internet access.**
- **Continued network investment with over 3,200 base stations now 4G/LTE ready.**



Notes:
(1) At 31 March (2011 estimated).
(2) Q3 2010 and Q3 2011 data; mobile total revenue share.
(3) Market share information relates to South Africa which is Vodacom's largest business.
(4) This figure reflects pro-forma growth which is organic growth adjusted to include acquired business for the whole of both periods.

Enabling mobile healthcare
Vodafone mHealth Solutions delivers mobile solutions which enable the accessibility, efficiency and quality of healthcare. For example our 'Nompilo' project, developed with GeoMed, allows community caregivers in South Africa to input and access patient information by mobile, reducing administration time and costs while improving patient care through more effective monitoring and evaluation. The service will be trialled next in Tanzania and Spain.

Sustainable business
Sustainability underpins everything we do

Strategy
Our sustainability strategy has three components:

- sustainable societies: helping create more sustainable societies by providing communication services to meet the needs of people in emerging markets and facilitating the transition to a low carbon society;
- eco-efficiency: cutting our carbon footprint in developed markets, reducing carbon intensity in rapidly growing emerging markets and minimising other environmental impacts; and
- ethical business: ensuring responsible, ethical and honest behaviour throughout our operations and supply chain.

Performance for the year
Creating more sustainable societies
Our networks, products and services have been making a difference to people's lives around the world and contributing to achieving the United Nations' Millennium Development Goals.

Many of our innovative services, pricing plans and products, such as Vodafone WebBox, Vodafone-branded handsets and Vodafone M-Pesa are tailored to emerging markets. See "Focus on key areas of growth potential: Emerging markets" on page 20 for further information.

Vodafone mHealth Solutions uses mobile communications to improve the efficiency of healthcare. In developed countries our focus is on remote care services, including assisted living and condition management, saving costs and improving patients' quality of life, as well as mobile-based services that increase the efficiency of clinical trials. In emerging markets we are using mobile to improve access to medicine, for example, 'SMS for Life', a supply chain management solution which helps clinics manage supplies of malaria drugs. It has successfully improved stock management in Tanzania and is now being rolled out in other countries in collaboration with Novartis and other pharmaceutical companies.

Mobile communications, particularly M2M connections, have been playing a part in the transition to a low carbon society by facilitating the development of smart energy grids and improving the efficiency and emissions from vehicle travel (see "M2M services" see page 22). We have been working with British Gas in the UK and Italgas in Italy to provide M2M connections in homes for over one million smart meters to allow consumers to monitor and reduce their electricity and gas use.

Eco-efficiency
Our total CO_2 emissions increased by 62.6% to 1.96 million tonnes principally due to the inclusion of India, South Africa, Ghana and Qatar in our reporting, and were approximately level against last year on a like-for-like basis. Our target is to reduce our absolute CO_2 emissions in developed markets by 50% from the 2007 financial year baseline by March 2020, and

50%
CO_2 reduction target in developed markets versus the 2007 baseline by March 2020

Instant Network
Vodafone Foundation and Group Technology worked with Huawei and Telecoms Sans Frontieres to develop a portable GSM/EDGE mobile network that provides instant mobile coverage for emergency situations in under 40 minutes, which fits into three suitcase-size boxes to be transported by plane worldwide.

in emerging markets we are setting carbon intensity targets to reduce emissions per network node.

We are deploying more efficient equipment across our network, working with suppliers to develop more efficient equipment, and using solar and wind power to generate renewable energy for off-grid base stations.

Ethical business

Our business and sustainability strategies are underpinned by our business principles and code of conduct which stress the importance of responsible, ethical and honest behaviour in everything we do. This means being a responsible employer, maintaining the health and safety of our employees and contractors (see "People" on page 32), ensuring high standards of labour and environmental protection in our supply chain, transparent and ethical business practices, clear pricing and maintaining a safe internet experience (including child safety and privacy). In response to the proposed disclosure requirements on conflict minerals required by the US Dodd-Frank legislation, we continue to strengthen our due diligence activities on the source and chain of custody of these materials. The issue of human rights and access to communications has been brought into sharp focus by continuing events in the Middle East and North Africa.

Social investment

The Vodafone Foundation and its network of 27 local foundations continue to invest in the communities in which Vodafone operates. Specific initiatives include Mobiles for Good projects which include the piloting of handsets for women at risk of domestic violence and an instant network which provides rapid network coverage for emergencies, Red Alert SMS fundraising services for emergency appeals and its World of Difference programme which enables individuals to take paid time to work for a charity of their choice for up to a year. We make grants to a variety of local charitable organisations meeting the needs of their communities. Total donations for the year were £49.6 million and included donations of £5.2 million towards foundation operating costs.

Energy efficiency
Solar and wind power generating renewable energy for our off-grid base stations in Spain.

Sustainability governance

The Executive Committee is ultimately responsible for our sustainability performance and receives a formal update every year, as does the Board. Each local market has a sustainability management structure and a system for monitoring performance and reporting to the Group. We also influence and monitor the sustainability performance of our joint ventures, outsourcing partners and other organisations with which we work.

The Vodafone Sustainability Expert Advisory Panel met twice during the year to discuss various issues. We engage a wide range of stakeholders, including customers, investors, employees, suppliers, communities, governments and regulators.

Our 11th annual sustainability report, which is assured by Ernst & Young LLP using the International Standard on Assurance Engagements ('ISAE 3000') to check adherence to the AA1000 AccountAbility Principles Standard ('AA1000APS'), is available at www.vodafone.com/sustainability. 16 local markets also publish their own sustainability reports.

Key performance indicators[1]

	2011	2010	2009
Vodafone Group			
Energy use (GWh) (direct and indirect)	4,117	3,278	3,044
Carbon dioxide emissions (millions of tonnes)	1.96	1.21	1.22
Percentage of energy sourced from renewables	19.42	23	19
Number of phones collected for reuse and recycling (millions)	1.23	1.33	1.53
Network equipment waste generated (tonnes)	7,473	5,870	4,944
Percentage of network equipment waste sent for reuse or recycling	99	98	97

Note:
(1) These performance indicators were calculated using actual or estimated data collected by our mobile operating companies. The data is sourced from invoices, purchasing requisitions, direct data measurement and estimations where required. The carbon dioxide emissions figures are calculated using the kWh/CO_2 conversion factor for the electricity provided by the national grid, suppliers or the International Energy Agency and for other energy sources in each operating company. The 2011 data includes India, Ghana, Qatar and South Africa but excludes all other Vodacom markets. Our joint venture in Italy is included in all years.

The Vodafone Way

The Vodafone Way is about a consistent way of working, with speed, simplicity and trust. The aim is to be an admired organisation which delivers through being customer obsessed, innovation hungry, ambitious and competitive, and one company with local roots. We launched a global recognition initiative to identify people who are role models for The Vodafone Way and have recognised over 300 'The Vodafone Way Global Heroes'.

People

Our people are integral to building and sustaining our success

Organisation effectiveness and change

We employed an average of around 83,900 people worldwide during the year and saw an increase in the percentage of women in senior roles, up from 14.5% to 16.5%. People numbers have changed in different areas of the business according to overall business strategy. For example: in Vodacom head count was increased to support the growing enterprise business and data; in India, we increased headcount to grow the business; in Ghana, to drive operational efficiency, we reduced headcount through redundancy and outsourcing of network operations, call centres and facilities; and in the UK we reduced back office roles and increased investment in customer facing activities.

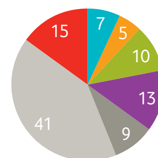
We have also made a number of changes to our structure, governance and accountabilities to help us concentrate on our main commercial and financial priorities. These changes include the creation of a Group Commercial unit, expansion of the role and scope of Group Technology to oversee all operating companies, the consolidation of our regional structure into two distinct regions, plus reporting line changes to align teams more closely with their functions.

Employment policies and employee relations

Our employment policies are developed to reflect local legal, cultural and employment requirements. We aim to be recognised as an employer of choice and therefore seek to maintain high standards and good employee relations wherever we operate.

Our goal is to create a working culture that is inclusive for all. We believe that having a diverse workforce helps to meet the different needs of our customers across the globe. An inclusive culture and environment is one which respects, values, celebrates and makes the most of the individual differences we each bring to Vodafone, to the benefit of our customers, employees, shareholders, business partners and the wider communities in which we operate. We do not condone unfair treatment of any kind and offer equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religious or political beliefs. This also applies to agency workers, the self-employed and contract workers who work for us. In our latest people survey, 87% of employees agreed that Vodafone treats people fairly, regardless of their gender, background, age or beliefs.

Employees by location (%)



- Germany
- Italy
- Spain
- UK
- India
- Vodacom
- Other

83,900
Average employees

29
Nationalities in top senior management roles

The main emphasis of our global diversity strategy has been on gender diversity and to increase the number of women in management positions which has risen to 16.5%. Efforts to increase the percentage further will continue during the 2012 financial year. Our second priority has been to increase talent from our emerging markets in Group roles and senior leadership positions.

During the year we ran a series of two-and-a-half day diversity and inclusion workshops for over 450 people from human resources teams globally to support their senior leaders who had previously all attended inclusive leadership workshops in their local market.

Health, safety and wellbeing

The health, safety and wellbeing of everyone affected by our business activities has continued to be a high priority. The implementation of the Vodafone fatality prevention plan saw a significant reduction, of 33%, in fatalities in India, Ghana and Turkey, where there were 14 fatalities in those countries this year compared with 21 in the previous year. Sadly, across the Group 21 fatalities have occurred this year including four fatalities that occurred within the Vodacom Group operations, which are included in the Group figure for the first time this year. The Vodafone fatality prevention plan has now been rolled out across Vodacom's subsidiaries which has seen a reduction in fatal incidents to one in the last six months of the financial year. Out of the Group total 17 were third-party contractors and four were Vodafone employees. Further details can be found in the Group's 2011 sustainability report.

As part of a more robust governance programme, we introduced external health and safety benchmark reviews. These reviews evaluated health and safety management systems in several countries, including New Zealand, Czech Republic, Hungary, Romania, Vodacom South Africa and Egypt.

Culture, communications and engagement

In October 2010 we carried out our sixth annual global people survey. The survey measures employees' level of engagement, a combination of pride, loyalty and motivation and 90% of those surveyed responded. We achieved an overall employee engagement score of 75 which means we have maintained a high score in employee engagement for the third year running.

Regular, consistent and open communication is fundamental to high levels of employee engagement. Our people have access to information about our business through a global intranet, with local translations and content where appropriate. The Chief Executive communicates directly with all employees through regular team meetings, email and video updates and this is reinforced by local chief executive communications in all our markets. Relevant performance and change issues are also discussed with our employees through team meetings, round table discussions or through elected representative bodies in some of the European countries.

Our culture is based on The Vodafone Way. All of our senior leadership team (approximately 230 people) have now been through the Leading in The Vodafone Way workshop which provides a picture of how The Vodafone Way works day-to-day. Local markets will roll out a similar programme for all their managers. We have also created a community of 'change leads', senior leaders who meet regularly to identify what more can be done to further embed The Vodafone Way.

Talent and resourcing

During the year our employees continued to perform at a high level and we strengthened our leadership team. This was achieved partly by introducing talent identification tools and partly by investing in staff with high potential and helping them with their career planning and development. Quarterly talent reviews are held to discuss performance, succession plans and key individuals, and at our monthly Executive Committee meetings we discuss the senior leadership roles.

A global graduate and recruitment programme was introduced with a target to hire 250-300 top graduates across the Group during the year. By 31 March 2011 we had recruited 306. In addition, we partnered with nine leading MBA schools in Europe, the US, Africa and India to recruit 15-20 MBA graduates for key management roles.

Learning and capability development

We are committed to helping people reach their full potential through ongoing training and development. People identify and agree their development objectives with their managers every year as part of the performance dialogue process. Local, functional and global learning programmes are provided to meet people's development needs, delivered through a blend of classroom training, e-learning, coaching, mentoring and on-the-job experience.

During the year we invested around £55 million in training programmes. In our most recent people survey, 72% of our employees rated the opportunity to develop the skills that they need to do their job well as good or very good.

Inspire, our global leadership development programme for high-potential managers, is in its fourth year. So far, 124 people have completed the programme.

Performance, reward and recognition

We reward employees based on their performance, potential and contribution to the success of the business and we aim to provide competitive and fair rates of pay and benefits in every country where we operate. We also offer competitive retirement and other benefit provisions which vary depending on conditions and practices in local markets.

Global short-term incentive plans are offered to a large percentage of employees and global long-term incentive plans are offered to our senior managers. Both plans are paid according to individual and company performance.

Key performance indicators

	2011	2010	2009
Number of employees (1)	83,862	84,990	79,097
Nationalities in top senior management roles	29	26	23
Women in top senior management roles (%)	16.5	14.5	13.1
Employee turnover rates (%)(2)	15	13	13

Notes:
(1) Represents the average number of employees in our controlled and jointly controlled markets during the year.
(2) Based on our controlled markets and our joint venture in Italy.

Diversity and inclusion
Our inclusive culture respects, values, celebrates and makes the most of the diversity of our people.

Operating results

This section presents our operating performance, providing commentary on how the revenue and the EBITDA performance of the Group and its operating segments within Europe, Africa, Middle East and Asia Pacific, and Non-Controlled Interests and Common Functions have developed in the last three years.

2011 financial year compared to the 2010 financial year

Group[1][2]

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

Notes:
(1) The Group revised its segment structure on 1 October 2010. See note 3 to the consolidated financial statements.
(2) Current period results reflect average exchange rates of £1:€1.18 and £1:US$1.56.
(3) Common Functions primarily represent the results of the partner markets and the net result of unallocated central Group costs.
(4) Organic growth includes Vodacom at the current level of ownership but excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009.
(5) Other income and expense for the year ended 31 March 2011 included £56 million representing the net loss on disposal of certain Alltel investments by Verizon Wireless. This is included within the line item "Share of results in associates" in the consolidated income statement.
(6) Non-operating income and expense for the year ended 31 March 2011 includes £3,019 million profit arising on the sale of the Group's 3.2% interest in China Mobile Limited. For further details see "Other significant transactions" on page 49.

Revenue

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

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

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

EBITDA and profit

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

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

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

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

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

Operating profit decreased by 41.0% primarily due to higher impairment losses compared to the prior year. Impairment losses totalling £6,150 million were recorded relating to our businesses in Spain (£2,950 million), Italy (£1,050 million), Ireland (£1,000 million), Greece (£800 million) and Portugal (£350 million) primarily resulting from increased discount rates as a result of

increases in government bond rates together with lower cash flows within business plans, reflecting weaker country-level macro economic environments. The impairment loss in the prior year was £2,100 million.

Profit for the year decreased by 8.7%.

Net investment income/(financing costs)

	2011 £m	2010 £m
Investment income	1,309	716
Financing costs	(429)	(1,512)
Net investment income/(financing costs)	**880**	**(796)**
Analysed as:		
Net financing costs before income from investments	(852)	(1,024)
Potential interest charges arising on settlement of outstanding tax issues[1]	(46)	(23)
Income from investments	83	145
Foreign exchange[2]	256	(1)
Equity put rights and similar arrangements[3]	95	(94)
Interest related to the settlement of tax cases[4]	872	201
Disposal of SoftBank financial instruments[5]	472	–
	880	**(796)**

Notes:
(1) Excluding interest credits related a tax case settlement.
(2) Comprises foreign exchange rate differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange rate differences on financial instruments received as consideration on the disposal of Vodafone Japan to SoftBank in April 2006.
(3) Includes foreign exchange rate movements, accretion expense and fair value charges. Further details of these options are provided on page 51.
(4) The £872 million in the year ended 31 March 2011 relates to the settlement of a tax case and the £201 million in the year ended 31 March 2010 relates to the settlement of the German tax loss claim.
(5) See "Other significant transactions" on page 49.

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

Taxation

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

Income tax expense includes a credit of £929 million arising as a result of the settlement of a tax case in July 2010. For further details see note 4 to the consolidated financial statements in the half-year financial report for the six months ended 30 September 2010.

Earnings per share

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

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

Notes:
(1) The year ended 31 March 2011 includes £56 million representing the net loss on disposal of certain Alltel investments by Verizon Wireless. This is included within the line item "Share of results in associates" in the consolidated income statement.
(2) The year ended 31 March 2011 includes £3,019 million representing the profit arising on the sale of the Group's 3.2% interest in China Mobile Limited.
(3) See notes 2, 3, 4 and 5 in "Net investment income/(financing costs)" above.
(4) These amounts comprise 'Other net income' of £5,342 million

Europe[1]

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

Note:
(1) The Group revised its segment structure on 1 October 2010. See note 3 to the consolidated financial statements.

Operating results continued

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

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

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue – Europe	**0.6**	**0.1**	**(3.2)**	**(2.5)**
Service revenue				
Germany	0.8	–	(4.1)	(3.3)
Italy	(2.1)	–	(3.9)	(6.0)
Spain	(6.9)	–	(3.7)	(10.6)
UK	4.7	–	–	4.7
Other Europe	0.5	0.5	(3.0)	(2.0)
Europe	**(0.4)**	**0.1**	**(3.1)**	**(3.4)**
EBITDA				
Germany	(1.5)	–	(3.9)	(5.4)
Italy	(3.1)	–	(3.9)	(7.0)
Spain	(16.8)	–	(3.3)	(20.1)
UK	8.0	–	–	8.0
Other Europe	(2.4)	0.2	(3.6)	(5.8)
Europe	**(3.7)**	**0.1**	**(3.5)**	**(7.1)**
Adjusted operating profit				
Germany	(4.9)	–	(3.8)	(8.7)
Italy	(5.9)	–	(3.8)	(9.7)
Spain	(27.3)	–	(2.9)	(30.2)
UK	125.1	–	–	125.1
Other Europe	(2.0)	0.3	(4.9)	(6.6)
Europe	**(6.1)**	**0.1**	**(3.8)**	**(9.8)**

Germany

Service revenue increased by 0.8%(*) driven by strong data and messaging revenue growth. Data revenue grew by 27.9%(*) as a result of increased penetration of smartphones and Superflat Internet tariffs. Mobile revenue remained stable in the fourth quarter despite a termination rate cut effective from 1 December 2010. Enterprise revenue grew by 3.6%(*) driven by strong customer and data revenue growth.

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

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

Italy

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

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

Spain

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

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

UK

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

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

Other Europe

Service revenue increased by 0.5%(*) with growth in Turkey and the Netherlands being partially offset by declines in other markets due to the challenging economic environment and intense competitive factors. In Turkey service revenue grew by 28.9%(*) driven by strong growth in both data and voice revenue, despite a 52% cut in termination rates effective from 1 April 2010. In Greece service revenue declined by 19.4%(*) with intense competition driving a reduction in prepaid revenue and economic factors leading to customer tariff optimisation.

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

Africa, Middle East and Asia Pacific[1]

	India £m	Vodacom £m	Other £m	Eliminations £m	Africa, Middle East and Asia Pacific £m	% change £	% change Organic[2]
Year ended 31 March 2011							
Revenue	3,855	5,479	3,971	(1)	13,304	20.0	9.5
Service revenue	3,804	4,839	3,650	(1)	12,292	20.0	9.5
EBITDA	985	1,844	1,170	–	3,999	20.7	7.5
Adjusted operating profit	15	827	430	–	1,272	55.5	8.6
EBITDA margin	25.6%	33.7%	29.5%		30.1%		
Year ended 31 March 2010							
Revenue	3,114	4,450	3,526	(1)	11,089		
Service revenue	3,069	3,954	3,224	(1)	10,246		
EBITDA	807	1,528	977	–	3,312		
Adjusted operating (loss)/profit	(37)	520	335	–	818		
EBITDA margin	25.9%	34.3%	27.7%		29.9%		

Notes:
(1) The Group revised its segment structure on 1 October 2010. See note 3 to the consolidated financial statements.
(2) Organic growth includes Vodacom at the current level of ownership and excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009.

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

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

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

India

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

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

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

Vodacom

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

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

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

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

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

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

Operating results continued

Other Africa, Middle East and Asia Pacific

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

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

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

Non-Controlled Interests and Common Functions

Verizon Wireless[1]

	2011 £m	2010 £m	% change £	% change Organic[3]
Revenue	18,711	17,222	8.6	6.0
Service revenue	17,238	15,898	8.4	5.8
EBITDA	7,313	6,689	9.3	6.7
Interest	(261)	(298)	(12.4)	
Tax[2]	(235)	(205)	14.6	
Share of result in Verizon Wireless	4,569	4,112	11.1	8.5

Notes:
(1) All amounts represent the Group's share unless otherwise stated.
(2) The Group's share of the tax attributable to Verizon Wireless relates only to the corporate entities held by the Verizon Wireless partnership and certain state taxes which are levied on the partnership. The tax attributable to the Group's share of the partnership's pre-tax profit is included within the Group tax charge.
(3) Organic growth rates include the impact of a non-cash revenue adjustment which was recorded by Verizon Wireless to defer previously recognised data revenue that will be earned and recognised in future periods. Excluding this the equivalent organic growth rates for service revenue, revenue, EBITDA and the Group's share of result in Verizon Wireless would have been 6.4%(*), 6.6%(*), 8.2%(*) and 10.8%(*) respectively.

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

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

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

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

On 23 August 2010 Verizon Wireless acquired a spectrum licence, network assets and related customers in southwest Mississippi and in Louisiana, formerly owned by Centennial Communications Corporation, from AT&T Inc. for cash consideration of US$0.2 billion. This acquisition was made to enhance Verizon Wireless' network coverage in these two locations.

Verizon Wireless' net debt at 31 March 2011 totalled US$9.6 billion (31 March 2010: US$22.4 billion).

2010 financial year compared to the 2009 financial year

Group[1]

	Europe £m	Africa, Middle East and Asia Pacific £m	Non-Controlled Interests and Common Functions[2] £m	Eliminations £m	2010 £m	2009 £m	% change £	% change Organic[3]
Revenue	32,833	11,089	667	(117)	44,472	41,017	8.4	(2.3)
Service revenue	31,159	10,246	397	(83)	41,719	38,294	8.9	(1.6)
EBITDA	11,644	3,312	(221)	–	14,735	14,490	1.7	(7.4)
Adjusted operating profit	6,351	818	4,297	–	11,466	11,757	(2.5)	(7.0)
Adjustments for:								
Impairment losses					(2,100)	(5,900)		
Other income and expense					114	–		
Operating profit					**9,480**	**5,857**		
Non-operating income and expense					(10)	(44)		
Net financing costs					(796)	(1,624)		
Profit before taxation					**8,674**	**4,189**		
Income tax expense					(56)	(1,109)		
Profit for the financial year					**8,618**	**3,080**		

Notes:
(1) 2010 results reflect average exchange rates of £1:€1.13 and £1:US$1.60.
(2) Common Functions primarily represents the results of the partner markets and the net result of unallocated central Group costs and excludes income from intercompany royalty fees.
(3) Organic growth includes India and Vodacom (except the results of Gateway) at the current level of ownership but excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009.

Revenue

Group revenue increased by 8.4% to £44,472 million, with favourable exchange rates contributing 5.7 percentage points of growth and merger and acquisition activity contributing 5.0 percentage points. During the year the Group acquired an additional 15% stake in Vodacom and fully consolidated its results from 18 May 2009.

Group service revenue increased by 8.9% to £41,719 million, while organic service revenue declined by 1.6%(*). Service revenue was impacted by challenging economic conditions in Europe offset by growth in Africa, Middle East and Asia Pacific.

In Europe service revenue fell 3.8%(*), a 2.1 percentage point decline on the previous year reflecting challenging economic conditions in most markets, regulatory pressures on pricing, offset by growth in Italy, Turkey and the Netherlands. The decline was primarily driven by reduced voice revenue resulting from continued market and regulatory pressure on pricing and slower usage growth partially offset by growth in data and fixed line. Turkey returned to growth in the second half of the financial year with service revenue growing 31.3%(*) in the fourth quarter. Romania experienced intense competition throughout the year with service revenue declining 19.9%(*). Mobile termination rate cuts in the region which became effective during the year, contributed 2.4 percentage points to the decline in service revenue. Data revenue grew by 17.7%(*) due to an increase in data plans sold with smartphones and good PC connectivity revenue across the region. Fixed line revenue increased by 7.5%(*) with the number of fixed broadband customers reaching 5.4 million at 31 March 2010, a net increase of 960,000 customers during the financial year.

In Africa, Middle East and Asia Pacific service revenue rose by 7.5%(*) due to strong growth in Vodacom and India. India's service revenue increased by 14.7%(*), 4.7 percentage points of which was delivered by the network sharing joint venture Indus Towers with the remainder being driven by a 46.7% increase in the mobile customer base offset in part by a decline in mobile voice pricing. In Egypt service revenue grew by 1.3%(*) and Qatar increased its mobile customer base to 465,000, following the launch of services in July.

Operating profit

EBITDA increased by 1.7% to £14,735 million, with favourable exchange rates contributing 5.8 percentage points and the impact of merger and acquisition activity, primarily the full consolidation of Vodacom, contributing 3.3 percentage points to EBITDA growth.

In Europe, EBITDA decreased by 8.9%(*), with a decline in the EBITDA margin of 1.5 percentage points, primarily driven by the downward revenue trend, reduced EBITDA margins across the majority of Europe, investment in Turkey to drive growth in the second half of the financial year and the growth of lower margin fixed line operations partially offset by operating and direct cost savings.

In Africa, Middle East and Asia Pacific EBITDA increased by 5.5%(*) due to strong revenue growth in Vodacom and India, combined with direct and customer cost savings partially offset by declines in other markets due to pricing and recessionary pressure and the start-up in Qatar.

Operating profit increased primarily due to changes in impairment losses. In the 2010 financial year, the Group recorded net impairment losses of £2,100 million. Vodafone 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. This was partially offset by a £200 million reversal in relation to Vodafone Turkey resulting primarily from movements in discount rates. In the prior year impairment losses of £5,900 million were recorded.

Adjusted operating profit decreased by 2.5%, or 7.0%(*) on an organic basis, with a 6.0 percentage point contribution from favourable exchange rates, whilst the impact of merger and acquisition activity reduced adjusted operating profit growth by 1.5 percentage points.

The share of results in Verizon Wireless, the Group's associate in the US, increased by 8.0%(*) primarily due to the expanding customer base, robust data revenue and operating expenses efficiencies partially offset by higher customer acquisition and retention costs.

Operating results continued

Net financing costs

	2010 £m	2009 £m
Investment income	716	795
Financing costs	(1,512)	(2,419)
Net financing costs	**(796)**	**(1,624)**
Analysed as:		
Net financing costs before dividends from investments	(1,024)	(1,480)
Potential interest charges arising on settlement of outstanding tax issues[1]	(23)	81
Dividends from investments	145	110
Foreign exchange[2]	(1)	235
Equity put rights and similar arrangements[3]	(94)	(570)
Interest on settlement of German tax claim[4]	201	–
	(796)	**(1,624)**

Notes:
(1) Excluding interest on settlement of German tax claim.
(2) Comprises foreign exchange differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange differences on financial instruments received as consideration in the disposal of Vodafone Japan to SoftBank in April 2006.
(3) Primarily represents foreign exchange movements and accretion expense. Further details of these options are provided on page 51.
(4) See "Taxation" below for further details.

Net financing costs before dividends from investments decreased from £1,480 million to £1,024 million primarily due to the impact of significantly lower interest rates given our preference for floating rate borrowing, partially offset by the 13.4% increase in average net debt being offset by changes in the currency mix of debt. At 31 March 2010 the provision for potential interest charges arising on settlement of outstanding tax issues was £1,312 million (31 March 2009: £1,635 million).

Taxation

The effective tax rate was 0.6% (2009: 26.5%). This rate was lower than our weighted average statutory tax rate principally due to the impact of the agreement of the German write down losses (see note 6 to the consolidated financial statements) and also the ongoing benefits from our internal capital structure.

Income tax expense includes a credit of £2,103 million arising from the German tax authorities' decision that €15 billion of losses booked by a German subsidiary in 2001 are tax deductible. The credit includes benefits claimed in respect of prior years as well as the recognition of a deferred tax asset for the potential use of losses in future tax years.

Earnings per share

Adjusted earnings per share decreased by 6.2% to 16.11 pence for the year ended 31 March 2010 due the prior year tax benefit discussed above. Basic earnings per share increased to 16.44 pence primarily due to the impairment losses of £5,900 million in relation to Spain, Turkey and Ghana in the prior year compared to net impairment losses of £2,100 million in 2010 and the income tax credit arising from the German tax settlement discussed above.

	2010 £m	2009 £m
Profit attributable to equity shareholders	**8,645**	**3,078**
Pre-tax adjustments:		
Impairment losses, net	2,100	5,900
Other income and expense	(114)	–
Non-operating income and expense	10	44
Investment income and financing costs[1]	(106)	335
	1,890	**6,279**
Taxation	(2,064)	(300)
Adjusted profit attributable to equity shareholders	**8,471**	**9,057**
Weighted average number of shares outstanding	Million	Million
Basic	52,595	52,737
Diluted	52,849	52,969

Note:
(1) See notes 1 and 2 in "Net financing costs" to the left.

Europe

	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	Europe £m	% change £	% change Organic
Year ended 31 March 2010									
Revenue	8,008	6,027	5,713	5,025	8,357	(297)	32,833	0.2	(4.5)
Service revenue	7,722	5,780	5,298	4,711	7,943	(295)	31,159	0.9	(3.8)
EBITDA	3,122	2,843	1,956	1,141	2,582	–	11,644	(3.9)	(8.9)
Adjusted operating profit	1,695	2,107	1,310	155	1,084	–	6,351	(7.0)	(12.6)
EBITDA margin	39.0%	47.2%	34.2%	22.7%	30.9%		35.5%		
Year ended 31 March 2009									
Revenue	7,847	5,547	5,812	5,392	8,514	(343)	32,769		
Service revenue	7,535	5,347	5,356	4,912	8,070	(343)	30,877		
EBITDA	3,225	2,565	2,034	1,368	2,920	–	12,112		
Adjusted operating profit	1,835	1,839	1,421	328	1,406	–	6,829		
EBITDA margin	41.1%	46.2%	35.0%	25.4%	34.3%		37.0%		

Revenue increased by 0.2% benefiting from exchange rate movements. On an organic basis service revenue declined by 3.8%(*) reflecting reductions in most markets partially offset by growth in Italy, Turkey and the Netherlands. The decline was primarily driven by reduced voice revenue resulting from continued market and regulatory pressure on pricing and slower usage growth as a result of the challenging economic climate. This was partially offset by growth in data and fixed line revenue.

EBITDA decreased by 3.9% resulting from an organic decline partially offset by a positive contribution from foreign exchange rate movements. On an organic basis, EBITDA decreased by 8.9%(*) resulting from a decline in organic service revenue in most markets and increased customer investment partially offset by operating and direct cost savings. The EBITDA margin declined 1.5 percentage points.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue – Europe	**(4.5)**	**0.1**	**4.6**	**0.2**
Service revenue				
Germany	(3.5)	–	6.0	2.5
Italy	1.9	–	6.2	8.1
Spain	(7.0)	–	5.9	(1.1)
UK	(4.7)	0.6	–	(4.1)
Other	(6.0)	–	4.4	(1.6)
Europe	**(3.8)**	**0.1**	**4.6**	**0.9**
EBITDA				
Germany	(8.9)	–	5.7	(3.2)
Italy	4.3	–	6.5	10.8
Spain	(9.9)	–	6.1	(3.8)
UK	(17.7)	1.1	–	(16.6)
Other	(16.0)	–	4.4	(11.6)
Europe	**(8.9)**	**0.1**	**4.9**	**(3.9)**
Adjusted operating profit				
Germany	(13.2)	(0.1)	5.7	(7.6)
Italy	7.8	–	6.8	14.6
Spain	(13.8)	–	6.0	(7.8)
UK	(58.3)	5.6	–	(52.7)
Other	(27.7)	–	4.8	(22.9)
Europe	**(12.6)**	**0.1**	**5.5**	**(7.0)**

Germany

Service revenue declined by 3.5%(*) driven by a 5.0%(*) reduction in mobile revenue partly offset by a 1.3%(*) improvement in fixed line revenue. The mobile revenue decline was driven by a decrease in voice revenue impacted by a termination rate cut effective from April 2009, reduced roaming, competitive pressure and continued tariff optimisation by customers. The service revenue decline in the fourth quarter slowed to 1.6%(*) with mobile revenue declining 1.8%(*) driven by the acceleration in data growth and improved usage trends. Data revenue benefited from an increase in Superflat Internet tariff penetration to over 500,000 customers, a 46% increase in smartphones and an 85% increase in active Vodafone Mobile Connect cards compared with the previous year.

Fixed line revenue growth of 1.3%(*) was supported by a 0.4 million increase in fixed broadband customers to 3.5 million at 31 March 2010 and a 0.2 million increase in wholesale fixed broadband customers to 0.4 million at 31 March 2010.

EBITDA declined by 8.9%(*) driven by lower service revenue and investment in customer acquisition and retention offset in part by lower interconnect costs and a reduction of operating expenses principally from fixed and mobile integration synergies.

Italy

Service revenue growth was 1.9%(*) with strong growth in data revenue, driven by higher penetration of PC connectivity devices and mobile internet services, and fixed revenue. The continued success of dual branding led to a closing fixed broadband customer base of 1.3 million on a 100% basis. Increased regulatory, economic and competitive pressures led to the fall in voice revenue partially mitigated through initiatives to stimulate customer spending and the continued growth in high value contract customers. Mobile contract customer additions were strong both in consumer and enterprise segments and the closing contract customer base was up by 14.5%.

EBITDA increased by 4.3%(*) and EBITDA margin increased by 1.0 percentage point as a result of increased revenue, continued operational efficiencies and cost control.

Spain

Full year service revenue declined by 7.0%(*) primarily due to a decline in voice revenue which was driven by continued intense competition and economic weakness, including high unemployment, termination rate cuts effective from April and October 2009 and increased involuntary churn. In the fourth quarter the service revenue decline improved to 6.2%(*) as voice usage increased due to further penetration of our flat rate tariffs and fixed line revenue continued to grow with 0.6 million fixed broadband customers by the end of the financial year.

EBITDA declined 9.9%(*) and the EBITDA margin decreased by 0.8 percentage points as the decline in service revenue, the increase in commercial costs and the dilutive effect of lower margin fixed line services more than offset the reduction in overhead costs.

UK

Service revenue declined by 4.7%(*) with lower voice revenue primarily due to a mobile termination rate reduction effective from July 2009, continued intense competition and economic pressures resulting in customers optimising bundle usage and lower roaming revenue. These were partially offset by higher messaging revenue, strong growth in data revenue driven by the success of mobile internet bundles and higher wholesale revenue derived from existing MVNO agreements. The decline in the fourth quarter slowed to 2.6%(*) driven by higher data growth and the impact of mobile customer additions achieved through the launch of new products and expanded indirect distribution channels.

The 17.7%(*) decline in EBITDA was primarily due to lower service revenue and increased customer investment partially offset by cost efficiency initiatives, including streamlined processes, outsourcing and reductions in publicity and consultancy.

Operating results continued

Other Europe

Service revenue decreased by 6.0%(*) with declines in all countries except the Netherlands and Turkey, which returned to growth in the second half of the year, as all markets were impacted by the economic downturn. In the Netherlands service revenue increased 3.0%(*) benefiting from strong growth in visitor revenue. Service revenue in Turkey increased by 31.3%(*) in the fourth quarter driven by an improving trend in outgoing mobile revenue. The quality and mix of customers continued to improve, with Vodafone remaining the market leader in mobile number portability in Turkey. In Romania service revenue declined by 19.9%(*) due to intense competition throughout the year, mobile termination rate cuts and the continued impact on ARPU resulting from local currency devaluation against the euro, as tariffs are quoted in euros while household incomes are earned in local currency. In the Czech Republic and Hungary the decline in service revenue was driven by mobile termination rate cuts which became effective during the year, impacting incoming mobile voice revenue and challenging economic conditions. Vodafone launched its 3G network services in the Czech Republic during the fourth quarter. Service revenue in Greece declined by 14.5%(*) primarily due to a mobile termination rate cut effective from January 2009, tariff changes and a particularly tough economic and competitive climate. Service revenue in Ireland declined due to a combination of recessionary and competitive factors. In Portugal there was a termination rate reduction effective from April 2009 which contributed to a fall in service revenue of 4.9%(*).

EBITDA declined by 16.0%(*) mainly due to a reduction in service revenue coupled with turnaround investment in Turkey. The significant service revenue growth in the second half of the financial year in Turkey was driven by investment and improvement in many areas of the business. These led to higher operating costs which, when coupled with increased interconnect costs arising from the introduction of new "any network" tariffs plans, resulted in negative EBITDA for the financial year. In Romania EBITDA decreased by 26.5%(*) due to the revenue decline but this was partially offset by strong cost reduction initiatives in all areas. The EBITDA margin fell by 3.4 percentage points with declines in all markets except the Netherlands, Portugal, Czech Republic and Hungary. The decline in service revenue was partially offset by lower customer costs and a reduction in operating expenses.

Africa, Middle East and Asia Pacific

	India £m	Vodacom £m	Other £m	Eliminations £m	Africa, Middle East and Asia Pacific £m	% change £	% change Organic[1]
Year ended 31 March 2010							
Revenue	3,114	4,450	3,526	(1)	11,089	43.6	6.1
Service revenue	3,069	3,954	3,224	(1)	10,246	44.2	7.5
EBITDA	807	1,528	977	–	3,312	38.3	5.5
Adjusted operating profit	(37)	520	335	–	818	(11.4)	(0.3)
EBITDA margin	25.9%	34.3%	27.7%		29.9%		
Year ended 31 March 2009							
Revenue	2,689	1,778	3,258	(2)	7,723		
Service revenue	2,604	1,548	2,953	(2)	7,103		
EBITDA	717	606	1,072	–	2,395		
Adjusted operating profit	(30)	373	580	–	923		
EBITDA margin	26.7%	34.1%	32.9%		31.0%		

Note:
(1) Organic growth includes Vodacom (except the results of Gateway) at the current level of ownership and includes India but excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009.

Revenue increased by 43.6% benefiting from the treatment of Vodacom as a subsidiary and the full consolidation of its results from 18 May 2009 combined with a significant benefit from foreign exchange rate movements, offset in part by the impact of the creation of a joint venture in June 2009 between Vodafone Australia and Hutchison 3G Australia. On an organic basis service revenue increased by 7.5%(*) reflecting a 51% increase in the mobile customer base and continued strong data revenue growth partially offset by a decline in mobile voice pricing. India contributed around 64% of the region's organic service revenue growth.

EBITDA increased by 38.3%, also benefiting from the full consolidation of Vodacom and positive foreign exchange rate movements, offset in part by the creation of the joint venture in Australia. On an organic basis EBITDA increased by 5.5%(*) with EBITDA margin decreasing due to turnaround investment in Ghana, the competitive pricing environment in India and the impact of launching services in Qatar.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue – Africa, Middle East and Asia Pacific	**6.1**	**25.2**	**12.3**	**43.6**
Service revenue				
India	14.7	–	3.2	17.9
Vodacom	4.6	112.0	38.8	155.4
Other	2.9	(3.3)	9.6	9.2
Africa, Middle East and Asia Pacific	**7.5**	**24.9**	**11.8**	**44.2**
EBITDA				
India	9.2	–	3.4	12.6
Vodacom	10.4	101.8	39.9	152.1
Other	(4.8)	(11.6)	7.5	(8.9)
Africa, Middle East and Asia Pacific	**5.5**	**20.5**	**12.3**	**38.3**
Adjusted operating profit				
India	30.7	–	(7.4)	23.3
Vodacom	12.5	3.1	23.8	39.4
Other	(19.7)	(27.6)	5.1	(42.2)
Africa, Middle East and Asia Pacific	**(0.3)**	**(22.3)**	**11.2**	**(11.4)**

India

Service revenue grew by 14.7%(*) for the year, with fourth quarter growth of 6.5%(*) including a 0.3 percentage point(*) benefit from Indus Towers. The contribution to India's revenue growth from Indus Towers for the fourth quarter was lower than in the third quarter as the fourth quarter represented the first anniversary of significant revenue being earned from the network sharing joint venture. Mobile service revenue growth was driven by the increase in the customer base, with record net additions for the quarter of 9.5 million, partially offset by ongoing competitive pressure on mobile voice pricing. Customer penetration in the Indian mobile market reached an estimated 50% at 31 March 2010 representing an increase of 16.0 percentage points compared to 31 March 2009.

EBITDA grew by 9.2%(*) driven by the increased customer base and the 37.6% increase in total mobile minute usage during the year, with costs decreasing as a percentage of service revenue despite the pressure on pricing. Network expansion continued with the addition of 9,000 base stations by Indus Towers and an additional 16,000 by Vodafone Essar.

Vodacom

Service revenue grew by 4.6%(*) driven by a robust performance in South Africa offset by revenue declines in Tanzania and the Democratic Republic of Congo. Data revenue increased by 32.9%(*) driven by increased penetration of mobile broadband and higher mobile internet usage. The introduction of prepaid customer registration in South Africa negatively impacted customer growth in the year and mobile termination rate reductions are expected to reduce growth in the 2011 financial year, with the first reduction taking effect from 1 March 2010.

EBITDA increased by 10.4%(*) driven by the increase in service revenue and lower direct costs and regulatory fees in South Africa.

Other Africa, Middle East and Asia Pacific

Service revenue increased by 2.9%(*) driven by the performance of Egypt and Qatar. In Egypt service revenue grew by 1.3%(*) as pressure on voice pricing and a 1.0% impact of retrospective mobile termination rate reductions introduced in the fourth quarter was offset by 31% growth in the average customer base and 64.2%(*) growth in data and fixed line revenue, with data driven by increased penetration of mobile internet devices. Having launched services in July 2009, Qatar increased its mobile customer base to 465,000 customers at 31 March 2010, representing 28% of the total population.

EBITDA declined 4.8%(*) with a 5.2% decline in EBITDA margin due to pricing, recessionary pressures and the impact of start-up costs in Qatar offset in part by efficiency savings.

On 9 June 2009 Vodafone Australia successfully completed its merger with Hutchison 3G Australia to form a 50:50 joint venture, Vodafone Hutchison Australia Pty Limited. Since the merger the joint venture has performed well delivering 8% pro-forma service revenue growth in the fourth quarter and cost synergies to date of £65 million, in line with management's expectations.

Non-Controlled Interests and Common Functions

Verizon Wireless(1)

	2010 £m	2009 £m	% change £	% change Organic
Revenue	17,222	14,085	22.3	5.0
Service revenue	15,898	12,862	23.6	6.3
EBITDA	6,689	5,543	20.7	4.4
Interest	(298)	(217)	37.3	
Tax(2)	(205)	(198)	3.5	
Non-controlling interests	(80)	(78)	2.6	
Discontinued operations	93	57	63.2	
Group's share of result in Verizon Wireless	4,112	3,542	16.1	8.0

Notes:
(1) All amounts represent the Group's share unless otherwise stated.
(2) The Group's share of the tax attributable to Verizon Wireless relates only to the corporate entities held by the Verizon Wireless partnership and certain state taxes which are levied on the partnership. The tax attributable to the Group's share of the partnership's pre-tax profit is included within the Group tax charge.

In the United States Verizon Wireless reported 3.4(3) million net mobile customer additions bringing its closing mobile customer base to 85.7(3) million, up 4.3%(3). Customer growth reflected recent market trends towards the prepaid segment alongside market leading customer churn.

Service revenue growth of 6.3%(*) was driven by the expanding customer base and robust data revenue derived from growth in multimedia handsets and smartphones.

The EBITDA margin remained strong despite the tougher competitive and economic environment. Efficiencies in operating expenses have been partly offset by a higher level of customer acquisition and retention costs, particularly for high-end devices including smartphones.

The integration of the recently acquired Alltel business is going according to plan. Store rebranding is complete and network conversions are well underway and on track. As part of the regulatory approval for the Alltel acquisition, Verizon Wireless is required to divest overlapping properties in 105 markets. On 26 April 2010 Verizon Wireless completed the sale of network and licence assets in 26 markets, corresponding to 0.9 million customers, to Atlantic Tele-Network for US$0.2 billion. Verizon Wireless has agreed to sell the network assets and mobile licences in the remaining 79 markets, corresponding to approximately 1.5 million customers, to AT&T for US$2.4 billion. This transaction remains subject to receipt of regulatory approval and is expected to complete by 30 June 2010.

Other Non-Controlled Interests

The share of profit in SFR increased reflecting the foreign exchange benefits upon translation of the results into sterling.

Note:
(3) Customers have been restated to reflect retail customers only, as reported externally by Verizon Wireless.

Guidance

2012 financial year and medium-term guidance

	2011 actual performance £bn	2012 guidance £bn
Adjusted operating profit	11.8	11.0 – 11.8
Free cash flow	7.0	6.0 – 6.5

2012 financial year

Adjusted operating profit is expected to be in the range of £11.0 billion to £11.8 billion, reflecting the loss of our £0.5 billion share of profits from SFR as a result of the disposal of our 44% stake.

Free cash flow is expected to be in the range of £6.0 billion to £6.5 billion, reflecting continued strong cash generation offset by the £0.3 billion reduction in dividends from China Mobile Limited and SFR in the 2012 financial year, and the more limited working capital improvements available going forward. Capital expenditure is expected to be at a similar level to last year on a constant currency basis.

Medium-term guidance

The execution of the updated strategy is targeted to achieve annual growth in organic service revenue of between 1% and 4% in the period to 31 March 2014. We expect that the Group EBITDA margin will stabilise by the end of this period.

As a result of the loss of £0.5 billion of cash dividends from our disposals of stakes in China Mobile Limited and SFR, we expect that annual free cash flow generation will now be in the £5.5 billion to £6.5 billion range in the period to March 2014, underpinning the three year 7% per annum dividend per share growth target issued in May 2010. We continue to expect that total dividends per share will be no less than 10.18 pence for the 2013 financial year.

The free cash flow target range excludes any incremental benefit that we derive from our strategy to generate liquidity or incremental cash flow from non-controlled interests of the Group such as Verizon Wireless and Polkomtel.

Assumptions

Guidance for the 2012 financial year and the medium-term is based on our current assessment of the global economic outlook and assumes foreign exchange rates of £1:€1.15 and £1:US$1.60. It excludes the impact of licence and spectrum purchases, material one-off tax related payments and restructuring costs and assumes no material change to the current structure of the Group.

With respect to the 7% per annum dividend per share growth target, as the Group's free cash flow is predominantly generated by companies operating within the euro currency zone, we have assumed that the euro to sterling exchange rate remains within 10% of the above guidance exchange rate.

Actual exchange rates may vary from the exchange rate assumptions used. A 1% change in the euro to sterling exchange rate would impact adjusted operating profit and free cash flow by approximately £50 million and a 1% change in the dollar to sterling exchange rate would impact adjusted operating profit by approximately £50 million.

2011 financial year

	Adjusted operating profit £bn	Free cash flow £bn
Guidance – May 2010[1]	11.2 – 12.0	> 6.5
Guidance – November 2010[1]	11.8 – 12.2	> 6.5
2011 performance on guidance basis[3]	12.2	7.2
Foreign exchange[1]	(0.3)	(0.2)
Verizon Wireless[2]	(0.1)	–
2011 reported performance[3]	11.8	7.0

Notes:
(1) The Group's guidance reflected assumptions for average exchange rates for the 2011 financial year of approximately £1:€1.15 and £1:US$1.50. Actual exchange rates were £1:€1.18 and £1:US$1.56.
(2) The Group's guidance did not include the impact of the revenue recognition and Alltel related adjustments in Verizon Wireless.
(3) After Verizon iPhone launch costs.

Principal risk factors and uncertainties

The following discussion of principal risk factors and uncertainties identifies the most significant risks that may adversely affect our business, operations, liquidity, financial position or future performance. Additional risks not presently known to us, or that we currently deem less material, may also impact our business. This section should be read in conjunction with the "Forward-looking statements" on page 148 of this document.

Adverse macroeconomic conditions in the markets in which we operate could impact our results of operations.
Adverse macroeconomic conditions and deterioration in the global economic environment, such as further economic slowdown in the markets in which we operate, may lead to a reduction in the level of demand from our customers for existing and new products and services. In difficult economic conditions, consumers may seek to reduce discretionary spending by reducing their use of our products and services, including data services, or by switching to lower-cost alternatives offered by our competitors. Similarly, under these conditions the enterprise customers that we serve may delay purchasing decisions, delay full implementation of service offerings or reduce their use of our services. In addition, adverse economic conditions may lead to an increased number of our consumer and enterprise customers that are unable to pay for existing or additional services. If these events were to occur it could have a material adverse effect on our results of operations.

The continued volatility of worldwide financial markets may have a negative impact on our access to finance.
Our key sources of liquidity in the foreseeable future are likely to be cash generated from operations and borrowings through long-term and short-term issuances in the capital markets as well as committed bank facilities. Due to volatility experienced in capital and credit markets around the world, new issuances of debt securities may experience decreased demand. Adverse changes in credit markets or our credit ratings could increase the cost of borrowing and banks may be unwilling to renew credit facilities on existing terms. Any of these factors could have a negative impact on our access to finance.

Regulatory decisions and changes in the regulatory environment could adversely affect our business.
As we have ventures in a large number of geographic areas, we must comply with an extensive range of requirements that regulate and supervise the licensing, construction and operation of our telecommunications networks and services. In particular, there are agencies which regulate and supervise the allocation of frequency spectrum and which monitor and enforce regulation and competition laws which apply to the mobile telecommunications industry. Decisions by regulators regarding the granting, amendment or renewal of licences, to us or to third parties, could adversely affect our future operations in these geographic areas. In addition, other changes in the regulatory environment concerning the use of mobile phones may lead to a reduction in the usage of mobile phones or otherwise adversely affect us. Additionally, decisions by regulators and new legislation, such as those relating to international roaming charges and call termination rates, could affect the pricing for, or adversely affect the revenue from, the services we offer. Further details on the regulatory framework in certain countries and regions in which we operate, and on regulatory proceedings, can be found in "Regulation" on page 140.

Increased competition may reduce our market share and revenue.
We face intensifying competition and our ability to compete effectively will depend on, among other things, our network quality, capacity and coverage, pricing of services and equipment, quality of customer service, development of new and enhanced products and services in response to customer demands and changing technology, reach and quality of sales and distribution channels and capital resources. Competition could lead to a reduction in the rate at which we add new customers, a decrease in the size of our market share and a decline in our ARPU as customers choose to receive telecommunications services or other competing services from other providers. Examples include but are not limited to competition from internet based services and MVNOs.

The focus of competition in many of our markets continues to shift from customer acquisition to customer retention as the market for mobile telecommunications has become increasingly penetrated. Customer deactivations are measured by our churn rate. There can be no assurance that we will not experience increases in churn rates, particularly as competition intensifies. An increase in churn rates could adversely affect profitability because we would experience lower revenue and additional selling costs to replace customers or recapture lost revenue.

Increased competition has also led to declines in the prices we charge for our mobile services and is expected to lead to further price declines in the future. Competition could also lead to an increase in the level at which we must provide subsidies for handsets. Additionally, we could face increased competition should there be an award of additional licences in jurisdictions in which a member of our Group already has a licence.

Delays in the development of handsets and network compatibility and components may hinder the deployment of new technologies.
Our operations depend in part upon the successful deployment of continuously evolving telecommunications technologies. We use technologies from a number of vendors and make significant capital expenditure in connection with the deployment of such technologies. There can be no assurance that common standards and specifications will be achieved, that there will be inter-operability across Group and other networks, that technologies will be developed according to anticipated schedules, that they will perform according to expectations or that they will achieve commercial acceptance. The introduction of software and other network components may also be delayed. The failure of vendor performance or technology performance to meet our expectations or the failure of a technology to achieve commercial acceptance could result in additional capital expenditure by us or a reduction in our profitability.

We may experience a decline in revenue or profitability notwithstanding our efforts to increase revenue from the introduction of new services.
As part of our strategy we will continue to offer new services to our existing customers and seek to increase non-voice service revenue as a percentage of total service revenue. However, we may not be able to introduce these new services commercially or may experience significant delays due to problems such as the availability of new mobile devices, higher than anticipated prices of new devices or availability of new content services. In addition, even if these services are introduced in accordance with expected time schedules, there is no assurance that revenue from such services will increase ARPU or maintain profit margins.

Expected benefits from our cost reduction initiatives may not be realised.
We have entered into several cost reduction initiatives principally relating to network sharing, the outsourcing of IT application, development and maintenance, data centre consolidation, supply chain management and a business transformation programme to implement a single, integrated operating model using one enterprise resource planning ('ERP') system. However, there is no assurance that the full extent of the anticipated benefits will be realised in the timeline envisaged.

Principal risk factors and uncertainties continued

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

We complete a review of the carrying value of Group assets annually, or more frequently where the circumstances require, to assess whether those carrying values can be supported by the net present value of future cash flows derived from such assets. This review examines the continued appropriateness of the assumptions in respect of highly uncertain matters upon which the valuations supporting carrying values of certain Group assets are based. This includes an assessment of discount rates and long-term growth rates, future technological developments, and timing and quantum of future capital expenditure as well as several factors which may affect revenue and profitability identified within the other risk factors in this section such as intensifying competition, pricing pressures, regulatory changes and the timing for introducing new products or services. Discount rates are in part derived from yields on government bonds, the level of which may change substantially period to period and which may be affected by political, economic and legal developments which are beyond our control. Due to our substantial carrying value of goodwill under International Financial Reporting Standards, the revision of any of these assumptions to reflect current or anticipated changes in operations or the financial condition of the Group could lead to an impairment in the carrying value of certain Group assets. While impairment does not impact reported cash flows, it does result in a non-cash charge in the consolidated income statement and thus no assurance can be given that any future impairments would not affect our reported distributable reserves and therefore our ability to make distributions to our shareholders or repurchase our shares. See "Critical accounting estimates" on page 77 and note 10 to the consolidated financial statements.

Our emerging market footprint may present exposure to unpredictable economic, political, regulatory, tax and legal risks.

Political, regulatory, economic and legal systems in emerging markets may be less predictable than in countries with more stable institutional structures. Since we operate in and are exposed to emerging markets, the value of our investments in these markets may be adversely affected by political, regulatory, economic, tax and legal developments which are beyond our control and anticipated benefits resulting from acquisitions and other investments we have made in these markets may not be achieved in the time expected or at all. For further information on legal and tax proceedings see note 28.

We participate in joint ventures which expose us to operational and financial risk.

We participate in a number of joint ventures, some of which we do not control. Whether or not we hold majority interests or maintain operational control in our joint ventures, our partners may have economic or business interests or goals that are inconsistent with ours, exercise their rights in a way that prohibits us from acting in a manner which we would like or they may be unable or unwilling to fulfil their obligations under the joint venture or other agreements. In particular, some of our interests in mobile licences are held through entities in which we are a significant but not a controlling owner. Under the governing documents for some of these partnerships and corporations, certain key matters such as the approval of business plans and decisions as to the timing and amount of cash distributions require the consent of our partners. In others these matters may be approved without our consent. We may enter into similar arrangements as we participate in ventures formed to pursue additional opportunities. Although we have not been materially constrained by our participation in joint ventures to date, no assurance can be given that the actions or decisions of our joint venture partners will not affect our ventures in a way that hinders our corporate objectives or reduces any anticipated cost savings or revenue enhancement resulting from these ventures.

Expected benefits from investment in networks, licences and new technology may not be realised.

We have made substantial investments in the acquisition of licences and in our mobile networks, including the roll out of 3G networks. We expect to continue to make significant investments in our mobile networks due to increased usage and the need to offer new services and greater functionality afforded by new or evolving telecommunications technologies. Accordingly, the rate of our capital expenditures in future years could remain high or exceed that which we have experienced to date. There can be no assurance that the introduction of new services will proceed according to anticipated schedules or that the level of demand for new services will justify the cost of setting up and providing new services. Failure or a delay in the completion of networks and the launch of new services, or increases in the associated costs, could have a material adverse effect on our operations.

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

Concerns have been expressed that the electromagnetic signals emitted by mobile telephone handsets and base stations may pose health risks at exposure levels below existing guideline levels and may interfere with the operation of electronic equipment. In the event of national governments responding to public concern with the imposition of more stringent exposure limits, our costs may be increased. In addition, as described under the heading "Legal proceedings" in note 28 to the consolidated financial statements, several mobile industry participants including Verizon Wireless and ourselves have had lawsuits filed against us alleging various health consequences as a result of mobile phone usage including brain cancer. While we are not aware that such health risks have been substantiated, there can be no assurance that the actual or perceived risks associated with radio wave transmission will not impair our ability to retain customers and attract new customers, reduce mobile telecommunications usage or result in further litigation. In such event, because of our strategic focus on mobile telecommunications, our business and results of operations may be more adversely affected than those of other companies in the telecommunications sector.

Our business would be adversely affected by the non-supply of equipment and support services by a major supplier.

Companies within the Group source network infrastructure and other equipment, as well as network-related and other significant support services, from third party suppliers. The withdrawal or removal from the market of one or more of these major third party suppliers could adversely affect our operations and could require us to make additional capital or operational expenditures.

Our business could be adversely affected by disruptions to our telecommunications networks.

We are dependent on the secure operation of our telecommunications networks and attacks on critical infrastructure, or disruption of our networks caused by other factors beyond our control, pose an increasing threat. As the importance of mobile communication in everyday life, as well as during times of crisis, increases and the volume of personal and business data being communicated and stored by network operators grows, organisations and individuals look to us to maintain service and protect sensitive information. Any significant interruption in our service or in our ability to protect sensitive information, whether caused by acts of terrorism, industrial action, natural disasters, political unrest or otherwise, could have a material adverse effect on our revenue and our reputation.

Financial position and resources

Consolidated statement of financial position

	2011 £m	2010 £m
Non-current assets		
Intangible assets	68,558	74,258
Property, plant and equipment	20,181	20,642
Investments in associates	38,105	36,377
Other non-current assets	7,373	11,489
	134,217	**142,766**
Current assets	17,003	14,219
Total assets	**151,220**	**156,985**
Total equity shareholders' funds	87,555	90,381
Total non-controlling interests	6	429
Total equity	**87,561**	**90,810**
Liabilities		
Borrowings		
Long-term	28,375	28,632
Short-term	9,906	11,163
Taxation liabilities		
Deferred tax liabilities	6,486	7,377
Current taxation liabilities	2,262	2,874
Other non-current liabilities	1,373	1,550
Other current liabilities	15,257	14,579
Total liabilities	**63,659**	**66,175**
Total equity and liabilities	**151,220**	**156,985**

Assets

Intangible assets

At 31 March 2011 our intangible assets were £68.6 billion (2010: £74.3 billion) with goodwill comprising the largest element at £45.2 billion (2010: £51.8 billion). The decrease primarily resulted from impairment losses of £6.2 billion, amortisation of £3.5 billion and unfavourable foreign exchange rate movements of £0.9 billion partially offset by £4.7 billion of additions. Refer to note 10 to the consolidated financial statements for further information on the impairment charge.

Property, plant and equipment

Property, plant and equipment decreased from £20.6 billion at 31 March 2010 to £20.2 billion at 31 March 2011 predominantly as a result of £4.7 billion of additions offset by £4.4 billion of depreciation charges and unfavourable foreign exchange rate movements of £0.6 billion.

Investments in associates

Investments in associates increased from £36.4 billion at 31 March 2010 to £38.1 billion at 31 March 2011 primarily due to our share of the results of associates, after deductions of interest, tax and non-controlling interest, which contributed £5.1 billion to the increase, mainly arising from our investment in Verizon Wireless, partially offset by £1.4 billion of dividends received and unfavourable foreign exchange movements of £1.9 billion.

Other non-current assets

Other non-current assets decreased to £7.4 billion at 31 March 2011 (2010: £11.5 billion) mainly due to other investments which totalled £1.4 billion at 31 March 2011 compared to £7.6 billion at 31 March 2010. The decrease was primarily as a result of the disposal of our 3.2% interest in China Mobile Limited and our interests in SoftBank investments.

Current assets

Current assets increased to £17.0 billion at 31 March 2011 from £14.2 billion at 31 March 2010 due to an increase in cash and short-term investments resulting from the disposal of our interests in SoftBank and the element of the proceeds from the disposal of our 3.2% interest in China Mobile Limited not utilised for the share buyback programme.

Total equity and liabilities

Total equity shareholders' funds

Total equity shareholders' funds decreased from £90.4 billion at 31 March 2010 to £87.6 billion at 31 March 2011. The profit for the year of £8.0 billion was more than offset by equity dividends of £4.5 billion, an other comprehensive loss of £4.5 billion and the share buyback of £2.1 billion.

Borrowings

Long-term borrowings and short-term borrowings decreased to £38.3 billion at 31 March 2011 from £39.8 billion at 31 March 2010 mainly as a result of foreign exchange rate movements and bond repayments during the year.

Taxation liabilities

Current tax liabilities decreased from £2.9 billion at 31 March 2010 to £2.3 billion at 31 March 2011 mainly as a result of lower outstanding tax liabilities in the US as a result of accelerated tax depreciation and the resolution of long-standing tax disputes.

Other current liabilities

Other current liabilities increased from £14.6 billion at 31 March 2010 to £15.3 billion at 31 March 2011. Trade payables at 31 March 2011 were equivalent to 37 days (2010: 31 days) outstanding, calculated by reference to the amount owed to suppliers as a proportion of the amounts invoiced by suppliers during the year. It is our policy to agree terms of transactions, including payment terms, with suppliers and it is our normal practice that payment is made accordingly.

Contractual obligations and contingencies

A summary of our principal contractual financial obligations is shown below. Further details on the items included can be found in the notes to the consolidated financial statements. Details of the Group's contingent liabilities are included in note 28 to the consolidated financial statements.

	Payments due by period £m				
Contractual obligations(1)	Total	<1 year	1-3 years	3-5 years	>5 years
Borrowings(2)	45,226	10,864	8,727	10,093	15,542
Operating lease commitments(3)	6,513	1,225	1,704	1,240	2,344
Capital commitments(3)(4)	2,124	1,885	228	11	–
Purchase commitments(5)	5,937	3,619	1,835	142	341
Total contractual cash obligations(1)	**59,800**	**17,593**	**12,494**	**11,486**	**18,227**

Notes:
(1) The above table of contractual obligations includes commitments in respect of options over interests in Group businesses held by non-controlling shareholders (see "Option agreements and similar arrangements") and obligations to pay dividends to non-controlling shareholders (see "Dividends from associates and to non-controlling shareholders"). The table excludes current and deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 6 and 23 to the consolidated financial statements respectively. The table also excludes the contractual obligations of associates.
(2) See note 22 to the consolidated financial statements.
(3) See note 27 to the consolidated financial statements.
(4) Primarily related to network infrastructure.
(5) In addition to the purchase commitments disclosed above, Vodafone Netherlands has announced its intention to acquire BelCompany BV, one of the largest telecom retailers in the Netherlands, from the Macintosh Retail Group for €120 million. The transaction is subject to regulatory and other approvals.

Equity dividends

The table below sets out the amounts of interim, final and total cash dividends paid or, in the case of the final dividend for the 2011 financial year, proposed, in respect of each financial year.

	Pence per ordinary share		
Year ended 31 March	Interim	Final	Total
2007	2.35	4.41	6.76
2008	2.49	5.02	7.51
2009	2.57	5.20	7.77
2010	2.66	5.65	8.31
2011	2.85	6.05(1)	8.90

Note:
(1) The final dividend for the year ended 31 March 2011 was proposed on 17 May 2011 and is payable on 5 August 2011 to holders on record as of 3 June 2011. For american depositary share ('ADS') holders the dividend will be payable in US dollars under the terms of the ADS depositary agreement. Dividend payments on ordinary shares will be paid by direct credit into a nominated bank or building society account or, alternatively, into the Company's dividend reinvestment plan. The Company no longer pays dividends in respect of ordinary shares by cheque.

Financial position and resources continued

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

In November 2010 the directors announced an interim dividend of 2.85 pence per share representing a 7.1% increase over last year's interim dividend. The directors are proposing a final dividend of 6.05 pence per share representing a 7.1% increase over last year's final dividend. Total dividends for the year increased by 7.1% to 8.90 pence per share.

In May 2010 the directors issued a dividend per share growth target of at least 7% per annum for each of the financial years in the period ending 31 March 2013, assuming no material adverse foreign exchange rate movements. We expect that total dividends per share will therefore be no less than 10.18p for the 2013 financial year. See page 44 for the assumptions underlying this expectation.

Liquidity and capital resources

The major sources of Group liquidity for the 2011 and 2010 financial years were cash generated from operations, dividends from associates and borrowings through short-term and long-term issuances in the capital markets. We do not use non-consolidated special purpose entities as a source of liquidity or for other financing purposes.

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

Our liquidity and working capital may be affected by a material decrease in cash flow due to factors such as reduced operating cash flow resulting from further possible business disposals, increased competition, litigation, timing of tax payments and the resolution of outstanding tax issues, regulatory rulings, delays in the development of new services and networks, licence and spectrum payments, inability to receive expected revenue from the introduction of new services, reduced dividends from associates and investments or increased dividend payments to non-controlling shareholders. Please see the section titled "Principal risk factors and uncertainties" on pages 45 and 46.

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

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

Cash flows

Free cash flow decreased by 2.7% to £7,049 million primarily due to higher taxation payments and dividends to non-controlling shareholders in subsidiaries partially offset by improved cash generated from operations and lower payments for capital expenditure.

Cash generated by operations increased by 0.4% to £15,392 million primarily driven by foreign exchange rate movements and working capital improvements. Cash capital expenditure decreased by £328 million primarily due to lower expenditure in India. We invested £2,982 million in licences and spectrum including £1,725 million in India and £1,210 million in Germany.

Payments for taxation increased by 14.3% to £2,597 million primarily due to the absence of the one-time benefit of additional tax deductions which were available in Italy in the previous year.

Dividends received from associates and investments were stable at £1,509 million.

Net interest payments decreased by 5.5% to £1,328 million primarily due to lower average net debt.

	2011 £m	2010 £m	%
Cash generated by operations	15,392	15,337	0.4
Cash capital expenditure[1]	(5,658)	(5,986)	
Disposal of intangible assets and property, plant and equipment	51	48	
Operating free cash flow	**9,785**	**9,399**	**4.1**
Taxation	(2,597)	(2,273)	
Dividends received from associates and investments[2]	1,509	1,577	
Dividends paid to non-controlling shareholders in subsidiaries	(320)	(56)	
Interest received and paid	(1,328)	(1,406)	
Free cash flow	**7,049**	**7,241**	**(2.7)**
Other amounts[3]	45	–	
Licence and spectrum payments	(2,982)	(989)	
Acquisitions and disposals[4]	(183)	(2,683)	
Contributions from non-controlling shareholders in subsidiaries[5]	–	613	
Equity dividends paid	(4,468)	(4,139)	
Purchase of treasury shares	(2,087)	–	
Foreign exchange	834	1,038	
Other[6]	5,250	(174)	
Net debt decrease	**3,458**	**907**	
Opening net debt	(33,316)	(34,223)	
Closing net debt	**(29,858)**	**(33,316)**	**(10.4)**

Notes:
(1) Cash paid for purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments.
(2) Year ended 31 March 2011 includes £373 million (2010:£389 million) from our interest in SFR and £1,024 million (2010: £1,034 million) from our interest in Verizon Wireless.
(3) Comprises items in respect of: the UK CFC settlement (£800 million), tax relating to the disposal of China Mobile Limited (£208 million), the SoftBank disposal (£1,409 million) and the court deposit made in respect of the India tax case (£356 million). The latter is included within the line item "Purchase of interests in subsidiaries and joint ventures, net of cash acquired" in the consolidated statement of cash flows.
(4) Year ended 31 March 2011 includes net cash and cash equivalents paid of £183 million (2010: £1,777 million) and assumed debt of £nil (2010: £906 million).
(5) Year ended 31 March 2010 includes £613 million in relation to Qatar.
(6) Year ended 31 March 2011 includes £4,264 million in relation to the disposal of our 3.2% interest in China Mobile Limited.

Dividends from associates and to non-controlling shareholders

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

Included in the dividends received from associates and investments is an amount of £1,024 million (2010: £1,034 million) received from Verizon Wireless. Until April 2005 Verizon Wireless' distributions were determined by the terms of the partnership agreement distribution policy and comprised income distributions and tax distributions. Since April 2005 only tax distributions have been issued. Following the announcement of Verizon Wireless' acquisition of Alltel, certain additional tax distributions were agreed in addition to the tax distributions required by the partnership agreement. Taken together with recent revisions to the tax distribution provisions in the partnership agreement, current projections forecast that tax distributions will cover the US tax liabilities arising from our partnership interest in Verizon Wireless.

Under the terms of the partnership agreement the Verizon Wireless board has no obligation to effect additional distributions above the level of the tax distributions. However, the Verizon Wireless board has agreed that it will review distributions from Verizon Wireless on a regular basis. When considering whether distributions will be made each year, the Verizon Wireless board will take into account its debt position, the relationship

between debt levels and maturities, and overall market conditions in the context of the five year business plan. It is expected that Verizon Wireless' free cash flow will be deployed in servicing and reducing debt in the near term.

During the year ended 31 March 2011 cash dividends totalling £373 million (2010: £389 million) were received from SFR. Following SFR's purchase of Neuf Cegetel it was agreed that SFR would partially fund debt repayments by a reduction in dividends between 2009 and 2011 inclusive. In April 2011 we announced an agreement to dispose of our 44% interest in SFR. We will also receive a final dividend from SFR of €200 million (£176 million) on completion of the transaction. Future cash flows will be reduced by the loss of dividends from SFR.

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

Given Vodacom's strong financial position and cash flow generation, the Vodacom board has decided to increase its dividend payout ratio from 40% to approximately 60% of headline earnings for the year ended March 2011.

Acquisitions

We invested £183 million (2010: £1,777 million), net of cash and cash equivalents acquired, in acquisition activities during the year.

Other significant transactions

On 10 September 2010 we sold our entire 3.2% interest in China Mobile Limited for a total consideration of £4.3 billion before tax and transaction costs. Future cash flows will be reduced by the loss of dividends from China Mobile Limited.

On 9 November 2010 we agreed to sell to SoftBank Corp. of Japan our interests which were originally received as part of the proceeds from the sale of Vodafone Japan in 2006, for a total consideration of ¥412.5 billion (£3.1 billion). ¥212.5 billion (£1.6 billion) of the consideration was received in December 2010 and ¥200 billion (£1.5 billion) is expected to be received in April 2012.

On 30 March 2011 the Essar Group exercised its underwritten put option over 22.0% of Vodafone Essar Limited ('VEL') following which, on 31 March 2011, we exercised our call option over the remaining 11.0% of VEL owned by the Essar Group. The consideration due under these two options is US$5 billion (£3.1 billion). The Group does not believe that there is any legal requirement to withhold tax in respect of these transactions but as discussed in detail under 'Legal proceedings' on page 122, if the Authority for Advanced Rulings directs tax to be withheld, this amount is anticipated to be approximately an additional US$1 billion.

On 3 April 2011 we announced an agreement to sell our entire 44% interest in SFR to Vivendi for a cash consideration of €7.75 billion (£6.8 billion). Subject to customary competition authority and regulatory approvals, the transaction is expected to complete during the second calendar quarter of 2011.

Treasury shares

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

Following the disposal of our 3.2% interest in China Mobile Limited on 10 September 2010, we initiated a £2.8 billion share buyback programme under the authority granted by our shareholders at the 2010 AGM. In addition to ordinary market purchases, the Group placed irrevocable purchase instructions with a number of banks to enable the banks to buy back shares on our behalf when we may otherwise have been prohibited from buying in the market. Details of the shares purchased to date, including those purchased under irrevocable instructions, are shown below:

Date of share purchase	Number of shares purchased[1] '000	Average price paid per share inclusive of transaction costs Pence	Total number of shares purchased under share repurchase programme[2] '000	Maximum value of shares that may yet be purchased under the programme[3] £m
September 2010	115,400	161.78	115,400	2,613
October 2010	187,500	165.50	302,900	2,303
November 2010	209,400	170.21	512,300	1,947
December 2010	162,900	167.44	675,200	1,674
January 2011	177,090	176.67	852,290	1,361
February 2011	134,700	179.23	986,990	1,120
March 2011	250,900	177.26	1,237,890	675
April 2011	135,100	176.81	1,372,990	436
May 2011	127,000	170.14	1,499,990	268
Total	**1,499,990[4]**	**172.01**	**1,499,990**	**220**

Notes:
(1) The nominal value of shares purchased is 11 $^{3}/_{7}$ US cents each.
(2) No shares were purchased outside the publicly announced share buyback programme.
(3) In accordance with shareholder authority granted at the 2010 AGM.
(4) The total number of shares purchased represents 2.9% of our issued share capital at 16 May 2011.

The aggregate amount of consideration paid by the Company for the shares at 16 May 2011 was £2,580 million.

Following the announcement of the agreement to dispose of our 44% interest in SFR on 3 April 2011, we also announced that we will return £4 billion of the net proceeds to shareholders by way of a share buyback programme. This programme will commence following completion of the existing £2.8 billion programme.

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

	Number Million	£m
1 April 2010	5,146	7,810
Reissue of shares	(150)	(232)
Purchase of shares	1,238	2,125
Cancelled shares	(1,000)	(1,532)
31 March 2011	**5,234**	**8,171**

Funding

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

Financial position and resources continued

Net debt

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

	2011 £m	2010 £m
Cash and cash equivalents[1]	**6,252**	**4,423**
Short-term borrowings:		
Bonds	(2,470)	(1,174)
Commercial paper[2]	(1,660)	(2,563)
Put options over non-controlling interests	(3,113)	(3,274)
Bank loans	(2,070)	(3,460)
Other short-term borrowings[1]	(593)	(692)
	(9,906)	**(11,163)**
Long-term borrowings:		
Put options over non-controlling interests	(78)	(131)
Bonds, loans and other long-term borrowings	(28,297)	(28,501)
	(28,375)	**(28,632)**
Other financial instruments[3]	2,171	2,056
Net debt	**(29,858)**	**(33,316)**

Notes:
(1) At 31 March 2011 the amount includes £531 million (2010: £604 million) in relation to cash received under collateral support agreements.
(2) At 31 March 2011 US$551 million was drawn under the US commercial paper programme and €1,490 million was drawn under the euro commercial paper programme.
(3) Comprises i) mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables (2011: £2,045 million; 2010: £2,128 million) and trade and other payables (2011: £548 million; 2010: £460 million) and ii) short-term investments in index linked government bonds and collateral support agreements included as a component of other investments (2011: £674 million; 2010: £388 million). These government bonds have less than six years to maturity, can be readily converted into cash via the repurchase market and are held on an effective floating rate basis.

At 31 March 2011 we had £6,252 million of cash and cash equivalents which are held in accordance with our treasury policy.

We hold cash and liquid investments in accordance with the counterparty and settlement risk limits of the Board approved treasury policy. The main forms of liquid investments at 31 March 2011 were money market funds, UK index linked government bonds and bank deposits.

Net debt decreased by £3,458 million to £29,858 million primarily due to the sale of our interests in SoftBank and the element of the proceeds from the sale of our 3.2% interest in China Mobile Limited which was not committed to the share buyback programme. The £7,049 million free cash flow generated during the year was primarily used to fund £4,468 million of dividend payments to shareholders as well as spectrum purchases in Germany and India. Net debt represented 32.8% of our market capitalisation at 31 March 2011 compared with 41.6% at 31 March 2010. Average net debt at month end accounting dates over the 12 month period ended 31 March 2011 was £31.4 billion and ranged between £28.4 billion and £34.9 billion during the year.

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

Commercial paper programmes

We currently have US and euro commercial paper programmes of US$15 billion and £5 billion respectively which are available to be used to meet short-term liquidity requirements. At 31 March 2011 an amount external to the Group of €1,490 million (£1,317 million) was drawn under the euro commercial paper programme and US$551 million (£343 million) was drawn down under the US commercial paper programme, with such funds being provided by counterparties external to the Group. At 31 March 2010 US$245 million (£161 million) was drawn under the US commercial paper programme and €2,491 million (£2,219 million), £161 million and US$33 million (£22 million) was drawn under the euro commercial paper programme. The commercial paper facilities were supported by US$4.2 billion (£2.6 billion) and €4.2 billion (£3.7 billion) of syndicated committed bank facilities (see "Committed facilities"), which mature on 9 March 2016 and 1 July 2015 respectively. No amounts had been drawn under either bank facility.

Bonds

We have a €30 billion euro medium-term note programme and a US shelf programme which are used to meet medium to long-term funding requirements. At 31 March 2011 the total amounts in issue under these programmes split by currency were US$14.3 billion, £2.6 billion, €10.6 billion and £0.2 billion sterling equivalent of other currencies.

In the year ended 31 March 2011 bonds with a nominal value equivalent of £0.7 billion at the relevant 31 March 2011 foreign exchange rates were issued under the US shelf and the euro medium-term note programme. The bonds issued during the year were:

Date of bond issue	Maturity of bond	Nominal amount Million	Sterling equivalent Million
August 2010	August 2011	US$100	64
March 2011	March 2016	US$600	374
March 2011	March 2021	US$500	311

At 31 March 2011 we had bonds outstanding with a nominal value of £20,987 million (2010: £21,963 million).

Committed facilities

The following table summarises the committed bank facilities available to us at 31 March 2011.

Committed bank facilities	Amounts drawn
1 July 2010 €4.2 billion syndicated revolving credit facility, maturing 1 July 2015	No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions.
9 March 2011 US$4.2 billion syndicated revolving credit facility, maturing 9 March 2016	No drawings have been made against this facility. The facility supports our commercial paper programmes and may be used for general corporate purposes including acquisitions.
16 November 2006 €0.4 billion loan facility, maturing 14 February 2014	This facility was drawn down in full on 14 February 2007. The facility is available for financing capital expenditure in our Turkish operating company.
28 July 2008 €0.4 billion loan facility, maturing 12 August 2015	This facility was drawn down in full on 12 August 2008. The facility is available for financing the roll-out of converged fixed mobile broadband telecommunications network in Italy.
15 September 2009 €0.4 billion loan facility, maturing 30 July 2017	This facility was drawn down in full on 30 July 2010. The facility is available for financing capital expenditure in our German operations.
29 September 2009 US$0.7 billion export credit agency loan facility, final maturity date 19 September 2018	An initial drawing was made of US$120 million on 3 November 2010. The facility is available for financing eligible Swedish goods and services.

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

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

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

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

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

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

Furthermore, certain of our subsidiaries are funded by external facilities which are non-recourse to any member of the Group other than the borrower due to the level of country risk involved. These facilities may only be used to fund their operations. At 31 March 2011 Vodafone Essar had facilities of INR 281 billion (£3.9 billion) of which INR 262 billion (£3.7 billion) is drawn. Vodafone Egypt has a partly drawn EGP 1.2 billion (£121 million) syndicated bank facility of EGP 4.0 billion (£418 million) that matures in March 2014. Vodacom had fully drawn facilities of ZAR 8.1 billion (£741 million), US$120 million (£73 million) and TZS 87 billion (£36 million), Vodafone Americas has a US$1.4 billion (£871 million) US private placement with a maturity of 17 August 2015 and Ghana had a fully drawn facility of US$75 million (£47 million) with a final maturity of 15 March 2018.

In aggregate we have committed facilities of approximately £15,703 million, of which £7,247 million was undrawn and £8,456 million was drawn at 31 March 2011.

We believe that we have sufficient funding for our expected working capital requirements for at least the next 12 months. Further details regarding the maturity, currency and interest rates of the Group's gross borrowings at 31 March 2011 are included in note 22 to the consolidated financial statements.

Financial assets and liabilities

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

Option agreements and similar arrangements

Potential cash outflows

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

Our aggregate direct and indirect interest in Vodafone Essar Limited ('VEL'), our Indian operating company, is 59.9% at 31 March 2011. We have call options to acquire shareholdings in companies which indirectly own a further 7.1% interest in VEL. The shareholders of these companies also have put options which, if exercised, would require us 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, we would have a direct and indirect interest of 67.0% in VEL. On 30 March 2011 the Essar Group exercised its underwritten put option over 22.0% of VEL following which, on 31 March 2011, we exercised our call option over the remaining 11.0% of VEL owned by the Essar Group. The consideration due under these two options is US$5 billion (£3.1 billion). The Group does not believe that there is any legal requirement to withhold tax in respect of these transactions but as discussed on page 122, if the Authority for Advanced Rulings directs tax to be withheld, this amount is anticipated to be approximately an additional US$1 billion.

Off-balance sheet arrangements

On 7 January 2011 State Bank of India provided a guarantee on our behalf of INR 85 billion (£1.2 billion) to the Supreme Court of India in relation to the ongoing litigation in respect of the purchase of Vodafone Essar Limited as disclosed on page 122. We have counter indemnified State Bank of India for any amounts payable under this guarantee.

Other than this guarantee we do not have any material off-balance sheet arrangements as defined in item 5.E.2. of the SEC's Form 20-F. Please refer to notes 27 and 28 to the consolidated financial statements for a discussion of our commitments and contingent liabilities.

Quantitative and qualitative disclosures about market risk

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

Board of directors and Group management

Directors and senior management

Our business is managed by our Board of directors ('the Board'). Biographical details of the directors and senior management at 17 May 2011 are as follows:

Board of directors

Chairman

1. Sir John Bond†, aged 69, became Chairman of Vodafone Group Plc in July 2006, having previously served as a non-executive director of the Board, and is Chairman of the Nominations and Governance Committee. He is Chairman of Xstrata plc and a non-executive director of A.P. Møller – Mærsk A/S and Shui On Land Limited (Hong Kong SAR). He retired from the position of Group Chairman of HSBC Holdings plc in May 2006. Previous non-executive directorships include the London Stock Exchange plc, Orange plc, British Steel plc, the Court of the Bank of England and Ford Motor Company, US. He is also an advisor to Northern Trust in Chicago. Sir John will retire from the Board at the conclusion of the Company's AGM on 26 July 2011.

Executive directors

2. Vittorio Colao, Chief Executive, aged 49, was appointed Chief Executive of Vodafone Group Plc after the AGM in July 2008. He joined the Board in October 2006 as Chief Executive, Europe and Deputy Chief Executive. The early part of his career was spent in the Milan office of McKinsey & Co working on media, telecommunications and industrial goods, with additional responsibility for recruitment. In 1996 he joined Omnitel Pronto Italia, which subsequently became Vodafone Italy, and was appointed Chief Executive in 1999. He was then appointed Regional Chief Executive Officer, Southern Europe for Vodafone Group Plc in 2001, became a member of the Board in 2002 and was appointed to the role of Regional Chief Executive Officer for Southern Europe, Middle East and Africa for Vodafone in 2003. In 2004 he left Vodafone to join RCS MediaGroup, the leading Italian publishing company, where he was Chief Executive until he rejoined Vodafone as Chief Executive Officer, Europe. He sits on the International Advisory Board of Bocconi University, Italy.

3. Andy Halford, Chief Financial Officer, aged 52, joined the Board in July 2005. He joined Vodafone in 1999 as Financial Director for Vodafone Limited, the UK operating company, and in 2001 he became Financial Director for Vodafone's Northern Europe, Middle East and Africa region. In 2002 he was appointed Chief Financial Officer of Verizon Wireless in the US and is currently a member of the Board of Representatives of the Verizon Wireless partnership. Prior to joining Vodafone he was Group Finance Director at East Midlands Electricity Plc. In December 2010 he was appointed as Chairman of The Hundred Group of Finance Directors in the UK. He holds a bachelor's degree in Industrial Economics from Nottingham University and is a Fellow of the Institute of Chartered Accountants in England and Wales.

4. Michel Combes, aged 49, Chief Executive Officer, Europe Region, was appointed to the Board in June 2009, having joined the Company in October 2008. He began his career at France Telecom in 1986 in the External Networks Division and then moved to the Industrial and International Affairs Division. After being technical advisor to the Minister of Transportation from 1991 to 1995, he served as Chairman and Chief Executive Officer of GlobeCast from 1995 to 1999. He was Executive Vice President of Nouvelles Frontieres Group from December 1999 until the end of 2001 when he moved to the position of Chief Executive Officer of Assystem-Brime, a company specialising in industrial engineering. He returned to France Telecom Group in 2003 as Senior Vice President of Group Finance and Chief Financial Officer. Until January 2006 he was Senior Executive Vice President, in charge of NExT Financial Balance & Value Creation and a member of the France Telecom Group Strategic Committee. From 2006 to 2008 he was Chairman and Chief Executive Officer of TDF Group. He is President of the Supervisory Board of Assystem SA in France and serves as a non-executive director on the boards of ISS Equity A/S, ISS Holding A/S and ISS A/S.

5. Stephen Pusey, aged 49, Group Chief Technology Officer, joined Vodafone in September 2006 and was appointed to the Board in June 2009. He is responsible for all aspects of Vodafone's networks, IT capability and research and development. Prior to joining Vodafone he held the positions of Executive Vice President and President, Nortel EMEA, having joined Nortel in 1982 where he gained a wealth of international experience across both the wireline and wireless industries and in business applications and solutions. Prior to Nortel, he spent several years with British Telecom.

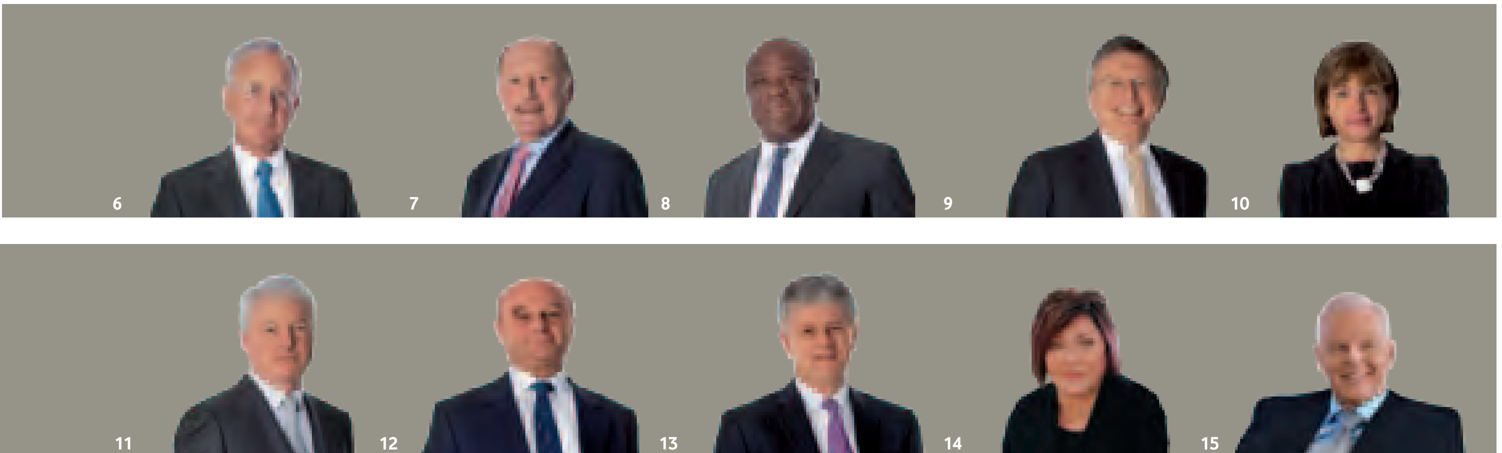
Deputy Chairman and senior independent director

6. John Buchanan§†, aged 67, became Deputy Chairman and senior independent director in July 2006 and has been a member of the Board since April 2003. He retired from the board of directors of BP p.l.c. in 2002 after six years as Group Chief Financial Officer and executive director following a wide-ranging career with the company. He was a member of the United Kingdom Accounting Standards Board from 1997 to 2001. He is Chairman of Smith & Nephew plc, Senior Independent Director of BHP Billiton Plc, Chairman of The International Chamber of Commerce (UK) and is Chairman of the trustees for the UK Christchurch Earthquake Appeal. Previous non-executive directorships include AstraZeneca plc and Boots plc.

Non-executive directors

7. Alan Jebson§, aged 61, joined the Board in December 2006. In May 2006 he retired from his role as Group Chief Operating Officer of HSBC Holdings plc, a position which included responsibility for IT and Global Resourcing. During a long career with HSBC he held various positions in IT including the position of Group Chief Information Officer. His roles included responsibility for the Group's international systems including the consolidation of HSBC and Midland systems following the acquisition of Midland Bank in 1993. He originally joined HSBC as Head of IT Audit in 1978 where, building upon his qualification as a chartered accountant, he built an international audit team and implemented controls in the group's application systems. He is also a non-executive director of Experian Group plc and MacDonald Dettwiler and Associates Ltd. in Canada.

8. Samuel Jonah‡, aged 61, was appointed to the Board in April 2009. He is Executive Chairman of Jonah Capital (Pty) Limited, an investment holding company in South Africa and serves on the boards of various public and private companies including The Standard Bank Group. He previously worked for Ashanti Goldfields Company Limited, becoming Chief Executive Officer in



1986, and was formerly Executive President of AngloGold Ashanti Limited, a director of Lonmin Plc and a member of the Advisory Council of the President of the African Development Bank. He is an advisor to the Presidents of Nigeria and Togo and previously served as an advisor to the Presidents of South Africa and Ghana. An Honorary Knighthood was conferred on him by Her Majesty the Queen in 2003 and in 2006 he was awarded Ghana's highest national award, the Companion of the Order of the Star.

9. Nick Land§, aged 63, joined the Board in December 2006 and is Chairman of the Audit Committee. Solely for the purposes of relevant legislation he is the Board's appointed financial expert on the Audit Committee. In June 2006 he retired as Chairman of Ernst & Young LLP after a distinguished career spanning 36 years with the firm. He became an audit partner in 1978 and held a number of management appointments before becoming Managing Partner in 1992. He was appointed Chairman and joined the Global Executive Board of Ernst & Young Global LLP in 1995. He serves as a non-executive director of Alliance Boots GmbH, BBA Aviation plc and the Ashmore Group plc and was appointed as a non-executive director of the Financial Reporting Council on 1 April 2011. He is an advisor to the board of SNR Denton LLP, a member of the Advisory Board of Alsbridge plc, Chairman of the Board of Trustees of Farnham Castle, and is a member of the Finance and Audit Committees of the National Gallery. He is also Chairman of the board of trustees of the Vodafone Foundation.

10. Anne Lauvergeon§, aged 51, joined the Board in November 2005. She is Chief Executive Officer of AREVA Group, the leading French energy company, having been appointed to that role in July 2001. She started her professional career in 1983 in the steel industry and in 1990 she was named Advisor for Economic International Affairs at the French Presidency and Deputy Chief of its Staff in 1991. In 1995 she became a Partner of Lazard Frères & Cie, subsequently joining Alcatel Telecom as Senior Executive Vice President in March 1997. She was responsible for international activities and the Group's industrial shareholdings in the energy and nuclear fields. In 1999 she was appointed Chairman and Chief Executive Officer of AREVA NC. She is currently also a member of the Advisory Board of the Global Business Coalition on HIV/AIDS and a non-executive director of Total S.A. and GDF SUEZ.

11. Luc Vandevelde†‡, aged 60, joined the Board in September 2003 and is Chairman of the Remuneration Committee. He is a director of Société Générale and the Founder and Managing Director of Change Capital Partners LLP, a private equity fund. He was formerly Chairman of the Supervisory Board of Carrefour SA, Chairman of Marks & Spencer Group plc and Chief Executive Officer of Promodès, and has held senior European and international roles with Kraft General Foods.

12. Anthony Watson CBE‡†, aged 66, was appointed to the Board in May 2006. He is currently Chairman of Marks & Spencer Pension Trust Ltd and is the Senior Independent Director of Hammerson plc and Witan Investment Trust. He is a non-executive director of Lloyds Banking Group plc and sits on the Advisory Board of Norges Bank Investment Management. He joined the Board of the Shareholder Executive in October 2009, having been a member of its Advisory Group since April 2008. Prior to joining the Vodafone Board he was Chief Executive of Hermes Pensions Management Limited, a position he had held since 2002. Previously he was Hermes' Chief Investment Officer having been Managing Director of AMP Asset Management plc and the Chief International Investment Officer of Citicorp Investment Management from 1991 until joining Hermes in 1998. He was Chairman of The Strategic Investment Board in Northern Ireland until he retired in March 2009. In January 2009 he was awarded a CBE for his services to the economic redevelopment of Northern Ireland.

13. Philip Yea‡, aged 56, became a member of the Board in September 2005. He has held a number of roles in the private equity industry, most notably at 3i Group plc where he was Chief Executive from 2004 until January 2009, and prior to 3i at Investcorp, where his main focus was on the turnaround and performance of portfolio investments. He is a former Finance Director of Diageo plc, the global drinks group, where as Finance Director of Guinness plc he was closely involved in the creation of Diageo through Guiness's merger with Grand Metropolitan P.L.C. in 1997. Philip holds a number of advisory positions including to HRH The Duke of York in his role as the UK's Special Representative for International Trade & Investment, as well as to PricewaterhouseCoopers in the UK and Bridges Ventures. He is also Chairman of the trustees of the British Heart Foundation. He has previously held non-executive roles at HBOS plc and Manchester United plc.

Appointments since the 2010 AGM

14. Renee James, aged 46, joined the Board in January 2011. She is Senior Vice President and General Manager of the software and services group for Intel Corporation with responsibility for delivering software products and support across Intel's entire product line by building and distributing software and services products and partnering with independent software partners in the industry. In addition, she is the Chairman of the software subsidiaries of Intel, Havok, WIndRiver Systems and McAfee, and also serves as an independent director on the VMware Inc. Board of Directors and is a member of its Audit Committee. She holds bachelor's and master's degrees from the University of Oregon.

15. Gerard Kleisterlee, aged 64, was appointed to the Board on 1 April 2011. He retired as President/Chief Executive Officer and Chairman of the Board of Management and the Group Management Committee of Koninklijke Philips Electronics N.V. ('Philips') on 31 March 2011 after a career with Philips spanning over more than three decades. He has been a member of the Daimler AG Supervisory Board since April 2009, a non-executive director of the Supervisory Board and member of the Audit Committee of Royal Dutch Shell since November 2010, and a member of the Board of Directors of Dell since December 2010. He will succeed Sir John Bond as Chairman of the Company on conclusion of the AGM on 26 July 2011.

§ Audit Committee
† Nominations and Governance Committee
‡ Remuneration Committee

Board of directors and Group management continued

Executive Committee

Chaired by Vittorio Colao, this committee focuses on the Group's strategy, financial structure and planning, succession planning, organisational development and Group-wide policies. The Executive Committee membership comprises the executive directors, details of whom are shown on page 52 above, and the senior managers who are listed below.

Senior management

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

Warren Finegold, aged 54, Group Strategy and Business Development Director, joined the Executive Committee in April 2006 as Chief Executive, Global Business Development with responsibility for mergers and acquisitions and business development. He assumed his current position in August 2009 when his role was expanded to include Group Strategy. He started his career with Hill Samuel & Co. Limited as an Executive in the Corporate Finance department, advising clients on mergers and acquisitions. He then moved to Goldman Sachs International in 1986 where he held positions in New York and London. Prior to joining Vodafone he was a Managing Director of UBS Investment Bank where he held a number of senior positions, most recently as head of its technology team in Europe.

Matthew Kirk, aged 50, Group External Affairs Director, was appointed to his current position and joined the Executive Committee in March 2009. Matthew joined Vodafone in 2006 as Group Director of External Relationships. Prior to that he was a member of the British Diplomatic Service for more than 20 years and before joining Vodafone served as British Ambassador to Finland.

Morten Lundal, aged 46, Group Chief Commercial Officer, was appointed to his current position in October 2010, having joined the Executive Committee in November 2008, and previously served as Chief Executive Officer for the Africa and Central Europe region. He joined Nordic mobile operator, Telenor, in 1997 and held several Chief Executive Officer positions including for the Internet Division and Telenor Business Solutions as well as the position of Executive Vice President for Corporate Strategy before becoming the Chief Executive Officer of Telenor's Malaysian subsidiary, DiGi Telecommunications.

Rosemary Martin, aged 51, was appointed Group General Counsel and Company Secretary in March 2010. She previously served as Chief Executive Officer of the Practical Law Group prior to which she previously spent 11 years with Reuters Group Plc. in various company secretary and legal roles, with the last five years as Group General Counsel and Company Secretary. Before joining Reuters she was a partner with Mayer, Brown, Rowe & Maw. She is a non-executive director of HSBC Bank Plc (the European arm of HSBC Group) and a member of the Institute of Chartered Accountants of England and Wales Corporate Governance Committee.

Nick Read, aged 46, Chief Executive Officer, Africa, Middle East and Asia Pacific region, was appointed to this position in October 2010. He became a member of the Executive Committee in November 2008 at the time serving as Chief Executive Officer for the Asia Pacific and Middle East region. He joined Vodafone in 2002 and has held a variety of senior roles including Chief Financial Officer and Chief Commercial Officer of Vodafone Limited, the UK operating company, and was appointed Chief Executive Officer of Vodafone Limited in early 2006. Prior to joining Vodafone he held senior global finance positions with United Business Media plc and Federal Express Worldwide.

Ronald Schellekens, aged 47, Group Human Resources Director, joined Vodafone and the Executive Committee in January 2009. Ronald is responsible for the Vodafone human resources management function as well as health and safety, and Vodafone's property and real estate. Prior to joining Vodafone he was Executive Vice President Human Resources for Royal Dutch Shell plc's global downstream business. Prior to working for Shell he worked for nine years at PepsiCo in various international senior human resources roles including assignments in Switzerland, Spain, South Africa, the UK and Poland. In his last role he was responsible for the Europe, Middle East and Africa region for PepsiCo Foods International. Prior to PepsiCo he worked for nine years for AT&T in human resources roles in the Netherlands and Poland.

Other Board and Executive Committee members

The following members also served on the Board or the Executive Committee during the year:

Simon Murray was a non-executive director until his retirement on 27 July 2010. **Terry Kramer** was Regional President – Vodafone Americas and a member of the Executive Committee until 31 July 2010. **Wendy Becker** was Group Chief Marketing Officer and a member of the Executive Committee until January 2011.

Corporate governance

We are committed to high standards of corporate governance which we consider are critical to business integrity and to maintaining investors' trust in us. We expect all our directors, employees and suppliers to act with honesty, integrity and fairness. Our business principles set out the standards we set ourselves to ensure we operate lawfully, with integrity and with respect for the culture of every country in which we do business.

Compliance with the Combined Code

Our ordinary shares are listed in the UK on the London Stock Exchange. In accordance with the Listing Rules of the UK Listing Authority, we confirm that throughout the year ended 31 March 2011 and at the date of this document we were compliant with the provisions of, and applied the principles of, Section 1 of the 2008 FRC Combined Code on Corporate Governance (the "Combined Code"). The Combined Code can be found on the FRC website (www.frc.org.uk). This corporate governance section, together with the "Directors' remuneration" section on pages 62 to 73, provides detail of how we apply the principles and comply with the provisions of the Combined Code.

The FRC issued the new UK Corporate Governance Code in 2010, applicable for financial years beginning on or after 29 June 2010. We will report on it for the first time in our 2012 financial year and intend to be in compliance.

Corporate governance statement

We comply with the corporate governance statement requirements pursuant to the FSA's Disclosure and Transparency Rules by virtue of the information included in this "Corporate governance" section of the annual report together with information contained in the "Shareholder information" section on pages 132 to 138.

Board organisation and structure

The role of the Board

The Board is responsible for the overall conduct of the Group's business and has the powers, authorities and duties vested in it by and pursuant to the relevant laws of England and Wales and the articles of association of the Company. The Board:

- has final responsibility for the management, direction and performance of our businesses;
- is required to exercise objective judgement on all corporate matters independent from executive management;
- is accountable to shareholders for the proper conduct of the business; and
- is responsible for ensuring the effectiveness of and reporting on our system of corporate governance.

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

- Group strategy and long-term plans;
- major capital projects, acquisitions or divestments;
- annual budget and operating plan;
- Group financial structure, including tax and treasury;
- annual and half-year financial results and shareholder communications;
- system of internal control and risk management; and
- senior management structure, responsibilities and succession plans.

The schedule is reviewed annually. It was last formally reviewed in March 2011 at which time, it was determined that no amendments were required.

Other specific responsibilities are delegated to Board committees which operate within clearly defined terms of reference. Details of the responsibilities delegated to the Board committees are given on pages 57 and 58.

Board meetings

The Board meets at least eight times a year and the meetings are structured to allow open discussion. All directors participate in discussing strategy, trading and financial performance and risk management. All substantive agenda items have comprehensive briefing material which is circulated one week before the meeting.

The following table shows the number of years directors have been on the Board at 31 March 2011 and their attendance at scheduled Board meetings they were eligible to attend during the year:

	Years on Board	Meetings attended
Sir John Bond	6	8/8
John Buchanan	8	8/8
Vittorio Colao	4	8/8
Michel Combes	1	8/8
Andy Halford	5	8/8
Renee James (since 1 January 2011)	<1	3/3
Alan Jebson	4	7/8
Samuel Jonah	2	8/8
Nick Land	4	8/8
Anne Lauvergeon	5	6/8
Simon Murray (until 27 July 2010)	–	2/2
Stephen Pusey	1	8/8
Luc Vandevelde	7	8/8
Anthony Watson	5	8/8
Philip Yea	5	8/8

In addition to regular Board meetings, there are a number of other meetings to deal with specific matters. Directors unable to attend a Board meeting because of another engagement are nevertheless provided with all the information relevant for such meetings and are able to discuss issues arising in the meeting with the Chairman or the Chief Executive.

Division of responsibilities

The roles of the Chairman and Chief Executive are separate and there is a division of responsibilities that is clearly established, set out in writing and agreed by the Board to ensure that no one person has unfettered powers of decision. The Chairman is responsible for the operation, leadership and governance of the Board, ensuring its effectiveness and setting its agenda. The Chief Executive is responsible for the management of the Group's business and the implementation of Board strategy and policy.

Board balance and independence

Our Board consists of 15 directors, 13 of whom served throughout the year. At 31 March 2011, in addition to the Chairman, Sir John Bond, there were four executive directors and nine non-executive directors. Renee James and Gerard Kleisterlee were appointed as non-executive directors with effect from 1 January 2011 and 1 April 2011 respectively. Simon Murray was a member of the Board until his retirement at the annual general meeting ('AGM') on 27 July 2010.

The Board welcomed the publication of the Davies Review on Women on Boards in February 2011. It is our aspiration to have a minimum of 25% female representation on the Board by 2015. Subject to securing suitable candidates, we intend to effect the changes required to the Board's composition by recruiting additional directors and/or filling vacancies which arise when directors do not seek re-election, by appointing new directors who fit the skills criteria and gender balance which would meet the Board's aspirations. The FRC is currently consulting on changes to the UK Corporate Governance Code which may result in the Code including a recommendation

Corporate governance continued

that companies adopt a boardroom diversity policy; we expect to comply with any such recommendation. The Board recognises the importance of gender balance throughout the Group and continues to support Vittorio Colao in his efforts to build a diverse organisation. Further information, including the proportions of women in senior management and within the organisation overall, is contained in our 2011 sustainability report at www.vodafone.com/sustainability.

The Deputy Chairman, John Buchanan, is the nominated Senior Independent Director and his role includes being available for approach or representation by directors or significant shareholders who may feel inhibited about raising issues with the Chairman. He is also responsible for conducting an annual review of the performance of the Chairman and, in the event it should be necessary, convening a meeting of the non-executive directors.

We consider all of our present non-executive directors to be fully independent. The Board is aware of the other commitments of its directors and is satisfied that these do not conflict with their duties as directors of the Company. Changes to the commitments of the directors are reported to the Board.

There are no cross-directorships or significant links between directors serving on the Board through involvement in other companies or bodies. For the purpose of section 175 of the Companies Act 2006, the Company's articles of association include a general power for the directors to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director under this section, to avoid a situation in which a director has, or could have, a direct or indirect interest that conflicts or may possibly conflict, with the interests of the Company. To this end procedures have been established for the disclosure of any such conflicts and also for the consideration and authorisation of these conflicts by the Board, where relevant. The directors are required to complete a conflicts questionnaire, initially on appointment and annually thereafter. In the event of a potential conflict being identified, details of that conflict would be submitted to the Board (excluding the director to whom the potential conflict related) for consideration and, as appropriate, authorisation in accordance with the Companies Act 2006 and the articles of association. Where an authorisation was granted, it would be recorded in a register of potential conflicts and reviewed periodically. On an ongoing basis directors are responsible for notifying the Company Secretary if they become aware of actual or potential conflict situations or a change in circumstances relating to an existing authorisation. To date, no conflicts of interest have been identified.

Under the laws of England and Wales, the executive and non-executive directors are equal members of the Board and have overall collective responsibility for the Company's direction. In particular, non-executive directors are responsible for:

- bringing a wide range of skills and experience, including independent judgement on issues of strategy, performance, financial controls and systems of risk management;
- constructively challenging the strategy proposed by the Chief Executive and executive directors;
- scrutinising and challenging performance across the Group's business;
- assessing risk and the integrity of the financial information and controls; and
- ensuring appropriate remuneration and succession planning arrangements are in place in relation to executive directors and other senior executive roles.

Board effectiveness

Appointments to the Board

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender. This process was followed during the recruitment of Renee James and Gerard Kleisterlee and is described in the section on the Nominations and Governance Committee set out on page 57.

Information and professional development

From time to time the Board receives detailed presentations from non-Board members on matters of significance. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings. The non-executive directors periodically visit different parts of the Group and are provided with briefings and information to assist them in performing their duties.

The Chairman is responsible for ensuring that induction and training programmes are provided and the Company Secretary organises the programmes. Individual directors are also expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a director. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

On appointment, individual directors undergo an induction programme covering, amongst other things:

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

If appropriate the induction will also include briefings on the scope of the internal audit function and the role of the Audit Committee, meetings with the external auditor and other areas the Company Secretary deems appropriate considering the director's area of responsibility. Throughout their period in office the directors are continually updated on the Group's businesses and the regulatory and industry specific environments in which it operates. These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

Performance evaluation

Performance evaluation of the Board, its committees and individual directors takes place on an annual basis and is conducted within the terms of reference of the Nominations and Governance Committee with the aim of improving the effectiveness of the Board and its committees, individual contributions and the Group's performance as a whole. The evaluation is designed to determine whether the Board continues to be capable of providing the high level judgement required and whether, as a Board, the directors are informed and up to date with the business and its goals and understand the context within which it operates. Every three years the performance evaluation is conducted by an independent external advisor. The last external evaluation took place in respect of the 2010 financial year.

This year the Board undertook a formal self-evaluation of its own performance. The process was led by the Chairman and included a review of the administration of the Board and its committees covering the operation of the Board and its committees, agendas, reports and information produced for their consideration. Using questionnaires completed by all directors, the Chairman produced a report on Board performance which was sent to and considered by the Nominations and Governance Committee before being discussed with the Board members at a Board meeting.

The Chairman led the assessment of the Chief Executive and the non-executive directors, the Chief Executive undertook the performance reviews for the executive directors and the Senior Independent Director led the review of the performance of the Chairman.

The Chairman reported the results of the evaluations at the Board meeting in March 2011. The performance of each director of the Board was found to be effective and it was concluded that the Board provides the effective leadership and control required for a listed company. The Nominations and Governance Committee confirmed to the Board that the contributions made by the directors offering themselves for election and re-election at the AGM in July 2011 continue to be effective and that the Company should support their election and re-election. In addition, the Board considered recommendations made by directors during the Board performance evaluation for the improvement of Board procedures and its effectiveness.

Consequently, some changes in Board practice are being implemented, including extending the duration of Audit Committee meetings and allocating more time in the Board schedule for strategy discussions. The Board will continue to review its procedures, its effectiveness and development in the financial year ahead.

Re-election of directors

Although not required by the articles of association, in the interests of good corporate governance the directors have resolved that, subject to the recommendation of the Nominations and Governance Committee, they will all submit themselves for re-election at each AGM. Accordingly, at the AGM to be held on 26 July 2011, all the directors will offer themselves for re-election with the exception of Sir John Bond who is retiring from the Board. New directors seek election for the first time in accordance with the articles of association.

Independent advice

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

Indemnification of directors

In accordance with our articles of association and to the extent permitted by the laws of England and Wales, directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office. In respect of those matters for which the directors may not be indemnified, we maintained a directors' and officers' liability insurance policy throughout the financial year. Neither our indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

Board committees

The Board has established an Audit Committee, a Nominations and Governance Committee and a Remuneration Committee, each of which has formal terms of reference approved by the Board. The Board reviews the terms of reference for each of the committees on an ongoing basis and is satisfied that they comply with the requirements of the Combined Code. The terms of reference for all Board committees can be found on our website at www.vodafone.com/governance or a copy can be obtained by application to the Company Secretary at our registered office.

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

Each committee has access to such information and advice, both from within the Group and externally, at the Company's cost as it deems necessary. This may include the appointment of external consultants where appropriate. Each committee undertakes an annual review of the effectiveness of its terms of reference and makes recommendations to the Board for changes where appropriate.

Audit Committee

The members of the Audit Committee during the year, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

	Meetings attended
Nick Land, Chairman and financial expert	4/4
John Buchanan	4/4
Alan Jebson	4/4
Anne Lauvergeon	3/4

The Audit Committee is comprised of financially literate members having the necessary ability and experience to understand financial statements. Solely for the purpose of fulfilling the requirements of the Sarbanes-Oxley Act and the Combined Code, the Board has designated Nick Land, who is an independent non-executive director satisfying the independence requirements of Rule 10A-3 of the US Securities Exchange Act 1934 (the 'Exchange Act'), as its financial expert on the Audit Committee. Further details on Nick Land can be found in "Board of directors and Group management" on page 53.

The Audit Committee's responsibilities include:

- overseeing the relationship with the external auditor;
- reviewing our preliminary results announcement, half-year results and annual financial statements;
- monitoring compliance with statutory and listing requirements for any exchange on which our shares and debt instruments are quoted;
- reviewing the scope, extent and effectiveness of the activity of the Group internal audit department;
- engaging independent advisors as it determines is necessary and to perform investigations;
- reporting to the Board on the quality and acceptability of our accounting policies and practices including, without limitation, critical accounting policies and practices; and
- playing an active role in monitoring our compliance efforts in respect of Section 404 of the Sarbanes-Oxley Act.

At least twice a year the Audit Committee meets separately with the external auditor, the Chief Financial Officer and the Group Audit Director without other management being present. Further details on the work of the Audit Committee and its oversight of the relationships with the external auditor can be found under "Auditor" and the "Report from the Audit Committee" which are set out on pages 60 and 61.

Nominations and Governance Committee

The members of the Nominations and Governance Committee during the year, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

	Meetings attended
Sir John Bond, Chairman	7/7
John Buchanan	7/7
Luc Vandevelde	7/7
Anthony Watson (from 26 July 2010)	5/5

The Nominations and Governance Committee's key objective is to ensure that the Board comprises individuals with the requisite skills, knowledge and experience to ensure that it is effective in discharging its responsibilities. The Nominations and Governance Committee:

- leads the process for identifying and making recommendations to the Board of candidates for appointment as directors giving full consideration to succession planning and the leadership needs of the Group;
- makes recommendations to the Board on the composition of the Nominations and Governance Committee and the composition and chairmanship of the Audit and Remuneration Committees;
- regularly reviews the structure, size and composition of the Board including the balance of skills, knowledge and experience and the independence of the non-executive directors, and makes recommendations to the Board with regard to any change; and
- is responsible for the oversight of all matters relating to corporate governance, bringing any issues to the attention of the Board.

During the financial year an external search was commissioned, using an independent consulting firm which actively searches for female as well as male candidates, for a non-executive director with relevant international experience in the high-tech sector. Renee James was identified as a potential candidate and subsequently recommended to the Board by the Nominations and Governance Committee on the basis that she met the desired criteria.

In February 2010 the Board initiated a succession planning process to search for a new chairman. The independent consulting firm was provided with a detailed brief of the desired candidate profile and their services were used to conduct a thorough search to identify suitable candidates. The Nominations and Governance Committee considered a list of potential

Corporate governance continued

candidates and those shortlisted were met by members of the Board. Following an interview process, Gerard Kleisterlee was invited to join the Board and to become Vodafone's chairman in succession to Sir John Bond. In accordance with the Combined Code, Sir John Bond did not chair the Nominations and Governance Committee when dealing with the appointment of Mr Kleisterlee. The Deputy Chairman took the chair. Mr Kleisterlee's deep knowledge of the commercial sector, his international experience and familiarity with business in emerging markets were factors in the Board's decision.

The Nominations and Governance Committee meets periodically when required. In addition to scheduled meetings, there are a number of ad hoc meetings to address specific matters. No one other than a member of the Nominations and Governance Committee is entitled to be present at its meetings. The Chief Executive, other non-executive directors and external advisors may be invited to attend.

Remuneration Committee

The members of the Remuneration Committee during the year, together with a record of their attendance at scheduled meetings which they were eligible to attend, are set out below:

	Meetings attended
Luc Vandevelde, Chairman	5/5
Samuel Jonah (from 1 June 2010)	3/3
Simon Murray (until 27 July 2010)	1/2
Anthony Watson	5/5
Philip Yea	5/5

In addition to scheduled meetings, there were a number of ad hoc meetings to deal with specific matters. The responsibilities of the Remuneration Committee include:

- determining, on behalf of the Board, the policy on the remuneration of the Chairman, the executive directors and the senior management team;
- determining the total remuneration packages for these individuals including any compensation on termination of office; and
- appointing any consultants in respect of executive directors' remuneration.

The Chairman and Chief Executive may attend the Remuneration Committee's meetings by invitation. They do not attend when their individual remuneration is discussed. No director is involved in deciding his or her own remuneration.

Further information on the Remuneration Committee's activities is contained in "Directors' remuneration" on pages 62 to 73.

Executive Committee

The executive directors, together with certain other Group functional heads and regional chief executives, meet 11 times a year as the Executive Committee under the chairmanship of the Chief Executive. The Executive Committee is responsible for our competitive and financial performance, reviewing strategy and new business opportunities including major acquisitions and disposals, the management of our capital structure and funding, and key organisational and policy decisions. The members of the Executive Committee and their biographical details are set out on pages 52 and 54.

The Executive Committee members and the chief executive officers of the major operating companies and other selected individuals, depending on topics discussed, met twice during the year to discuss strategy.

Company Secretary

The Company Secretary acts as secretary to the Board and to the committees of the Board and, with the consent of the Board, may delegate responsibility for the administration of the committees to other suitably qualified staff. The Company Secretary:

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

The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Relations with shareholders

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

- formal presentations of full year and half-year results, and interim management statements;
- briefing meetings with major institutional shareholders in the UK, the US and in Continental Europe after the half-year results and preliminary announcement, to ensure that the investor community receives a balanced and complete view of our performance and the issues we face;
- regular meetings between institutional investors and analysts and the Chief Executive and Chief Financial Officer to discuss business performance;
- hosting investors and analysts sessions at which senior management from relevant operating companies deliver presentations which provide an overview of each of the individual businesses and operations;
- attendance by senior executives across the business at relevant meetings and conferences throughout the year;
- responding to enquiries from shareholders and analysts through our Investor Relations team; and
- www.vodafone.com/investor which is a section dedicated to shareholders on our website.

Overall responsibility for ensuring that there is effective communication with investors and that the Board understands the views of major shareholders on matters such as governance and strategy rests with the Chairman, who makes himself available to meet shareholders for this purpose.

The Senior Independent Director and other members of the Board are also available to meet major investors on request. The Senior Independent Director has a specific responsibility to be available to shareholders who have concerns, for whom contact with the Chairman, Chief Executive or Chief Financial Officer has either failed to resolve their concerns or for whom such contact is inappropriate.

At the 2007 AGM the shareholders approved amendments to the articles of association which enabled us to take advantage of the provisions in the Companies Act 2006 to communicate with our shareholders electronically. Following that approval, unless a shareholder has specifically asked to receive a hard copy, they will receive notification of the availability of the annual report on our website www.vodafone.com/investor. For this year shareholders will receive the notice of meeting and form of proxy in paper through the post unless they have previously opted to receive email communications. We do not intend to send the notice of meeting and form of proxy to shareholders in paper through the post for the 2012 financial year unless shareholders have specifically asked to receive communications in hard copy. Shareholders continue to have the option to appoint proxies and to give voting instructions electronically.

The principal communication with private investors is via the annual report and through the AGM, an occasion which is attended by all our directors and at which all shareholders present are given the opportunity to question the Chairman, the Chairmen of the Audit, Nominations and Governance, and Remuneration Committees and the rest of the Board. After the AGM shareholders can meet informally with directors.

A summary presentation of results and development plans is also given at the AGM before the Chairman deals with the formal business of the meeting. The AGM is broadcast live on our website (www.vodafone.com/agm) and a recording of the webcast can subsequently be viewed on our website. All

substantive resolutions at our AGMs are decided on a poll. The poll is conducted by our registrars and scrutinised by Electoral Reform Services. The proxy votes cast in relation to all resolutions, including details of votes withheld, are disclosed to those in attendance at the meeting and the results of the poll are published on our website and announced via the Regulatory News Service. Financial and other information is made available on our website (www.vodafone.com/investor) which is regularly updated.

A summary of our share and control structures is set out on pages 135 and 136 in the shareholder information section of this report.

Political donations

The directors consider that it is in the best interest of shareholders that we participate in public debate and opinion forming on matters which affect our business. In order not to inhibit these activities and to avoid inadvertent infringement of the Companies Act 2006, at the 2008 AGM the directors sought and received shareholders' approval for the Company and its subsidiaries to be authorised, for the purposes of part 14 of the Companies Act 2006, to make political donations and to incur political expenditure during the period from the AGM to the conclusion of the AGM for the 2012 financial year or 29 July 2012, whichever is earlier, up to a maximum aggregate amount of £100,000 per year. Neither the Company nor any of its subsidiaries have made any such political donations during the year. It is our Group policy not to make political donations or incur political expenditure as those expressions are normally understood.

Internal control

The Board has overall responsibility for the system of internal control. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The process of managing the risks associated with social, environmental and ethical impacts is also discussed under "Sustainable business" on pages 30 to 31.

The Board has established procedures that implement in full the Turnbull Guidance "Internal Control: Revised Guidance for Directors on the Combined Code" for the year under review and to the date of approval of the annual report. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks we face. See page 75 for management's report on internal control over financial reporting.

Monitoring and review activities

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

- a formal annual confirmation provided by the Chief Executive and Chief Financial Officer of each Group company certifying the operation of their control systems and highlighting any weaknesses, the results of which are reviewed by regional management, the Audit Committee and the Board;
- a review of the appropriateness of disclosures undertaken by the Chief Executive and the Chief Financial Officer which includes formal annual meetings with the Group's Disclosure Committee; and
- periodic examination of business processes on a risk basis including reports on controls throughout the Group undertaken by the Group internal audit department which reports directly to the Audit Committee.

In addition, we review any reports from the external auditor presented to the Audit Committee and management relating to internal financial controls.

Any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. Management is required to apply judgement in evaluating the risks we face in achieving our objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of the risks concerned materialising, in identifying our ability to reduce the incidence and impact on the business of risks that do materialise and in ensuring that the costs of operating particular controls are proportionate to the benefit.

Risk management

We have a Risk Council to manage the process of identifying, evaluating, monitoring and mitigating risks. The Risk Council is chaired by the Chief Financial Officer, facilitated by the Group Audit Director and attended by representatives from the two geographic regions, finance and a cross section of functions. Meeting twice a year, the Risk Council discusses and reviews the risks identified by the senior management of the regions and functions in their area of business. The risks are plotted on a "risk matrix" on the basis of the likelihood of those risks occurring and the impact if they do occur taking into consideration the action being taken to manage and mitigate them. Those risk assessments are presented to the Executive Committee and the Audit Committee which in turn report to the Board for review and confirmation. The Group risks identified through this process are included in "Principal risk factors and uncertainties" on pages 45 and 46. The Risk Council ensures the ongoing review of risks to the business, the controls in place to mitigate risks and identifies any further action required.

Risk mitigation

Although many risks remain outside of our direct control, a range of activities are in place to mitigate the primary risks identified including those set out on pages 45 to 46. A significant number of risks faced relate to the wider operational and commercial affairs of the Group including those in relation to competitor and regulator activity, the impact of technological developments, the development of new products and services, the success of cost reduction initiatives, the realisation of benefits from investments and the potential reliance on certain suppliers. The responsibility for the Group's actions to address and mitigate these risks is either allocated to personnel with direct functional responsibility for the matter or to operating company and regional management with appropriate reporting and monitoring by the Risk Council and Executive Committee. The size of the Group's operations, its geographical spread and its large and diverse customer base assist in mitigating these risks.

A range of mitigations for other risks faced by the Group are also in place:

- Macroeconomic, political and legal risks are considered by the Group's strategic planning process and as part of the Group's processes for capital allocation.
- The Group has in place formal treasury policies that seek to ensure the Group's financing plans place appropriate weight on the risks arising from volatile capital markets.
- Where we do not have controlling interests in certain of our investments, we work with our partners to maximise alignment of interests through the development of mutually beneficial commercial outcomes and actively involve ourselves in the governance of the company concerned.
- The potential for health risks is comprehensively addressed through a wide range of activities including the close monitoring of developments in areas of science and technology and ensuring the devices sold meet all necessary regulatory requirements including specific absorption rate ('SAR') limits in relation to radio frequency emission and absorption.
- We have invested significantly to minimise the risk of disruption of our telecommunications services and have extensive business continuity arrangements to mitigate the risks arising from a critical system failure.

Activity and progress on these matters are reported both into the Risk Council and the Executive Committee.

Review of effectiveness

The Board and the Audit Committee have reviewed the effectiveness of the internal control system including financial, operational and compliance controls and risk management, in accordance with the Combined Code for the period from 1 April 2010 to 17 May 2011 (the date of approval of our annual report). No significant failings or weaknesses were identified during this review. However, had there been any such failings or weaknesses, the Board confirms that necessary actions would have been taken to remedy them.

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Disclosure controls and procedures

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

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

Going concern

The going concern statement required by the Listing Rules and the Combined Code is set out in the "Directors' statement of responsibility" on page 75.

Auditor

Following a recommendation by the Audit Committee, and in accordance with Section 489 of the Companies Act 2006, a resolution proposing the reappointment of Deloitte LLP as our auditor will be put to the shareholders at the 2011 AGM. We do not indemnify our external auditor.

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

In addition, the Audit Committee pre-approves the audit fee after a review of both the level of the audit fee against other comparable companies, including those in the telecommunications industry, and the level and nature of non-audit fees, as part of its review of the adequacy and objectivity of the audit process.

In a further measure to ensure auditor independence is not compromised we have a policy that provides for the pre-approval by the Audit Committee of permitted non-audit services by Deloitte LLP. The policy lists categories of non-audit services from which the auditor is excluded from providing. For certain specific permitted services the Audit Committee has pre-approved that Deloitte LLP can be engaged by management subject to specified fee limits for individual engagements and fee limits for each type of specific service permitted. For all other services, or those permitted services that exceed the specified fee limits, the Chairman of the Audit Committee, or in his absence another member, can pre-approve permitted services which have not been pre-approved by the Audit Committee.

In addition to their statutory duties, Deloitte LLP is also engaged where, as a result of their position as auditor, they either must, or are best placed to, perform the audit-related services in question. This is primarily work in relation to matters such as shareholder circulars, Group borrowings, regulatory filings, and certain business acquisitions and disposals. Other work is awarded on the basis of competitive tender.

During the year Deloitte LLP and its affiliates charged the Group £9 million (2010: £9 million, 2009: £8 million) for audit and audit-related services and a further £1 million (2010: £1 million, 2009: £1 million) for non-audit assignments which primarily comprised fees in relation to a number of taxation assignments totalling £1 million (2010: £1 million, 2009: £1 million). The auditor was considered the most suitable supplier for the services given its extensive knowledge of the Group. After reviewing external requirements and guidelines in place, the types of services rendered were considered by the Audit Committee not to impact the objectivity and independence of Deloitte LLP. An analysis of these fees can be found in note 4 to the consolidated financial statements.

US listing requirements

Vodafone's american depositary shares are listed on the NASDAQ Stock Market LLC ('NASDAQ') and we are therefore subject to the rules of NASDAQ as well as US securities laws and the rules of the SEC. NASDAQ requires US companies listed on the exchange to comply with NASDAQ's corporate governance rules but foreign private issuers, such as the Company, are exempt from many of those rules. However, pursuant to NASDAQ Listing Rule 5615 we are required to disclose a summary of any material ways in which the corporate governance practices we follow differ from those required by NASDAQ for US companies. The material differences are as follows:

Independence

- The NASDAQ rules require that a majority of the Board be comprised of independent directors and the rules include detailed definitions that US companies must use for determining independence.
- The Combined Code requires a company's board of directors to assess and make a determination as to the independence of its directors.

While the Board does not explicitly take into consideration NASDAQ's detailed definitions, it has carried out an assessment based on the requirements of the Combined Code and has determined in its judgement that all of the non-executive directors are independent within those requirements. At 17 May 2011 the Board comprised the Chairman, four executive directors and ten non-executive directors.

Committees

- NASDAQ rules require US companies to have a nominations committee, an audit committee and a compensation committee, each composed entirely of independent directors, with the nominations committee and audit committee required to have a written charter that addresses the committees' purpose and responsibilities.
- Both our Nominations and Governance Committee and our Remuneration Committee have terms of reference and compositions that comply with the Combined Code's requirements.
- Our Nominations and Governance Committee is chaired by the Chairman of the Board and its other members are non-executive directors of the Company.
- Our Remuneration Committee is composed entirely of non-executive directors whom the Board has determined to be independent.
- The Audit Committee is composed entirely of non-executive directors whom the Board has determined to be independent and who meet the requirements of Rule 10A-3 under the Exchange Act.

We consider that the terms of reference of these committees, which are available on our website (www.vodafone.com/governance), are generally responsive to the relevant NASDAQ rules but may not address all aspects of these rules.

Code of conduct

Under NASDAQ rules US companies must adopt a code of conduct applicable to all directors, officers and employees. We have adopted a Code of Conduct which applies to all employees. It sets out what conduct is expected of employees as they adhere to our Business Principles and draws their attention to the Group's policies. In addition, a Code of Ethics has been adopted in compliance with Section 406 of the Sarbanes-Oxley Act which is applicable to the senior financial and principal executive officers. We have made our Code of Ethics available on our website (www.vodafone.com/governance).

Quorum

Under NASDAQ rules companies are required to have a minimum quorum of 33.33% of the shareholders of ordinary shares for shareholder meetings. However, our articles of association provide for a quorum for general meetings of shareholders of two shareholders regardless of the level of their aggregate share ownership.

Related party transactions

- The NASDAQ rules require companies to conduct appropriate reviews of related party transactions and potential conflicts of interest via the company's audit committee or other independent body of the board of directors.
- We are subject to extensive provisions under the Listing Rules issued by the FSA in the UK (the "Listing Rules") governing transactions with related parties, as defined therein, and the Companies Act 2006 also restricts the extent to which companies incorporated in England and Wales may enter into related party transactions.
- Our articles of association contain provisions regarding disclosure of interests by our directors and restrictions on their votes in circumstances involving conflicts of interest.
- In lieu of obtaining an independent review of related party transactions for conflicts of interests, but in accordance with the Listing Rules, the Companies Act 2006 and our articles of association, we seek shareholder approval for related party transactions that meet certain financial thresholds or where transactions have unusual features.
- The concept of a related party for the purposes of NASDAQ's listing rules differs in certain respects from the definition of a transaction with a related party under the Listing Rules.

Shareholder approval

- NASDAQ requires shareholder approval for certain transactions involving the sale or issuance by a listed company of share capital.
- Under the NASDAQ rules, whether shareholder approval is required for such transactions depends on, among other things, the number of shares to be issued or sold in connection with a transaction, while we are bound by the provisions of the Listing Rules which state that shareholder approval is required, among other things, when the size of a transaction exceeds a certain percentage of the size of the listed company undertaking the transaction.
- In accordance with our articles of association we also seek shareholder approval annually for issuing shares and to dis-apply the pre-emption rights that apply under law in line with limit guidelines issued by investor bodies.

Report from the Audit Committee

The Audit Committee assists the Board in carrying out its responsibilities in relation to financial reporting requirements, risk management and the assessment of internal controls. The Audit Committee also reviews the effectiveness of the Company's internal audit function and manages the Company's relationship with the external auditor. For further details, its terms of reference can be found on the Vodafone website (www.vodafone.com/governance).

The Audit Committee is composed of independent, non-executive directors selected to provide the wide range of financial and commercial expertise necessary to fulfil the Committee's duties. The membership of the Committee is set out in the table on page 57. By invitation of the Chairman of the Audit Committee, the Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Director of Financial Reporting, the Group Audit Director and the external auditor also attend the Audit Committee meetings. Relevant people from the business are also invited to attend certain meetings in order to provide insight and enhance the Audit Committee's awareness of key issues and developments in the business which are relevant to the Audit Committee in the performance of its role.

During the year ended 31 March 2011 the principal activities of the Audit Committee were as follows:

Financial reporting

The Audit Committee reviewed and discussed with management and the external auditor the half-year and annual financial statements focusing on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements; and
- material areas in which significant judgements have been applied.

To aid their review, the Audit Committee considered reports from the Group Financial Controller and the Director of Financial Reporting and also reports from the external auditor, Deloitte LLP, on the scope and outcome of their half-year review and annual audit.

Risk management and internal control

The Audit Committee reviewed the process by which the Group evaluated its control environment, its risk assessment process and the way in which significant business risks were managed. It also considered the Group Audit Director's reports on the effectiveness of internal controls, significant identified frauds and any identified fraud that involved management or employees with a significant role in internal controls. The Audit Committee was also responsible for oversight of the Group's compliance activities in relation to section 404 of the Sarbanes-Oxley Act.

Internal audit

The Audit Committee monitored and reviewed the scope, extent and effectiveness of the activity of the Group Internal Audit department and received reports from the Group Audit Director which included updates on audit activities, progress of the Group audit plan, the results of any unsatisfactory audits and the action plans to address these areas, and resource requirements of the internal audit department. The Audit Committee held private discussions with the Group Audit Director as necessary throughout the year.

External auditor

The Audit Committee reviewed and monitored the independence of the external auditor and the objectivity and effectiveness of the audit process and provided the Board with its recommendation to the shareholders on the reappointment of Deloitte LLP as external auditor. The Audit Committee approved the scope and fees for audit services and, after consideration of whether they were permissible under the Group's policies, non-audit services provided by Deloitte LLP.

Private meetings were held with Deloitte LLP without management being present to ensure that there were no restrictions on the scope or independence of their audit.

Audit Committee effectiveness

The Audit Committee conducts a formal review of its effectiveness annually and concluded that its performance was effective. Details of the Board and Committee evaluation process can be found under "Performance evaluation" on page 56.

Nick Land
On behalf of the Audit Committee

Directors' remuneration

Letter from the Remuneration Committee

Dear Shareholder

Although business conditions were somewhat more stable this year compared to the prior year, the global economy still remained challenging. As a consequence, the Remuneration Committee has maintained its focus on ensuring that the Company's remuneration policies in general, and the packages of the executive directors in particular, were designed to allow the Company to recruit, retain and motivate its talented people and to ensure those people were fully incentivised to maximise shareholder value.

The key principles of our reward philosophy are set out on page 63. Each year the Remuneration Committee reviews these principles as well as the operation and design of the compensation packages provided to executives. If changes are required, the Committee is both willing and able to effect those changes. The key changes made during the year are detailed below:

- In order to reflect the equal importance of growing revenue and profit we rebalanced the relative weightings of these two measures in the short-term incentive plan. At the same time we also changed the definition of profit from adjusted operating profit to EBITDA. Details of this are on page 65.
- In order to simplify the long-term incentive awards both the co-investment requirement and the matching awards are now defined in terms of a percentage of gross salary. Details of this plan are on page 64.
- In order to ensure greater alignment with shareholders we have re-emphasised the importance of share ownership for executives and have introduced share ownership goals to all our operating company chief executives and to the rest of the senior leadership team. Details of the current ownership levels are on page 63 where it is noted that at the year end the value of shares held by the Executive Committee exceeded £15 million.
- Finally after reviewing base salaries for the Executive Committee it was decided appropriate to make some modest salary increases. Details of the increases for the executive directors are found on page 67 but it should be noted that the average increase for the Executive Committee is 3% which is in line with general increases for employees of the Group based in the UK.

As in previous years the Remuneration Committee has had dialogue with its shareholders about the changes and appreciates the feedback from them. The Remuneration Committee will continue to take an active interest in investors' views and the voting on the remuneration report. As such, it hopes to receive your support at the AGM on 26 July 2011.

Luc Vandevelde
Chairman of the Remuneration Committee
17 May 2011

Remuneration Committee

The Remuneration Committee is comprised to exercise independent judgement and consists only of independent non-executive directors. In anticipation of the retirement of Simon Murray on 27 July 2010, the Board appointed Samuel Jonah to the Remuneration Committee. Further details can be found on page 58.

Remuneration Committee

Chairman	Luc Vandevelde
Committee members	Samuel Jonah (from 1 June 2010) Simon Murray (until 27 July 2010) Anthony Watson Philip Yea

The Remuneration Committee regularly consults with the Chief Executive and the Group HR Director on various matters relating to the appropriateness of awards for executive directors and senior executives, though they are not present when their own compensation is discussed. In addition, the Group Reward and Policy Director provides a perspective on information provided to the Committee, and requests information and analyses from external advisors as required. The Deputy Group Company Secretary advises the Committee on corporate governance guidelines and acts as secretary to the Committee.

Management attendees at Remuneration Committee meetings

Chief Executive	Vittorio Colao
Group HR Director	Ronald Schellekens
Group Reward and Policy Director	Adrian Jackson
Deputy Group Company Secretary	Philip Howie

External advisors

The Remuneration Committee appointed Towers Watson ('TW') and PricewaterhouseCoopers LLP ('pwc') as independent advisors in 2007. During the year TW supplied market data and advice on market practice and governance and pwc provided performance analyses and advice on plan design and performance measures. The advisors also provided advice to the Company on general human resource and compensation related matters. In addition, pwc provided a broad range of tax, share scheme and advisory services to the Group during the year.

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

Meetings

The Remuneration Committee had five meetings during the year. The Committee's work during these meetings and throughout the year included, but was not limited to:

- a review of the total compensation packages of the executive directors and the most senior management of the company;
- approval of the global short-term incentive bonus framework and targets;
- approval of the 2011 global short-term incentive bonus payout;
- approval of the long-term incentive framework, targets and 2011 grant levels;
- approval of the July 2008 global long-term incentive vesting level;
- approval of the introduction of share ownership goals to all operating company chief executive officers and selected senior leadership individuals below the Board and Executive Committee;
- a review of the current UK corporate governance environment and the implications for our company;
- a review of the director's remuneration report; and
- a review of Chairman's fees.

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

Reward philosophy

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

Competitive reward assessed on a total compensation basis

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

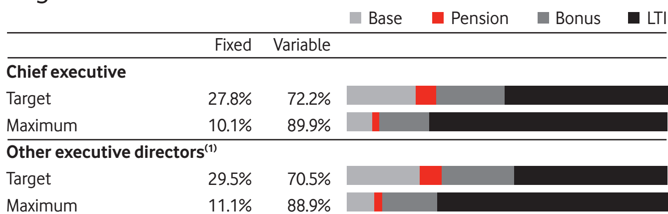
The principal external comparator group (which is used for reference purposes only) is made up of companies of similar size and complexity to Vodafone, and is principally representative of the European top 25 companies and a few other select companies relevant to the sector. The comparator group excludes any financial services companies. When undertaking the benchmarking process the Remuneration Committee makes assumptions that individuals will invest their own money into the long-term incentive plan. This means that individuals will need to make a significant investment in order to achieve the maximum payout.

Pay for performance

A high proportion of total reward will be awarded through short-term and long-term performance related remuneration. The Remuneration Committee believes that incorporating and setting appropriate performance measures and targets in the package is paramount – this will be reflected in an appropriate balance of operational and equity performance.

This is demonstrated in the charts below where we see that at target payout over 70% of the package is delivered in the form of variable pay which rises to almost 90% if maximum payout is achieved. Fixed pay comprises base salary and pension contributions, while variable pay comprises the annual bonus and the long-term incentive opportunity assuming maximum co-investment and no movement in current share price.

Alignment to shareholder interests



Note:
(1) Proportions for the directors other than the Chief Executive are the same.

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

- Chief Executive – four times base salary; and
- Other executive directors – three times base salary.

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

Current levels of ownership and the date by which the goal should be or was required to be achieved are as shown below:

	Goal as a % of salary	Current % of salary held[1]	Value of shareholding (£m)[1]	Date for goal to be achieved
Vittorio Colao	400%	460%	4.9	July 2012
Andy Halford	300%	634%	4.4	July 2010
Michel Combes	300%	154%	1.2	June 2014
Stephen Pusey	300%	240%	1.3	June 2014

Note:
(1) Based on a share price at 31 March 2011 of 176.5 pence and includes net intrinsic value of any option gains.

Collectively the Executive Committee including the executive directors own 8.7 million Vodafone shares, with a value of £15.2 million at 31 March 2011.

Alignment with shareholders is also achieved through the use of total shareholder return ('TSR') measure in the Global Long-Term Incentive ('GLTI') plan.

Incentive targets linked to business strategy

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

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

Assessment of risk

In setting the balance between base salary, annual bonus and long-term incentive levels, the Remuneration Committee has considered the risk involved in the incentive schemes and is satisfied that the following design elements mitigate the principal risks:

- the heavy weighting on long-term incentives which reward sustained performance;
- the need for short-term incentive payouts to be used to purchase and hold investment shares in order to fully participate in the long-term arrangements; and
- a considerable weighting on non-financial measures in the short-term plan, which provides an external perspective on our performance by focusing on customer satisfaction and performance relative to our competitors.

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

Directors' remuneration continued

The remuneration package

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

	Objective and practice	Performance period	Award size and performance conditions
Base salary	■ To attract and retain the best talent. ■ Base salaries are reviewed annually and set on 1 July.	n/a	■ Level of skill and experience, scope of responsibilities, individual and business performance, and competitiveness of the total remuneration package are taken into account when determining the appropriate level of base salary.
Global Short-Term Incentive Plan ('GSTIP')	■ To motivate employees and incentivise delivery of performance over the one-year operating cycle. ■ Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure they continue to support our strategy. ■ The annual bonus is paid in cash in June each year for performance over the previous financial year.	1 year	■ Performance over the financial year is measured against stretching financial and non-financial performance targets set at the start of the financial year. ■ Summary of the plan in the 2011 financial year: ■ service revenue (30%); ■ operating profit (20%); ■ free cash flow (20%); and ■ competitive performance assessment (30%). ■ Target bonus is 100% of base salary. ■ Minimum and maximum bonus is in a range of 0 – 200% of base salary with maximum only paid out for exceptional performance.
Global Long-Term Incentive Plan ('GLTI') base awards	■ To motivate and incentivise delivery of sustained performance over the long-term. ■ Award levels and the framework for determining vesting are reviewed annually to ensure they continue to support our strategy. ■ Long-term incentive awards (base awards) consist of performance shares which are granted each year in June/July and vest three years later based on Group operational and external performance.	3 years	■ Performance over three financial years is measured against stretching targets set at the beginning of the performance period. ■ Vesting is determined based on a matrix of two measures as follows: ■ free cash flow as our operational performance measure; and ■ relative TSR as our external performance measure. ■ Awards vest to the extent performance conditions are satisfied, three years from grant. ■ The Chief Executive's base award will have a target face value of 137.5% of base salary as of June 2011. The base award for the other executive directors will have a target face value of 110% of base salary as of June 2011. ■ Minimum vesting is zero times and maximum vesting is four times the base award level.
Global Long-Term Incentive Plan ('GLTI') co-investment matching awards	■ To support and encourage greater shareholder alignment through a high level of personal financial commitment. ■ Individuals may purchase Vodafone shares and hold them in trust for three years in order to receive additional performance shares in the form of a GLTI matching award. ■ GLTI matching awards are granted each year in June/July in line with the investment made, and vest three years later based on Group operational and external performance.	3 years	■ GLTI matching awards are subject to the same performance conditions as the main GLTI award. ■ Executive directors can co-invest up to their annual gross salary. ■ Matching awards will be granted on a one for one basis at target performance. ■ Minimum vesting is zero times and maximum vesting is four times the target award level.

Other remuneration

In addition to base pay and incentive opportunities as described in the table above, the Company offers a competitive package of retirement and other benefits as follows:

- Executive directors may choose to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of pension. The cash payment or pension contribution is equal to 30% of annual gross salary. From 6 April 2011 contributions into the defined contribution pension scheme are restricted to £50,000 per annum. Any residual of the 30% pension benefit will be delivered as a cash allowance.
- Company car or cash allowance worth £19,200 per annum.
- Private medical insurance.
- Chauffeur services, where appropriate, to assist with their role.

Awards made to executive directors during the 2011 financial year

Reward elements	Vittorio Colao	Andy Halford	Michel Combes	Stephen Pusey
Base salary	Vittorio's base salary was increased from £975,000 to £1,065,000 in July 2010.	Andy's base salary was increased from £674,100 to £700,000 in July 2010.	Michel's base salary was increased from £740,000 to £770,000 in July 2010.	Stephen's base salary was increased from £500,000 to £550,000 in July 2010.
Annual bonus	The target bonus was £1,065,000 and the maximum bonus was £2,130,000.	The target bonus was £700,000 and the maximum bonus was £1,400,000.	The target bonus was £770,000 and the maximum bonus was £1,540,000	The target bonus was £550,000 and the maximum bonus was £1,100,000.
Long-term incentive plan	In June 2010 the base award had a face value of 137.5% of base salary at target performance.	In June 2010 the base award had a face value of 110% of base salary at target performance.	In June 2010 the base award had a face value of 110% of base salary at target performance.	In June 2010 the base award had a face value of 110% of base salary at target performance.
Investment opportunity	Vittorio invested the maximum into the GLTI plan (731,796 shares) and therefore received a matching award with a face value of 100% of base salary at target.	Andy invested the maximum into the GLTI plan (506,910 shares) and therefore received a matching award with a face value of 100% of base salary at target.	Michel invested 53% of the maximum into the GLTI plan (275,960 shares) and therefore received a matching award with a face value of 53% of base salary at target.	Stephen invested 37% of the maximum into the GLTI plan (141,834 shares) and therefore received a matching award with a face value of 37% of base salary at target.

Pay and performance for the 2012 financial year

The Remuneration Committee considers the remuneration increases for the different groups of employees across all of our local markets and other relevant factors when assessing the pay of the executive directors. During its regular review of total compensation in March 2011, the Remuneration Committee decided that due to an improvement in business performance, with a return to revenue growth, and continued focus on profit and strong cash flow, that modest salary increases for the executive directors would be appropriate. Individual increases will become effective from 1 July 2011 and are set out in the table on page 67. When determining these increases the Remuneration Committee took into account the general increases in each of the major markets. It should be noted that the average increase for the executive directors is 2.8% and for the whole of the Executive Committee it is 3% which is in line with increases in the rest of the Group based in the UK.

Details of the GSTIP

The short-term incentive plan rewards performance over the one year operating cycle. This plan consists of four performance measures, three of which are financial measures with the fourth being an assessment of our competitive performance including market share performance relative to our competitors measured by revenue and profit, as well as customer endorsement and satisfaction measured by net promoter score. Each performance measure has an individual weighting which is reviewed each year to ensure alignment with our strategy. In the table below we describe our achievement against each of the performance measures and the resulting total incentive payout level for the year ended 31 March 2011.

		Performance achievement			
Performance measure	Weighting	Below threshold	Between threshold and target	Between target and maximum	Above maximum
Service revenue	30%			✓	
Profit	20%			✓	
Cash flow	20%			✓	
Competitive performance assessment	30%			✓	
				Total incentive payout level	124.2%

Changes to the GSTIP in 2012

For the 2012 financial year the framework for our annual incentive plan will remain the same as in 2011. However, to emphasise our focus on profitable growth we have rebalanced the weightings for service revenue and profit so the two measures are equally weighted. As a result, the split of weightings for our performance measures for the 2012 financial year will be:

- Service revenue – 25%;
- Profit ("earnings before interest tax depreciation amortisation") – 25%;
- Free cash flow – 20%; and
- Competitive performance assessment – 30%.

We believe these measures continue to support our strategy by capturing our underlying operational performance, and our performance as viewed by our customers and in relation to our competition.

Directors' remuneration continued

Details of the GLTI

The first award under the current GLTI plan was made in July 2008 (2009 financial year) and will vest in July 2011. Details of how the plan works are included in the table on page 64. The extent to which awards vest depend on two performance conditions:

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

Free cash flow

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

- Verizon Wireless additional distributions;
- the impact of any mergers, acquisitions and disposals;
- certain material one-off tax settlements; and
- foreign exchange rate movements over the performance period.

The cumulative adjusted free cash flow target and range for awards in the 2012, 2011, 2010 and 2009 financial years are shown in the table below:

Performance	Vesting percentage	2012 £bn	2011 £bn	2010 £bn	2009 £bn
Threshold	50%	16.70	18.00	15.50	15.50
Target	100%	19.20	20.50	18.00	17.50
Superior	150%	20.45	21.75	19.25	18.50
Maximum	200%	21.70	23.00	20.50	19.50

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

TSR out-performance of a peer group median

We have a limited number of appropriate peers and this makes the measurement of a relative ranking system volatile. As such, the out-performance of the median of a peer group is felt to be the most appropriate TSR measure. The peer group for the performance condition for the 2011, 2010 and 2009 financial years is:

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

The relative TSR position will determine the performance multiplier. This will be applied to the free cash flow vesting percentage. There will be no multiplier until TSR performance exceeds median. Above median the following table will apply to the 2012, 2011, 2010 and 2009 financial years (with linear interpolation between points):

	Out-performance of peer group median	Multiplier
Median	0.0% p.a.	No increase
65th percentile	4.5% p.a.	1.5 times
80th percentile (upper quintile)	9.0% p.a.	2.0 times

The performance measure has been calibrated using standard techniques.

Combined vesting matrix

The combination of the two performance measures gives a combined vesting matrix as follows:

			TSR performance
Free cash flow measure	Up to median	65th	80th
Threshold	50%	75%	100%
Target	100%	150%	200%
Superior	150%	225%	300%
Maximum	200%	300%	400%

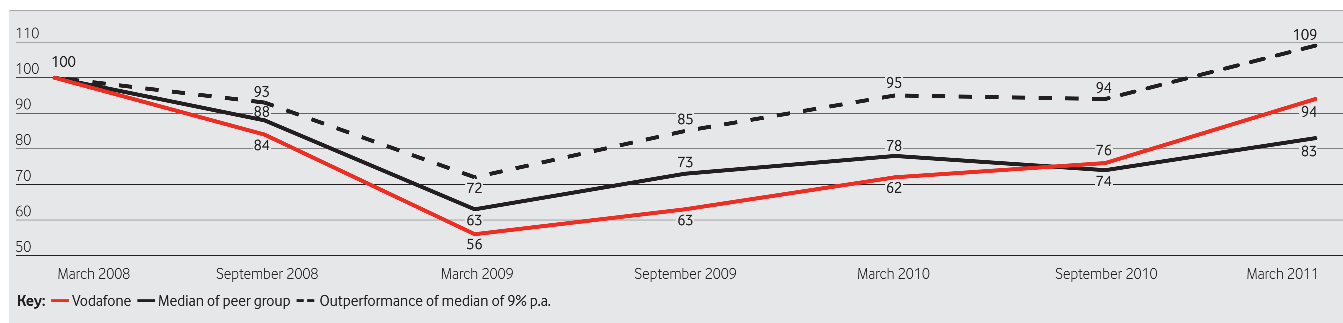
The combined vesting percentages are applied to the target number of shares granted.

Performance shares vesting in 2011

Adjusted free cash flow for the three year period ended on 31 March 2011 was £16.9 billion and the graph below shows our TSR performance against our peer group for the same period resulted in an outperformance of the median by 3.9%. Using the matrix above, this results in a payout of 30.6% of the maximum. These shares will vest in July 2011.

The free cash flow performance is approved by the Remuneration Committee. The performance assessment in respect of the TSR out-performance of a peer group median is undertaken by pwc.

2008 GLTI award: TSR performance (growth in the value of a hypothetical US$100 holding over the performance period, six month averaging)



Pay for the 2012 financial year

The information provided in the table below explains what the executive directors who were on the Board on 31 March 2011 will actually receive from base salary and awards made previously with performance conditions which ended on 31 March 2011 but that will vest in the 2012 financial year.

	Vittorio Colao	Andy Halford	Michel Combes	Stephen Pusey
Base salary				
Base salary effective from July 2011	£1,110,000	£700,000	£790,000	£575,000
GSTIP (Annual bonus)[1]				
Target (100% of base salary at 31 March 2011)	£1,065,000	£700,000	£770,000	£550,000
Percentage of target achieved for the 2011 financial year	124.2%	124.2%	96.8%	124.2%
Actual bonus payout in June 2011	£1,322,730	£869,400	£745,052	£683,100
GLTI performance shares				
GLTI performance base share awarded in July 2008	4,126,587	2,282,447	2,589,782	942,132
GLTI performance match share awarded in July 2008	3,001,154	2,074,952	736,919	500,844
Vesting percentage based on cumulative adjusted three year free cash flow and TSR out-performance	30.6%	30.6%	30.6%	30.6%
GLTI performance shares vesting in 2011	2,181,088	1,333,363	1,017,970	441,550

Note:
(1) The executive directors' GSTIP for the 2011 financial year is payable in June 2011 with actual payments detailed in the table above. Vittorio Colao, Andy Halford and Stephen Pusey were measured solely against Group performance, whilst Michel Combes was measured on both Group and Europe region performance.

Directors' remuneration continued

Other considerations

Service contracts of executive directors

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

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

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

Contract dates	Date of service agreement	Length of Board service
Vittorio Colao	27 May 2008	2 years 10 months
Andy Halford	20 May 2005	5 years 10 months
Michel Combes	1 June 2009	1 year 10 months
Stephen Pusey	1 June 2009	1 year 10 months

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

Fees retained for external non-executive directorships

Executive directors may hold positions in other companies as non-executive directors. Michel Combes was the only executive director with such positions held at Assystem SA and ISS Group, and in accordance with Group policy he retained fees for the year of €50,223 from Assystem SA and DKK243,750 from ISS Group (£73,250 in total).

Cascade to senior management

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

Cascade of policy to Executive Committee – 2011 financial year
Total remuneration and base salary Methodology consistent with the executive directors.
Annual bonus The annual bonus is based on the same measures. For some individuals these are measured within a region rather than across the whole Group.
Long-term incentive The long-term incentive is consistent with the executive directors including the opportunity to invest in the GLTI to receive matching awards. In addition, Executive Committee members have a share ownership requirement of two times base salary.

All-employee share plans

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

Summary of plans
Sharesave The Vodafone Group 2008 Sharesave Plan is a HM Revenue & Customs ('HMRC') approved scheme open to all staff permanently employed by a Vodafone Company in the UK as of the eligibility date. Options under the plan are granted at up to a 20% discount to market value. Executive directors' participation is included in the option table on page 71.
Share Incentive Plan The Vodafone Share Incentive Plan is an HMRC approved plan open to all staff permanently employed by a Vodafone Company in the UK. Participants may contribute up to a maximum of £125 per month (or 5% of salary if less) which the trustee of the plan uses to buy shares on their behalf. An equivalent number of shares are purchased with contributions from the employing company. UK-based executive directors are eligible to participate.

Dilution

All awards are made under plans that incorporate dilution limits as set out in the guidelines for share incentive schemes published by the Association of British Insurers. The current estimated dilution from subsisting awards, including executive and all-employee share awards, is approximately 3.4% of the Company's share capital at 31 March 2011 (3.1% at 31 March 2010).

Funding

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

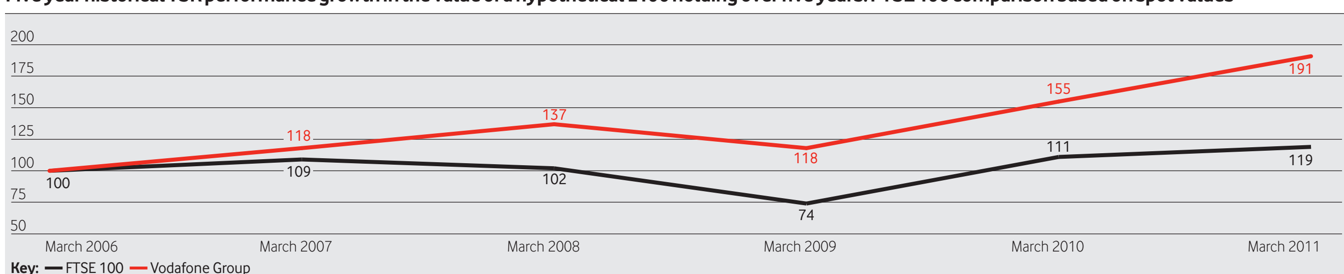
Other matters

The Share Incentive Plan and the co-investment into the GLTI plan include restrictions on the transfer of shares while the shares are subject to the plan. Where, under an employee share plan operated by the Company, participants are the beneficial owners of the shares but not the registered owner, the voting rights are normally exercised by the registered owner at the discretion of the participant.

TSR performance

The following chart is included in order to be compliant with the requirements of the large and medium sized companies and Groups (Accounts and Reports) Regulations 2008. Data was provided by FTSE and DataStream and shows performance of the Company relative to the FTSE 100 index over a five year period, of which we were a constituent throughout the year. It should be noted that the payout from the long-term incentive plan is based on the TSR performance shown in the graph on page 67 and not on the graph below.

Five year historical TSR performance growth in the value of a hypothetical £100 holding over five years. FTSE 100 comparison based on spot values



Audited information for executive directors

Remuneration for the year ended 31 March 2011

The remuneration of executive directors was as follows:

	Salary/fees		Incentive schemes[1]		Cash in lieu of pension		Benefits/other[2]		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Chief Executive										
Vittorio Colao	1,043	975	1,323	1,255	313	292	55	146	2,734	2,668
Other executive directors										
Andy Halford	694	674	869	868	208	169	27	26	1,798	1,737
Michel Combes	763	737	745	818	229	221	22	52	1,759	1,828
Stephen Pusey	538	491	683	632	161	147	31	38	1,413	1,308
Total	**3,038**	**2,877**	**3,620**	**3,573**	**911**	**829**	**135**	**262**	**7,704**	**7,541**

Notes:
(1) These figures are the cash payouts from the 2011 financial year Vodafone GSTIP and are in relation to the performance against targets in adjusted operating profit, service revenue, free cash flow and competitive performance for the financial year ended 31 March 2011.
(2) Includes amounts in respect of cost of living allowance, private healthcare and car allowance.

The aggregate remuneration we paid to our Executive Committee[1] for services for the year ended 31 March 2011 is set out below. The aggregate number of Executive Committee members at 31 March 2011 was six, a reduction of two compared to 31 March 2010.

	2011 £'000	2010 £'000
Salaries and fees	3,151	3,655
Incentive schemes[2]	4,081	4,417
Cash in lieu of pension	456	164
Benefits/other	799	3,376
Total	**8,487**	**11,612**

Notes:
(1) Aggregate remuneration for the Executive Committee is in respect of those individuals who were members of the Executive Committee, other than the executive directors, during the year ended 31 March 2011 and reflects compensation paid from either 1 April 2010 or date of appointment to the Executive Committee, to 31 March 2011 or date of leaving, where applicable.
(2) Comprises the incentive scheme information for the Executive Committee members on an equivalent basis to that disclosed for directors in the table at the top of this page. Details of share incentives awarded to directors and other members of the Executive Committee are included in footnotes to "Long-term incentives" on page 70.

Pensions

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

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

Pension benefits earned by the director in the year ended 31 March 2011 were:

	Total accrued benefit at 31 March 2011[1] £'000	Change in accrued benefit over the year[1] £'000	Transfer value at 31 March 2010[2] £'000	Transfer value at 31 March 2011[2] £'000	Change in transfer value over year less member contributions £'000	Change in accrued benefit in excess of inflation[3] £'000	Transfer value of change in accrued benefit net of member contributions £'000	Employer allocation/ contribution to defined contribution Plans £'000
Andy Halford	17.8	–	628.0	701.2	73.2	(0.8)	(32.8)	–

Notes:
(1) Andy Halford took the opportunity to take early retirement from the pension scheme due to the closure of the scheme on 31 March 2010 (aged 51 years). In accordance with the scheme rules, his accrued pension at this date was reduced with an early retirement factor for four years to reflect the fact that his pension is being paid before age 55 and is therefore expected to be paid out for a longer period of time. In addition, Andy Halford exchanged part of his early retirement pension at 31 March 2010 for a tax-free cash lump sum of £118,660. The pension in payment at 31 March 2010 was £17,800 per year. This pension is due to increase on 1 April 2011 by 5%, in line with the scheme rules, to £18,700 per year. However, at 31 March 2011 the pension in payment remained at £17,800 per year as shown above. No member contributions are payable as Andy Halford is in receipt of his pension.
(2) The transfer value at 31 March 2011 has been calculated on the basis and methodology set by the trustees after taking actuarial advice. No director elected to pay additional voluntary contributions. The transfer value disclosed above does not represent a sum paid or payable to the individual director. Instead it represents a potential liability of the pension scheme.
(3) Inflation has been taken as the increase in the retail price index over the year to 30 September 2010.

In respect of the Executive Committee, the Group has made aggregate contributions of £508,600 (2010: £851,000) into defined contribution pension schemes.

Directors' remuneration continued

Directors' interests in the shares of the Company

Long-term incentives

Performance shares

Conditional awards of ordinary shares made to executive directors under the Vodafone Global Incentive Plan ('GIP') for the relevant financial years are shown below. Long-term incentive shares that vested during the year ended 31 March 2011 are also shown below:

	Total interest in performance shares at 1 April 2010 or date of appointment	Shares conditionally awarded during the 2011 financial year[1]	Shares forfeited during the 2011 financial year[2]	Shares vested during the 2011 financial year[3]	Total interest in performance shares at 31 March 2011[4]	Total value[5]	Market price at date awards granted	Vesting date
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	£'000	Pence	
Vittorio Colao								
2007	1,557,409	–	(1,168,057)	(389,352)	–	–	156.00	Jul 2010
2008 – Base award	4,126,587	–	–	–	4,126,587	7,283	129.95	Jul 2011
2008 – Match award	3,001,154	–	–	–	3,001,154	5,297	129.95	Jul 2011
2009 – Base award	4,564,995	–	–	–	4,564,995	8,057	117.20	Jun 2012
2009 – Match award	1,817,866	–	–	–	1,817,866	3,209	117.20	Jun 2012
2010 – Base award	–	4,097,873	–	–	4,097,873	7,233	142.94	Jun 2013
2010 – Match award	–	2,980,271	–	–	2,980,271	5,260	142.94	Jun 2013
Total	**15,068,011**	**7,078,144**	**(1,168,057)**	**(389,352)**	**20,588,746**	**36,339**		
Andy Halford								
2007	1,190,305	–	(892,729)	(297,576)	–	–	156.00	Jul 2010
2008 – Base award	2,282,447	–	–	–	2,282,447	4,029	129.95	Jul 2011
2008 – Match award	2,074,952	–	–	–	2,074,952	3,662	129.95	Jul 2011
2009 – Base award	2,524,934	–	–	–	2,524,934	4,457	117.20	Jun 2012
2009 – Match award	1,676,756	–	–	–	1,676,756	2,959	117.20	Jun 2012
2010 – Base award	–	2,154,750	–	–	2,154,750	3,803	142.94	Jun 2013
2010 – Match award	–	1,958,863	–	–	1,958,863	3,457	142.94	Jun 2013
Total	**9,749,394**	**4,113,613**	**(892,729)**	**(297,576)**	**12,672,702**	**22,367**		
Michel Combes								
2008 – Base award	2,589,782	–	–	–	2,589,782	4,571	129.95	Nov 2011
2008 – Match award	736,919	–	–	–	736,919	1,301	129.95	Nov 2011
2009 – Base award	2,771,771	–	–	–	2,771,771	4,892	117.20	Jun 2012
2009 – Match award	533,854	–	–	–	533,854	942	117.20	Jun 2012
2010 – Base award	–	2,370,225	–	–	2,370,225	4,183	142.94	Jun 2013
2010 – Match award	–	1,144,116	–	–	1,144,116	2,019	142.94	Jun 2013
Total	**6,632,326**	**3,514,341**	**–**	**–**	**10,146,667**	**17,908**		
Stephen Pusey								
2007	491,325	–	(368,494)	(122,831)	–	–	156.00	Jul 2010
2008 – Base award	942,132	–	–	–	942,132	1,663	129.95	Jul 2011
2008 – Match award	500,844	–	–	–	500,844	884	129.95	Jul 2011
2009 – Base award	1,872,818	–	–	–	1,872,818	3,306	117.20	Jun 2012
2009 – Match award	510,879	–	–	–	510,879	902	117.20	Jun 2012
2010 – Base award	–	1,693,018	–	–	1,693,018	2,988	142.94	Jun 2013
2010 – Match award	–	571,097	–	–	571,097	1,008	142.94	Jun 2013
Total	**4,317,998**	**2,264,115**	**(368,494)**	**(122,831)**	**6,090,788**	**10,751**		

Notes:
(1) The awards were granted during the year under the Vodafone Global Incentive Plan using an average of the closing share prices on each of the five working days prior to 28 June 2010 being 142.9 pence. These awards have a performance period running from 1 April 2010 to 31 March 2013. The performance conditions are a matrix of free cash flow performance and relative TSR. The vesting date will be in June 2013.
(2) Shares granted on 24 July 2007 vested on 24 July 2010. The performance condition on these awards was a relative TSR measure against the companies making up the FTSE Global Telecoms index at the start of the performance period. The threshold relative TSR performance target was met and as such shares vested at 25%. The share price on the vesting date was 151.5 pence.
(3) The share vesting gave rise to cash payments equal to the equivalent value of dividends over the vesting period. These cash payments equated to £91,484 for Vittorio Colao, £70,198 for Andy Halford and £28,976 for Stephen Pusey.
(4) The total interest at 31 March 2011 includes awards over three different performance periods ending on 31 March 2011, 31 March 2012 and 31 March 2013. The performance conditions for the award vesting in July 2011 are a matrix of free cash flow performance and relative TSR.
(5) The total value is calculated using the closing mid-market share price at 31 March 2011 of 176.5 pence.

The aggregate number of shares conditionally awarded during the year to the Executive Committee, other than the executive directors, was 9,276,317 shares. The performance and vesting conditions on the shares awarded in the year are based on a matrix of free cash flow performance and relative TSR.

Share options

No options have been granted to directors during the year. The following information summarises the directors' options under the Vodafone Group 2008 Sharesave Plan ('SAYE'), the Vodafone Group 1998 Company Share Option Scheme ('CSOS'), the Vodafone Group Plc 1999 Long-Term Stock Incentive Plan ('LTSIP') and the GIP. HMRC approved awards may be made under all of the schemes mentioned. The table also summarises the directors' options under the Vodafone Group 1998 Executive Share Option Scheme ('ESOS') which is not HMRC approved. No other directors have options under any of these schemes.

In the past, options under the Vodafone Group 1998 Sharesave Scheme were granted at a discount of 20% to the market value of the shares and options under the Vodafone Group 2008 Sharesave Plan were also granted at a discount of 20% to the market value of the shares at the time of the grant. No other options may be granted at a discount.

		At 1 April 2010 or date of appointment	Options granted during the 2011 financial year	Options exercised during the 2011 financial year	Options lapsed during the 2011 financial year	Options held at 31 March 2011	Option price			Market price on exercise
	Grant date	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Pence[1]	Date from which exercisable	Expiry date	Pence
Vittorio Colao										
GIP	Nov 2006	3,472,975	–	–	–	3,472,975	135.50	Nov 2009	Nov 2016	–
GIP[2]	Jul 2007	3,003,575	–	–	–	3,003,575	167.80	Jul 2010	Jul 2017	–
SAYE	Jul 2009	16,568	–	–	–	16,568	93.85	Sep 2014	Feb 2015	–
Total		**6,493,118**	**–**	**–**	**–**	**6,493,118**				
Andy Halford										
CSOS	Jul 2000	200	–	–	(200)	–	282.30	Jul 2003	Jul 2010	–
ESOS	Jul 2000	66,700	–	–	(66,700)	–	282.30	Jul 2003	Jul 2010	–
LTSIP	Jul 2001	152,400	–	–	–	152,400	151.56	Jul 2004	Jul 2011	–
LTSIP	Jul 2005	1,291,326	–	–	–	1,291,326	145.25	Jul 2008	Jul 2015	–
GIP[2]	Jul 2007	2,295,589	–	–	–	2,295,589	167.80	Jul 2010	Jul 2017	–
SAYE	Jul 2009	9,669	–	–	–	9,669	93.85	Sep 2012	Feb 2013	–
Total		**3,815,884**	**–**	**–**	**(66,900)**	**3,748,984**				
Stephen Pusey										
GIP	Sep 2006	1,034,259	–	–	–	1,034,259	113.75	Sep 2009	Sep 2016	–
GIP[2]	Jul 2007	947,556	–	–	–	947,556	167.80	Jul 2010	Jul 2017	–
SAYE	Jul 2009	9,669	–	–	–	9,669	93.85	Sep 2012	Feb 2013	–
Total		**1,991,484**	**–**	**–**	**–**	**1,991,484**				
Michel Combes										
SAYE	Jul 2009	9,669	–	–	–	9,669	93.85	Sep 2012	Feb 2013	–
Total		**9,669**	**–**	**–**	**–**	**9,669**				

Notes:
(1) The closing mid-market share price on 31 March 2011 was 176.5 pence. The highest mid-market share price during the year was 185.0 pence and the lowest price was 126.5 pence.
(2) The performance condition on these options is a three year cumulative growth in adjusted earnings per share. The options vested at 100% on 24 July 2010.

Directors' remuneration continued

Non-executive directors' remuneration

The remuneration of non-executive directors is reviewed annually by the Chairman following consultation with the Remuneration Committee Chairman. Our policy is to pay competitively for the role including consideration of the time commitment required. In this regard, the fees are benchmarked against a comparator group of the FTSE 15 companies. Following the 2011 review there will be no increase to the fees of non-executive directors. However, there is an increase to the Deputy Chairman and Chairmanship of the Remuneration Committee fees from 1 April 2011.

	Fee payable (£'000s)	
Position/role	From 1 April 2011	From 1 April 2010
Chairman[(1)]	600	600
Deputy Chairman	175	162
Non-executive director	115	115
Chairmanship of Audit Committee	25	25
Chairmanship of Remuneration Committee	25	20

Note:
(1) The Chairman's fee also includes the fee for the Chairmanship of the Nominations and Governance Committee.

In addition, an allowance of £6,000 is payable each time a non-Europe based non-executive director is required to travel to attend Board and committee meetings to reflect the additional time commitment involved.

Details of each non-executive director's remuneration for the 2011 financial year are included in the table below.

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

Chairman and non-executive directors service contracts

The Chairman, Sir John Bond, has a contract that may be terminated by either party on 12 months notice. The date of his letter of appointment is 5 December 2005. Sir John Bond will be standing down from his role as Chairman and Chairman of the Nominations and Governance Committee and will not stand for re-election at the AGM on 26 July 2011. Subject to his election by shareholders, Gerard Kleisterlee will become Chairman in succession to Sir John Bond.

Non-executive directors, including the Deputy Chairman, are engaged on letters of appointment that set out their duties and responsibilities. The appointment of non-executive directors may be terminated without compensation. Non-executive directors are generally not expected to serve for a period exceeding nine years.

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

	Date of letter of appointment	Date of election/re-election
John Buchanan	28 April 2003	AGM 2011
Renee James	1 January 2011	AGM 2011
Alan Jebson	7 November 2006	AGM 2011
Samuel Jonah	9 March 2009	AGM 2011
Gerard Kleisterlee	1 April 2011	AGM 2011
Nick Land	7 November 2006	AGM 2011
Anne Lauvergeon	20 September 2005	AGM 2011
Luc Vandevelde	24 June 2003	AGM 2011
Anthony Watson	6 February 2006	AGM 2011
Philip Yea	14 July 2005	AGM 2011

Audited information for non-executive directors serving during the year ended 31 March 2011:

	Salary/fees		Benefits		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Chairman						
Sir John Bond	600	575	3	3	603	578
Deputy Chairman						
John Buchanan	162	155	–	–	162	155
Non-executive directors						
Renee James[(1)]	35	–	–	–	35	–
Alan Jebson[(1)]	151	146	–	–	151	146
Samuel Jonah[(1)]	151	140	–	–	151	140
Nick Land	140	135	–	–	140	135
Anne Lauvergeon	115	110	–	–	115	110
Simon Murray (retired 26 July 2010)	38	110	–	–	38	110
Luc Vandevelde	135	130	–	–	135	130
Anthony Watson	115	110	–	–	115	110
Philip Yea	115	110	–	–	115	110
Total	**1,757**	**1,721**	**3**	**3**	**1,760**	**1,724**

Note:
(1) Salary/fees includes travel allowances.

Beneficial interests

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

	16 May 2011	31 March 2011	1 April 2010 or date of appointment
Sir John Bond	370,677	370,677	357,584
John Buchanan	222,223	222,223	211,055
Vittorio Colao	2,307,663	2,307,663	1,575,567
Andy Halford	2,335,914	2,335,622	2,186,541
Michel Combes	670,589	670,297	392,223
Stephen Pusey	544,733	544,733	402,599
Renee James[(1)]	50,000	50,000	–
Alan Jebson	82,340	82,340	82,340
Samuel Jonah	55,350	55,350	–
Gerard Kleisterlee[(1)]	–	–	–
Nick Land	35,000	35,000	35,000
Anne Lauvergeon	28,936	28,936	28,936
Simon Murray (retired 27 July 2010)	–	–	246,250
Luc Vandevelde	89,030	89,030	72,829
Anthony Watson	115,000	115,000	115,000
Philip Yea	61,250	61,250	61,250

Note:
(1) Non-executive directors appointed to the Board as follows: Renee James 1 January 2011, Gerard Kleisterlee 1 April 2011.

At 31 March 2011 and during the period from 1 April 2011 to 16 May 2011, no director had any interest in the shares of any subsidiary company. Other than those individuals included in the table above who were Board members at 31 March 2011, members of the Group's Executive Committee at 31 March 2011 had an aggregate beneficial interest in 2,755,152 ordinary shares of the Company. At 16 May 2011 the directors had an aggregate beneficial interest in 6,968,705 ordinary shares of the Company and the Executive Committee members had an aggregate beneficial interest in 2,755,736 ordinary shares of the Company. None of the directors or the Executive Committee members had an individual beneficial interest amounting to greater than 1% of the Company's ordinary shares.

Interests in share options of the Company

At 16 May 2011 there had been no change to the directors' interests in share options from 31 March 2011 (see page 71).

Other than those individuals included in the table above, at 16 May 2011, members of the Group's Executive Committee held options for 2,620,271 ordinary shares at prices ranging from 115.3 pence to 167.8 pence per ordinary share, with a weighted average exercise price of 161.9 pence per ordinary share exercisable at dates ranging from July 2008 to July 2017.

Sir John Bond, John Buchanan, Alan Jebson, Renee James, Samuel Jonah, Gerard Kleisterlee, Nick Land, Anne Lauvergeon, Luc Vandevelde, Anthony Watson and Philip Yea held no options at 16 May 2011.

Directors' interests in contracts

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

Luc Vandevelde
On behalf of the Board

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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 issued by the IASB, in accordance with IFRS as adopted for use in the EU and Article 4 of the EU IAS Regulations;
- 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 and Schedule 10A of the Financial Services and Markets Act 2000.

Disclosure of information to auditor

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

Going concern

After reviewing the Group's and Company's budget for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. Further detail is included within liquidity and capital resources on pages 48 to 51 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; are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS, as adopted by the EU and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorisation of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the 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 2011 based on the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO'). Vodacom's controls have been included in the Group's assessment for the first time this year. Based on management's assessment management has concluded that the internal control over financial reporting was effective at 31 March 2011.

Management has excluded from its assessment the internal control over financial reporting of entities which are accounted for under the equity method, including Verizon Wireless and SFR, because the Group does not have the ability to dictate or modify the controls at these entities and does not have the ability to assess, in practice, the controls at these entities. Accordingly, the internal controls of these entities, which contributed a net profit of £5,059 million (2010: £4,742 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 2011 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 76.

By Order of the Board

Rosemary Martin
Company Secretary
17 May 2011

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 2011 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 controls over financial reporting, management has excluded from its assessment the internal control over financial reporting of those entities that are accounted for under the equity method, including Verizon Wireless and Société Française du Radiotéléphone S.A. ("SFR"), because the Group does not have the ability to dictate or modify controls at these entities and does not have the ability to assess, in practice, the controls at these entities. Accordingly, the internal controls over financial reporting of these entities, which contributed a net profit of £5,059 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 2011, 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 2011, 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 17 May 2011 expressed an unqualified opinion on those financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditor
London
United Kingdom
17 May 2011

Please refer to our Form 20-F to be filed with the Securities and Exchange Commission on 1 June 2011 for the audit opinion over the consolidated financial statements of the Group as of 31 March 2011 and 2010 and for each of the three years in the period ended 31 March 2011 issued in accordance with the standards of the Public Company Accounting Oversight Board (United States).

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 EU, the application of which often requires judgements to be made by management when formulating the Group's financial position and results. Under IFRS, the directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group 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 litigation with the Indian tax authorities in relation to the acquisition of Vodafone Essar (see note 28 to the consolidated financial statements), 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) and the recognition of a deferred tax asset in respect of losses in Luxembourg following the settlement of the CFC tax case (see note 6 to 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.

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 are related to losses, the availability of the losses to offset against forecast taxable profits is also considered.

Critical accounting estimates continued

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

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

Business combinations

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

Goodwill

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

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

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

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

Finite lived intangible assets

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

On the acquisition of mobile network operators the identifiable intangible assets may include licences, customer bases and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets 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 2011 intangible assets, excluding goodwill, amounted to £23,322 million (2010: £22,420 million) and represented 15.4% (2010: 14.3%) of the Group's total assets.

Estimation of useful life

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's 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 13.3% (2010: 13.1%) 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 28 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 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, 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 auditor

As explained more fully in the directors' statement of responsibilities, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the consolidated 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;
- 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; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Vodafone Group Plc for the year ended 31 March 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Panos Kakoullis FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
17 May 2011

Consolidated income statement

for the years ended 31 March

	Note	2011 £m	2010 £m	2009 £m
Revenue	3	**45,884**	**44,472**	**41,017**
Cost of sales		(30,814)	(29,439)	(25,842)
Gross profit		**15,070**	**15,033**	**15,175**
Selling and distribution expenses		(3,067)	(2,981)	(2,738)
Administrative expenses		(5,300)	(5,328)	(4,771)
Share of result in associates	14	5,059	4,742	4,091
Impairment losses	10	(6,150)	(2,100)	(5,900)
Other income and expense		(16)	114	–
Operating profit	4	**5,596**	**9,480**	**5,857**
Non-operating income and expense	15	3,022	(10)	(44)
Investment income	5	1,309	716	795
Financing costs	5	(429)	(1,512)	(2,419)
Profit before taxation		**9,498**	**8,674**	**4,189**
Income tax expense	6	(1,628)	(56)	(1,109)
Profit for the financial year		**7,870**	**8,618**	**3,080**
Attributable to:				
– Equity shareholders		7,968	8,645	3,078
– Non-controlling interests		(98)	(27)	2
		7,870	**8,618**	**3,080**
Basic earnings per share	8	**15.20p**	**16.44p**	**5.84p**
Diluted earnings per share	8	**15.11p**	**16.36p**	**5.81p**

Consolidated statement of comprehensive income

for the years ended 31 March

	2011 £m	2010 £m	2009 £m
Gains/(losses) on revaluation of available-for-sale investments, net of tax	310	206	(2,383)
Foreign exchange translation differences, net of tax	(2,132)	(1,021)	12,375
Net actuarial gains/(losses) on defined benefit pension schemes, net of tax	136	(104)	(163)
Revaluation gain	–	860	68
Foreign exchange gains transferred to the income statement	(630)	(84)	(3)
Fair value (gains)/losses transferred to the income statement	(2,192)	3	–
Other, net of tax	19	67	(40)
Other comprehensive (loss)/income	**(4,489)**	**(73)**	**9,854**
Profit for the financial year	7,870	8,618	3,080
Total comprehensive income for the year	**3,381**	**8,545**	**12,934**
Attributable to:			
– Equity shareholders	3,567	8,312	13,037
– Non-controlling interests	(186)	233	(103)
	3,381	**8,545**	**12,934**

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

Consolidated statement of financial position

at 31 March

	Note	2011 £m	2010 £m
Non-current assets			
Goodwill	9	45,236	51,838
Other intangible assets	9	23,322	22,420
Property, plant and equipment	11	20,181	20,642
Investments in associates	14	38,105	36,377
Other investments	15	1,381	7,591
Deferred tax assets	6	2,018	1,033
Post employment benefits	23	97	34
Trade and other receivables	17	3,877	2,831
		134,217	**142,766**
Current assets			
Inventory	16	537	433
Taxation recoverable		281	191
Trade and other receivables	17	9,259	8,784
Other investments	15	674	388
Cash and cash equivalents	18	6,252	4,423
		17,003	**14,219**
Total assets		**151,220**	**156,985**
Equity			
Called up share capital	19	4,082	4,153
Additional paid-in capital		153,760	153,509
Treasury shares		(8,171)	(7,810)
Retained losses		(77,661)	(79,655)
Accumulated other comprehensive income		15,545	20,184
Total equity shareholders' funds		**87,555**	**90,381**
Non-controlling interests		2,880	3,379
Put options over non-controlling interests		(2,874)	(2,950)
Total non-controlling interests		**6**	**429**
Total equity		**87,561**	**90,810**
Non-current liabilities			
Long-term borrowings	22	28,375	28,632
Taxation liabilities		350	–
Deferred tax liabilities	6	6,486	7,377
Post employment benefits	23	87	237
Provisions	24	482	497
Trade and other payables	25	804	816
		36,584	**37,559**
Current liabilities			
Short-term borrowings	22	9,906	11,163
Taxation liabilities		1,912	2,874
Provisions	24	559	497
Trade and other payables	25	14,698	14,082
		27,075	**28,616**
Total equity and liabilities		**151,220**	**156,985**

The consolidated financial statements were approved by the Board of directors and authorised for issue on 17 May 2011 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

					Other comprehensive income							
	Share capital £m	Additional paid-in capital[1] £m	Treasury shares £m	Retained losses £m	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 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[2]	–	–	–	–	–	–	–	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[2]	–	–	–	–	–	–	–	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**
Issue or reissue of shares	–	–	232	(125)	–	–	–	–	–	107	–	107
Redemption or cancellation of shares	(71)	71	1,532	(1,532)	–	–	–	–	–	–	–	–
Purchase of own shares	–	–	(2,125)	–	–	–	–	–	–	(2,125)	–	(2,125)
Share-based payment	–	180[2]	–	–	–	–	–	–	–	180	–	180
Acquisition of subsidiaries	–	–	–	(120)	–	–	–	–	–	(120)	35	(85)
Comprehensive income	–	–	–	7,968	(2,669)	136	(1,882)	–	14	3,567	(186)	3,381
Profit/(loss)	–	–	–	7,968	–	–	–	–	–	7,968	(98)	7,870
OCI – before tax	–	–	–	–	(2,053)	190	347	–	14	(1,502)	(88)	(1,590)
OCI – taxes	–	–	–	–	14	(54)	(37)	–	–	(77)	–	(77)
Transfer to the income statement	–	–	–	–	(630)	–	(2,192)[3]	–	–	(2,822)	–	(2,822)
Dividends	–	–	–	(4,468)	–	–	–	–	–	(4,468)	(328)	(4,796)
Other	–	–	–	271	–	–	(238)	–	–	33	56	89
31 March 2011	**4,082**	**153,760**	**(8,171)**	**(77,661)**	**14,417**	**(227)**	**237**	**1,040**	**78**	**87,555**	**6**	**87,561**

Notes:
(1) Includes share premium and the capital redemption reserve.
(2) Includes a £24 million tax credit (2010: £11 million credit, 2009: £9 million charge).
(3) Amount for 2011 includes a £208 million tax credit.

Consolidated statement of cash flows

for the years ended 31 March

	Note	2011 £m	2010 £m	2009 £m
Net cash flow from operating activities	26	**11,995**	**13,064**	**12,213**
Cash flows from investing activities				
Purchase of interests in subsidiaries and joint ventures, net of cash acquired		(402)	(1,777)	(1,389)
Purchase of intangible assets		(4,290)	(2,134)	(1,764)
Purchase of property, plant and equipment		(4,350)	(4,841)	(5,204)
Purchase of investments		(318)	(522)	(133)
Disposal of interests in subsidiaries, net of cash disposed		–	–	4
Disposal of interests in associates		–	–	25
Disposal of property, plant and equipment		51	48	317
Disposal of investments		4,467	17	253
Dividends received from associates		1,424	1,436	647
Dividends received from investments		85	141	108
Interest received		1,659	195	302
Taxation on investing activities		(208)	–	–
Net cash flow from investing activities		**(1,882)**	**(7,437)**	**(6,834)**
Cash flows from financing activities				
Issue of ordinary share capital and reissue of treasury shares		107	70	22
Net movement in short-term borrowings		(573)	227	(25)
Proceeds from issue of long-term borrowings		4,861	4,217	6,181
Repayment of borrowings		(4,064)	(5,184)	(2,729)
Purchase of treasury shares		(2,087)	–	(963)
B share capital redemption		–	–	(15)
Equity dividends paid		(4,468)	(4,139)	(4,013)
Dividends paid to non-controlling shareholders in subsidiaries		(320)	(56)	(162)
Contributions from non-controlling shareholders in subsidiaries		–	613	–
Other transactions with non-controlling shareholders in subsidiaries		(137)	–	618
Interest paid		(1,578)	(1,601)	(1,470)
Net cash flow from financing activities		**(8,259)**	**(5,853)**	**(2,556)**
Net cash flow		**1,854**	**(226)**	**2,823**
Cash and cash equivalents at beginning of the financial year	18	4,363	4,846	1,652
Exchange (loss)/gain on cash and cash equivalents		(12)	(257)	371
Cash and cash equivalents at end of the financial year	**18**	**6,205**	**4,363**	**4,846**

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 European Union ('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 77 and 78. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

2. Significant accounting policies

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

IFRS 3 (Revised) "Business Combinations"

The Group adopted IFRS 3 (Revised) on 1 April 2010. The revised standard introduces changes in the accounting for business combinations that impacts the amount of goodwill recognised, the reported results in the period that a business combination occurs and future reported results. The adoption of this standard is likely to have a significant impact on the Group's accounting for future business combinations.

Amendment to IAS 27 "Consolidated and Separate Financial Statements"

The Group adopted the amendment to IAS 27 on 1 April 2010. 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 adoption of this standard may have a significant impact on the Group's accounting for future transactions involving non-controlling interests.

The adoption of this standard has resulted in a change in presentation within the statement of cash flows of amounts paid to acquire non-controlling interests in Group entities that do not result in a change in control. In the year ended 31 March 2011 £137 million related to such transactions was classified as "Other transactions with non-controlling shareholders in subsidiaries" within "Net cash flows from financing activities", whereas these amounts would have previously been recorded in "Purchase of interests in subsidiaries and joint ventures, net of cash acquired" within "Cash flows from investing activities". There is no material impact in the comparative period.

New accounting pronouncements not yet adopted

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. This standard has not yet been endorsed for use in the EU. The standard introduces changes to the classification and measurement of financial assets and the requirements relating to financial liabilities in relation to the presentation of changes in fair value due to credit risks and the removal of an exemption from measuring certain derivative liabilities at fair value. The Group is currently assessing the impact of the standard on its results, financial position and cash flows.

The Group has not adopted the following pronouncements, which have been issued by the IASB or the IFRIC. These pronouncements have been endorsed for use in the EU, unless otherwise stated. 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.

- Amendments to IFRS 1, "Severe hyperinflation and removal of fixed dates for first-timer adopters", effective for annual periods beginning on or after 1 July 2011. This standard has not yet been endorsed for use in the EU.
- Amendments to IFRS 7, "Financial Instruments: Disclosure", effective for annual periods beginning on or after 1 July 2011. This standard has not yet been endorsed for use in the EU.
- "Improvements to IFRSs", effective over a range of dates, with the earliest being for annual periods beginning on or after 1 January 2011.
- Amendment to IFRS 1, "Limited Exemption from Comparative IFRS 7 disclosures for first time adopters", effective for annual periods beginning on or after 1 July 2010.
- Amendment to IAS 12, "Deferred tax: Recovery of Underlying Assets", effective for annual periods beginning on or after 1 January 2012. This standard has not yet been endorsed for use in the EU.
- 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.
- Amendment to IFRIC 14, "Prepayments on a Minimum Funding Requirement", effective for annual periods beginning on or after 1 January 2011.
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments", effective annual periods beginning on or after 1 July 2010 with early adoption permitted.

The Group has also not adopted the following pronouncements, all of which were issued by the IASB on 12 May 2011 and which are effective for annual periods beginning on or after 1 January 2013. These pronouncements have not yet been endorsed for use in the EU. The Group has not completed its assessment of the impact of these pronouncements on the consolidated results, financial position or cash flows of the Group. However, the Group currently expects that IFRS 11, "Joint Arrangements", will have a material impact on the presentation of the Group's interests in its joint ventures owing to the Group's significant investments in joint ventures as discussed in note 13.

- IFRS 10, 'Consolidated Financial Statements', which replaces parts of IAS 27, 'Consolidated and Separate Financial Statements and all of SIC-12, 'Consolidation – Special Purpose Entities', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The remainder of IAS 27, 'Separate Financial Statements', now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable in the Group's consolidated financial statements.
- IFRS 11, 'Joint Arrangements', which replaces IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly Controlled Entities – Non-monetary Contributions by Venturers', requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. The proportionate consolidation method currently applied to the Group's interests in joint ventures is prohibited. IAS 28, 'Investments in Associates and Joint Ventures', was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment.
- IFRS 12, 'Disclosure of Interest in Other Entities', is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The

standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11.

- IFRS 13, 'Fair Value Measurement', provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

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. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date.

The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Acquisition of interests from non-controlling shareholders

In transactions with non-controlling parties that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity.

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 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,

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

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.

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 either a straight-line or sum of digits 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 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 services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

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

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

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

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

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

Commissions

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

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

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

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

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 reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

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

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

The net foreign exchange gain recognised in the consolidated income statement is £1,022 million (2010: £35 million gain, 2009: £131 million loss).

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 reporting period date. Assets are valued at market value.

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

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

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

Cumulative actuarial gains and losses at 1 April 2004, the date of transition to IFRS, 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 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 non tax deductable 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 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 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 amount due on 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 reporting 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 total shareholder return ('TSR'), which is taken into account when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone's ranking within the same group of companies, where possible, over the past five years. The 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 2011 the Group changed its organisation structure to enable continued improvement in the delivery of the Group's strategic goals. The Europe region now consists of all existing controlled businesses in Europe plus the Group's interests in Czech Republic, Hungary, Romania and Turkey. The Africa, Middle East and Asia Pacific region includes the Group's interests in Egypt, India, Ghana, Kenya, Qatar and Vodacom as well as Australia, New Zealand and Fiji. Non-Controlled Interests and Common Functions includes Verizon Wireless, SFR and Polkomtel as well as central Group functions. The tables below present segment information on the revised basis, with prior years amended to conform to the current year presentation.

	Segment revenue £m	Intra-region revenue £m	Regional revenue £m	Inter-region revenue £m	Group revenue £m	EBITDA[1] £m
31 March 2011						
Germany	7,900	(51)	7,849	(2)	7,847	2,952
Italy	5,722	(31)	5,691	(3)	5,688	2,643
Spain	5,133	(62)	5,071	(2)	5,069	1,562
UK	5,271	(50)	5,221	(7)	5,214	1,233
Other Europe	8,253	(70)	8,183	(3)	8,180	2,433
Europe	**32,279**	**(264)**	**32,015**	**(17)**	**31,998**	**10,823**
India	3,855	(1)	3,854	(11)	3,843	985
Vodacom	5,479	–	5,479	(8)	5,471	1,844
Other Africa, Middle East and Asia Pacific	3,971	–	3,971	(27)	3,944	1,170
Africa, Middle East and Asia Pacific	**13,305**	**(1)**	**13,304**	**(46)**	**13,258**	**3,999**
Non-Controlled Interests and Common Functions	659	–	659	(31)	628	(152)
Group	**46,243**	**(265)**	**45,978**	**(94)**	**45,884**	**14,670**
Verizon Wireless	*18,711*[2]					*7,313*
31 March 2010						
Germany	8,008	(41)	7,967	(8)	7,959	3,122
Italy	6,027	(40)	5,987	(2)	5,985	2,843
Spain	5,713	(81)	5,632	(2)	5,630	1,956
UK	5,025	(47)	4,978	(10)	4,968	1,141
Other Europe	8,357	(88)	8,269	(5)	8,264	2,582
Europe	**33,130**	**(297)**	**32,833**	**(27)**	**32,806**	**11,644**
India	3,114	(1)	3,113	(20)	3,093	807
Vodacom	4,450	–	4,450	(7)	4,443	1,528
Other Africa, Middle East and Asia Pacific	3,526	–	3,526	(30)	3,496	977
Africa, Middle East and Asia Pacific	**11,090**	**(1)**	**11,089**	**(57)**	**11,032**	**3,312**
Non-Controlled Interests and Common Functions	667	–	667	(33)	634	(221)
Group	**44,887**	**(298)**	**44,589**	**(117)**	**44,472**	**14,735**
Verizon Wireless	*17,222*[2]					*6,689*
31 March 2009						
Germany	7,847	(59)	7,788	(9)	7,779	3,225
Italy	5,547	(39)	5,508	(3)	5,505	2,565
Spain	5,812	(95)	5,717	(2)	5,715	2,034
UK	5,392	(48)	5,344	(8)	5,336	1,368
Other Europe	8,514	(102)	8,412	(3)	8,409	2,920
Europe	**33,112**	**(343)**	**32,769**	**(25)**	**32,744**	**12,112**
India	2,689	(2)	2,687	(18)	2,669	717
Vodacom	1,778	–	1,778	–	1,778	606
Other Africa, Middle East and Asia Pacific	3,258	–	3,258	(32)	3,226	1,072
Africa, Middle East and Asia Pacific	**7,725**	**(2)**	**7,723**	**(50)**	**7,673**	**2,395**
Non-Controlled Interests and Common Functions	614	–	614	(14)	600	(17)
Group	**41,451**	**(345)**	**41,106**	**(89)**	**41,017**	**14,490**
Verizon Wireless	*14,085*[2]					*5,543*

Notes:
(1) The Group's measure of segment profit, EBITDA, excludes the Group's share of results in associates. The Group's share of results in associates, by segment, for the year ended 31 March 2011 is Other Europe £nil (2010: £nil; 2009 £(3) million), Vodacom £nil (2010: £(2) million; 2009: £(1) million), Other Africa, Middle East and Asia Pacific £51 million (2010: £56 million; 2009: £31 million) and Non-Controlled Interests and Common Functions £5,008 million (2010: £4,688 million; 2009: £4,064 million).
(2) Values shown for Verizon Wireless, which is an associate, are not included in the calculation of Group revenue or EBITDA.

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 80.

	2011 £m	2010 £m	2009 £m
EBITDA	14,670	14,735	14,490
Depreciation, amortisation and loss on disposal of fixed assets	(7,967)	(8,011)	(6,824)
Share of results in associates	5,059	4,742	4,091
Impairment losses	(6,150)	(2,100)	(5,900)
Other income and expense	(16)	114	–
Operating profit	**5,596**	**9,480**	**5,857**

	Non-current assets[1] £m	Capital expenditure[2] £m	Other expenditure on intangible assets £m	Depreciation and amortisation £m	Impairment (reversal)/ loss £m
31 March 2011					
Germany	20,764	824	1,214	1,361	–
Italy	16,645	590	12	732	1,050
Spain	9,596	517	–	641	2,950
UK	6,665	516	–	874	–
Other Europe	11,438	1,230	59	1,406	2,150
Europe	**65,108**	**3,677**	**1,285**	**5,014**	**6,150**
India	9,882	870	1,851	973	–
Vodacom	7,382	572	19	1,013	–
Other Africa, Middle East and Asia Pacific	4,797	754	2	793	–
Africa, Middle East and Asia Pacific	**22,061**	**2,196**	**1,872**	**2,779**	**–**
Non-Controlled Interests and Common Functions	1,570	346	9	83	–
Group	**88,739**	**6,219**	**3,166**	**7,876**	**6,150**
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	13,883	1,282	228	1,467	(200)
Europe	**71,758**	**3,695**	**306**	**5,222**	**(200)**
India	8,665	853	–	848	2,300
Vodacom	7,783	520	–	1,005	–
Other Africa, Middle East and Asia Pacific	5,062	694	–	683	–
Africa, Middle East and Asia Pacific	**21,510**	**2,067**	**–**	**2,536**	**2,300**
Non-Controlled Interests and Common Functions	1,632	430	19	152	–
Group	**94,900**	**6,192**	**325**	**7,910**	**2,100**
31 March 2009					
Germany		750	16	1,378	–
Italy		521	–	735	–
Spain		632	–	606	3,400
UK		446	–	1,010	–
Other Europe		1,013	21	1,441	2,250
Europe		**3,362**	**37**	**5,170**	**5,650**
India		1,351	–	746	–
Vodacom		237	–	231	–
Other Africa, Middle East and Asia Pacific		581	1,101	527	250
Africa, Middle East and Asia Pacific		**2,169**	**1,101**	**1,504**	**250**
Non-Controlled Interests and Common Functions		378	–	140	–
Group		**5,909**	**1,138**	**6,814**	**5,900**

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

Notes to the consolidated financial statements continued

4. Operating profit

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

	2011 £m	2010 £m	2009 £m
Net foreign exchange losses/(gains)	14	(29)	30
Depreciation of property, plant and equipment (note 11):			
Owned assets	4,318	4,412	4,025
Leased assets	54	44	36
Amortisation of intangible assets (note 9)	3,504	3,454	2,753
Impairment of goodwill (note 10)	6,150	2,300	5,650
(Reversal of impairment)/impairment of licence and spectrum (note 10)	–	(200)	250
Research and development expenditure	287	303	280
Staff costs (note 31)	3,642	3,770	3,227
Operating lease rentals payable:			
Plant and machinery	127	71	68
Other assets including fixed line rentals	1,761	1,587	1,331
Loss on disposal of property, plant and equipment	91	101	10
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(331)	(296)	(273)

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

	2011 £m	2010 £m	2009 £m
Audit fees:			
Parent company	1	1	1
Subsidiaries[1]	7	7	5
	8	**8**	**6**
Fees for statutory and regulatory filings	1	1	2
Audit and audit-related fees	**9**	**9**	**8**
Other fees:			
Taxation	1	1	1
Total fees	**10**	**10**	**9**

Note:
(1) The increase in the year ended 31 March 2010 primarily arose 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 £1 million (2010: £2 million, 2009: £3 million) and £5 million (2010: £7 million, 2009: £6 million) respectively to Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited during the year. Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited have also received 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 60.

5. Investment income and financing costs

	2011 £m	2010 £m	2009 £m
Investment income:			
Available-for-sale investments:			
Dividends received	83	145	110
Loans and receivables at amortised cost	339	423	339
Gain on settlement of loans and receivables[(1)]	472	–	–
Fair value through the income statement (held for trading):			
Derivatives – foreign exchange contracts	38	3	71
Other[(2)]	263	92	275
Equity put rights and similar arrangements[(3)]	114	53	–
	1,309	**716**	**795**
Financing costs:			
Items in hedge relationships:			
Other loans	746	888	782
Interest rate swaps	(338)	(464)	(180)
Dividends on redeemable preference shares	58	56	53
Fair value hedging instrument	(47)	228	(1,458)
Fair value of hedged item	40	(183)	1,475
Cash flow hedges transferred from equity	17	82	–
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts[(4)]	629	591	452
Other loans[(5)]	121	185	440
Potential interest on settlement of tax issues[(6)]	(826)	(178)	(81)
Equity put rights and similar arrangements[(3)]	19	94	627
Finance leases	9	7	1
Fair value through the income statement (held for trading):			
Derivatives – forward starting swaps and futures	1	206	308
	429	**1,512**	**2,419**
Net (investment income)/financing costs	**(880)**	**796**	**1,624**

Notes:
(1) Gain on settlement of loans and receivables issued by SoftBank Mobile Corp.
(2) Amounts include foreign exchange gains on investments held following the disposal of Vodafone Japan to SoftBank Corp. and for 2011, foreign exchange gains on net investment in foreign operations.
(3) Includes amounts in relation to the Group's arrangements with its minority partners in India.
(4) The Group capitalised £138 million of interest expense in the year (2010: £1 million; 2009: £nil). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 9.8%.
(5) Amount for 2010 includes £48 million (2009: £94 million) of foreign exchange losses arising from net investments in foreign operations.
(6) Amounts for 2011, 2010 and 2009 include a reduction of the provision for potential interest on tax issues.

Notes to the consolidated financial statements continued

6. Taxation

Income tax expense

	2011 £m	2010 £m	2009 £m
United Kingdom corporation tax expense/(income):			
Current year	141	40	(132)
Adjustments in respect of prior years	(5)	(4)	(318)
	136	**36**	**(450)**
Overseas current tax expense/(income):			
Current year	2,152	2,377	2,111
Adjustments in respect of prior years	(477)	(1,718)	(934)
	1,675	**659**	**1,177**
Total current tax expense	**1,811**	**695**	**727**
Deferred tax on origination and reversal of temporary differences:			
United Kingdom deferred tax	(275)	(166)	20
Overseas deferred tax	92	(473)	362
Total deferred tax (income)/expense	**(183)**	**(639)**	**382**
Total income tax expense	**1,628**	**56**	**1,109**

Tax (credited)/charged directly to other comprehensive income

	2011 £m	2010 £m	2009 £m
Current tax (credit)/charge	(14)	(38)	133
Deferred tax (credit)/charge	(117)	137	(72)
Total tax (credited)/charged directly to other comprehensive income	**(131)**	**99**	**61**

Tax (credited)/charged directly to equity

	2011 £m	2010 £m	2009 £m
Current tax (credit)/charge	(5)	(1)	1
Deferred tax (credit)/charge	(19)	(10)	8
Total tax (credited)/charged directly to equity	**(24)**	**(11)**	**9**

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%, 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 35. Subsequently, the UK statutory tax rate reduced to 26%, effective from 1 April 2011 and the impact on the year end tax balances is included in 'effect of current year changes in statutory tax rates' below.

	2011 £m	2010 £m	2009 £m
Profit before tax as shown in the consolidated income statement	**9,498**	**8,674**	**4,189**
Expected income tax expense on profit at UK statutory tax rate	2,659	2,429	1,173
Effect of taxation of associates, reported within operating profit	145	160	118
Impairment losses with no tax effect	1,722	588	1,652
Impact of agreement of German write down losses[1]	–	(2,103)	–
Expected income tax expense at UK statutory rate on profit from continuing operations, before impairment losses and taxation of associates	**4,526**	**1,074**	**2,943**
Effect of different statutory tax rates of overseas jurisdictions[2]	(141)	516	382
Effect of current year changes in statutory tax rates	(29)	35	(31)
Deferred tax on overseas earnings	143	5	(26)
Assets revalued for tax purposes	121	–	(155)
Effect of previously unrecognised temporary differences including losses[3]	(2,122)	(1,040)	(881)
Adjustments in respect of prior years[1]	(1,028)	(387)	(1,124)
Expenses not deductible for tax purposes and other items	677	425	423
Exclude taxation of associates	(519)	(572)	(422)
Income tax expense	**1,628**	**56**	**1,109**

Notes:
(1) See "Taxation" on page 40.
(2) 2011 includes the impact of the disposal of China Mobile Limited.
(3) See note below regarding deferred tax asset recognition in Luxembourg.

Deferred tax

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

	£m
1 April 2010	(6,344)
Exchange movements	305
Credited to the income statement	183
Credited directly to OCI	117
Credited directly to equity	19
Reclassification to current tax[1]	1,249
Arising on acquisition	3
31 March 2011	**(4,468)**

Note:
(1) See note below regarding CFC settlement.

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	(1,374)	253	(3,682)	–	(3,429)
Tax losses	1,198	27,882	–	(25,784)	2,098
Deferred tax on overseas earnings	764	–	(1,775)	–	(1,775)
Other short-term temporary differences	(405)	4,890	(2,844)	(3,408)	(1,362)
31 March 2011	**183**	**33,025**	**(8,301)**	**(29,192)**	**(4,468)**

Analysed in the statement of financial position, after offset of balances within countries, as:

	£m
Deferred tax asset	2,018
Deferred tax liability	(6,486)
31 March 2011	**(4,468)**

	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 temporary differences	745	4,796	(3,135)	(2,295)	(634)
31 March 2010	**639**	**33,239**	**(10,102)**	**(29,481)**	**(6,344)**

Analysed in the statement of financial position, after offset of balances within countries, as:

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

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.

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

On 22 July 2010 Vodafone reached agreement with the UK tax authorities with respect to the UK Controlled Foreign Company ('CFC') tax case. Vodafone will pay £1.25 billion to settle all outstanding CFC issues from 2001 to date and has also reached agreement that no further UK CFC tax liabilities will arise in the near future under current legislation. Longer term, no CFC liabilities are expected to arise as a consequence of the likely reforms of the UK CFC regime due to the facts established in this agreement.

A Spanish subsidiary, Vodafone Holdings Europe SL ('VHESL'), has resolved its dispute with the Spanish tax authorities regarding the tax treatment of interest expenses claimed in the accounting periods ended 31 March 2003 and 31 March 2004.

Notes to the consolidated financial statements continued

6. Taxation continued

At 31 March 2011 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	1	–	8,081	8,082
Losses for which no deferred tax is recognised	2,197	559	94,851	97,607
	2,198	**559**	**102,932**	**105,689**

The losses arising on the write down of investments in Germany are available to use against both German federal and trade tax liabilities. Losses of £3,892 million (2010: £3,922 million) are included in the above table on which a deferred tax asset has been recognised. The Group has not recognised a deferred tax asset on £13,389 million (2010: £14,544) of the losses as it is uncertain that these losses will be utilised.

Included in the table above are losses amounting to £1,907 million (2010: £1,909 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 £82,725 million (2010: £83,168 million) that have arisen in overseas holding companies as a result of revaluations of those companies' investments for local GAAP purposes. No deferred tax asset is recognised in respect of £78,757 million of these losses as it is uncertain whether these losses will be utilised. A deferred tax asset has been recognised for the remainder of these losses (see below).

A total deferred tax asset of £1,143 million has been recognised in relation to some of the losses of a fiscal unity in Luxembourg as the members of this fiscal unity are expected to generate taxable profits against which these losses will be used. £856 million of the asset has been recognised as a result of the agreement reached with the UK tax authorities in respect of the CFC tax case (discussed above).

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 £41,607 million (2010: £51,783 million) of unremitted earnings of subsidiaries 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

	2011 £m	2010 £m	2009 £m
Declared during the financial year:			
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
Interim dividend for the year ended 31 March 2011: 2.85 pence per share (2010: 2.66 pence per share, 2009: 2.57 pence per share)	1,492	1,400	1,350
	4,468	**4,131**	**4,017**
Proposed after the end of reporting period and not recognised as a liability:			
Final dividend for the year ended 31 March 2011: 6.05 pence per share (2010: 5.65 pence per share, 2009: 5.20 pence per share)	3,106	2,976	2,731

8. Earnings per share

	2011 Millions	2010 Millions	2009 Millions
Weighted average number of shares for basic earnings per share	52,408	52,595	52,737
Effect of dilutive potential shares: restricted shares and share options	340	254	232
Weighted average number of shares for diluted earnings per share	**52,748**	**52,849**	**52,969**

	£m	£m	£m
Earnings for basic and diluted earnings per share	**7,968**	**8,645**	**3,078**

9. Intangible assets

	Goodwill £m	Licences and spectrum £m	Computer software £m	Other £m	Total £m
Cost:					
1 April 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**
Exchange movements	(1,120)	(545)	(16)	8	(1,673)
Arising on acquisition	24	–	17	–	41
Additions	–	3,157	1,493	9	4,659
Disposals	–	–	(424)	(1)	(425)
Other	–	–	635	8	643
31 March 2011	**103,900**	**30,159**	**9,949**	**3,269**	**147,277**
Accumulated impairment losses and amortisation:					
1 April 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	2,300	(200)	–	–	2,100
Disposals	–	–	(87)	–	(87)
31 March 2010	**53,158**	**8,918**	**5,924**	**1,774**	**69,774**
Exchange movements	(644)	(104)	(14)	(6)	(768)
Amortisation charge for the year	–	1,809	1,166	529	3,504
Impairment losses	6,150	–	–	–	6,150
Disposals	–	–	(426)	–	(426)
Other	–	–	485	–	485
31 March 2011	**58,664**	**10,623**	**7,135**	**2,297**	**78,719**
Net book value:					
31 March 2010	**51,838**	**18,629**	**2,320**	**1,471**	**74,258**
31 March 2011	**45,236**	**19,536**	**2,814**	**972**	**68,558**

For licences and spectrum and other intangible assets, amortisation is included within the cost of sales line within the consolidated income statement. Licences and spectrum with a net book value of £3,845 million (2010: £2,570 million) have been pledged as security against borrowings.

The net book value at 31 March 2011 and expiry dates of the most significant licences are as follows:

	Expiry date	2011 £m	2010 £m
Germany	December 2020/2025	5,540	4,802
UK	December 2021	3,581	3,914
India	September 2030	1,746	–
Qatar	June 2028	1,187	1,328
Italy	December 2021	1,002	1,097

During the 2011 financial year the Group completed a number of smaller acquisitions for net cash consideration of £46 million paid during the year. The aggregate fair values of goodwill, identifiable assets and liabilities of the acquired operations were £24 million, £25 million and £3 million, respectively. In addition, the Group completed the acquisition of certain non-controlling interests for net cash consideration of £137 million.

Notes to the consolidated financial statements continued

10. Impairment

Impairment losses

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	2011[1] £m	2010 £m	2009 £m
Italy	Italy	1,050	–	–
Spain	Spain	2,950	–	3,400
Greece	Other Europe[2]	800	–	–
Ireland	Other Europe[2]	1,000	–	–
Portugal	Other Europe[2]	350	–	–
Turkey	Other Europe	–	(200)	2,250
India	India	–	2,300	–
Ghana	Other Africa, Middle East and Asia Pacific	–	–	250
		6,150	**2,100**	**5,900**

Notes:
(1) Impairment charges for the year ended 31 March 2011 relate solely to goodwill.
(2) Total impairment losses in the Other Europe segment were £2,150 million in the year ended 31 March 2011.

Year ended 31 March 2011

The impairment losses were based on value in use calculations. The pre-tax adjusted discount rates used in the most recent value in use calculation in the year ended 31 March 2011 are as follows:

	Pre-tax adjusted discount rate
Italy	11.9%
Spain	11.5%
Greece	14.0%
Ireland	14.5%
Portugal	14.0%

During the year ended 31 March 2011 the goodwill in relation to the Group's investments in Italy, Spain, Greece, Ireland and Portugal was impaired by £1,050 million, £2,950 million, £800 million, £1,000 million and £350 million, respectively. The impairment charges were primarily driven by increased discount rates as a result of increases in government bond rates. In addition, business valuations were negatively impacted by lower cash flows within business plans, reflecting weaker country-level macro economic environments.

The pre-tax risk adjusted discount rates used in the previous value in use calculations at 31 March 2010 are disclosed below.

Year ended 31 March 2010

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

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

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%.

In addition, 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 rates used in the value in use calculation in the year ended 31 March 2009 were as follows:

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

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.

In addition, 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 goodwill in relation to the Group's operations in Ghana was also impaired by £250 million following an increase in the discount rate.

Goodwill

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

	2011 £m	2010 £m
Germany	12,200	12,301
Italy	13,615	14,786
Spain	7,133	10,167
	32,948	**37,254**
Other	12,288	14,584
	45,236	**51,838**

Notes to the consolidated financial statements continued

10. Impairment continued

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 and smartphones 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 nine 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 generally based on the risk free rate for ten year bonds issued by the government in the respective market. Where government bond rates contain a material component of credit risk, high quality local corporate bond rates may be used. These rates are adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole. 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 2011

The estimated recoverable amounts of the Group's operations in Italy, Spain, Greece, Ireland and Portugal equalled their respective carrying values and, consequently, any adverse change in key assumptions would, in isolation, cause a further impairment loss to be recognised. The estimated recoverable amounts of the Group's operations in Turkey, India and Ghana exceeded their carrying values by approximately £1,481 million, £977 million and £138 million, respectively.

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

	Assumptions used in value in use calculation							
	Italy %	Spain %	Greece %	Ireland %	Portugal %	Turkey %	India %	Ghana %
Pre-tax adjusted discount rate	11.9	11.5	14.0	14.5	14.0	14.1	14.2	20.8
Long-term growth rate	0.8	1.6	2.0	2.0	1.5	6.1	6.3	6.3
Budgeted EBITDA[1]	(1.0)	–	1.2	2.4	(1.2)	16.8	16.5	41.4
Budgeted capital expenditure[2]	9.6 – 11.3	7.8 – 10.6	10.7 – 12.3	9.4 – 11.6	12.4 – 14.1	10.0 – 16.6	12.9 – 22.7	7.3 – 41.3

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 table below shows, for Turkey, India and Ghana, 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.

	Change required for the carrying value to equal the recoverable amount[1]		
	Turkey pps	India pps	Ghana pps
Pre-tax adjusted discount rate	5.6	1.1	6.9
Long-term growth rate	(19.6)	(1.0)	n/a
Budgeted EBITDA[2]	(4.7)	(2.2)	(8.7)
Budgeted capital expenditure[3]	7.0	2.5	8.9

Notes:
(1) The recoverable amount for Greece, which was impaired at 30 September 2010, equals the carrying value at 31 March 2011.
(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.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the aggregate impairment loss recognised in the year ended 31 March 2011:

	Italy		Spain		Greece		Ireland		Portugal		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	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	(2.4)	1.0	(1.5)	2.2	(0.2)	–	(0.2)	0.3	(0.3)	0.4	(0.7)	–
Long-term growth rate	1.0	(2.4)	2.2	(1.3)	–	(0.1)	0.2	(0.1)	0.4	(0.3)	–	(0.7)
Budgeted EBITDA[1]	1.0	(2.0)	1.4	(1.3)	–	(0.2)	0.2	(0.2)	0.3	(0.3)	–	–
Budgeted capital expenditure[2]	(1.1)	1.0	(1.0)	1.0	(0.1)	–	(0.1)	0.3	(0.2)	0.2	–	–

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.

31 March 2010

The estimated recoverable amount of the Group's operations in India equalled its respective carrying value at 31 March 2010 and, consequently, any adverse change in key assumptions 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 and £1,207 million respectively.

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

	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.

Notes to the consolidated financial statements continued

The table below shows, for Turkey, Germany, Ghana, Greece, Ireland, Italy, Portugal, Romania, Spain and the United Kingdom, 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.

	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.

11. Property, plant and equipment

	Land and buildings £m	Equipment, fixtures and fittings £m	Total £m
Cost:			
1 April 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)
Other	24	(58)	(34)
31 March 2010	**1,577**	**46,845**	**48,422**
Exchange movements	(16)	(678)	(694)
Additions	122	4,604	4,726
Disposals	(21)	(3,001)	(3,022)
Other	69	(732)	(663)
31 March 2011	**1,731**	**47,038**	**48,769**
Accumulated depreciation and impairment:			
1 April 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)
Other	(2)	(22)	(24)
31 March 2010	**633**	**27,147**	**27,780**
Exchange movements	(4)	(114)	(118)
Charge for the year	99	4,273	4,372
Disposals	(19)	(2,942)	(2,961)
Other	–	(485)	(485)
31 March 2011	**709**	**27,879**	**28,588**
Net book value:			
31 March 2010	**944**	**19,698**	**20,642**
31 March 2011	**1,022**	**19,159**	**20,181**

The net book value of land and buildings and equipment, fixtures and fittings includes £131 million and £155 million respectively (2010: £91 million and £111 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 £38 million and £2,375 million respectively (2010: £45 million and £1,496 million). Property, plant and equipment with a net book value of £972 million (2010: £389 million) has been pledged as security against borrowings.

12. Principal subsidiaries

At 31 March 2011 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
Vodacom Business Africa Group (PTY) Limited[3][4]	Holding company	South Africa	66.0
Ghana Telecommunications Company Limited	Network operator	Ghana	70.0
VM, SA[4][5]	Network operator	Mozambique	56.1
Vodacom Congo (RDC) s.p.r.l.[4]	Network operator	The Democratic Republic of Congo	33.7
Vodacom Group Limited[6]	Network operator	South Africa	66.0
Vodacom Lesotho (Pty) Limited[4]	Network operator	Lesotho	52.8
Vodacom Tanzania Limited[4]	Network operator	Tanzania	42.9
Vodafone Albania Sh.A.	Network operator	Albania	99.9
Vodafone Americas Inc.[7]	Holding company	US	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[8]	Network operator	India	59.9
Vodafone Europe B.V.	Holding company	Netherlands	100.0
Vodafone Group Services Limited[9]	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 Magyarorszag Mobile Tavkozlesi Zartkoruen Mukodo Reszvenytarsasag[10]	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.[11]	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., Vodacom Congo (RDC) s.p.r.l. and Vodacom Tanzania Limited.
(2) Effective ownership percentages of Vodafone Group Plc at 31 March 2011, rounded to nearest tenth of one percent.
(3) Previous name was Gateway Group (Pty) Limited.
(4) Shareholding is indirect through Vodacom Group Limited. The indirect shareholding is calculated using the 66.0% ownership interest in Vodacom referred to in note 6 below.
(5) The share capital of VM, SA consists of 60,000,000 ordinary shares and 469,690,618 preference shares.
(6) At 31 March 2011 the Group owned 65.0% of the issued share capital of Vodacom Group Limited ('Vodacom') with the 66.0% ownership interest in the outstanding shares in Vodacom resulting from the acquisition of treasury shares by Vodacom.
(7) 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.
(8) The Group's aggregate direct and indirect equity interest in Vodafone Essar Limited ('VEL') was 59.9% at 31 March 2011. The Group has call options to acquire shareholdings in companies which indirectly own a further 7.1% interest in VEL. 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 the Indian law prevailing at the time of exercise, the Group would have a direct and indirect interest of 67.0% of VEL. On 30 March 2011 the Essar Group exercised its underwritten put option over 22.0% of VEL following which, on 31 March 2011, the Group exercised its call option over the remaining 11.0% of VEL owned by the Essar Group.
(9) Share capital consists of 600 ordinary shares and one deferred share, of which 100% of the shares are held indirectly by Vodafone Group Plc.
(10) Trades as Vodafone Hungary Mobile Telecommunications Company Limited.
(11) 38.6% of the issued share capital of Vodafone Portugal-Comunicações Pessoais, S.A. is held directly by Vodafone Group Plc.

Notes to the consolidated financial statements continued

13. Investments in joint ventures

Principal joint ventures

At 31 March 2011 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	25.2[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 59.9% 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 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. The results of Australia are included from 9 June 2009 following its merger with Hutchison 3G Australia and results from the 4.8% stake in Polkomtel acquired during the 2009 financial year are included from 18 December 2008.

	2011 £m	2010 £m	2009 £m
Revenue	**7,849**	**7,896**	**7,737**
Cost of sales	(4,200)	(4,216)	(4,076)
Gross profit	**3,649**	**3,680**	**3,661**
Selling, distribution and administrative expenses	(1,624)	(1,369)	(1,447)
Impairment losses	(1,050)	–	–
Operating income and expense	–	(12)	–
Operating profit	**975**	**2,299**	**2,214**
Net financing costs	(146)	(152)	(170)
Profit before tax	**829**	**2,147**	**2,044**
Income tax expense	(608)	(655)	(564)
Profit for the financial year	**221**	**1,492**	**1,480**

	2011 £m	2010 £m
Non-current assets	19,043	20,787
Current assets	1,908	763
Total assets	**20,951**	**21,550**
Total shareholders' funds and total equity	**16,389**	**17,407**
Non-current liabilities	1,887	833
Current liabilities	2,675	3,310
Total liabilities	**4,562**	**4,143**
Total equity and liabilities	**20,951**	**21,550**

14. Investments in associates

At 31 March 2011 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	US	45.0
Société Française du Radiotéléphone S.A. ('SFR')[3]	Network operator	France	44.0
Safaricom Limited[4][5]	Network operator	Kenya	40.0

Notes:
(1) Rounded to nearest tenth of one percent.
(2) Cellco Partnership trades under the name Verizon Wireless.
(3) On 3 April 2011 the Group announced an agreement to sell its entire 44% interest in SFR. See note 32 for further information.
(4) The Group also holds two non-voting shares.
(5) At 31 March 2011 the fair value of Safaricom Limited was KES 61 billion (£456 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.

	2011 £m	2010 £m	2009 £m
Share of revenue in associates	24,213	23,288	19,307
Share of result in associates	5,059	4,742	4,091
Share of discontinued operations in associates	18	93	57

	2011 £m	2010 £m
Non-current assets	45,446	47,048
Current assets	5,588	4,901
Share of total assets	**51,034**	**51,949**
Non-current liabilities	5,719	8,295
Current liabilities	6,656	6,685
Non-controlling interests	554	592
Share of total liabilities and non-controlling interests	**12,929**	**15,572**
Share of equity shareholders' funds in associates	**38,105**	**36,377**

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:

	2011 £m	2010 £m
Included within non-current assets:		
Listed securities:		
Equity securities	1	4,072
Unlisted securities:		
Equity securities	967	879
Public debt and bonds	3	11
Other debt and bonds	72	2,355
Cash held in restricted deposits	338	274
	1,381	**7,591**
Included within current assets:		
Government bonds	610	388
Other	64	–
	674	**388**

At 31 March 2010 listed equity securities included £4,071 million in relation to the Group's 3.2% interest in China Mobile Limited which was sold in September 2010 for £4,264 million generating a £3,019 million income statement gain, including income statement recognition of foreign exchange rate gains previously recognised in equity.

Unlisted equity securities include a 26% interest in Bharti Infotel Private Limited through which the Group has a 4.37% 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 upon which they are traded.

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

The short-term investments primarily consist of index linked gilts with less than six years to maturity, which can be readily converted into cash via the gilt repurchase market and are held on an effective floating rate basis.

Notes to the consolidated financial statements continued

16. Inventory

	2011 £m	2010 £m
Goods held for resale	537	433

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

	2011 £m	2010 £m	2009 £m
1 April	120	111	118
Exchange movements	(1)	5	13
Amounts (credited)/charged to the income statement	(2)	4	(20)
31 March	**117**	**120**	**111**

Cost of sales includes amounts related to inventory amounting to £5,878 million (2010: £5,268 million; 2009: £4,853 million).

17. Trade and other receivables

	2011 £m	2010 £m
Included within non-current assets:		
Trade receivables	92	59
Other receivables	1,719	678
Prepayments and accrued income	137	148
Derivative financial instruments	1,929	1,946
	3,877	**2,831**
Included within current assets:		
Trade receivables	4,185	4,008
Amounts owed by associates	53	24
Other receivables	1,606	1,122
Prepayments and accrued income	3,299	3,448
Derivative financial instruments	116	182
	9,259	**8,784**

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:

	2011 £m	2010 £m	2009 £m
1 April	929	874	664
Exchange movements	(30)	(27)	101
Amounts charged to administrative expenses	460	465	423
Trade receivables written off	(353)	(383)	(314)
31 March	**1,006**	**929**	**874**

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

	2011 £m	2010 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	1,292	1,031
Foreign exchange swaps	99	132
	1,391	**1,163**
Fair value hedges:		
Interest rate swaps	654	965
	2,045	**2,128**

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.

18. Cash and cash equivalents

	2011 £m	2010 £m
Cash at bank and in hand	896	745
Money market funds	5,015	3,678
Other	341	–
Cash and cash equivalents as presented in the statement of financial position	**6,252**	**4,423**
Bank overdrafts	(47)	(60)
Cash and cash equivalents as presented in the statement of cash flows	**6,205**	**4,363**

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 cash and cash equivalents approximates their fair value.

19. Called up share capital

	2011		2010	
	Number	£m	Number	£m
Ordinary shares of 11 3/7 US cents each allotted, issued and fully paid:[(1)(2)]				
1 April	57,809,246,732	4,153	57,806,283,716	4,153
Allotted during the year	1,876,697	–	2,963,016	–
Cancelled during the year	(1,000,000,000)	(71)	–	–
31 March	**56,811,123,429**	**4,082**	**57,809,246,732**	**4,153**

Notes:
(1) The concept of authorised share capital was abolished under the Companies Act 2006, with effect from 1 October 2009, and consequential amendments to the Company's articles of association removing all references to authorised share capital were approved by shareholders at the 2010 annual general meeting.
(2) At 31 March 2011 the Group held 5,233,597,599 (2010: 5,146,112,159) treasury shares with a nominal value of £376 million (2010: £370 million). The market value of shares held was £9,237 million (2010: £7,822 million). During the year 150,404,079 (2010: 149,298,942) treasury shares were reissued under Group share option schemes.

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
UK share awards and option scheme awards	35,557	–	–
US share awards and option scheme awards	1,841,140	–	3
Total for share awards and option scheme awards	**1,876,697**	**–**	**3**

Notes to the consolidated financial statements continued

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 2011.

There are options outstanding under a number of plans: the Vodafone Group 1998 Executive Share Option Scheme and the Vodafone Group 1988 Company Share Option Scheme, the Vodafone Group 1999 Long-Term Stock Incentive Plan and the Vodafone Global Incentive Plan. These options are normally exercisable between three and ten years from the date of grant. The vesting of some of these options 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.

Share plans

Vodafone Group executive plans

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

Vodafone Share Incentive Plan

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

Movements in ordinary share options and ADS options outstanding

	ADS options			Ordinary share options		
	2011 Millions	2010 Millions	2009 Millions	2011 Millions	2010 Millions	2009 Millions
1 April	1	1	1	266	334	373
Granted during the year	–	–	–	4	13	7
Forfeited during the year	–	–	–	(1)	(2)	(11)
Exercised during the year	–	–	–	(72)	(47)	(16)
Expired during the year	–	–	–	(26)	(32)	(19)
31 March	**1**	**1**	**1**	**171**	**266**	**334**
Weighted average exercise price:						
1 April	$15.07	$15.37	$18.15	£1.41	£1.41	£1.42
Granted during the year	–	–	–	£1.14	£0.94	£1.21
Forfeited during the year	–	–	–	£1.10	£1.50	£1.47
Exercised during the year	–	–	–	£1.33	£1.11	£1.09
Expired during the year	–	–	–	£2.25	£1.67	£1.55
31 March	**$14.82**	**$15.07**	**$15.37**	**£1.32**	**£1.41**	**£1.41**

Summary of options outstanding and exercisable at 31 March 2011

	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	12	£0.94	28	–	–	–
£1.01 – £2.00	8	£1.19	34	–	–	–
	20	**£1.03**	**31**	**–**	**–**	**–**
Vodafone Group executive plans:						
£1.01 – £2.00	**3**	**£1.63**	**5**	**3**	**£1.63**	**5**
Vodafone Group 1999 Long-Term Stock Incentive Plan:						
£0.01 – £1.00	42	£0.90	15	42	£0.90	15
£1.01 – £2.00	106	£1.52	28	106	£1.52	28
	148	**£1.35**	**24**	**148**	**£1.35**	**24**
Other share option plans:						
£1.01 – greater than £3.01	**–**	**£2.47**	**11**	**–**	**£2.47**	**11**
Vodafone Group 1999 Long-Term Stock Incentive Plan:						
$10.01 – $30.00	**1**	**$14.82**	**18**	**1**	**$14.82**	**18**

Fair value of options granted

	Ordinary share options		
	2011	2010	2009
Expected life of option (years)	3-5	3-5	3-5
Expected share price volatility	27.5-27.6%	32.5-33.5%	30.9-31.0%
Dividend yield	5.82%	6.62%	5.04%
Risk free rates	1.3-2.2%	2.5-3.0%	4.9%
Exercise price	£1.14	£0.94	£1.21

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.

Share awards

Movements in non-vested shares during the year ended 31 March 2011 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 2010	34	£1.15	340	£1.05	374	£1.06
Granted	–	–	126	£1.07	126	£1.07
Vested	(15)	£1.30	(66)	£1.40	(81)	£1.38
Forfeited	(2)	£1.08	(30)	£0.97	(32)	£0.97
31 March 2011	**17**	**£1.02**	**370**	**£1.00**	**387**	**£1.00**

Other information

The weighted average grant date fair value of options granted during the 2011 financial year was £0.27 (2010: £0.26; 2009: £0.39).

The total fair value of shares vested during the year ended 31 March 2011 was £113 million (2010: £100 million; 2009: £84 million).

The compensation cost included in the consolidated income statement in respect of share options and share plans was £156 million (2010: £150 million; 2009: £128 million) which is comprised entirely of equity-settled transactions.

The average share price for the year ended 31 March 2011 was 159.5 pence (2010: 132 pence).

Notes to the consolidated financial statements continued

21. Capital and financial risk management

Capital management

The following table summarises the capital of the Group:

	2011 £m	2010 £m
Cash and cash equivalents	(6,252)	(4,423)
Borrowings	38,281	39,795
Other financial instruments	(2,171)	(2,056)
Net debt	**29,858**	**33,316**
Equity	87,561	90,810
Capital	**117,419**	**124,126**

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 by the Board, most recently on 1 February 2011. 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 auditor reviews the internal control environment regularly.

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

Credit risk

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

	2011 £m	2010 £m
Bank deposits	896	745
Cash held in restricted deposits	338	274
Government bonds	610	388
Money market fund investments	5,015	3,678
Derivative financial instruments	2,045	2,128
Other investments – debt and bonds	75	2,366
Trade receivables	4,277	4,067
Other receivables	3,325	1,800
	16,581	**15,446**

The Group invests in UK index linked government bonds on the basis that they generate a swap return in excess of £ LIBOR and are amongst the most creditworthy of investments available.

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.

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 2011:

	2011 £m	2010 £m
Cash collateral	531	604

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 2011 £2,233 million (2010: £2,111 million) of trade receivables were not yet due for payment. Total trade receivables consisted of £2,852 million (2010: £2,709 million) relating to the Europe region and £1,425 million (2010: £1,358 million) relating to the Africa, Middle East and Asia Pacific 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.

	2011 £m	2010 £m
30 days or less	1,561	1,499
Between 31 – 60 days	100	119
Between 61 – 180 days	85	155
Greater than 180 days	298	183
	2,044	**1,956**

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 2011 were £460 million (2010: £465 million, 2009: £423 million) (see note 17).

The Group's investments in preferred equity and a subordinated loan received as part of the disposal of Vodafone Japan to SoftBank in the 2007 financial year were disposed of during the year. The Group has a receivable of £1,488 million (2010: £nil) in relation to the second tranche of consideration receivable in relation to the disposal.

As discussed in note 28 the Group has covenanted to provide security in favour of the Trustee of the Vodafone Group UK Pension Scheme in respect of the funding deficit in the scheme. The security takes the form of an English law pledge over UK index linked government bonds.

Liquidity risk

At 31 March 2011 the Group had €4.2 billion and US$4.2 billion syndicated committed undrawn bank facilities and US$15 billion and £5 billion commercial paper programmes, supported by the €4.2 billion and US$4.2 billion syndicated committed bank facilities, available to manage its liquidity. The Group uses commercial paper and bank facilities to manage short-term liquidity and manages long-term liquidity by raising funds in the capital markets.

€4.2 billion of the syndicated committed facility has a maturity date of 1 July 2015 and US$4.2 billion has a maturity of 9 March 2016 which may be extended by a further year if agreed by those banks who have participated in the facility. 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 26 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 2011 amounted to £6,252 million (2010: £4,423 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 six years where interest rate fixing has to be undertaken in accordance with treasury policy. Where assets and liabilities are denominated in other currencies interest rates may also be fixed. In addition, fixing is undertaken for longer periods when interest rates are statistically low.

At 31 March 2011 71% (2010: 36%) 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 2011 there would be a reduction or increase in profit before tax by approximately £30 million (2010: increase or reduce by £165 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 2011 130% of net debt was denominated in currencies other than sterling (55% euro, 47% US dollar and 28% other) while 30% of net debt had been purchased forward in sterling in anticipation of sterling denominated shareholder returns via dividends and share buybacks. 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.

Notes to the consolidated financial statements continued

21. Capital and financial risk management continued

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. In addition, a US dollar denominated financial liability arising from the options granted over the Essar Group's interests in Vodafone Essar in the 2008 financial year and as discussed on page 51, was held by a legal entity with a euro functional currency. A 14% (2010: 12%) change in US$/€ exchange rates would have a £436 million (2010: £393 million) impact on profit or loss in relation to this financial instrument.

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.

	2011 £m
Euro 4% change – Operating profit	230
US dollar 13% change – Operating profit	594

At 31 March 2010 sensitivity of the Group's operating profit was analysed for euro 12% change and US dollar 15% change, representing £804 million and £617 million respectively.

Equity risk

The Group has equity investments, primarily in Bharti Infotel Private Limited, which is subject to equity risk. See note 15 to the consolidated financial statements for further details on the carrying value of this investment. The Group disposed of its 3.2% interest in China Mobile Limited on 10 September 2010.

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 2011.

	Level 1[1]		Level 2[2]		Total	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Financial assets:						
Derivative financial instruments:						
Interest rate swaps	–	–	1,946	1,996	1,946	1,996
Foreign exchange contracts	–	–	99	132	99	132
Interest rate futures	–	–	31	20	31	20
	–	**–**	**2,076**	**2,148**	**2,076**	**2,148**
Financial investments available-for-sale:						
Listed equity securities[3]	1	4,072	–	–	1	4,072
Unlisted equity securities[3]	–	–	703	623	703	623
	1	**4,072**	**703**	**623**	**704**	**4,695**
	1	**4,072**	**2,779**	**2,771**	**2,780**	**6,843**
Financial liabilities:						
Derivative financial instruments:						
Interest rate swaps	–	–	395	365	395	365
Foreign exchange contracts	–	–	153	95	153	95
	–	**–**	**548**	**460**	**548**	**460**

Notes:
(1) Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.
(2) Level 2 classification comprises where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Fair values for unlisted equity securities are derived from observable quoted market prices for similar items. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.
(3) Details of listed and unlisted equity securities are included in note 15 "Other Investments".

22. Borrowings

Carrying value and fair value information

	2011			2010		
	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	2,070	5,872	7,942	3,460	4,183	7,643
Bank overdrafts	47	–	47	60	–	60
Redeemable preference shares	–	1,169	1,169	–	1,242	1,242
Commercial paper	1,660	–	1,660	2,563	–	2,563
Bonds	2,470	16,046	18,516	1,174	12,675	13,849
Other liabilities[1][2]	3,659	1,023	4,682	3,906	385	4,291
Bonds in fair value hedge relationships	–	4,265	4,265	–	10,147	10,147
	9,906	**28,375**	**38,281**	**11,163**	**28,632**	**39,795**

Notes:
(1) At 31 March 2011 amount includes £531 million (2010: £604 million) in relation to collateral support agreements.
(2) Amounts at 31 March 2011 includes £3,190 million (2010: £3,405 million) in relation to the options disclosed in note 12.

Banks loans include a ZAR 3.5 billion loan borrowed by Vodafone Holdings SA Pty Limited ('VHSA'), which directly and indirectly owns the Group's 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 3.5 billion, being the carrying value of the bank loan at 31 March 2011 (2010: ZAR 4.85 billion). Bank loans also include INR 262 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	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Financial liabilities measured at amortised cost	7,316	9,910	7,425	10,006	7,436	9,989
Bonds:	2,444	1,113	2,463	1,124	2,470	1,174
5.875% euro 1.25 billion bond due June 2010	–	1,113	–	1,124	–	1,174
US dollar floating rate note due June 2011	171	–	171	–	171	–
5.5% US dollar 750 million bond due June 2011	467	–	471	–	478	–
1% US dollar 100 million bond due August 2011	45	–	45	–	45	–
Euro floating rate note due January 2012	1,144	–	1,146	–	1,148	–
US dollar floating rate note due February 2012	306	–	306	–	306	–
5.35% US dollar 500 million bond due February 2012	311	–	324	–	322	–
Short-term borrowings	**9,760**	**11,023**	**9,888**	**11,130**	**9,906**	**11,163**

Notes to the consolidated financial statements continued

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	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Financial liabilities measured at amortised cost:						
Bank loans	5,728	4,149	5,872	4,183	5,873	4,183
Redeemable preference shares	1,027	1,174	1,054	1,098	1,169	1,242
Other liabilities	1,022	385	1,023	385	1,022	385
Bonds:	14,581	11,455	15,578	11,961	16,046	12,675
US dollar floating rate note due June 2011	–	230	–	230	–	230
5.5% US dollar 750 million bond due June 2011	–	494	–	518	–	524
Euro floating rate note due January 2012	–	1,158	–	1,157	–	1,161
US dollar floating rate note due February 2012	–	329	–	329	–	329
5.35% US dollar 500 million bond due February 2012	–	329	–	351	–	352
3.625% euro 1,250 million bond due November 2012	1,104	1,113	1,125	1,157	1,132	1,149
6.75% Australian dollar 265 million bond due January 2013	171	160	173	161	176	167
Czech krona floating rate note due June 2013	19	19	19	19	19	19
Euro floating rate note due September 2013	751	757	752	756	752	758
5.0% US dollar 1,000 million bond due December 2013	623	658	676	704	667	718
6.875% euro 1,000 million bond due December 2013	883	891	970	1,024	922	936
Euro floating rate note due June 2014	1,104	1,113	1,099	1,099	1,105	1,114
4.15% US dollar 1,250 million bond due June 2014	778	823	826	856	802	852
4.625% sterling 350 million bond due September 2014	350	–	367	–	382	–
4.625% sterling 525 million bond due September 2014	525	–	551	–	544	–
5.125% euro 500 million bond due April 2015	442	445	475	496	470	475
5.0% US dollar 750 million bond due September 2015	467	–	506	–	512	–
3.375% US dollar 500 million bond due November 2015	311	329	317	327	312	330
6.25% euro 1,250 million bond due January 2016	1,104	–	1,230	–	1,139	–
2.875% US dollar 600 million bond due March 2016	374	–	371	–	371	–
5.75% US dollar 750 million bond due March 2016	467	–	523	–	532	–
4.75% euro 500 million bond due June 2016	442	–	463	–	487	–
5.625% US dollar 1,300 million bond due February 2017	809	–	897	–	920	–
5.375% sterling 600 million bond due December 2017	600	–	638	–	629	–
5% euro 750 million bond due June 2018	663	668	697	721	689	694
8.125% sterling 450 million bond due November 2018	450	–	550	–	488	–
4.375% US dollar 500 million bond due March 2021	311	–	307	–	309	–
7.875% US dollar 750 million bond due February 2030	467	494	591	589	759	814
6.25% US dollar 495 million bond due November 2032	308	326	332	328	425	453
6.15% US dollar 1,700 million bond due February 2037	1,058	1,119	1,123	1,139	1,503	1,600
Bonds in fair value hedge relationships:	3,962	9,395	4,199	10,085	4,265	10,147
4.625% sterling 350 million bond due September 2014	–	350	–	367	–	388
4.625% sterling 525 million bond due September 2014	–	525	–	550	–	532
2.15% Japanese yen 3,000 million bond due April 2015	23	21	24	22	23	22
5.375% US dollar 900 million bond due January 2015	560	592	616	636	621	650
5.0% US dollar 750 million bond due September 2015	–	494	–	529	–	543
6.25% euro 1,250 million bond due January 2016	–	1,113	–	1,278	–	1,168
5.75% US dollar 750 million bond due March 2016	–	494	–	536	–	556
4.75% euro 500 million bond due June 2016	–	445	–	477	–	503
5.625% US dollar 1,300 million bond due February 2017	–	856	–	919	–	960
5.375% sterling 600 million bond due December 2017	–	600	–	634	–	628
4.625% US dollar 500 million bond due July 2018	311	329	327	328	338	349
8.125% sterling 450 million bond due November 2018	–	450	–	553	–	487
5.45% US dollar 1,250 million bond due June 2019	778	823	850	857	823	849
4.65% euro 1,250 million bond January 2022	1,104	1,113	1,115	1,129	1,114	1,145
5.375% euro 500 million bond June 2022	442	445	470	481	505	525
5.625% sterling 250 million bond due December 2025	250	250	258	254	284	285
6.6324% euro 50 million bond due December 2028	44	45	68	64	57	54
5.9% sterling 450 million bond due November 2032	450	450	471	471	500	503
Long-term borrowings	**26,320**	**26,558**	**27,726**	**27,712**	**28,375**	**28,632**

During the year ended 31 March 2011 fair value hedge relationships relating to bonds with nominal value US$2,800 million (£1,743 million), €1,750 million (£1,546 million) and £1,925 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 reporting date.

Maturity of borrowings

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

	Bank loans £m	Redeemable preference shares £m	Commercial paper £m	Bonds £m	Other liabilities £m	Loans in fair value hedge relationships £m	Total £m
Within one year	1,881	52	1,670	3,292	3,766	203	10,864
In one to two years	528	52	–	2,009	191	203	2,983
In two to three years	2,510	52	–	2,919	60	203	5,744
In three to four years	321	52	–	3,251	60	763	4,447
In four to five years	885	52	–	3,613	901	195	5,646
In more than five years	1,825	1,240	–	7,725	–	4,752	15,542
	7,950	**1,500**	**1,670**	**22,809**	**4,978**	**6,319**	**45,226**
Effect of discount/financing rates	(8)	(331)	(10)	(4,293)	(249)	(2,054)	(6,945)
31 March 2011	**7,942**	**1,169**	**1,660**	**18,516**	**4,729**	**4,265**	**38,281**
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**

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

	2011		2010	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	14,840	15,051	13,067	13,154
In one to two years	631	829	929	938
In two to three years	724	882	1,083	974
In three to four years	667	770	1,040	932
In four to five years	619	690	868	816
In more than five years	3,715	4,592	7,607	5,912
	21,196	**22,814**	**24,594**	**22,726**

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

	2011		2010	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Sterling	–	10,198	–	8,257
Euro	11,422	2,832	8,650	3,177
US dollar	13	387	1,545	55
Japanese yen	2,164	23	548	21
Other	727	832	1,485	755
	14,326	**14,272**	**12,228**	**12,265**

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The £54 million net payable (2010: £37 million net receivable) in relation to foreign exchange financial instruments in the table above is split £153 million (2010: £95 million) within trade and other payables and £99 million (2010: £132 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:

	2011 £m	2010 £m
Within one year	14	21
In two to five years	45	47
In more than five years	6	7

Notes to the consolidated financial statements continued

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	2,831	906	1,925	–
Euro	12,361	4,198	8,163	–
US dollar	16,030	9,488	3,352	3,190
Japanese yen	807	807	–	–
Other	6,252	2,920	3,332	–
31 March 2011	**38,281**	**18,319**	**16,772**	**3,190**
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**

Notes:
(1) The weighted average interest rate for the Group's sterling denominated fixed rate borrowings is 5.7% (2010: n/a). The weighted average time for which these rates are fixed is 5.4 years (2010: n/a). The weighted average interest rate for the Group's euro denominated fixed rate borrowings is 4.3% (2010: 5.3%). The weighted average time for which the rates are fixed is 3.8 years (2010: 3.4 years). The weighted average interest rate for the Group's US dollar denominated fixed rate borrowings is 5.4% (2010: 5.5%). The weighted average time for which the rates are fixed is 9.7 years (2010: 12.3 years). The weighted average interest rate for the Group's other currency fixed rate borrowings is 9.2% (2010: 10.1%). The weighted average time for which the rates are fixed is 2.0 years (2010: 1.5 years).
(2) Other borrowings of £3,190 million (2010: £3,405 million) are the liabilities arising under options 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 2011 the Group had entered into foreign exchange contracts to decrease its sterling, US dollar and other currency borrowings above by £10,198 million and amounts equal to £374 million and £105 million respectively, and to increase its euro and Japanese yen currency borrowings above by amounts equal to £8,590 million and £2,141 million respectively.

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.

Further protection from euro and US dollar interest rate movements is provided by interest rate swaps. At 31 March 2011 the Group had euro denominated interest rate swaps covering the period March 2011 to September 2015 for an amount equal to £883 million and US dollar denominated interest swaps covering the period March 2011 to September 2015 for an amount equal to £641 million. The average effective rate which has been fixed is 1.23% for euro denominated interest rate swaps and 1.73% 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 periods September 2011 to December 2011, December 2011 to March 2012, March 2012 to June 2012 and June 2012 to September 2012 for amounts equal to £2,083 million, £833 million, £7,185 million and £6,811 million respectively. Additional cover is provided for the period March 2013 to March 2014 and March 2015 to March 2016 for average amounts for each period equal to £2,006 million and £2,331 million respectively. The US dollar denominated interest rate futures cover the periods June 2011 to September 2011, June 2013 to September 2013 and September 2013 to December 2013 for amounts equal to £3,601 million, £1,923 million and £833 million respectively. The average effective rate which has been fixed is 2.87% for euro denominated interest rate futures and 1.33% for US dollar denominated interest rate futures.

The Group has entered into interest rate futures to alter the level of protection against interest rate movements during some futures periods. During the period June 2016 to December 2016 euro denominated interest rate swaps will reduce the level of fixed rate debt in the Group by an amount equal to £833 million. US dollar denominated futures will reduce the level of fixed rate debt during the period March 2016 to March 2019 for an amount equal to £321 million. US dollar denominated interest rate futures will reduce the level of fixed rate debt during the periods September 2012 to December 2012 and December 2013 to March 2014 for amounts equal to £4,487 million and £1,282 million respectively.

At 31 March 2010 the Group had 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%.

Borrowing facilities

At 31 March 2011 the Group's most significant committed borrowing facilities comprised two bank facilities which remained undrawn throughout the period of €4,150 million (£3,666 million) and US$4,170 million (£2,596 million) both expiring between four and five years (2010: two bank facilities of US$4,115 million (£2,709 million) and US$5,025 million (£3,308 million)), a US$650 million (£405 million) bank facility which expires in more than five years (2010: US$650 million (£428 million)), a ¥259 billion (2010: ¥259 billion (£1,821 million)) term credit facility expired during the period, two loan facilities of €400 million (£353 million) and €350 million (£309 million) both expiring between two and five years (2010: two loan facilities of €400 million (£356 million) and €350 million (£312 million) and a loan facility of €410 million (£362 million) which expires in more than five years (2010: €410 million (£365 million)). 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 was drawn on 30 July 2010.

Under the terms and conditions of the €4,150 million and US$4,170 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.

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.

The terms and conditions of the €410 million loan facility are similar to those of the US dollar bank facilities, with the addition that, should the Group's German fixed line operation, spend less than the equivalent of €824 million on capital expenditure, the Group will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.

In addition to the above, certain of the Group's subsidiaries had committed facilities at 31 March 2011 of £7,152 million (2010: £5,759 million) in aggregate, of which £667 million (2010: £1,647 million) was undrawn. Of the total committed facilities £2,137 million (2010: £1,139 million) expires in less than one year, £3,719 million (2010: £2,880 million) expires between two and five years, and £1,296 million (2010: £1,740 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 £58 million (2010: £56 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 2011 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 operates defined benefit schemes in Germany, Ghana, Greece, India, Ireland, Italy, Turkey, the United Kingdom 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. The Group's principal defined benefit pension scheme in the United Kingdom was closed to new entrants from 1 January 2006 and closed to future accrual by current members on 31 March 2010.

Income statement expense

	2011 £m	2010 £m	2009 £m
Defined contribution schemes	130	110	73
Defined benefit schemes	4	50	40
Total amount charged to the income statement (note 31)	**134**	**160**	**113**

Defined benefit schemes

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

	2011[1] %	2010[1] %	2009[1] %
Weighted average actuarial assumptions used at 31 March:			
Rate of inflation	3.1	3.5	2.6
Rate of increase in salaries	2.9	4.6	3.7
Rate of increase in pensions in payment and deferred pensions	3.1	3.5	2.6
Discount rate	5.6	5.7	6.3
Expected rates of return:			
Equities	8.2	8.5	8.4
Bonds[2]	5.1	5.1	5.7

Notes:
(1) Figures shown represent a weighted average assumption of the individual schemes.
(2) For the year ended 31 March 2011 the expected rate of return for bonds consisted of a 5.3% rate of return for corporate bonds (2010: 5.5%; 2009: 6.1%) and a 3.6% rate of return for government bonds (2010: 4.0%; 2009: 4.0%).

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 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 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 23.5/24.3 years (2010: 22.3/25.4 years, 2009: 22.0/24.8 years) and a further life expectancy from age 65 for a male/female non-pensioner member currently aged 40 of 27.0/26.6 years (2010: 24.6/27.9 years, 2009: 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 £156 million decrease or a £178 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:

	2011 £m	2010 £m	2009 £m
Current service cost	12	29	46
Interest cost	95	77	83
Expected return on pension assets	(103)	(76)	(92)
Curtailment/settlement	–	20	3
Total included within staff costs	**4**	**50**	**40**
Actuarial losses recognised in the SOCI	(190)	149	220
Cumulative actuarial losses recognised in the SOCI	306	496	347

Notes to the consolidated financial statements continued

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:

	2011 £m	2010 £m	2009 £m
Movement in pension assets:			
1 April	1,487	1,100	1,271
Exchange rate movements	(2)	(10)	50
Expected return on pension assets	103	76	92
Actuarial (losses)/gains	(6)	286	(381)
Employer cash contributions	24	133	98
Member cash contributions	5	12	15
Benefits paid	(51)	(45)	(45)
Other movements	(2)	(65)	–
31 March	**1,558**	**1,487**	**1,100**
Movement in pension liabilities:			
1 April	1,690	1,332	1,310
Exchange rate movements	(4)	(15)	69
Arising on acquisition	–	–	33
Current service cost	12	29	46
Interest cost	95	77	83
Member cash contributions	5	12	15
Actuarial (gains)/losses	(196)	435	(161)
Benefits paid	(51)	(79)	(45)
Other movements	(3)	(101)	(18)
31 March	**1,548**	**1,690**	**1,332**

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
	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Analysis of net assets/ (deficits):										
Total fair value of scheme assets	1,180	1,131	755	934	954	1,558	1,487	1,100	1,271	1,251
Present value of funded scheme liabilities	(1,127)	(1,276)	(815)	(902)	(901)	(1,488)	(1,625)	(1,196)	(1,217)	(1,194)
Net assets/(deficit) for funded schemes	**53**	**(145)**	**(60)**	**32**	**53**	**70**	**(138)**	**(96)**	**54**	**57**
Present value of unfunded scheme liabilities	–	–	(8)	–	–	(60)	(65)	(136)	(93)	(98)
Net assets/(deficit)	**53**	**(145)**	**(68)**	**32**	**53**	**10**	**(203)**	**(232)**	**(39)**	**(41)**
Net assets/(deficit) are analysed as:										
Assets	53	–	–	32	53	97	34	8	65	82
Liabilities	–	(145)	(68)	–	–	(87)	(237)	(240)	(104)	(123)

It is expected that contributions of £28 million will be paid into the Group's defined benefit retirement schemes during the year ending 31 March 2012. The assets of the scheme are held in an external trustee administered fund.

Actual return on pension assets

	2011 £m	2010 £m	2009 £m
Actual return on pension assets	97	362	(289)
Analysis of pension assets at 31 March is as follows:	%	%	%
Equities	61.6	59.6	55.6
Bonds	36.5	37.5	41.9
Property	0.3	0.3	0.4
Other	1.6	2.6	2.1
	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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Experience adjustments on pension liabilities:					
Amount	23	8	6	(5)	(2)
Percentage of pension liabilities	1%	–	–	–	–
Experience adjustments on pension assets:					
Amount	(6)	286	(381)	(176)	26
Percentage of pension assets	–	19%	(35%)	(14%)	2%

24. Provisions

	Asset retirement obligations £m	Other provisions £m	Total £m
1 April 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**
Exchange movements	(4)	(12)	(16)
Amounts capitalised in the year	4	–	4
Amounts charged to the income statement	–	300	300
Utilised in the year – payments	(8)	(193)	(201)
Amounts released to the income statement	–	(59)	(59)
Other	(47)	66	19
31 March 2011	**315**	**726**	**1,041**

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

	2011 £m	2010 £m
Current liabilities	559	497
Non-current liabilities	482	497
	1,041	**994**

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 28. 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.

Notes to the consolidated financial statements continued

25. Trade and other payables

	2011 £m	2010 £m
Included within non-current liabilities:		
Other payables	80	76
Accruals and deferred income	329	379
Derivative financial instruments	395	361
	804	**816**
Included within current liabilities:		
Trade payables	4,453	3,254
Amounts owed to associates	23	17
Other taxes and social security payable	1,140	998
Other payables	520	650
Accruals and deferred income	8,409	9,064
Derivative financial instruments	153	99
	14,698	**14,082**

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.

	2011 £m	2010 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	342	330
Foreign exchange swaps	153	95
	495	**425**
Fair value hedges:		
Interest rate swaps	53	35
	548	**460**

26. Reconciliation of net cash flow from operating activities

	2011 £m	2010 £m	2009 £m
Profit for the financial year	7,870	8,618	3,080
Adjustments for:			
Share-based payments	156	150	128
Depreciation and amortisation	7,876	7,910	6,814
Loss on disposal of property, plant and equipment	91	101	10
Share of result in associates	(5,059)	(4,742)	(4,091)
Impairment losses	6,150	2,100	5,900
Other income and expense	16	(114)	–
Non-operating income and expense	(3,022)	10	44
Investment income	(1,309)	(716)	(795)
Financing costs	429	1,512	2,419
Income tax expense	1,628	56	1,109
(Increase)/decrease in inventory	(107)	2	81
(Increase)/decrease in trade and other receivables	(387)	(714)	80
Increase/(decrease) in trade and other payables	1,060	1,164	(145)
Cash generated by operations	**15,392**	**15,337**	**14,634**
Tax paid	(3,397)	(2,273)	(2,421)
Net cash flow from operating activities	**11,995**	**13,064**	**12,213**

27. 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:

	2011 £m	2010 £m
Within one year	1,225	1,200
In more than one year but less than two years	958	906
In more than two years but less than three years	746	776
In more than three years but less than four years	638	614
In more than four years but less than five years	602	512
In more than five years	2,344	2,235
	6,513	**6,243**

The total of future minimum sublease payments expected to be received under non-cancellable subleases is £240 million (2010: £246 million).

Capital commitments

	Company and subsidiaries		Share of joint ventures		Group	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Contracts placed for future capital expenditure not provided in the financial statements[1]	1,786	1,800	338	219	2,124	2,019

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

The commitments of Cellco Partnership ('Cellco'), which trades under the name of Verizon Wireless, are disclosed within the consolidated financial statements of Cellco for the year ended 31 December 2010, which are included as an exhibit to our 2011 annual report on Form 20-F filed with the SEC.

28. Contingent liabilities

	2011 £m	2010 £m
Performance bonds	94	246
Credit guarantees – third party indebtedness	114	76
Other guarantees and contingent liabilities	1,527	496

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 India Supreme Court of INR 85 billion (£1,188 million) in relation to the taxation matter discussed on page 122. The Group has pledged money market funds (£1,387 million) for this guarantee.

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 27.

The Company has covenanted to provide security in favour of the Trustee of the Vodafone Group UK Pension Scheme whilst there is a funding deficit in the scheme. The initial security was in the form of a Japanese law share pledge over 400,000 class 1 preferred shares of ¥200,000 in BB Mobile Corp. During the year, the Company and trustee agreed to replace the initial security with a charge over UK index linked gilts ('ILG') held by the Company. A charge in favour of the Trustee was agreed over ILG 2016 with a notional value of £100 million and ILG 2013 with a notional value of £48.9 million. The security may be replaced either on a voluntary or mandatory basis. As and when alternative security is provided, the Company has agreed that the security cover should include additional headroom of 33%, although if cash is used as the security asset the ratio will revert to 100% of the relevant liabilities or where the proposed replacement security asset is listed on an internationally recognised stock exchange in certain defined core jurisdictions, the trustee may decide to agree a lower ratio than 133%.

Notes to the consolidated financial statements continued

28. Contingent liabilities continued

Legal proceedings

The Company and its subsidiaries are currently, and may be from time to time, involved in a number of legal proceedings, including inquiries from, or discussions with, governmental authorities that are incidental to their operations. However, save as disclosed below, the Company and its subsidiaries are not currently involved in any legal or arbitration proceedings (including any governmental proceedings which are pending or known to be contemplated) which may have, or have had in the 12 months preceding the date of this report, a significant effect on the financial position or profitability of the Company and its subsidiaries. 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 was 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. The Company is not aware that the health risks alleged in such personal injury claims have been substantiated and vigorously defends 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 were 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 filed a motion to dismiss the amended complaints on 30 July 2010. The plaintiffs in these four actions have agreed to dismiss the Company from the actions on jurisdiction grounds. However, the plaintiffs have reserved the right to re-commence the actions against the Company if evidence supporting an assertion of jurisdiction were to emerge. On 30 September 2010 the plaintiffs filed a stipulation for the voluntary dismissal of the Company and the order granting the stipulation dismissing the Company without prejudice was entered on the court record on 5 October 2010.

On 22 July 2010 the Company settled the Vodafone 2 CFC case with HMRC by agreeing to pay £1.25 billion (comprising £800 million in the 2011 financial year, with the balance to be paid in instalments over the following five years) in respect of all outstanding CFC issues from 2001 to date. It was also agreed that no further UK CFC tax liabilities will arise in the near future under current legislation. Longer term, no CFC liabilities are expected to arise as a consequence of the likely reforms of the CFC regime due to the facts established in this agreement.

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 authority 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 authority take no further steps under the notices. Initial hearings were held before the Bombay High Court and in the case of VIHBV the High Court admitted the writ for final hearing 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 believed that the tax authority did 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. On 31 May 2010 VIHBV received an order from the Indian tax authority confirming their view that they did have jurisdiction to proceed against VIHBV as well as a further notice alleging that VIHBV should be treated as the agent of HTIL for the purpose of recovering tax on the transaction. VIHBV appealed this ruling to the Bombay High Court. On 8 September 2010 the Bombay High Court ruled that the tax authority had jurisdiction to decide whether the transaction or some part of the transaction could be taxable in India. VIHBV appealed this decision to the Supreme Court on 14 September 2010. A hearing before the Supreme Court took place on 27 September 2010 at which the Supreme Court noted the appeal and asked the tax authority to quantify any liability. On 22 October 2010 the Indian tax authority quantified the alleged tax liability and issued a demand for payment of INR 112.2 billion (£1.6 billion) of tax and interest. VIHBV has contested the amount of such demand both on the basis of the calculation and on the basis that no tax was due in any event. On 15 November 2010 VIHBV was asked to make a deposit with the Supreme Court of INR 25 billion (£356 million) and provide a guarantee for INR 85 billion (£1,188 million) pending final adjudication of the case, which request it duly complied with. The Supreme Court will now hear the appeal on the issue of jurisdiction as well as on the challenge to quantification on 19 July 2011. On 23 March 2011 VIHBV received a notice requesting it to explain why it should not be liable for penalties of up to 100% of any tax found due for alleged failure to withhold. On 15 April 2011 the Supreme Court, in response to an application made by VIHBV, allowed the Indian tax authority to continue its investigations into the application of penalties but stayed the Indian tax authorities from enforcing any liability until after the outcome of the Supreme Court hearing scheduled for 19 July 2011. After investigations, on 29 April 2011, the Indian tax authority raised an order alleging penalties were due but noting that these will not be enforced in line with the Supreme Court stay. In addition, the separate proceedings taken against VIHBV to seek to treat it as an agent of HTIL in respect of its alleged tax on the same transaction have been deferred until the outcome in the first matter is known. VEL's case also continues to be stayed pending the outcome of the VIHBV Supreme Court hearing. VIHBV believes that neither it nor any other member of the Group is liable for such withholding tax, or is liable to be made an agent of HTIL; however, the outcome of the proceedings remains uncertain and such proceedings may or may not dispose of the matter in its entirety and there can be no assurance that any outcome will be favourable to VIHBV or the Group.

In light of the uncertainty created by the Indian tax authority's actions as set out above, VIHBV, through its indirect wholly owned subsidiary Euro Pacific Securities Ltd, has sought confirmation from the Authority for Advanced Rulings ('AAR') in India on whether tax should be withheld in respect of consideration payable on the acquisition of Essar Group's ('Essar') offshore holding in VEL. A ruling from the AAR is expected by the end of May 2011 at the latest. The Group does not believe that there is any legal requirement to withhold tax in respect of these transactions but if, contrary to expectations, the AAR directs tax to be withheld, this amount is anticipated to be approximately an additional US$1 billion.

29. Directors and key management compensation

Directors

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

	2011 £m	2010 £m	2009 £m
Salaries and fees	5	5	4
Incentive schemes	3	3	2
Other benefits[1]	1	1	1[2]
	9	**9**	**7**

Notes:
(1) Includes the value of the cash allowance taken by some individuals in lieu of pension contributions.
(2) Includes the value of 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 2011 by directors who served during the year was £nil (2010: £1 million, 2009: £nil).

Further details of directors' emoluments can be found in "Directors' remuneration" on pages 62 to 73.

Key management compensation

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

	2011 £m	2010 £m	2009 £m
Short-term employee benefits	18	21	17
Post-employment benefits – defined contribution schemes	1	1	1
Share-based payments	22	20	14
	41	**42**	**32**

30. 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 29.

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.

	2011 £m	2010 £m	2009 £m
Sales of goods and services to associates	327	281	205
Purchase of goods and services from associates	171	159	223
Purchase of goods and services from joint ventures	206	194	57
Net interest receivable from joint ventures[1]	(14)	(44)	(18)
Trade balances owed:			
by associates	52	24	50
to associates	23	17	18
by joint ventures	27	27	10
to joint ventures	67	40	33
Other balances owed by joint ventures[1]	176	751	311

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.

Notes to the consolidated financial statements continued

30. Related party transactions continued

Transactions with directors other than compensation

During the three years ended 31 March 2011, and as of 16 May 2011, 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 2011, and as of 16 May 2011, 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.

31. Employees

The average employee headcount during the year by nature of activity and by segment is shown below. During the year the Group changed its organisation structure. The information on employees by segment are presented on the revised basis, with prior years amended to conform to the current year presentation.

	2011 Employees	2010 Employees	2009 Employees
By activity:			
Operations	14,171	14,099	13,889
Selling and distribution	28,311	27,398	25,174
Customer care and administration	41,380	43,493	40,034
	83,862	**84,990**	**79,097**
By segment:			
Germany	12,594	13,507	13,788
Italy	6,121	6,207	6,247
Spain	4,389	4,326	4,354
UK	8,174	9,766	10,350
Other Europe	18,953	18,582	19,015
Europe	**50,231**	**52,388**	**53,754**
India	10,743	10,132	8,674
Vodacom	7,320	6,833	3,246
Other Africa, Middle East and Asia Pacific	10,896	10,887	9,525
Africa, Middle East and Asia Pacific	**28,959**	**27,852**	**21,445**
Non-Controlled Interests and Common Functions	4,672	4,750	3,898
Total	**83,862**	**84,990**	**79,097**

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

	2011 £m	2010 £m	2009 £m
Wages and salaries	2,960	3,045	2,607
Social security costs	392	415	379
Share-based payments (note 20)	156	150	128
Other pension costs (note 23)	134	160	113
	3,642	**3,770**	**3,227**

32. Subsequent events

SFR

On 3 April 2011 the Group announced an agreement to sell its entire 44% shareholding in SFR to Vivendi for cash consideration of €7.75 billion (£6.8 billion). The Group will also receive a final dividend from SFR of €200 million (£176 million) on completion of the transaction.

Subject to customary competition authority and regulatory approvals, the transaction is expected to complete during the second calendar quarter of 2011.

At 31 March 2011 the SFR investment had a carrying value of £4.2 billion and was reported within the Non-Controlled Investments and Common Functions segment.

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 2011 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).

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 auditor

As explained more fully in the directors' statement of responsibilities, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011;
- have been properly prepared in accordance with 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.

Other matter

We have reported separately on the consolidated financial statements of Vodafone Group Plc for the year ended 31 March 2011.

Panos Kakoullis FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
17 May 2011

Company financial statements of Vodafone Group Plc

at 31 March

	Note	2011 £m	2010 £m
Fixed assets			
Shares in Group undertakings	3	65,112	65,085
Current assets			
Debtors: amounts falling due after more than one year	4	1,756	1,914
Debtors: amounts falling due within one year	4	133,550	116,905
Other investments	5	64	388
Cash at bank and in hand		1,430	24
		136,800	**119,231**
Creditors: amounts falling due within one year	6	(94,151)	(78,185)
Net current assets		**42,649**	**41,046**
Total assets less current liabilities		**107,761**	**106,131**
Creditors: amounts falling due after more than one year	6	(21,760)	(23,840)
		86,001	**82,291**
Capital and reserves			
Called up share capital	7	4,082	4,153
Share premium account	9	43,028	43,011
Capital redemption reserve	9	10,172	10,101
Capital reserve	9	88	88
Other reserves	9	1,015	988
Own shares held	9	(8,202)	(7,827)
Profit and loss account	9	35,818	31,777
Equity shareholders' funds		**86,001**	**82,291**

The Company financial statements were approved by the Board of directors on 17 May 2011 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 2011.

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.

Notes to the Company financial statements continued

2. Significant accounting policies continued

Fair value hedges

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

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

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 2011 and 31 March 2010.

3. Fixed assets

Shares in Group undertakings

	£m
Cost:	
1 April 2010	70,716
Capital contributions arising from share-based payments	156
Contributions received in relation to share-based payments	(129)
31 March 2011	**70,743**
Amounts provided for:	
1 April 2010	5,631
Amounts provided for during the year	–
31 March 2011	**5,631**
Net book value:	
31 March 2010	**65,085**
31 March 2011	**65,112**

At 31 March 2011 the Company had the following principal subsidiary:

Name	Principal activity	Country of incorporation	Percentage shareholding
Vodafone European Investments	Holding company	England	100

4. Debtors

	2011 £m	2010 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	133,246	116,521
Taxation recoverable	158	200
Other debtors	146	184
	133,550	**116,905**
Amounts falling due after more than one year:		
Deferred taxation	2	12
Other debtors	1,754	1,902
	1,756	**1,914**

5. Other investments

	2011 £m	2010 £m
Investments	**64**	**388**

The short-term investments at 31 March 2010 were classified as available-for-sale and consisted of index linked government bonds which were held on an effective floating rate basis.

6. Creditors

	2011 £m	2010 £m
Amounts falling due within one year:		
Bank loans and other loans	4,739	4,360
Amounts owed to subsidiaries	89,194	73,663
Taxation payable	–	31
Other creditors	166	111
Accruals and deferred income	52	20
	94,151	**78,185**
Amounts falling due after more than one year:		
Other loans	21,367	23,488
Other creditors	393	352
	21,760	**23,840**

Included in amounts falling due after more than one year are other loans of £10,191 million, which are due in more than five years from 1 April 2011 and are payable otherwise than by instalments. Interest payable on these loans ranges from 2.15% to 8.125%.

7. Share capital

	2011		2010	
	Number	£m	Number	£m
Ordinary shares of 11³⁄₇ US cents each allotted, issued and fully paid:[(1)(2)(3)]				
1 April	57,809,246,732	4,153	57,806,283,716	4,153
Allotted during the year	1,876,697	–	2,963,016	–
Cancelled during the year	(1,000,000,000)	(71)	–	–
31 March	**56,811,123,429**	**4,082**	**57,809,246,732**	**4,153**

Notes:
(1) 50,000 (2010: 50,000) 7% cumulative fixed rate shares of £1 each were allotted, issued and fully paid by the Company.
(2) The concept of authorised share capital was abolished under the Companies Act 2006, with effect from 1 October 2009, and consequential amendments to the Company's articles of association removing all references to authorised share capital were approved by shareholders at the 2010 annual general meeting.
(3) At 31 March 2011 the Company held 5,233,597,599 (2010: 5,146,112,159) treasury shares with a nominal value of £376 million (2010: £370 million).

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
UK share awards and option scheme awards	35,557	–	–
US share awards and option scheme awards	1,841,140	–	3
Total for share awards and option scheme awards	**1,876,697**	**–**	**3**

Notes to the Company financial statements continued

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 2011 the Company had 171 million ordinary share options outstanding (2010: 266 million) and 1 million ADS options outstanding (2010: 1 million).

The Company has made a capital contribution to its subsidiaries in relation to share-based payments. At 31 March 2011 the cumulative capital contribution net of payments received from subsidiaries was £386 million (31 March 2010: £359 million). During the year ended 31 March 2011 the capital contribution arising from share-based payments was £156 million (2010: £150 million), with payments of £129 million (2010: £119 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 2010	4,153	43,011	10,101	88	988	(7,827)	31,777	82,291
Allotment of shares	–	3	–	–	–	–	–	3
Own shares released on vesting of share awards	–	–	–	–	–	232	–	232
Profit for the financial year	–	–	–	–	–	–	10,019	10,019
Dividends	–	–	–	–	–	–	(4,468)	(4,468)
Capital contribution given relating to share-based payments	–	–	–	–	156	–	–	156
Contribution received relating to share-based payments	–	–	–	–	(129)	–	–	(129)
Purchase of own shares	–	–	–	–	–	(2,125)	–	(2,125)
Cancellation of own shares held	(71)	–	71	–	–	1,532	(1,532)	–
Other movements	–	14	–	–	–	(14)	22	22
31 March 2011	**4,082**	**43,028**	**10,172**	**88**	**1,015**	**(8,202)**	**35,818**	**86,001**

The profit for the financial year dealt with in the accounts of the Company is £10,019 million (2010: £6,693 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 £0.6 million (2010: £0.9 million) and for non-audit services was £0.4 million (2010: £0.5 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 62 to 73.

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

10. Equity dividends

	2011 £m	2010 £m
Declared during the financial year:		
Final dividend for the year ended 31 March 2010: 5.65 pence per share (2009: 5.20 pence per share)	2,976	2,731
Interim dividend for the year ended 31 March 2011: 2.85 pence per share (2010: 2.66 pence per share)	1,492	1,400
	4,468	**4,131**
Proposed after the balance sheet date and not recognised as a liability:		
Final dividend for the year ended 31 March 2011: 6.05 pence per share (2010: 5.65 pence per share)	3,106	2,976

11. Contingent liabilities

	2011 £m	2010 £m
Performance bonds	3	5
Credit guarantees – third party indebtedness	3,113	5,112
Other guarantees and contingent liabilities	–	224

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.

On 30 March 2011 the Essar Group exercised its underwritten put option over 22.0% of Vodafone Essar Limited ('VEL') following which, on 31 March 2011, the Group exercised its call option over the remaining 11.0% of VEL owned by the Essar Group. The total consideration due under these two options is US$5 billion (£3.1 billion). The company has guaranteed payment of up to US$5 billion related to these options.

Prior year credit guarantees included £1,821 million relating to debt issued by Vodafone Finance K.K. This facility was repaid in March 2011.

Other guarantees and contingent liabilities

There are no other guarantees in the current year. Prior year other guarantees included a £221 million guarantee relating to a commitment to the Spanish tax authorities.

As discussed in note 28 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.

The Company has pledged money market funds (£1,387 million), as collateral for the guarantee issued by Vodafone International Holdings B.V. to the Indian Supreme Court in relation to the contested demand for payment from the Indian tax authority. See page 122 for details.

Legal proceedings

Details regarding certain legal actions which involve the Company are set out in note 28 to the consolidated financial statements.

Shareholder information

Financial calendar for the 2012 financial year

Interim management statement	22 July 2011
Half-year financial results announcement	8 November 2011

Further details will be published at www.vodafone.com/investor as they become available. Results announcements are available online at www.vodafone.com/investor – we do not publish them in the press.

Dividends

Full details on the dividend amount per share can be found on page 47. Set out below is information relevant to the final dividend for the year ended 31 March 2011.

Ex-dividend date	1 June 2011
Record date	3 June 2011
Dividend reinvestment plan last election date	15 July 2011
Dividend payment date[1]	5 August 2011

Note:
(1) Payment date for both ordinary shares and american depositary shares ('ADSs').

Dividend payment methods

Currently holders of ordinary shares and ADSs can:

- have cash dividends paid direct to a bank or building society account; or
- elect to use the cash dividends to purchase more Vodafone ordinary shares under the dividend reinvestment plan (see below) or, in the case of ADSs, have the dividends reinvested to purchase additional Vodafone ADSs.

ADS holders can, in addition to the above, have their cash dividends paid in the form of a cheque.

Holders of ordinary shares:

- resident in the UK automatically receive their dividends in pounds sterling provided that UK bank details have been provided to the Company;
- resident in the eurozone (defined for this purpose as a country that has adopted the euro as its national currency) automatically receive their dividends in euros provided that euro bank details have been provided to the Company; and
- resident outside the UK and eurozone automatically receive dividends in pounds sterling by lodging UK bank account details but may elect to receive dividends in local currency into their bank account directly via our registrars' global payments service. Visit www.investorcentre.co.uk for details, and terms and conditions.

For dividend payments in euros, the sterling/euro exchange rate will be determined by us in accordance with the Company's articles of association, up to 13 business days prior to the payment date.

We will pay the ADS depositary, BNY Mellon, its dividend in US dollars. The sterling/US dollar exchange rate for this purpose will be determined by us up to ten New York and London business days prior to the payment date. Cash dividends to ADS holders will be paid by the ADS depositary in US dollars.

Further information about the dividend payments can be found at www.vodafone.com/dividends or, alternatively, please contact our registrars or the ADS depositary, as applicable, for further details.

Dividend reinvestment

We offer a dividend reinvestment plan which allows holders of ordinary shares, who choose to participate, to use their cash dividends to acquire additional shares in the Company. These are purchased on their behalf by the plan administrator through a low cost dealing arrangement.

For ADS holders BNY Mellon maintains a Global BuyDIRECT Plan which is a direct purchase and sale plan for depositary receipts with a dividend reinvestment facility.

Telephone share dealing

A telephone share dealing service operated by our registrars is available for holders of ordinary shares. The service is available from 8.00 am to 4.30 pm, Monday to Friday, excluding bank holidays, on telephone number +44 (0)870 703 0084. Detailed terms and conditions are available on request by calling the above number.

Registrars and transfer office

If private shareholders have any enquiries about their holding of ordinary shares, such as a change of address, change of ownership or dividend payments, they should contact our registrars at the address or telephone number below. Computershare Investor Services PLC maintain the Company's share register and holders of ordinary shares can visit the registrars' investor centre at www.investorcentre.co.uk to view and update details of their shareholding.

ADS holders should address any queries or instructions regarding their holdings to the depositary bank for the Company's ADR programme at the address or telephone number below. At www.bnymellon.com/shareowner ADS holders can view their account information, make changes and conduct many other transactions.

The Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road, Bristol BS99 6ZZ, England
Telephone: +44 (0)870 702 0198
www.investorcentre.co.uk/contactus

Holders of ordinary shares resident in Ireland:
Computershare Investor Services (Ireland) Limited
PO Box 9742
Dublin 18, Ireland
Telephone: +353 (0)818 300 999
www.investorcentre.co.uk/contactus

ADS depositary
BNY Mellon
BNY Mellon Shareowner Services
PO Box 358516
Pittsburgh, PA 15252-8516, US
Telephone: +1 800 233 5601 (toll free) or, for calls outside the US, +1 201 680 6837 (not toll free) and enter company number 2160
Email: shrrelations@bnymellon.com

Internet share dealing

An internet share dealing service is available for holders of ordinary shares who want to buy or sell ordinary shares. Further information about this service can be obtained from our registrars on +44 (0)870 702 0198 or by logging onto www.computershare.com/dealing/uk.

Online shareholder services

We provide a number of shareholder services online at www.vodafone.com/investor where shareholders may:

- register to receive electronic shareholder communications. Benefits to shareholders include faster receipt of communications, such as annual reports, with cost and time savings for the Company. Electronic shareholder communications are also more environmentally friendly;
- update registered address or dividend bank mandate instructions;
- view and/or download the 2011 annual report;
- check the current share price;
- calculate dividend payments; and
- use interactive tools to calculate the value of shareholdings, look up the historic price on a particular date and chart Vodafone ordinary share price changes against indices.

Shareholders and other interested parties can also receive company press releases, including London Stock Exchange announcements, by registering for Vodafone news via the website at www.vodafone.com/media. Registering for Vodafone news will enable users to:

- access the latest news from their mobile; and
- have news automatically emailed to them.

Annual general meeting ('AGM')

The twenty-seventh AGM of the Company will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on 26 July 2011 at 11.00 a.m.

A combined review of the year and notice of AGM, including details of the business to be conducted at the AGM, will be circulated to shareholders or can be viewed on our website at www.vodafone.com/agm. Shareholders who have registered to receive communications electronically will receive an email notification when the document is available to view on the website.

The AGM will be transmitted via a live webcast which can be viewed on the website at www.vodafone.com/agm on the day of the meeting and a recording will be available to view after that date.

ShareGift

We support ShareGift, the charity share donation scheme (registered charity number 1052686). Through ShareGift shareholders who have only a very small number of shares, which might be considered uneconomic to sell, are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities. Donating shares to charity gives rise neither to a gain nor a loss for UK capital gains tax purposes and UK taxpayers may also be able to claim income tax relief on the value of the donation.

ShareGift transfer forms specifically for our shareholders are available from our registrars, Computershare Investor Services PLC, and even if the share certificate has been lost or destroyed, the gift can be completed. The service is generally free. However, there may be an indemnity charge for a lost or destroyed share certificate where the value of the shares exceeds £100. Further details about ShareGift can be obtained from its website at www.ShareGift.org or at 17 Carlton House Terrace, London SW1Y 5AH (telephone: +44 (0)207 930 3737).

Asset Checker Limited

We participate in Asset Checker, the online service which provides a search facility for solicitors and probate professionals to quickly and easily trace UK shareholdings relating to deceased estates. For further information visit www.assetchecker.co.uk or call +44 (0)870 707 4004.

Share price history

Upon flotation of the Company on 11 October 1988 the ordinary shares were valued at 170 pence each. When the Company was finally demerged on 16 September 1991 the base cost of Racal Electronics Plc shares for UK taxpayers was apportioned between the Company and Racal Electronics Plc for Capital Gains Tax purposes in the ratio of 80.036% and 19.964% respectively. Opening share prices on 16 September 1991 were 332 pence for each Vodafone share and 223 pence for each Racal share.

On 21 July 1994 the Company effected a bonus issue of two new shares for every one then held and on 30 September 1999 it effected a bonus issue of four new shares for every one held at that date. The flotation and demerger share prices therefore may be restated as 11.333 pence and 22.133 pence respectively.

On 31 July 2006 the Group returned approximately £9 billion to shareholders in the form of a B share arrangement. As part of this arrangement, and in order to facilitate historical share price comparisons, the Group's share capital was consolidated on the basis of seven new ordinary shares for every eight ordinary shares held at this date. Share prices in the five year data table below have not been restated to reflect this consolidation.

The closing share price at 31 March 2011 was 176.5 pence (31 March 2010: 152.0 pence). The closing share price on 16 May 2011 was 168.3 pence.

The following tables set out, for the periods indicated, i) the reported high and low middle market quotations of ordinary shares on the London Stock Exchange, and ii) the reported high and low sales prices of ADSs on the New York Stock Exchange ('NYSE')/NASDAQ. The Company transferred its ADSs from the NYSE to NASDAQ on 29 October 2009.

	London Stock Exchange Pounds per ordinary share		NYSE/NASDAQ(1) Dollars per ADS	
Year ended 31 March	High	Low	High	Low
2007	1.54	1.08	29.85	20.07
2008	1.98	1.36	40.87	26.88
2009	1.70	0.96	32.87	15.30
2010	1.54	1.11	24.04	17.68
2011	1.85	1.27	32.70	18.21

	London Stock Exchange Pounds per ordinary share		NYSE/NASDAQ(1) Dollars per ADS	
Quarter	High	Low	High	Low
2009/2010				
First quarter	1.33	1.11	20.08	17.68
Second quarter	1.44	1.12	23.85	18.25
Third quarter	1.45	1.32	24.04	21.10
Fourth quarter	1.54	1.32	23.32	21.32
2010/2011				
First quarter	1.53	1.27	23.79	18.21
Second quarter	1.65	1.36	25.80	20.71
Third quarter	1.80	1.57	28.52	28.84
Fourth quarter	1.85	1.67	32.70	26.34
2011/2012				
First quarter(2)	1.83	1.66	29.46	27.12

	London Stock Exchange Pounds per ordinary share		NASDAQ Dollars per ADS	
Month	High	Low	High	Low
November 2010	1.80	1.59	28.52	24.84
December 2010	1.72	1.60	27.10	25.62
January 2011	1.85	1.68	32.70	26.34
February 2011	1.83	1.72	29.75	27.90
March 2011	1.85	1.67	29.67	26.71
April 2011	1.83	1.69	29.46	28.06
May 2011(2)	1.74	1.66	29.27	27.12

Notes:
(1) The Company transferred its ADSs from the NYSE to NASDAQ on 29 October 2009.
(2) Covering period up to 16 May 2011.

Shareholder information continued

Inflation and foreign currency translation

Inflation

Inflation has not had a significant effect on the Group's results of operations and financial condition during the three years ended 31 March 2011.

Foreign currency translation

The following table sets out the pounds sterling exchange rates of the other principal currencies of the Group, being: "euros", "€" or "eurocents", the currency of the European Union ('EU') member states which have adopted the euro as their currency, and "US dollars", "US$", "cents" or "¢", the currency of the US.

Currency (=£1)	31 March 2011	2010	% change
Average:			
Euro	1.18	1.13	4.4
US dollar	1.56	1.60	(2.5)
At 31 March:			
Euro	1.13	1.12	0.9
US dollar	1.61	1.52	5.9

The following table sets out, for the periods and dates indicated, the period end, average, high and low exchanges rates for pounds sterling expressed in US dollars per £1.00.

Year ended 31 March	31 March	Average	High	Low
2007	1.97	1.89	1.98	1.74
2008	1.99	2.01	2.11	1.94
2009	1.43	1.72	2.00	1.37
2010	1.52	1.60	1.70	1.44
2011	1.61	1.56	1.64	1.43

The following table sets out, for the periods indicated, the high and low exchange rates rates for pounds sterling expressed in US dollars per £1.00.

Month	High	Low
November 2010	1.63	1.56
December 2010	1.59	1.54
January 2011	1.60	1.55
February 2011	1.63	1.60
March 2011	1.64	1.60
April 2011	1.67	1.61

Markets

Ordinary shares of Vodafone Group Plc are traded on the London Stock Exchange and in the form of ADSs on NASDAQ. The Company had a total market capitalisation of approximately £86.4 billion at 16 May 2011 making it the second largest listing in The Financial Times Stock Exchange 100 index and the 28th largest company in the world based on market capitalisation at that date.

ADSs, each representing ten ordinary shares, are traded on NASDAQ under the symbol 'VOD'. The ADSs are evidenced by ADRs issued by BNY Mellon, as depositary, under a deposit agreement, dated as of 12 October 1988, as amended and restated on 26 December 1989, 16 September 1991, 30 June 1999, 31 July 2006 and 30 July 2009 between the Company, the depositary and the holders from time to time of ADRs issued thereunder.

ADS holders are not members of the Company but may instruct BNY Mellon on the exercise of voting rights relative to the number of ordinary shares represented by their ADSs. See "Articles of association and applicable English law – Rights attaching to the Company's shares – Voting rights" on page 135.

Shareholders at 31 March 2011

Number of ordinary shares held	Number of accounts	% of total issued shares
1 – 1,000	430,021	0.21
1,001 – 5,000	79,461	0.32
5,001 – 50,000	27,629	0.61
50,001 – 100,000	1,126	0.14
100,001 – 500,000	1,094	0.44
More than 500,000	1,636	98.28
	540,967	**100.00**

Geographical analysis of shareholders

At 31 March 2011 approximately 46.9% of the Company's shares were held in the UK, 30.2% in North America, 14.4% in Europe (excluding the UK) and 8.5% in the rest of the world.

Major shareholders

BNY Mellon, as custodian of the Company's ADR programme, held approximately 17% of the Company's ordinary shares of 11 3/7 US cents each at 16 May 2011 as nominee. The total number of ADRs outstanding at 16 May 2011 was 886,242,945. At this date 1,369 holders of record of ordinary shares had registered addresses in the US and in total held approximately 0.007% of the ordinary shares of the Company. At 16 May 2011 the following percentage interests in the ordinary share capital of the Company, disclosable under the Disclosure and Transparency Rules, (DTR 5), have been notified to the directors:

Shareholder	Shareholding
Black Rock, Inc.	6.00%
Legal & General Group Plc	3.59%

The rights attaching to the ordinary shares of the Company held by these shareholders are identical in all respects to the rights attaching to all the ordinary shares of the Company. The directors are not aware, at 16 May 2011, of any other interest of 3% or more in the ordinary share capital of the Company. The Company is not directly or indirectly owned or controlled by any foreign government or any other legal entity. There are no arrangements known to the Company that could result in a change of control of the Company.

Articles of association and applicable English law

The following description summarises certain provisions of the Company's articles of association and applicable English law. This summary is qualified in its entirety by reference to the Companies Act 2006 of England and Wales and the Company's articles of association. Information on where shareholders can obtain copies of the articles of association is provided under "Documents on display" on page 137.

The Company is a public limited company under the laws of England and Wales. The Company is registered in England and Wales under the name Vodafone Group Public Limited Company with the registration number 1833679.

All of the Company's ordinary shares are fully paid. Accordingly, no further contribution of capital may be required by the Company from the holders of such shares.

English law specifies that any alteration to the articles of association must be approved by a special resolution of the shareholders.

Articles of association

Pursuant to the Companies Act 2006, the object clauses and other provisions which are contained in a company's memorandum of association are deemed to be contained in the company's articles of association unless they are removed by a special resolution of the company. If removed, the company's objects are unrestricted.

By a special resolution passed at the 2010 AGM the Company removed its object clause together with all other provisions of its memorandum of association which, by virtue of the Companies Act 2006, are treated as forming part of the Company's articles of association.

Directors

The Company's articles of association provide for a Board of directors, consisting of not fewer than three directors, who shall manage the business and affairs of the Company.

The directors are empowered to exercise all the powers of the Company subject to any restrictions in the articles of association, the Companies Act (as defined in the articles of association) and any special resolution.

Under the Company's articles of association a director cannot vote in respect of any proposal in which the director, or any person connected with the director, has a material interest other than by virtue of the director's interest in the Company's shares or other securities. However, this restriction on voting does not apply to resolutions i) giving the director or a third party any guarantee, security or indemnity in respect of obligations or liabilities incurred at the request of or for the benefit of the Company, ii) giving any guarantee, security or indemnity to the director or a third party in respect of obligations of the Company for which the director has assumed responsibility under an indemnity or guarantee, iii) relating to an offer of securities of the Company in which the director is entitled to participate as a holder of shares or other securities or in the underwriting of such shares or securities, iv) concerning any other company in which the director (together with any connected person) is a shareholder or an officer or is otherwise interested, provided that the director (together with any connected person) is not interested in 1% or more of any class of the Company's equity share capital or the voting rights available to its shareholders, v) relating to the arrangement of any employee benefit in which the director will share equally with other employees and vi) relating to any insurance that the Company purchases or renews for its directors or any group of people including directors.

The directors are empowered to exercise all the powers of the Company to borrow money, subject to the limitation that the aggregate amount of all liabilities and obligations of the Group outstanding at any time shall not exceed an amount equal to 1.5 times the aggregate of the Group's share capital and reserves calculated in the manner prescribed in the articles of association unless sanctioned by an ordinary resolution of the Company's shareholders.

The Company can make market purchases of its own shares or agree to do so in the future provided it is duly authorised by its members in a general meeting and subject to and in accordance with Section 701 of the Companies Act 2006.

At each AGM all directors who were elected or last re-elected at or before the AGM held in the third calendar year before the current year shall automatically retire. In 2005 the Company reviewed its policy regarding the retirement and re-election of directors and, although it is not intended to amend the Company's articles of association in this regard, the Board has decided in the interests of good corporate governance that all of the directors wishing to continue in office should offer themselves for re-election annually.

Directors are not required under the Company's articles of association to hold any shares of the Company as a qualification to act as a director, although executive directors participating in long-term incentive plans must comply with the Company's share ownership guidelines. In accordance with best practice in the UK for corporate governance, compensation awarded to executive directors is decided by a remuneration committee consisting exclusively of non-executive directors.

In addition, as required by The Directors' Remuneration Report Regulations, the Board has, since 2003, prepared a report to shareholders on the directors' remuneration which complies with the regulations (see pages 62 to 73). The report is also subject to a shareholder vote.

Rights attaching to the Company's shares

At 31 March 2011 the issued share capital of the Company was comprised of 50,000 7% cumulative fixed rate shares of £1.00 each and 51,577,525,830 ordinary shares (excluding treasury shares) of 11 $^3/_7$ US cents each.

Dividend rights

Holders of 7% cumulative fixed rate shares are entitled to be paid in respect of each financial year, or other accounting period of the Company, a fixed cumulative preferential dividend of 7% per annum on the nominal value of the fixed rate shares. A fixed cumulative preferential dividend may only be paid out of available distributable profits which the directors have resolved should be distributed. The fixed rate shares do not have any other right to share in the Company's profits.

Holders of the Company's ordinary shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the directors. The Board of directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Dividends on ordinary shares can be paid to shareholders in whatever currency the directors decide, using an appropriate exchange rate for any currency conversions which are required.

If a dividend has not been claimed for one year after the date of the resolution passed at a general meeting declaring that dividend or the resolution of the directors providing for payment of that dividend, the directors may invest the dividend or use it in some other way for the benefit of the Company until the dividend is claimed. If the dividend remains unclaimed for 12 years after the relevant resolution either declaring that dividend or providing for payment of that dividend, it will be forfeited and belong to the Company.

Voting rights

The Company's articles of association provide that voting on substantive resolutions (i.e. any resolution which is not a procedural resolution) at a general meeting shall be decided on a poll. On a poll, each shareholder who is entitled to vote and is present in person or by proxy has one vote for every share held. Procedural resolutions (such as a resolution to adjourn a general meeting or a resolution on the choice of Chairman of a general meeting) shall be decided on a show of hands, where each shareholder who is present at the meeting has one vote regardless of the number of shares held, unless a poll is demanded. In addition, the articles of association allow persons appointed as proxies of shareholders entitled to vote at general meetings to vote on a show of hands, as well as to vote on a poll and attend and speak at general meetings. The articles of association also allow persons appointed as proxies by two or more shareholders entitled to vote at general meetings to vote for and against a resolution on a show of hands.

Under English law two shareholders present in person constitute a quorum for purposes of a general meeting unless a company's articles of association specify otherwise. The Company's articles of association do not specify otherwise, except that the shareholders do not need to be present in person and may instead be present by proxy to constitute a quorum.

Under English law shareholders of a public company such as the Company are not permitted to pass resolutions by written consent.

Record holders of the Company's ADSs are entitled to attend, speak and vote on a poll or a show of hands at any general meeting of the Company's shareholders by the depositary's appointment of them as corporate representatives with respect to the underlying ordinary shares represented by their ADSs. Alternatively holders of ADSs are entitled to vote by supplying their voting instructions to the depositary or its nominee who will vote the ordinary shares underlying their ADSs in accordance with their instructions.

Employees are able to vote any shares held under the Vodafone Group Share Incentive Plan and 'My ShareBank' (a vested nominee share account) through the respective plan's trustees.

Holders of the Company's 7% cumulative fixed rate shares are only entitled to vote on any resolution to vary or abrogate the rights attached to the fixed rate shares. Holders have one vote for every fully paid 7% cumulative fixed rate share.

Shareholder information continued

Liquidation rights

In the event of the liquidation of the Company, after payment of all liabilities and deductions in accordance with English law, the holders of the Company's 7% cumulative fixed rate shares would be entitled to a sum equal to the capital paid up on such shares, together with certain dividend payments, in priority to holders of the Company's ordinary shares. The holders of the fixed rate shares do not have any other right to share in the Company's surplus assets.

Pre-emptive rights and new issues of shares

Under Section 549 of the Companies Act 2006 directors are, with certain exceptions, unable to allot the Company's ordinary shares or securities convertible into the Company's ordinary shares without the authority of the shareholders in a general meeting. In addition, Section 561 of the Companies Act 2006 imposes further restrictions on the issue of equity securities (as defined in the Companies Act 2006 which include the Company's ordinary shares and securities convertible into ordinary shares) which are, or are to be, paid up wholly in cash and not first offered to existing shareholders. The Company's articles of association allow shareholders to authorise directors for a period specified in the relevant resolution to allot i) relevant securities generally up to an amount fixed by the shareholders and ii) equity securities for cash other than in connection with a pre-emptive offer up to an amount specified by the shareholders and free of the pre-emption restriction in Section 561. At the AGM in 2010 the amount of relevant securities fixed by shareholders under (i) above and the amount of equity securities specified by shareholders under (ii) above were both in line with corporate governance guidelines. The directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise. In order to retain such maximum flexibility, the directors propose to renew the authorities granted by shareholders in 2010 at this year's AGM. Further details of such proposals are provided in the 2011 notice of AGM.

Disclosure of interests in the Company's shares

There are no provisions in the articles of association whereby persons acquiring, holding or disposing of a certain percentage of the Company's shares are required to make disclosure of their ownership percentage although such requirements exist under rules derived from the Disclosure and Transparency Rules ('DTRs').

The basic disclosure requirement upon a person acquiring or disposing of shares that are admitted to trading on a regulated market and carrying voting rights is an obligation to provide written notification to the Company, including certain details as set out in DTR 5, where the percentage of the person's voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (falling within DTR 5.3.1R) reaches or exceeds 3% and reaches, exceeds or falls below each 1% threshold thereafter.

Under Section 793 of the Companies Act 2006 the Company may, by notice in writing, require a person that the Company knows or has reasonable cause to believe is, or was during the preceding three years, interested in the Company's shares to indicate whether or not that is correct and, if that person does or did hold an interest in the Company's shares, to provide certain information as set out in the Companies Act 2006. DTR 3 deals with the disclosure by persons "discharging managerial responsibility" and their connected persons of the occurrence of all transactions conducted on their account in the shares of the Company. Part 28 of The Companies Act 2006 sets out the statutory functions of the Panel on Takeovers & Mergers (the 'Panel'). The Panel is responsible for issuing and administering the Code on Takeovers & Mergers which includes disclosure requirements on all parties to a takeover with regard to dealings in the securities of an offeror or offeree company and also on their respective associates during the course of an offer period.

General meetings and notices

Subject to the articles of association, annual general meetings are held at such times and place as determined by the directors of the Company. The directors may also, when they think fit, convene other general meetings of the Company. General meetings may also be convened on requisition as provided by the Companies Act 2006.

An annual general meeting needs to be called by not less than 21 days' notice in writing. Subject to obtaining shareholder approval on an annual basis, the Company may call other general meetings on 14 days' notice. The directors may determine that persons entitled to receive notices of meetings are those persons entered on the register at the close of business on a day determined by the directors but not later than twenty-one days before the date the relevant notice is sent. The notice may also specify the record date, the time of which shall be determined in accordance with the articles of association and the Companies Act 2006.

Shareholders must provide the Company with an address or (so far as the Companies Act 2006 allows) an electronic address or fax number in the United Kingdom in order to be entitled to receive notices of shareholders' meetings and other notices and documents. In certain circumstances the Company may give notices to shareholders by publication on the Company's website and advertisement in newspapers in the United Kingdom. Holders of the Company's ADSs are entitled to receive notices under the terms of the deposit agreement relating to the ADSs.

Under Section 336 of the Companies Act 2006 the annual general meeting of shareholders must be held each calendar year and within six months of the Company's year end.

Electronic communications

The Company has previously passed a resolution allowing it to communicate all shareholder information by electronic means, including making such information available on the Company's website. Those shareholders who have positively elected for website communication (or are deemed to have consented to receive electronic communication in accordance with the Companies Act 2006) will receive written notification whenever shareholder documentation is made available on the website.

Variation of rights

If at any time the Company's share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the Companies Act 2006, either with the consent in writing of the holders of three quarters in nominal value of the shares of that class or at a separate meeting of the holders of the shares of that class.

At every such separate meeting all of the provisions of the articles of association relating to proceedings at a general meeting apply, except that i) the quorum is to be the number of persons (which must be at least two) who hold or represent by proxy not less than one third in nominal value of the issued shares of the class or, if such quorum is not present on an adjourned meeting, one person who holds shares of the class regardless of the number of shares he holds, ii) any person present in person or by proxy may demand a poll and iii) each shareholder will have one vote per share held in that particular class in the event a poll is taken. Class rights are deemed not to have been varied by the creation or issue of new shares ranking equally with or subsequent to that class of shares in sharing in profits or assets of the Company or by a redemption or repurchase of the shares by the Company.

Limitations on voting and shareholding

As far as the Company is aware there are no limitations imposed on the transfer, holding or voting of the Company's ordinary shares other than those limitations that would generally apply to all of the shareholders. No shareholder has any securities carrying special rights with regard to control of the Company.

Documents on display

The Company is subject to the information requirements of the Exchange Act applicable to foreign private issuers. In accordance with these requirements the Company files its annual report on Form 20-F and other related documents with the SEC. These documents may be inspected at the SEC's public reference rooms located at 100 F Street, NE Washington, DC 20549. Information on the operation of the public reference room can be obtained in the US by calling the SEC on +1-800-SEC-0330. In addition, some of the Company's SEC filings, including all those filed on or after 4 November 2002, are available on the SEC's website (www.sec.gov). Shareholders can also obtain copies of the Company's articles of association from our website at www.vodafone.com/governance or from the Company's registered office.

Material contracts

At the date of this annual report the Group is not party to any contracts that are considered material to the Group's results or operations except for its US$4.2 billion and €4.2 billion credit facilities which are discussed under "Financial position and resources" on page 50.

Exchange controls

There are no UK government laws, decrees or regulations that restrict or affect the export or import of capital, including but not limited to, foreign exchange controls on remittance of dividends on the ordinary shares or on the conduct of the Group's operations.

Taxation

As this is a complex area investors should consult their own tax advisor regarding the US federal, state and local, the UK and other tax consequences of owning and disposing of shares and ADSs in their particular circumstances.

This section describes, primarily for a US holder (as defined below), in general terms, the principal US federal income tax and UK tax consequences of owning or disposing of shares or ADSs in the Company held as capital assets (for US and UK tax purposes). This section does not, however, cover the tax consequences for members of certain classes of holders subject to special rules including officers of the Company, employees and holders that, directly or indirectly, hold 10% or more of the Company's voting stock.

A US holder is a beneficial owner of shares or ADSs that is for US federal income tax purposes:

- a citizen or resident of the US;
- a US domestic corporation;
- an estate, the income of which is subject to US federal income tax regardless of its source; or
- a trust, if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorised to control all substantial decisions of the trust.

If a partnership holds the shares or ADSs, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax advisor with regard to the US federal income tax treatment of an investment in the shares or ADSs.

This section is based on the US Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, and on the tax laws of the United Kingdom and the Double Taxation Convention between the United States and the United Kingdom (the 'treaty'), all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

This section is further based in part upon the representations of the depositary and assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

Based on this assumption, for purposes of the treaty and the US-UK double taxation convention relating to estate and gift taxes (the 'Estate Tax Convention'), and for US federal income tax and UK tax purposes, a holder of ADRs evidencing ADSs will be treated as the owner of the shares in the Company represented by those ADSs. Generally exchanges of shares for ADRs and ADRs for shares will not be subject to US federal income tax or to UK tax other than stamp duty or stamp duty reserve tax (see the section on these taxes below).

Taxation of dividends

UK taxation

Under current UK tax law no withholding tax will be deducted from the dividends we pay. Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on the dividends we pay unless the dividends fall within an exempt class and certain other conditions are met. It is expected that the dividends we pay would generally be exempt.

A shareholder in the Company who is an individual resident for UK tax purposes in the United Kingdom is entitled, in calculating their liability to UK income tax, to a tax credit on cash dividends we pay on our shares or ADSs and the tax credit is equal to one-ninth of the cash dividend.

US federal income taxation

Subject to the PFIC rules described below, a US holder is subject to US federal income taxation on the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for US federal income tax purposes). Dividends paid to a non-corporate US holder in tax years beginning before 1 January 2013 that constitute qualified dividend income will be taxable to the holder at a maximum tax rate of 15% provided that the ordinary shares or ADSs are held for more than 60 days during the 121 day period beginning 60 days before the ex-dividend date and the holder meets other holding period requirements. Dividends paid by us with respect to the shares or ADSs will generally be qualified dividend income. A US holder is not subject to a UK withholding tax. The US holder includes in gross income for US federal income tax purposes only the amount of the dividend actually received from us and the receipt of a dividend does not entitle the US holder to a foreign tax credit.

Dividends must be included in income when the US holder, in the case of shares, or the depositary, in the case of ADSs, actually or constructively receives the dividend and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. Dividends will be income from sources outside the United States. For the purpose of the foreign tax credit limitation, foreign source income is classified in one or two baskets and the credit for foreign taxes on income in any basket is limited to US federal income tax allocable to that income. Generally the dividends we pay will constitute foreign source income in the passive income basket.

In the case of shares, the amount of the dividend distribution to be included in income will be the US dollar value of the pound sterling payments made determined at the spot pound sterling/US dollar rate on the date of the dividend distribution regardless of whether the payment is in fact converted into US dollars. Generally any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is to be included in income to the date the payment is converted into US dollars will be treated as ordinary income or loss. Generally the gain or loss will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Shareholder information continued

Taxation of capital gains

UK taxation

A US holder may be liable for both UK and US tax in respect of a gain on the disposal of our shares or ADSs if the US holder is:

- a citizen of the United States resident or ordinarily resident for UK tax purposes in the United Kingdom;
- a citizen of the United States who has been resident or ordinarily resident for UK tax purposes in the United Kingdom, ceased to be so resident or ordinarily resident for a period of less than five years of assessment and who disposed of the shares or ADSs during that period (a 'temporary non-resident'), unless the shares or ADSs were also acquired during that period, such liability arising on that individual's return to the UK;
- a US domestic corporation resident in the United Kingdom by reason of being centrally managed and controlled in the United Kingdom; or
- a citizen of the United States or a US domestic corporation that carries on a trade, profession or vocation in the United Kingdom through a branch or agency or, in the case of US domestic companies, through a permanent establishment and that has used the shares or ADSs for the purposes of such trade, profession or vocation or has used, held or acquired the shares or ADSs for the purposes of such branch or agency or permanent establishment.

Under the treaty capital gains on dispositions of the shares or ADSs are generally subject to tax only in the country of residence of the relevant holder as determined under both the laws of the United Kingdom and the United States and as required by the terms of the treaty. However, individuals who are residents of either the United Kingdom or the United States and who have been residents of the other jurisdiction (the US or the UK, as the case may be) at any time during the six years immediately preceding the relevant disposal of shares or ADSs may be subject to tax with respect to capital gains arising from the dispositions of the shares or ADSs not only in the country of which the holder is resident at the time of the disposition but also in that other country (although, in respect of UK taxation, generally only to the extent that such an individual comprises a temporary non-resident).

US federal income taxation

Subject to the PFIC rules described below a US holder that sells or otherwise disposes of our shares or ADSs will recognise a capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount realised and the holder's tax basis, determined in US dollars, in the shares or ADSs. Generally a capital gain of a non-corporate US holder that is recognised in tax years beginning before 1 January 2013 is taxed at a maximum rate of 15% provided the holder has a holding period of more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of losses is subject to limitations.

Additional tax considerations

UK inheritance tax

An individual who is domiciled in the United States (for the purposes of the Estate Tax Convention) and is not a UK national will not be subject to UK inheritance tax in respect of our shares or ADSs on the individual's death or on a transfer of the shares or ADSs during the individual's lifetime, provided that any applicable US federal gift or estate tax is paid, unless the shares or ADSs are part of the business property of a UK permanent establishment or pertain to a UK fixed base used for the performance of independent personal services. Where the shares or ADSs have been placed in trust by a settlor they may be subject to UK inheritance tax unless, when the trust was created, the settlor was domiciled in the United States and was not a UK national. Where the shares or ADSs are subject to both UK inheritance tax and to US federal gift or estate tax, the estate tax convention generally provides a credit against US federal tax liabilities for UK inheritance tax paid.

UK stamp duty and stamp duty reserve tax

Stamp duty will, subject to certain exceptions, be payable on any instrument transferring our shares to the custodian of the depositary at the rate of 1.5% on the amount or value of the consideration if on sale or on the value of such shares if not on sale. Stamp duty reserve tax ('SDRT'), at the rate of 1.5% of the price or value of the shares, could also be payable in these circumstances and on issue to such a person but no SDRT will be payable if stamp duty equal to such SDRT liability is paid. A recent ruling by the European Court of Justice has determined that the 1.5% SDRT charge on issue to a clearance service is contrary to EU law. HMRC have indicated that where new shares are first issued to a clearance service or to a depositary within the European Union, the 1.5% SDRT charge will not be levied. However, to the extent that the clearance service or depositary is located outside the European Union, HMRC have indicated that such charge would still apply. In accordance with the terms of the deposit agreement, any tax or duty payable on deposits of shares by the depositary or the custodian of the depositary will be charged to the party to whom ADSs are delivered against such deposits.

No stamp duty will be payable on any transfer of our ADSs provided that the ADSs and any separate instrument of transfer are executed and retained at all times outside the United Kingdom. A transfer of our shares in registered form will attract ad valorem stamp duty generally at the rate of 0.5% of the purchase price of the shares. There is no charge to ad valorem stamp duty on gifts.

SDRT is generally payable on an unconditional agreement to transfer our shares in registered form at 0.5% of the amount or value of the consideration for the transfer, but is repayable if, within six years of the date of the agreement, an instrument transferring the shares is executed or, if the SDRT has not been paid, the liability to pay the tax (but not necessarily interest and penalties) would be cancelled. However, an agreement to transfer our ADSs will not give rise to SDRT.

PFIC rules

We do not believe that our shares or ADSs will be treated as stock of a passive foreign investment company ('PFIC') for US federal income tax purposes. This conclusion is a factual determination that is made annually and thus is subject to change. If we are treated as a PFIC, any gain realised on the sale or other disposition of the shares or ADSs would in general not be treated as capital gain unless a US holder elects to be taxed annually on a mark-to-market basis with respect to the shares or ADSs. Otherwise a US holder would be treated as if he or she has realised such gain and certain "excess distributions" rateably over the holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated. An interest charge in respect of the tax attributable to each such year would also apply. Dividends received from us would not be eligible for the preferential tax rate applicable to qualified dividend income for certain non-corporate holders.

History and development

The Company was incorporated under English law in 1984 as Racal Strategic Radio Limited (registered number 1833679). After various name changes, 20% of Racal Telecom Plc capital was offered to the public in October 1988. The Company was fully demerged from Racal Electronics Plc and became an independent company in September 1991, at which time it changed its name to Vodafone Group Plc.

Since then we have entered into various transactions which consolidated our position in the United Kingdom and enhanced our international presence. The most significant of these transactions were as follows:

- the merger with AirTouch Communications, Inc. which completed on 30 June 1999. The Company changed its name to Vodafone AirTouch Plc in June 1999 but then reverted to its former name, Vodafone Group Plc, on 28 July 2000;
- the acquisition of Mannesmann AG which completed on 12 April 2000. Through this transaction we acquired businesses in Germany and Italy and increased our indirect holding in SFR;
- through a series of business transactions between 1999 and 2004 we acquired a 97.7% stake in Vodafone Japan. This was then disposed of on 27 April 2006; and
- on 8 May 2007 we acquired companies with interests in Vodafone Essar for US$10.9 billion (£5.5 billion), following which we control Vodafone Essar.

Other transactions that have occurred since 31 March 2008 are as follows:

19 May 2008 – Arcor: We increased our stake in Arcor for €460 million (£366 million) and now own 100% of Arcor.

17 August 2008 – Ghana: We acquired 70.0% of Ghana Telecommunications for cash consideration of £486 million.

9 January 2009 – Verizon Wireless: Verizon Wireless completed its acquisition of Alltel Corp. for approximately US$5.9 billion (£3.9 billion).

20 April 2009 – South Africa: We acquired an additional 15.0% stake in Vodacom for cash consideration of ZAR 20.6 billion (£1.6 billion). On 18 May 2009 Vodacom became a subsidiary.

10 May 2009 – Qatar: Vodafone Qatar completed a public offering of 40.0% of its authorised share capital raising QAR 3.4 billion (£0.6 billion). The shares were listed on the Qatar Exchange on 22 July 2009. Qatar launched full services on its network on 7 July 2009.

9 June 2009 – Australia: Vodafone Australia merged with Hutchison 3G Australia to form a 50:50 joint venture, Vodafone Hutchison Australia Pty Limited.

10 September 2010 – China Mobile Limited: We sold our entire 3.2% interest in China Mobile Limited for cash consideration of £4.3 billion.

30/31 March 2011 – India: The Essar Group exercised its underwritten put option over 22.0% of Vodafone Essar Limited ('VEL'), following which we exercised our call option over the remaining 11.0% of VEL owned by the Essar Group. The total consideration due under these two options is US$5 billion (£3.1 billion).

3 April 2011 – SFR: We agreed to sell our entire 44% interest in SFR to Vivendi for a cash consideration of €7.75 billion (£6.8 billion). We will also receive a final dividend from SFR of €200 million (£176 million) on completion of the transaction which, subject to competition authority and regulatory approvals, is expected during the second calendar quarter of 2011.

Regulation

Our operating companies are generally subject to regulation governing the operation of their business activities. Such regulation typically takes the form of industry specific law and regulation covering telecommunications services and general competition (antitrust) law applicable to all activities.

The following section describes the regulatory frameworks and the key regulatory developments at the global and regional level and in selected countries in which we have significant interests. Many of the regulatory developments reported in the following section involve ongoing proceedings or consideration of potential proceedings that have not reached a conclusion. Accordingly, we are unable to attach a specific level of financial risk to our performance from such matters.

European Union ('EU')

The European Commission (the 'Commission') has begun to consult on the future scope and nature of universal service provision in the EU. Current obligations generally involve the provision of a fixed connection allowing access to voice and simple data services. In some countries those operators responsible for providing universal services receive compensation from a fund to which we and others are required to make a financial contribution. The Commission has indicated that it would be reluctant to extend the scope of these funds to include very high speed broadband deployment and that additional financing for such projects should instead be sought from general taxation. The Commission has also published a broadband strategy which proposes that the European Investment Bank offer support for broadband infrastructure projects which fulfil certain criteria.

Roaming

The current roaming regulation (the 'roaming regulation') entered into force in July 2009 and requires mobile operators to supply voice and text roaming services under retail price caps. Wholesale price caps also apply to voice, text and data roaming services. Caps are adjusted (reduced) annually. The regulation expires in 2012 and the Commission is currently undertaking a review to determine what should happen thereafter. The Commission expects to publish formal proposals for the new roaming regulations during the summer of 2011. These will then be considered by the European Parliament and Council of Ministers (the 'Council'). In the meantime, the Commission has indicated that there is widespread support for the continuation of some form of regulation beyond 2012 and that this may extend to retail data services which are currently excluded from regulation. The Commission has consulted on a variety of options for regulation including a continuation of existing price caps, closer alignment of roaming prices to domestic prices, or the implementation of various 'structural' solutions, such as the decoupling of roaming services from domestic services, all of which would be intended to increase competition in either the retail or the wholesale roaming markets.

Call termination

In June 2010 the body of European Regulators for Electronic Communications ('BEREC') concluded that a move to 'bill and keep', in which no termination rates are payable between operators was "more promising (than existing call termination arrangements) in the long-term". In the meantime, national regulators are required to take utmost account of the Commission's existing recommendation on the regulation of fixed and mobile termination rates published in 2009.

At 31 March 2011 the termination rates effective for our subsidiaries and joint ventures within the EU, which differs from our Europe region, ranged from 3.00 eurocents per minute (2.64 pence) to 7.38 eurocents per minute (6.49 pence), at the relevant 31 March 2011 exchange rate.

Fixed network regulation

In September 2010 the Commission published a recommendation on the regulation of fibre 'next generation' broadband access networks (the 'NGA recommendation'), of which national regulators are required to take utmost account. The Commission recommends that national regulators ensure operators that have significant market power make unbundled access to fibre networks available to competitors on a cost-oriented basis which reflects the risk profile of the investment.

Spectrum

In July 2009 the Council adopted the amended GSM directive allowing the use of the 900 MHz and 1800 MHz GSM bands for universal mobile telecommunications service ('UMTS') technology ('refarming') and, in the future, other technologies. Member states were required to implement this by May 2010, subject to the undertaking of a competition review by the national regulator.

In September 2010 the Commission published a proposed radio spectrum policy programme ('RSPP') for consideration by the European Parliament and Council. The RSPP proposes that all member states release 800 MHz spectrum for mobile broadband services by 1 January 2013 unless the Commission agrees otherwise. It also provides guidance to national regulators to ensure that competition is safeguarded when rights of use for existing spectrum are changed (e.g. through refarming) or when new spectrum is assigned. Various amendments to the draft RSPP have been proposed by the European Parliament and Council.

Europe region

Germany

Our current termination rate was reduced in December 2010 to 3.36 eurocents per minute, effective until 30 November 2012.

The rates that access seekers have to pay in order to unbundle Deutsche Telekom's VDSL network were set by the national regulator in March 2010. We have appealed against these rates. The national regulator obliged Deutsche Telekom to grant access to its projected fibre to the home access network at ex post regulated rates in March 2011.

In May 2010 we acquired nationwide 15 year licences for 2x10 MHz of 800 MHz spectrum, 2x5 MHz of 2.1 GHz spectrum, 2x20 MHz of 2.6 GHz spectrum and 25 MHz of 2.6 GHz unpaired spectrum for a cost of €1.4 billion (£1.2 billion).

Italy

In July 2008 the national regulator reduced our termination rate to 8.85 eurocents per minute, in July 2009 to 7.70 eurocents per minute and in July 2010 to 6.60 eurocents per minute. Termination rates will reduce to 5.30 eurocents per minute in July 2011. The national regulator is currently consulting upon further reductions to 4.1 cents in January 2012 with further reductions to 0.98 cents by January 2015.

In November 2010 the Government entered into a memorandum of understanding with telecommunications operators, including Vodafone, to jointly develop a plan for the deployment of next generation fixed infrastructure in Italy.

In December 2010 the Italian regulator increased the monthly cost of an unbundled copper local loop from €8.49 (which had applied until 1 May 2010) to €8.70 for the period 1 May to 31 December 2010, to €9.02 for 2011 and to €9.28 for 2012, subject to Telecom Italia's network meeting certain quality thresholds. In February 2011 the national regulator approved the price increases for the 2011 wholesale products charge.

In January 2011 the national regulator launched a consultation on the obligations to be imposed on Telecom Italia in relation to its fibre network. These proposals vary significantly from the principles in the NGA recommendation described above as they do not require unbundled access where there are or could be two competing networks. We have objected to these proposals.

Spain

The national regulator has adopted a glide path of termination rate reductions to 4.00 from October 2011 to April 2012.

The national regulator has adopted an immediate 7% increase in the price at which we and other operators obtain unbundled copper local loops from Telefonica while it undertakes further analysis of these costs.

The national regulator has determined the net cost and industry contributions corresponding to universal service contributions for 2007. Vodafone is required to contribute €14.9 million. We are currently appealing this decision.

In June 2010 the Spanish Ministry of Industry, Tourism and Commerce issued a wideranging consultation on spectrum. In February 2011 the Government confirmed its plans under which operators (including Vodafone) will return small amounts of their existing 900 MHz and 1800 MHz spectrum, the remaining licences would be extended until 2030 and refarming would be allowed in these bands. A tender process for the 2.6 GHz and 800 MHz bands will also be undertaken in the 2011 calendar year, with the 800 MHz spectrum available for use from around 2015.

The national competition authority has commenced an investigation into the wholesale origination and termination charges levied by all Spanish mobile operators for SMS services.

United Kingdom

Our regulated average termination rate is currently 2.98 pence per minute. The national regulator has finalised the process to decide the rates that will apply from 1 April 2011 to 31 March 2015. It has imposed a glidepath with annual adjustments that would see a reduction to 0.69 pence per minute (plus inflation adjustment) in 2014 and 2015. The mobile network operators have until 16 May 2011 to appeal this decision.

All 2G licences have been modified to allow refarming to 3G. All 3G licences will also be made indefinite rather than expiring in 2021.

The national regulator will carry out a competition assessment and consultation process to what restrictions, if any, might be applied to participation in the auction of 800 MHz and 2.6 GHz spectrum, which is expected to be conducted in early 2012.

As part of the conditions for clearance of the merger between Orange UK and T-Mobile UK, the Commission has required them to dispose of 2x15 MHz of spectrum in the 1800 MHz band. If they fail to do so, this spectrum will be included in the auction.

Other Europe

Albania

Vodafone Albania acquired the single 3G licence (2x15 MHz) for €31.4m in November 2010. Commercial services were launched in January 2011.

Greece

The national regulator is currently consulting on the renewal/re-auction of existing 900 MHz licences expiring in 2012.

Hungary

In October 2010 the Hungarian Parliament adopted a law which imposes a significant additional tax burden on the telecommunications, retail and energy sectors. The law came into force in December 2010 and will apply until at least January 2013, although the Hungarian government has indicated that it may be further extended. Vodafone prepaid 7,343,503,000 HUF (£24 million) in December 2010. A large number of firms have asked the Commission to review the legality of the tax, which they are currently doing.

Ireland

The national regulator has proposed auctioning all spectrum in the 900 MHz and 1800 MHz spectrum bands at the same time as an auction of 800 MHz spectrum in 2011, with spectrum available in 2013. In the meantime, Vodafone's and O2's 900 MHz licences will be renewed until the commencement of the new licences in 2013.

Malta

The national regulator has concluded a process for the renewal/issue of all 900 MHz and 1800 MHz spectrum which allows Vodafone to retain all but five MHz of its 900 and 1800 MHz spectrum for 15 years. Vodafone has also secured an additional 20 MHz of 1800 MHz spectrum.

Netherlands

Our termination rate reduced to 4.20 eurocents per minute in January 2011 following a cost model analysis by the NRA which proposes reducing to 1.2 eurocents per minute by September 2012. This decision is currently under appeal.

Auctions of 2.6 GHz spectrum concluded in April 2010. Vodafone acquired 2x10 MHz of 2.6 GHz of spectrum for the reserve price of €200,000.

In February 2011 the Government announced plans to auction 800 MHz, 900 MHz, 1800 MHz, 2.1 GHz and 2.6 GHz spectrum in early 2012. It proposes to reserve two 800 MHz licences for new entrants.

Portugal

The national regulator has adopted a glide path of termination rate reductions from May 2010 to take the rate from 6.50 eurocents per minute to 3.50 eurocents per minute by August 2011. The national regulator is currently consulting on a cost modelling process to determine rates beyond August 2011.

The spectrum auction in Portugal was delayed and is now expected in 2011 and will include a number of spectrum bands including 800 MHz and 2.6 GHz.

The competition authority has started an investigation into certain retail pricing initiatives undertaken by Vodafone in early 2011.

Romania

Proposals for the renewal of Vodafone's 900/1800 MHz licences, which expire in December 2011, are expected shortly.

In February 2011 Vodafone was fined €28 million by the competition authority in relation to an alleged refusal to interconnect with another party in 2006. We appealed this decision in April 2011. Other enquiries remain ongoing. In April 2011 we were advised that new proceedings in relation to termination rates and subsidies for handsets will be initiated.

Turkey

Our termination rates are currently set at 0.032 Lira per minute.

Africa, Middle East and Asia Pacific region

India

The national regulator's decision to reduce interconnection charges to Rs 0.20 per minute effective 1 April 2010 was successfully appealed to the appellate body. The national regulator launched a new interconnect charges consultation process in April 2011 and has been directed by the appellate body to implement new rates by June 2011.

In May 2010 we secured 20 year licences for 2x5 MHz of 3G spectrum in nine circles in the Indian auction for a total price of INR 116.2 billion (£1.7 billion). These circles include Delhi, Mumbai, Kolkata and a further three 'A' circles and three 'B' circles providing a footprint covering 66% of VEL's current revenue base. In May 2010 the national regulator made recommendations on the spectrum management and licensing framework which includes far-reaching proposals for spectrum allocation and pricing. In February 2011 the national regulator recommended a new spectrum valuation approach for 1800 MHz spectrum. These recommendations will be reviewed by the Union Minister of Communications and IT.

In September 2010 VEL's appeal against the increase in 2G spectrum fees of 1% to 2% of adjusted gross revenue (effective from 1 April 2010) was unsuccessful. VEL then appealed to the Supreme Court in October 2010 and was granted a stay against the order increasing spectrum charges.

Regulation continued

South Africa

The national regulator may recommence the process for an auction of the 2.6 GHz and 3.5 GHz bands during the 2012 financial year.

In October 2010 the national regulator published a regulation establishing a glide path for mobile and fixed termination rates over the period to March 2014. The mobile termination rate will decline from a peak/off-peak rate of ZAR 0.89/0.77 respectively to ZAR 0.40 per minute from 1 March 2013.

Other Africa, Middle East and Asia Pacific

Egypt

The national regulator set termination rates at 65% of each operator's on-net retail revenue per minute in September 2008. Mobinil obtained interim relief against this regulation and a final order is awaited to clarify its application. On 28 January 2011, during a period of socio-political unrest and demonstrations, the government ordered Vodafone and the two other licensed mobile operators to temporarily suspend mobile services in certain areas. Vodafone subsequently restored its voice network to its customers the following day, and data and SMS were unavailable for five and nine days respectively.

New Zealand

Vodafone and Telecom New Zealand have been selected to share a NZ$285 million government grant to roll-out and operate an open access fibre and wireless network in rural areas.

The national regulator has adopted a regulation which reduces termination rates from around 18 cents to 7.5 cents in May 2011, with further reductions to 4.0 cents from April 2012. SMS termination rates are also regulated at 0.06 cents per SMS. The national regulator has indicated that it will monitor the impact of these measures and of on-net/off-net retail pricing which it believes to have inhibited competition.

Qatar

The price floor on retail services imposed in November 2009 on Vodafone by the national regulator was removed in April 2010. In July 2010 the national regulator ruled that QTel had launched the Virgin Mobile service illegally and required significant changes to be compliant. The national regulator has launched a strategic review of the sector.

Licences

The table below summarises the most significant mobile licences held by our operating subsidiaries and our joint venture in Italy at 31 March 2011. We present the licences by frequency band since in many markets, including the majority of Europe, they can be used for a variety of technologies including 2G, 3G and in the future LTE.

Mobile licences

Country by region	800 MHz expiry date	900 MHz expiry date	1800 MHz expiry date	2.1 GHz expiry date	2.6 GHz expiry date
Europe					
Germany	December 2025	December 2016	December 2016	December 2020	December 2025
Italy	n/a	February 2015	February 2015	December 2021	n/a
Spain	n/a	February 2020	July 2023	April 2020	n/a
UK	n/a	See note(1)	See note(1)	December 2021	n/a
Albania	n/a	June 2016	June 2016	December 2025	n/a
Czech Republic	n/a	January 2021	January 2021	February 2025	n/a
Greece	n/a	September 2012(2)	August 2016	August 2021	n/a
Hungary	n/a	July 2014(3)	July 2014(3)	December 2019(3)	n/a
Ireland	n/a	May 2011	December 2015	October 2022	n/a
Malta	n/a	May 2011	May 2011	August 2020	n/a
Netherlands	n/a	March 2013	March 2013	December 2016	May 2030
Portugal	n/a	October 2021	October 2021	January 2016	n/a
Romania	n/a	December 2011	December 2011	March 2020	n/a
Turkey	n/a	April 2023	–	April 2029	n/a
Africa, Middle East and Asia Pacific					
India(4)	n/a	November 2014 – December 2026	November 2014 – December 2026	September 2030	n/a
Vodacom: South Africa	n/a	See note(5)	See note(5)	See note(5)	n/a
Egypt	n/a	January 2022	January 2022	January 2022	n/a
Ghana	n/a	December 2019	December 2019	December 2023(6)	n/a
New Zealand	n/a	November 2031	March 2021	March 2021	n/a
Qatar	n/a	June 2028	June 2028	June 2028	n/a

Notes:
(1) Indefinite licence with a one year notice of revocation.
(2) One third of the 900 MHz spectrum will expire in 2016.
(3) Options to extend these licences.
(4) India is comprised of 23 separate service area licences with a variety of expiry dates. Option to extend 900/1800 licences by ten years. Vodafone acquired 3G licences in nine of the service areas in May 2010.
(5) Vodacom's South African spectrum licences are renewed annually. As part of the migration to a new licensing regime the NRA has issued Vodacom a service licence and a network licence which will permit Vodacom to offer mobile and fixed services. The service and network licences have 20 year duration and will expire in 2028. Vodacom also holds licences to provide 2G and/or 3G services in the Democratic Republic of Congo, Lesotho, Mozambique and Tanzania.
(6) The NRA has issued provisional licences with the intention of converting these to full licences once the NRA board has been reconvened.

Non-GAAP information

In the discussion of our reported financial position, operating results and cash flows, information is presented to provide readers with additional financial information that is regularly reviewed by management. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

EBITDA

EBITDA is operating profit excluding share in results of associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses and other operating income and expense. We use EBITDA, in conjunction with other GAAP and non-GAAP financial measures such as adjusted operating profit, operating profit and net profit, to assess our operating performance. We believe that EBITDA is an operating performance measure, not a liquidity measure, as it includes non-cash changes in working capital and is reviewed by the Chief Executive to assess internal performance in conjunction with EBITDA margin, which is an alternative sales margin figure. We believe it is both useful and necessary to report EBITDA as a performance measure as it enhances the comparability of profit across segments.

Because EBITDA does not take into account certain items that affect operations and performance, EBITDA has inherent limitations as a performance measure. To compensate for these limitations, we analyse EBITDA in conjunction with other GAAP and non-GAAP operating performance measures. EBITDA should not be considered in isolation or as a substitute for a GAAP measure of operating performance.

A reconciliation of EBITDA to the closest equivalent GAAP measure, operating profit, is provided in note 3 to the consolidated financial statements on page 91.

Group adjusted operating profit and adjusted earnings per share

Group adjusted operating profit excludes non-operating income of associates, impairment losses and other income and expense. Adjusted earnings per share also excludes amounts in relation to equity put rights and similar arrangements and certain foreign exchange rate differences, together with related tax effects. We believe that it is both useful and necessary to report these measures for the following reasons:

- these measures are used for internal performance analysis;
- these measures are used in setting director and management remuneration; and
- they are useful in connection with discussion with the investment analyst community and debt rating agencies.

Reconciliations of adjusted operating profit and adjusted earnings per share to the respective closest equivalent GAAP measures, operating profit and basic earnings per share, are provided in "Operating results" beginning on page 34.

Cash flow measures

In presenting and discussing our reported results, free cash flow and operating free cash flow are calculated and presented even though these measures are not recognised within IFRS. We believe that it is both useful and necessary to communicate free cash flow to investors and other interested parties, for the following reasons:

- free cash flow allows us and external parties to evaluate our liquidity and the cash generated by our operations. Free cash flow does not include payments for licences and spectrum included within intangible assets, items determined independently of the ongoing business, such as the level of dividends, and items which are deemed discretionary, such as cash flows relating to acquisitions and disposals or financing activities. In addition, it does not necessarily reflect the amounts which we have an obligation to incur. However, it does reflect the cash available for such discretionary activities, to strengthen the consolidated statement of financial position or to provide returns to shareholders in the form of dividends or share purchases;
- free cash flow facilitates comparability of results with other companies although our measure of free cash flow may not be directly comparable to similarly titled measures used by other companies;
- these measures are used by management for planning, reporting and incentive purposes; and
- these measures are useful in connection with discussion with the investment analyst community and debt rating agencies.

A reconciliation of cash generated by operations, the closest equivalent GAAP measure, to operating free cash flow and free cash flow, is provided in "Financial position and resources" on page 48.

Other

Certain of the statements within the section titled "Chief Executive's review" on pages 10 to 11 contain forward-looking non-GAAP financial information for which at this time there is no comparable GAAP measure and which at this time cannot be quantitatively reconciled to comparable GAAP financial information.

Certain of the statements within the section titled "Guidance" on page 44 contain forward-looking non-GAAP financial information which at this time cannot be quantitatively reconciled to comparable GAAP financial information.

Organic growth

All amounts in this document marked with an "(*)" represent organic growth which present performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates. We believe that "organic growth", which is not intended to be a substitute for or superior to reported growth, provides useful and necessary information to investors and other interested parties for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to the operating performance of the business;
- it is used for internal performance analysis; and
- it facilitates comparability of underlying growth with other companies, although the term "organic" is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies.

Non-GAAP information continued

Reconciliation of organic growth to reported growth is shown where used, or in the table below:

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
31 March 2011				
Group				
Service revenue				
H2 2011	2.5	0.2	(1.5)	1.2
H1 2011	1.7	1.5	0.5	3.7
Change	0.8	(1.3)	(2.0)	(2.5)
Revenue	2.8	0.8	(0.4)	3.2
Service revenue	2.1	0.9	(0.6)	2.4
Service revenue for the quarter ended 31 March 2011	2.5	0.1	(2.2)	0.4
Data revenue	26.4	1.2	(1.2)	26.4
Fixed line revenue	5.2	1.7	(3.5)	3.4
Emerging markets service revenue	11.8	3.4	6.8	22.0
Vodafone Global Enterprise revenue	8	–	3	11
EBITDA	(0.7)	1.4	(1.1)	(0.4)
Adjusted operating profit	1.8	2.5	(1.2)	3.1
Europe				
Service revenue				
31 March 2010	(3.8)	0.1	4.6	0.9
31 March 2009	(1.7)	2.5	13.2	14.0
Change	(2.1)	(2.4)	(8.6)	(13.1)
Service revenue for the six months ended 31 March 2011	(0.3)	0.2	(3.5)	(3.6)
Service revenue for the quarter ended 31 March 2011	(0.8)	0.2	(3.2)	(3.8)
Northern Europe service revenue growth	2.7	(1.2)	(2.8)	(1.3)
Southern Europe service revenue growth	(2.9)	1.2	(3.5)	(5.2)
Enterprise revenue	0.5	0.2	(3.2)	(2.5)
Germany – service revenue excluding the impact of termination rate cuts	2.1	–	(4.1)	(2.0)
Germany – data revenue	27.9	–	(5.1)	22.8
Germany – enterprise revenue	3.6	–	(4.2)	(0.6)
Italy – data revenue	21.5	–	(4.8)	16.7
Spain – data revenue	14.8	–	(4.8)	10.0
UK – data revenue	28.5	–	–	28.5
Greece – service revenue	(19.4)	–	(3.2)	(22.6)
Turkey – service revenue	28.9	3.6	2.7	35.2
Africa, Middle East and Asia Pacific				
Service revenue for the quarter ended 31 March 2011	11.8	(1.3)	0.7	11.2
Vodacom – data revenue[1]	43.8	9.7	15.2	68.7
South Africa – data revenue	41.8	9.5	15.6	66.9
Egypt – service revenue	(0.8)	–	(1.0)	(1.8)
Egypt – data revenue	37.7	–	(1.5)	36.2
Ghana – service revenue	21.0	–	1.6	22.6
Indus Towers – contribution to India service revenue growth	1.7	–	0.1	1.8
Percentage point reduction in EBITDA margin	(0.6)	1.0	(0.2)	0.2
Verizon Wireless				
Revenue	6.0	–	2.6	8.6
Service revenue[2]	5.8	–	2.6	8.4
EBITDA	6.7	(0.1)	2.7	9.3
Group's share of result of Verizon Wireless	8.5	(0.1)	2.7	11.1

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
31 March 2010				
Group				
Service revenue	(1.6)	4.9	5.6	8.9
Data revenue	19.3	6.9	6.8	33.0
Fixed line revenue	7.9	6.0	6.7	20.6
Emerging markets service revenue	7.9	31.3	7.9	47.1
Europe				
Service revenue	(3.8)	0.1	4.6	0.9
Data revenue	17.7	–	5.5	23.2
Fixed line revenue	7.5	–	6.3	13.8
Enterprise revenue	(4.8)	–	4.5	(0.3)
Germany – service revenue for the quarter ended 31 March 2010	(1.6)	–	(2.4)	(4.0)
Germany – mobile service revenue	(5.0)	–	6.0	1.0
Germany – mobile service revenue for the quarter ended 31 March 2010	(1.8)	–	(2.3)	(4.1)
Germany – fixed line revenue	1.3	–	6.1	7.4
Spain – service revenue for the quarter ended 31 March 2010	(6.2)	–	(2.3)	(8.5)
UK – service revenue for the quarter ended 31 March 2010	(2.6)	–	–	(2.6)
Greece – service revenue	(14.5)	–	5.6	(8.9)
Netherlands – service revenue	3.0	–	6.4	9.4
Portugal – service revenue	(4.9)	–	6.1	1.2
Romania – service revenue	(19.9)	–	5.2	(14.7)
Romania – EBITDA	(26.5)	–	4.7	(21.8)
Turkey – service revenue for the quarter ended 31 March 2010	31.3	–	1.5	32.8
Africa, Middle East and Asia Pacific				
India – service revenue for the quarter ended 31 March 2010	6.5	–	0.1	6.6
Indus Towers – contribution to India service revenue growth for the quarter ended 31 March 2010	0.3	–	0.1	0.4
Vodacom – data revenue	32.9	155.3	57.3	245.5
Egypt – service revenue	1.3	–	4.7	6.0
Egypt – data and fixed line revenue	64.2	–	4.4	68.6
Verizon Wireless				
Revenue	5.0	11.8	5.5	22.3
Service revenue	6.3	11.7	5.6	23.6
EBITDA	4.4	10.9	5.4	20.7
Group's share of result of Verizon Wireless	8.0	2.5	5.6	16.1
31 March 2009				
Group				
Service revenue	(0.3)	3.1	13.1	15.9
Data revenue	25.9	0.7	17.1	43.7
Fixed line revenue	2.1	21.3	22.1	45.5
Emerging markets service revenue(3)	6.4	14.2	6.4	27.0
Europe				
Germany – service revenue	(2.5)	(0.1)	17.6	15.0
Italy – service revenue	1.2	4.7	19.2	25.1
Spain – service revenue	(4.9)	2.5	17.7	15.3
UK – service revenue	(1.1)	0.3	–	(0.8)
Africa, Middle East and Asia Pacific				
India – pro-forma revenue	33	9	6	48
Vodacom – service revenue	13.8	2.1	(5.2)	10.7

Notes:
(1) Data revenue in South Africa grew by 41.8%(*). Excluding the impact of reclassifications between messaging and data revenue during the year, data revenue grew by 35.9%(*).
(2) Organic growth rates include the impact of a non-cash revenue adjustment which was recorded to properly defer previously recognised data revenue that will be earned and recognised in future periods. Excluding this the equivalent growth rates for service revenue, revenue, adjusted EBITDA and the Group's share of result in Verizon Wireless would have been 6.4%(*), 6.6%(*), 8.2%(*) and 10.8%(*) respectively.
(3) Excludes India, Ghana and Qatar as these were not owned for the full financial year.

Form 20-F cross reference guide

The information in this document that is referenced in the following table is included in our annual report on Form 20-F for 2011 filed with the SEC (the '2011 Form 20-F'). The information in this document may be updated or supplemented at the time of filing with the SEC or later amended if necessary. No other information in this document is included in the 2011 Form 20-F or incorporated by reference into any filings by us under the Securities Act. Please see "Documents on display" on page 137 for information on how to access the 2011 Form 20-F as filed with the SEC. The 2011 Form 20-F has not been approved or disapproved by the SEC nor has the SEC passed judgement upon the adequacy or accuracy of the 2011 Form 20-F.

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Note:
(1) The Company financial statements, and the audit report and notes relating thereto, on pages 126 to 131 should not be considered to form part of the Company's annual report on Form 20-F.

Forward-looking statements

This document contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives.

In particular, such forward-looking statements include statements with respect to:

- the Group's expectations regarding its financial and operating performance, including statements contained within the Chief Executive's review on pages 10 to 11, the Group's 7% dividend per share growth target contained on pages 6, 27, 44 and 48, and the guidance statement for the 2012 financial year and the medium-term guidance statement for the three financial years ending 31 March 2014 on page 44 of this document, and the performance of joint ventures, associates, including Verizon Wireless and VHA, other investments and newly acquired businesses;
- intentions and expectations regarding the development of products, services and initiatives introduced by, or together with, Vodafone or by third parties, including new mobile technologies, such as the introduction of 4G, the Vodafone M-Pesa money transfer system, tablets and an increase in download speeds and 3G sites;
- expectations regarding the global economy and the Group's operating environment, including future market conditions, growth in the number of worldwide mobile phone users and other trends, including increased data usage;
- revenue and growth expected from the Group's total communications strategy, including data revenue growth, and its expectations with respect to long-term shareholder value growth;
- mobile penetration and coverage rates, termination rate cuts, the Group's ability to acquire spectrum, expected growth prospects in the Europe, Africa, Middle East and Asia Pacific regions and growth in customers and usage generally;
- expected benefits associated with the merger of Vodafone Australia and Hutchison 3G Australia;
- anticipated benefits to the Group from cost efficiency programmes;
- possible future acquisitions, including increases in ownership in existing investments, the timely completion of pending acquisition transactions and pending offers for investments, including licence acquisitions, and the expected funding required to complete such acquisitions or investments;
- expectations regarding the Group's future revenue, operating profit, EBITDA margin, free cash flow, capital intensity, depreciation and amortisation charges, foreign exchange rates, tax rates and capital expenditure;
- expectations regarding the Group's access to adequate funding for its working capital requirements and share buyback programmes, and the rate of dividend growth by the Group (including the Group's 7% dividend per share growth target) or its existing investments; and
- the impact of regulatory and legal proceedings involving Vodafone and of scheduled or potential regulatory changes.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets". By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following:

- general economic and political conditions in the jurisdictions in which the Group operates and changes to the associated legal, regulatory and tax environments;
- increased competition, from both existing competitors and new market entrants, including mobile virtual network operators;
- levels of investment in network capacity and the Group's ability to deploy new technologies, products and services in a timely manner, particularly data content and services;
- rapid changes to existing products and services and the inability of new products and services to perform in accordance with expectations, including as a result of third party or vendor marketing efforts;
- the ability of the Group to integrate new technologies, products and services with existing networks, technologies, products and services;
- the Group's ability to generate and grow revenue from both voice and non-voice services and achieve expected cost savings;
- a lower than expected impact of new or existing products, services or technologies on the Group's future revenue, cost structure and capital expenditure outlays;
- slower than expected customer growth, reduced customer retention, reductions or changes in customer spending and increased pricing pressure;
- the Group's ability to expand its spectrum position, win 3G and 4G allocations and realise expected synergies and benefits associated with 3G and 4G;
- the Group's ability to secure the timely delivery of high quality, reliable handsets, network equipment and other key products from suppliers;
- loss of suppliers, disruption of supply chains and greater than anticipated prices of new mobile handsets;
- changes in the costs to the Group of, or the rates the Group may charge for, terminations and roaming minutes;
- the Group's ability to realise expected benefits from acquisitions, partnerships, joint ventures, franchises, brand licences, platform sharing or other arrangements with third parties, particularly those related to the development of data and internet services;
- acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities which may have a negative impact on the Group's financial condition and results of operations;
- the Group's ability to integrate acquired business or assets and the imposition of any unfavourable conditions, regulatory or otherwise, on any pending or future acquisitions or dispositions;
- the extent of any future write-downs or impairment charges on the Group's assets, or restructuring charges incurred as a result of an acquisition or disposition;
- developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends;
- the Group's ability to satisfy working capital requirements through borrowing in capital markets, bank facilities and operations;
- changes in foreign exchange rates, including particularly the exchange rate of pounds sterling to the euro and the US dollar;
- changes in the regulatory framework in which the Group operates, including the commencement of legal or regulatory action seeking to regulate the Group's permitted charging rates;
- the impact of legal or other proceedings against the Group or other companies in the communications industry; and
- changes in statutory tax rates and profit mix, the Group's ability to resolve open tax issues and the timing and amount of any payments in respect of tax liabilities.

Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under "Principal risk factors and uncertainties" on pages 45 and 46 of this document. All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

Definition of terms

2G	2G networks are operated using global system for mobile ('GSM') technology which offer services such as voice, text messaging and basic data. In addition, all the Group's controlled networks support general packet radio services ('GPRS'), often referred to as 2.5G. GPRS allows mobile devices to access IP based data services such as the internet and email.
3G	A cellular technology based on wide band CDMA delivering voice and data services.
4G	4G or LTE technology offers even faster data transfer speeds than 3G/HSPA, increases network capacity and is able to deliver sustained customer throughputs of between 6-12 Mbps in real network conditions.
Acquisition costs	The total of connection fees, trade commissions and equipment costs relating to new customer connections.
ADR	American depositary receipts is a mechanism designed to facilitate trading in shares of non-US companies in the US stock markets. The main purpose is to create an instrument which can easily be settled through US stock market clearing systems.
ADS	American depositary shares are shares evidenced by american depositary receipts. ADSs are issued by a depositary bank and represent one or more shares of a non-US issuer held by the depositary bank. The main purpose of ADSs is to facilitate trading in shares of non-US companies in the US markets and, accordingly, ADRs which evidence ADSs are in a form suitable for holding in US clearing systems.
AGM	Annual general meeting.
ARPU	Service revenue excluding fixed line revenue, fixed advertising revenue, revenue related to business managed services and revenue from certain tower sharing arrangements divided by average customers.
Capital expenditure	This measure includes the aggregate of capitalised property, plant and equipment additions and capitalised software costs.
CDMA	Code-division multiple access refers to any of several protocols used in 2G and 3G communications. It allows numerous signals to occupy a single transmission channel, optimising availability of bandwidth.
Churn	Total gross customer disconnections in the period divided by the average total customers in the period.
Controlled and jointly controlled	Controlled and jointly controlled measures include 100% for the Group's mobile operating subsidiaries and the Group's proportionate share for joint ventures.
Customer costs	Customer costs include acquisition costs, being the total of connection fees, trade commissions and equipment costs relating to new customer connections, and retention costs, being the total of trade commissions, loyalty scheme and equipment costs relating to customer retention and upgrades, as well as expenses related to ongoing commissions.
Depreciation and other amortisation	This measure includes the profit or loss on disposal of property, plant and equipment and computer software.
Direct costs	Direct costs include interconnect costs and other direct costs of providing services.
DSL	A digital subscriber line which is a fixed line enabling data to be transmitted at theoretical peak speeds of up to 16 Mbps.
DTT	Digital terrestrial television.
EBITDA	Operating profit excluding share in results of associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses and other operating income and expense.
EDGE	In most our networks we also provide an advanced version of GPRS called enhanced data rates for GSM evolution ('EDGE'). This provides download speeds of over 200 kilobits per second ('kbps') to customers.
Emerging markets	India, Vodacom, Egypt, Turkey, Ghana, Qatar and Fiji.
Fixed broadband customer	A fixed broadband customer is defined as a physical connection or access point to a fixed line network.
FRC	Financial Reporting Council.
Free cash flow	Operating free cash flow after cash flows in relation to taxation, interest, dividends received from associates and investments and dividends paid to non-controlling shareholders in subsidiaries but before licence and spectrum payments and for the year ended 31 March 2011 other items in respect of: the UK CFC settlement, tax relating to the disposal of China Mobile Limited, the SoftBank disposal and the court deposit made in respect of the India tax case.
FSA	Financial Services Authority.
HSDPA	High speed downlink packet access is a wireless technology enabling theoretical network to mobile data transmission speeds of up to 43.2 Mbps.
HSPA	High speed packet access or third generation ('3G') is a wireless technology operating wideband code division multiple access ('W-CDMA') technology, providing customers with voice, video telephony, multimedia messaging and high speed data services.
Impairment	A downward revaluation of an asset.
'in the cloud'	This means the customer has little or no equipment at their premises and all the equipment and capability is run from the Vodafone network instead. This removes the need for customers to make capital investment and instead they have an operating cost model with a recurring monthly fee.
Interconnect costs	A charge paid by Vodafone to other fixed line or mobile operators when a Vodafone customer calls a customer connected to a different network.
IP	Internet protocol ('IP') is the method by which data is sent from one computer to another on the internet.
LAN	A local area network supplies networking capability to a group of computers in close proximity to each other.
LTE	Long-term evolution ('LTE') is 4G technology which offers even faster data transfer speeds than 3G/HSPA, increases network capacity and is able to deliver sustained customer throughputs of between 6-12 Mbps in real network conditions.
Mark-to-market	Mark-to-market or fair value accounting refers to accounting for the value of an asset or liability based on the current market price of the asset or liability.

Definition of terms continued

Mobile broadband	Also known as mobile internet (see below).
Mobile customer	A mobile customer is defined as a subscriber identity module ('SIM'), or in territories where SIMs do not exist, a unique mobile telephone number, which has access to the network for any purpose, including data only usage, except telemetric applications. Telemetric applications include, but are not limited to, asset and equipment tracking, mobile payment and billing functionality, e.g. vending machines and meter readings, and include voice enabled customers whose usage is limited to a central service operation, e.g. emergency response applications in vehicles.
Mobile internet	Browser based access to the internet or web applications using a mobile device, such as a smartphone, connected to a wireless network.
Mobile termination rate ('MTR')	A per minute charge paid by a telecommunications network operator when a customer makes a call to another mobile or fixed line network operator.
MVNO	Mobile virtual network operators, companies that provide mobile phone services but do not have their own licence of spectrum or the infrastructure required to operate a network.
Net debt	Long-term borrowings, short-term borrowings and mark-to-market adjustments on financing instruments less cash and cash equivalents.
Net promoter score	Net promoter score ('NPS') is a customer loyalty metric used to monitor customer satisfaction.
Operating costs	Operating expenses plus customer costs other than acquisition and retention costs.
Operating expenses	Operating expenses comprise primarily of network and IT related expenditure, support costs from HR and finance and certain intercompany items.
Operating free cash flow	Cash generated from operations after cash payments for capital expenditure (excludes capital licence and spectrum payments) and cash receipts from the disposal of intangible assets and property, plant and equipment.
Organic growth	The percentage movements in organic growth are presented to reflect operating performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates.
Partner markets	Markets in which the Group has entered into a partner agreement with a local mobile operator enabling a range of Vodafone's global products and services to be marketed in that operator's territory and extending Vodafone's reach into such markets.
Penetration	Number of SIMs in a country as a percentage of the country's population. Penetration can be in excess of 100% due to customers' owning more than one SIM.
Petabyte	A petabyte is a measure of data usage. One petabyte is a million gigabytes.
Pps	Percentage points.
Pro-forma growth	Pro-forma growth is organic growth adjusted to include acquired business for the whole of both periods.
Reported growth	Reported growth is based on amounts reported in pounds sterling as determined under IFRS.
RAN	Radio access network is part of a mobile telecommunication system which conceptually sits between the mobile phone and the base station.
Retention costs	The total of trade commissions, loyalty scheme and equipment costs relating to customer retention and upgrade.
Roaming	Allows our customers to make calls on other operators' mobile networks while travelling abroad.
Service revenue	Service revenue comprises all revenue related to the provision of ongoing services including, but not limited to, monthly access charges, airtime usage, roaming, incoming and outgoing network usage by non-Vodafone customers and interconnect charges for incoming calls.
Smartphone devices	A smartphone is a mobile phone offering advanced capabilities including access to email and the internet.
Smartphone penetration	The number of smartphone devices divided by the number of registered SIMs, excluding data only SIMs.
Spectrum	The radio frequency bands and channels assigned for telecommunication services.
Tablet device	A tablet is a slate shaped, mobile or portable, casual computing device equipped with a finger operated touchscreen or stylus, for example, the Apple iPad.
Visitor revenue	Amounts received by a Vodafone operating company when customers of another operator, including those of other Vodafone companies, roam onto its network.
Wi-Fi	A Wi-Fi enabled device such as a smartphone can connect to the internet when within a range of a wireless network connected to the internet.

Selected financial data

At/for the year ended 31 March	2011	2010	2009	2008	2007
Consolidated income statement data (£m)					
Revenue	45,884	44,472	41,017	35,478	31,104
Operating profit/(loss)	5,596	9,480	5,857	10,047	(1,564)
Profit/(loss) before taxation	9,498	8,674	4,189	9,001	(2,383)
Profit/(loss) for the financial year from continuing operations	7,870	8,618	3,080	6,756	(4,806)
Profit/(loss) for the financial year	7,870	8,618	3,080	6,756	(5,222)
Consolidated statement of financial position data (£m)					
Total assets	151,220	156,985	152,699	127,270	109,617
Total equity	87,561	90,810	84,777	76,471	67,293
Total equity shareholders' funds	87,555	90,381	86,162	78,043	67,067
Earnings per share[1]					
Weighted average number of shares (millions)					
– Basic	52,408	52,595	52,737	53,019	55,144
– Diluted	52,748	52,849	52,969	53,287	55,144
Basic earnings/(loss) per ordinary share (pence)					
– Profit/(loss) from continuing operations	15.20p	16.44p	5.84p	12.56p	(8.94)p
– Profit/(loss) for the financial year	15.20p	16.44p	5.84p	12.56p	(9.70)p
Diluted earnings/(loss) per ordinary share					
– Profit/(loss) from continuing operations	15.11p	16.36p	5.81p	12.50p	(8.94)p
– Profit/(loss) for the financial year	15.11p	16.36p	5.81p	12.50p	(9.70)p
Cash dividends[1][2]					
Amount per ordinary share (pence)	8.90p	8.31p	7.77p	7.51p	6.76p
Amount per ADS (pence)	89.0p	83.1p	77.7p	75.1p	67.6p
Amount per ordinary share (US cents)	14.33c	12.62c	11.11c	14.91c	13.28c
Amount per ADS (US cents)	143.3c	126.2c	111.1c	149.1c	132.8c
Other data					
Ratio of earnings to fixed charges[3]	5.7	3.6	1.2	3.9	–
Ratio of earnings to fixed charges deficit[3]	–	–	–	–	(4,389)

Notes:
(1) See note 8 to the consolidated financial statements, "Earnings per share". Earnings and dividends per ADS is calculated by multiplying earnings per ordinary share by ten, the number of ordinary shares per ADS. Dividend per ADS is calculated on the same basis.
(2) The final dividend for the year ended 31 March 2011 was proposed by the directors on 17 May 2011 and is payable on 5 August 2011 to holders of record as of 3 June 2011. The total dividends have been translated into US dollars at 31 March 2011 for purposes of the above disclosure but the dividends are payable in US dollars under the terms of the ADS depositary agreement.
(3) For the purposes of calculating these ratios, earnings consist of profit before tax adjusted for fixed charges, dividend income from associates, share of profits and losses from associates, interest capitalised, interest amortised and profits and losses on ordinary activities before taxation from discontinued operations. Fixed charges comprise one third of payments under operating leases, representing the estimated interest element of these payments, interest payable and similar charges, interest capitalised and preferred share dividends.

Notes

Vodafone, the Vodafone logo, Vodafone Mobile Broadband, The Vodafone Way, Vodafone Always Best Connected, TeleTu and Tele2, Vodafone TV, Vodafone WebBox, M-PESA, Vodafone One Net, Vodafone Sure Signal, Vodafone Mobile Connect and Vodacom are trade marks of the Vodafone Group. World of Difference and Mobiles for Good are trade marks of the Vodafone Foundation. RIM and BlackBerry are registered with the US Patent and Trademark Office and may be pending or registered in other countries. Microsoft, Windows Mobile and ActiveSync are either registered trade marks or trade marks of Microsoft Corporation in the US and/or other countries. Google, Google Maps and Android are trademarks of Google Inc. Apple, iPhone and iPad are trade marks of Apple Inc., registered in the US and other countries. Other product and company names mentioned herein may be the trade marks of their respective owners.

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