Key performance indicators

The Board and the Executive Committee use a number of key performance indicators[1] ('KPIs') to monitor Group and regional performance against budgets and forecasts as well as to measure progress against our strategic objectives. There are a number of other KPIs that are used to monitor the results of individual operating companies but for which no Group KPI is calculated including revenue market share and EBITDA market share.

KPI	Purpose of KPI	2010	2009	2008
Free cash flow[2]	Provides an evaluation of the cash generated by our operations and available for reinvestment, shareholder returns or debt reduction. Also used in determining management's remuneration.	**£7,241m**	£5,722m	£5,580m
Service revenue and related organic growth[2]	Measure of our success in growing ongoing revenue streams. Also used in determining management's remuneration.	**£41,719m** **(1.6)%**	£38,294m (0.3)%	£33,042m 4.3%
Data revenue and related organic growth[2]	Data revenue is expected to be a key driver of the future growth of the business.	**£4,051m** **19.3%**	£3,046m 25.9%	£2,119m 39.0%
Fixed line revenue and related organic growth[2]	Measure of success in offering total communications services	**£3,289m** **7.9%**	£2,727m 2.1%	£1,874m 6.2%
Capital expenditure	Measure of our investment in capital expenditure to deliver services to customers.	**£6,192m**	£5,909m	£5,075m
EBITDA and related organic growth[2]	Measure used by management to monitor performance at a segment level.	**£14,735m** **(7.4)%**	£14,490m (3.5)%	£13,178m 2.6%
Customer delight index	Measure of customer satisfaction across our controlled markets and jointly controlled market in Italy. Also used in determining management's remuneration.	**73.1**	72.9	73.1
Net promoter score ('NPS')	At the end of the 2010 financial year, most markets migrated to NPS, which is also used to monitor customer satisfaction. In relation to those subsidiaries that have migrated, NPS will be incorporated into the competitive performance assessment used in determining management's remuneration.			
Adjusted operating profit and related organic growth[2]	Measure used for the assessment of operating performance, including the results of associates. Also used in determining management's remuneration.	**£11,466m** **(7.0)%**	£11,757m 2.0%	£10,075m 5.7%
Proportionate mobile customers[1]	Customers are a key driver of revenue growth in all operating companies in which we have an equity interest.	**341.1m**	302.6m	260.5m
Proportionate mobile customer net additions[1]	Measure of our success at attracting new and retaining existing customers.	**34.6m**	33.6m	39.5m
Voice usage (in minutes)	Voice usage is an important driver of revenue growth, especially given continuing price reductions in the competitive markets in which we operate.	**686.6bn**	548.4bn	427.9bn

Notes:
(1) Definition of the key terms is provided on page 141.
(2) See 'Non-GAAP information' on page 136 for further details on the use of non-GAAP measures.

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 and Central Europe, Asia Pacific and Middle East and Verizon Wireless in the United States have developed in the last three years.

2010 financial year compared to the 2009 financial year

Group(1)(2)

	Europe £m	Africa and Central Europe £m	Asia Pacific and Middle East £m	Verizon Wireless £m	Common Functions(3) £m	Eliminations £m	2010 £m	2009 £m	% change £	% change Organic(4)
Revenue	29,878	8,026	6,481	–	269	(182)	44,472	41,017	8.4	(2.3)
Service revenue	28,310	7,405	6,146	–	6	(148)	41,719	38,294	8.9	(1.6)
EBITDA	10,927	2,327	1,840	–	(359)	–	14,735	14,490	1.7	(7.4)
Adjusted operating profit	6,918	527	358	4,112	(449)	–	11,466	11,757	(2.5)	(7.0)
Adjustments for:										
Impairment losses, net							(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) The Group revised how it determines and discloses segmental EBITDA and adjusted operating profit during the year. See note 3 to the consolidated financial statements.
(2) Current year results reflect average exchange rates of £1:€1.13 and £1:US$1.60.
(3) 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.
(4) 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. See "Acquisitions" on page 42 for further details.

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 £41.7 billion, while organic service revenue declined by 1.6%(*). Service revenue was impacted by challenging economic conditions in Europe and Central Europe offset by growth in Africa, Asia Pacific and the Middle East.

In Europe service revenue fell 3.5%(*), a 1.8 percentage point decline on the previous year reflecting challenging economic conditions in most markets offset by growth in Italy 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. 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 7.7%(*) 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 and Central Europe service revenue fell by 1.2%(*), a 4.3 percentage point decline on the previous year resulting from challenging economic conditions in Central Europe, mobile termination rate cuts across the region and competition led pricing movements in Romania partially offset by strong growth in Vodacom. 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 across Central Europe, which became effective during the year, contributed 3.4 percentage points to the decline in service revenue.

In Asia Pacific and Middle East service revenue increased by 9.8%(*). 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 7.3%(*), with a decline in the EBITDA margin of 1.0 percentage point, primarily driven by the downward revenue trend and the growth of lower margin fixed line operations partially offset by operating and direct cost savings.

Africa and Central Europe's EBITDA decreased by 5.8%(*) resulting from reduced EBITDA margins across the majority of Central Europe due to challenging economic conditions and investment in Turkey to drive growth in the second half of the financial year. Strong revenue growth in Vodacom, combined with direct and customer cost savings partially offset the decline in Central Europe.

In Asia Pacific and Middle East EBITDA increased by 1.4%(*), with growth in India being 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.

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 44.
(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 on page 32. 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 the current year 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".

Europe(1)

	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	Europe £m	% change £	Organic
Year ended 31 March 2010									
Revenue	8,008	6,027	5,713	5,025	5,354	(249)	29,878	0.8	(4.1)
Service revenue	7,722	5,780	5,298	4,711	5,046	(247)	28,310	1.5	(3.5)
EBITDA	3,122	2,843	1,956	1,141	1,865	–	10,927	(2.0)	(7.3)
Adjusted operating profit	1,695	2,107	1,310	155	1,651	–	6,918	(2.9)	(8.9)
EBITDA margin	39.0%	47.2%	34.2%	22.7%	34.8%		36.6%		
Year ended 31 March 2009									
Revenue	7,847	5,547	5,812	5,392	5,329	(293)	29,634		
Service revenue	7,535	5,347	5,356	4,912	5,029	(293)	27,886		
EBITDA	3,225	2,565	2,034	1,368	1,957	–	11,149		
Adjusted operating profit	1,835	1,839	1,421	328	1,702	–	7,125		
EBITDA margin	41.1%	46.2%	35.0%	25.4%	36.7%		37.6%		

Note:
(1) The Group revised how it determines and discloses segmental EBITDA and adjusted operating profit during the year. See note 3 to the consolidated financial statements.

Revenue increased by 0.8% benefiting from exchange rate movements. On an organic basis service revenue declined by 3.5%(*) reflecting reductions in most markets partially offset by growth in Italy 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 2.0% resulting from an organic decline partially offset by a positive contribution from foreign exchange rate movements. On an organic basis, EBITDA decreased by 7.3%(*) 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 1.0 percentage point.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue – Europe	**(4.1)**	**0.1**	**4.8**	**0.8**
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	(5.4)	–	5.7	0.3
Europe	**(3.5)**	**0.1**	**4.9**	**1.5**
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	(10.2)	–	5.5	(4.7)
Europe	**(7.3)**	**0.1**	**5.2**	**(2.0)**
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	(9.3)	0.2	6.1	(3.0)
Europe	**(8.9)**	**0.2**	**5.8**	**(2.9)**

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.

Operating results continued

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.

Other Europe

Service revenue decreased by 5.4%(*) with declines in all countries except the Netherlands 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 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 10.2%(*). The EBITDA margin fell by 1.9 percentage points with declines in all markets except the Netherlands and Portugal. The decline in service revenue was partially offset by lower customer costs and a reduction in operating expenses.

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

Africa and Central Europe[1]

	Vodacom £m	Other £m	Africa and Central Europe £m	% change £	% change Organic[2]
Year ended 31 March 2010					
Revenue	4,450	3,576	8,026	45.9	(2.1)
Service revenue	3,954	3,451	7,405	44.8	(1.2)
EBITDA	1,528	799	2,327	35.3	(5.8)
Adjusted operating profit	520	7	527	(21.9)	(7.9)
EBITDA margin	34.3%	22.3%	29.0%		
Year ended 31 March 2009					
Revenue	1,778	3,723	5,501		
Service revenue	1,548	3,565	5,113		
EBITDA	606	1,114	1,720		
Adjusted operating profit	373	302	675		
EBITDA margin	34.1%	29.9%	31.3%		

Notes:
(1) The Group revised how it determines and discloses segmental EBITDA and adjusted operating profit during the year. See note 3 to the consolidated financial statements.
(2) Organic growth includes Vodacom (except the results of Gateway) at the current level of ownership. See "Acquisitions" on page 42 for further details.

Revenue increased by 45.9% 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. On an organic basis service revenue declined by 1.2%(*), as the strong growth in Vodacom was offset by a challenging economic environment across Central Europe, mobile termination rate cuts and competition led pricing movements in Romania.

EBITDA increased by 35.3%, also benefiting from the full consolidation of Vodacom and positive foreign exchange rate movements. On an organic basis EBITDA decreased by 5.8%(*), with EBITDA margin decreasing due to turnaround investment in Turkey and Ghana and increased competition and the difficult economic environments across the region.

	Organic change %	M&A activity pps	Foreign exchange pps	Reported change %
Revenue				
Africa and Central Europe	**(2.1)**	**38.9**	**9.1**	**45.9**
Service revenue				
Vodacom	4.6	112.0	38.8	155.4
Other	(7.0)	2.8	1.0	(3.2)
Africa and Central Europe	**(1.2)**	**37.6**	**8.4**	**44.8**
EBITDA				
Vodacom	10.4	101.8	39.9	152.1
Other	(25.9)	(4.1)	1.7	(28.3)
Africa and Central Europe	**(5.8)**	**30.8**	**10.3**	**35.3**
Adjusted operating profit				
Vodacom	12.5	3.1	23.8	39.4
Other	(65.0)	(32.9)	0.2	(97.7)
Africa and Central Europe	**(7.9)**	**(23.3)**	**9.3**	**(21.9)**

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 and Central Europe

Service revenue declined by 7.0%(*) with Turkey's return to growth in the second half of the year being more than offset by the decline in revenue across Central Europe. 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, Hungary and Poland, the decline in service revenue was driven by mobile termination rate cuts which became effective during the year, impacting incoming mobile voice revenue. In the Czech Republic and Hungary challenging economic conditions also contributed to the decline in service revenue. Vodafone launched its 3G network services in the Czech Republic during the fourth quarter.

EBITDA decreased by 25.9%(*) mainly due to a reduction in service revenue coupled with turnaround investment in Turkey and Ghana. 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. Other Central European operations benefited from a continued focus on reducing costs to mitigate the impact of the revenue decline.

Asia Pacific and Middle East(1)

	India £m	Other £m	Elimi-nations £m	Asia Pacific and Middle East £m	% change £	% change Organic(2)
Year ended 31 March 2010						
Revenue	3,114	3,368	(1)	6,481	11.4	8.6
Service revenue	3,069	3,078	(1)	6,146	13.1	9.8
EBITDA	807	1,033	–	1,840	3.4	1.4
Adjusted operating (loss)/profit	(37)	395	–	358	(35.6)	(25.9)
EBITDA margin	25.9%	30.7%		28.4%		
Year ended 31 March 2009						
Revenue	2,689	3,131	(1)	5,819		
Service revenue	2,604	2,831	(1)	5,434		
EBITDA	717	1,062	–	1,779		
Adjusted operating (loss)/profit	(30)	586	–	556		
EBITDA margin	26.7%	33.9%		30.6%		

Notes:
(1) The Group revised how it determines and discloses segmental EBITDA and adjusted operating profit during the year. See note 3 to the consolidated financial statements.
(2) Organic growth includes India but excludes Australia following the merger with Hutchison 3G Australia on 9 June 2009. See "Acquisitions" on page 42 for further details.

Revenue increased by 11.4% including a 7.4 percentage point 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 which is presented under the "M&A activity" column in the table below. On an organic basis service revenue increased by 9.8%(*) reflecting a 42.2% increase in the mobile customer base and continued strong data revenue growth partially offset by a decline in mobile voice pricing. India contributed around 88%(*) of the region's organic service revenue growth.

EBITDA grew by 3.4% with a 6.4 percentage point positive contribution from foreign exchange rate movements, offset in part by the creation of the joint venture in Australia. On an organic basis EBITDA increased by 1.4%(*) with EBITDA margin decreasing by 2.2 percentage points primarily reflecting 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				
Asia Pacific and Middle East	**8.6**	**(4.6)**	**7.4**	**11.4**
Service revenue				
India	14.7	–	3.2	17.9
Other	2.9	(4.5)	10.3	8.7
Asia Pacific and Middle East	**9.8**	**(3.9)**	**7.2**	**13.1**
EBITDA				
India	9.2	–	3.4	12.6
Other	(4.8)	(6.0)	8.1	(2.7)
Asia Pacific and Middle East	**1.4**	**(4.4)**	**6.4**	**3.4**
Adjusted operating profit				
India(1)	30.7	–	(7.4)	23.3
Other	(23.3)	(14.6)	5.3	(32.6)
Asia Pacific and Middle East	**(25.9)**	**(15.2)**	**5.5**	**(35.6)**

Note:
(1) The percentage change represents the increase in the adjusted operating loss.

Operating results continued

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.

Other Asia Pacific and Middle East

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 similar 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.

Verizon Wireless(1)

	2010	2009	% change	
	£m	£m	£	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 6.2 million net mobile customer additions bringing its closing mobile customer base to 92.8 million, up 7.2%. 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.

2009 financial year compared to the 2008 financial year

Group

	Europe £m	Africa and Central Europe £m	Asia Pacific and Middle East £m	Verizon Wireless £m	Common Functions[1] £m	Eliminations £m	2009 £m	2008 £m	% change £	% change Organic
Revenue	29,634	5,501	5,819	–	216	(153)	41,017	35,478	15.6	(0.4)
Service revenue	27,886	5,113	5,434	–	–	(139)	38,294	33,042	15.9	(0.3)
EBITDA	11,149	1,720	1,779	–	(158)	–	14,490	13,178	10.0	(3.5)
Adjusted operating profit	7,125	675	556	3,542	(141)	–	11,757	10,075	16.7	2.0
Adjustments for:										
Impairment losses							(5,900)	–		
Other income and expense							–	(28)		
Operating profit							**5,857**	**10,047**		
Non-operating income and expense							(44)	254		
Net financing costs							(1,624)	(1,300)		
Profit before taxation							**4,189**	**9,001**		
Income tax expense							(1,109)	(2,245)		
Profit for the financial year							**3,080**	**6,756**		

Note:
(1) Common Functions represents the results of the partner markets and the net result of unallocated central Group costs and recharges to our operations, including royalty fees for use of the Vodafone brand.

Revenue

Revenue increased by 15.6%, with favourable exchange rates contributing 13.0 percentage points and the impact of merger and acquisition activity contributing 3.0 percentage points to revenue growth. Pro-forma revenue growth, including the acquisition in India and the acquisition of Tele2 in Italy and Spain, was 1%.

Revenue in Europe declined by 2.1%[*] as benefits from new tariffs and promotions and a strong performance in data revenue were more than offset by the impact of the deteriorating European economy on voice and messaging revenue, including from roaming, usage growth, ongoing competitive pricing pressures and lower termination rates.

In Africa and Central Europe, revenue grew by 3.9%[*] with double-digit revenue growth in Vodacom being offset by weakening trends in Turkey and Romania. Benefits from the increase in the average customer base were partially offset by both weaker economic conditions in the more mature markets in Central Europe and the impact of termination rate cuts.

In Asia Pacific and Middle East, revenue grew by 19% on a pro-forma basis including India, a result of the rise in the average customer base, although revenue growth slowed primarily as a result of stronger competition coupled with maturing market conditions.

Operating profit

EBITDA increased by 10.0% to £14,490 million, with favourable exchange rates contributing 13.4 percentage points and the impact of merger and acquisition activity contributing 0.1 percentage points to EBITDA growth. Including India and Tele2 in Italy and Spain, pro-forma EBITDA declined by 3%.

In Europe EBITDA decreased by 5.0%[*], with a decline in the EBITDA margin, primarily driven by the downward revenue trend, the growth of lower margin fixed line operations, a brand royalty provision release included in the 2008 financial year in Italy and restructuring charges in a number of markets, which more than offset customer and operating cost savings. The European EBITDA margin, including Common Functions which substantially support our European operations, declined by 1.2 percentage points driven by an increasing contribution from lower margin fixed broadband.

Africa and Central Europe's EBITDA decreased by 2.3%[*], with the EBITDA margin decreasing in the majority of markets due to continued network expansion, investment in the turnaround plan in Turkey and increased competition in Romania.

In Asia Pacific and Middle East EBITDA increased by 7% on a pro-forma basis including India, with a decline in the EBITDA margin as licensing costs increased and network expansion continued, primarily in India, but also through the build out in Qatar.

The increase in Common Functions' EBITDA in the 2009 financial year resulted primarily from the inclusion of a brand royalty payment charge in the 2008 financial year and increased brand revenue in the 2009 financial year following agreement of revised terms with Vodafone Italy.

Operating profit decreased due to the growth in adjusted operating profit being more than offset by impairment losses in relation to operations in Spain (£3,400 million), Turkey (£2,250 million) and Ghana (£250 million). Adverse changes in macroeconomic assumptions generated the £550 million charge recorded in the second half of the 2009 financial year in relation to Turkey and all of the charge in relation to Ghana. Adjusted operating profit increased by 16.7%, or 2.0%[*], with a 16.5 percentage point contribution from favourable exchange rates, whilst the impact of merger and acquisition activity reduced adjusted operating profit growth by 1.8 percentage points.

The share of results in Verizon Wireless, our associate in the US, increased by 21.6%[*] primarily due to a focus on the high value contract segment and low customer churn. On 9 January 2009 Verizon Wireless completed its acquisition of Alltel Corp. ('Alltel'), adding 13.2 million customers before required divestitures.

Operating results continued

Net financing costs

	2009 £m	2008 £m
Investment income	795	714
Financing costs	(2,419)	(2,014)
Net financing costs	**(1,624)**	**(1,300)**
Analysed as:		
Net financing costs before dividend from investments	(1,480)	(823)
Potential interest charges arising on settlement of outstanding tax issues(1)	81	(399)
Dividends from investments	110	72
Foreign exchange(2)	235	(7)
Equity put rights and similar arrangements(3)	(570)	(143)
	(1,624)	**(1,300)**

Notes:
(1) Includes release of a £317 million interest accrual relating to a favourable settlement of long standing tax issues. See "Taxation" below.
(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. The amount for the year ended 31 March 2008 also includes a charge of £333 million representing the initial fair value of the put options granted over the Essar Group's interest in Vodafone Essar, which was recorded as an expense. Further details of these options are provided on page 44.

Net financing costs before dividends from investments increased by 79.8% to £1,480 million, primarily due to mark-to-market losses in the 2009 financial year compared with gains in the 2008 financial year and unfavourable exchange rate movements impacting the translation into sterling. The interest charge resulting from the 28.2% increase in average net debt was minimised due to changes in the currency mix of debt and significantly lower interest rates for US dollar and euro denominated debt. At 31 March 2009 the provision for potential interest charges arising on settlement of outstanding tax issues was £1,635 million (31 March 2008: £1,577 million).

Taxation

The effective tax rate was 26.5% (2008: 24.9%). This rate was lower than our weighted average statutory tax rate due to the structural benefit from the ongoing enhancement to our internal capital structure and a benefit of £767 million following the resolution of long standing tax issues related to the acquisition and subsequent restructuring of the Mannesmann Group. This was offset by an increase in the rate due to the impact of impairment losses for which no tax benefit is recorded.

Earnings per share

Adjusted earnings per share increased by 37.4% to 17.17 pence for the year ended 31 March 2009, resulting primarily from movements in exchange rates and the benefit from a favourable tax settlement, as discussed to the left. Excluding these factors, adjusted earnings per share rose by around 3%. Basic earnings per share decreased by 53.5% to 5.84 pence including the impairment losses of £5.9 billion.

	2009 £m	2008 £m
Profit from continuing operations attributable to equity shareholders	**3,078**	**6,660**
Adjustments:		
Impairment losses	5,900	–
Other income and expense(1)	–	28
Non-operating income and expense(2)	44	(254)
Investment income and financing costs(3)	335	150
	6,279	**(76)**
Foreign exchange on tax balances	(155)	–
Tax on the above items	(145)	44
Adjusted profit attributable to equity shareholders	**9,057**	**6,628**
Weighted average number of shares outstanding	Million	Million
Basic	52,737	53,019
Diluted	52,969	53,287

Notes:
(1) The amount for the 2008 financial year represents a pre-tax charge offsetting the tax benefit arising on recognition of a pre-acquisition deferred tax asset.
(2) The amount for the 2009 financial year includes a £39 million adjustment in relation to the broad based black economic empowerment transaction undertaken by Vodacom. The amount for the 2008 financial year includes £250 million representing the profit on disposal of our 5.60% direct investment in Bharti Airtel Limited ('Bharti Airtel').
(3) See notes 2 and 3 in "Net financing costs".

Europe

	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	Europe £m	% change £	% change Organic
Year ended 31 March 2009									
Revenue	7,847	5,547	5,812	5,392	5,329	(293)	29,634	13.6	(2.1)
Service revenue	7,535	5,347	5,356	4,912	5,029	(293)	27,886	14.1	(1.7)
EBITDA	3,225	2,565	2,034	1,368	1,957	–	11,149	9.7	(5.0)
Adjusted operating profit	1,835	1,839	1,421	328	1,702	–	7,125	9.8	(5.4)
EBITDA margin	41.1%	46.2%	35.0%	25.4%	36.7%		37.6%		
Year ended 31 March 2008									
Revenue	6,866	4,435	5,063	5,424	4,583	(290)	26,081		
Service revenue	6,551	4,273	4,646	4,952	4,295	(287)	24,430		
EBITDA	2,816	2,148	1,908	1,560	1,735	–	10,167		
Adjusted operating profit	1,577	1,528	1,362	517	1,504	–	6,488		
EBITDA margin	41.0%	48.4%	37.7%	28.8%	37.9%		39.0%		

Revenue increased by 13.6%, with favourable euro exchange rate movements contributing 14.3 percentage points of growth and mergers and acquisitions activity, primarily Tele2, contributing a further 1.4 percentage point benefit. The organic decline in revenue of 2.1% was a result of a 1.7% decrease in service revenue and a decline in equipment revenue, reflecting lower volumes.

The impact of merger and acquisition activity and foreign exchange movements on revenue, service revenue, EBITDA and adjusted operating profit are shown below:

	Organic growth %	M&A activity pps	Foreign exchange pps	Reported growth %
Revenue – Europe	**(2.1)**	**1.4**	**14.3**	**13.6**
Service revenue				
Germany	(2.5)	(0.1)	17.6	15.0
Italy	1.2	4.7	19.2	25.1
Spain	(4.9)	2.5	17.7	15.3
UK	(1.1)	0.3	–	(0.8)
Other	(1.2)	0.4	17.9	17.1
Europe	**(1.7)**	**1.4**	**14.4**	**14.1**
EBITDA				
Germany	(2.8)	(0.2)	17.5	14.5
Italy	(0.1)	1.2	18.3	19.4
Spain	(9.2)	(0.5)	16.3	6.6
UK	(12.8)	0.5	–	(12.3)
Other	(4.3)	(0.1)	17.2	12.8
Europe	**(5.0)**	**0.2**	**14.5**	**9.7**
Adjusted operating profit				
Germany	(0.9)	(0.4)	17.7	16.4
Italy	2.4	(0.5)	18.5	20.4
Spain	(9.8)	(1.9)	16.0	4.3
UK	(37.9)	1.3	–	(36.6)
Other	(4.8)	1.1	16.9	13.2
Europe	**(5.4)**	**(0.3)**	**15.5**	**9.8**

Service revenue declined by 1.7%(*), reflecting a gradual deterioration over the year and a 3.3%(*) decrease in the fourth quarter, with favourable trends in Italy more than offset by deteriorating trends in other markets, in particular Spain and Greece. The impact of the economic slowdown in Europe on voice and messaging revenue, including from roaming, ongoing competitive pricing pressures and lower termination rates were not fully compensated by increased usage arising from new tariffs and promotions and strong growth in data revenue.

EBITDA increased by 9.7%, with favourable euro exchange rate movements contributing 14.5 percentage points of growth and a 0.2 percentage point benefit from business acquisitions. The EBITDA margin declined 1.4 percentage points primarily driven by the downward revenue trend, the growth of lower margin fixed line operations, a brand royalty provision release included in the 2008 financial year in Italy and restructuring charges in a number of markets, which more than offset customer and operating cost savings.

Germany

The 2.5%(*) decline in service revenue was consistent with the 2008 financial year, benefiting from higher penetration of the new SuperFlat tariff portfolio. Data revenue growth remained strong, reflecting increased penetration of PC connectivity services in the customer base. Fixed line revenue declined during the year, but grew 2.1%(*) in the fourth quarter, as the customer base largely migrated to new, lower priced tariffs. The fixed broadband customer base increased by 15.9% during the year to 3.1 million at 31 March 2009, with an additional 154,000 wholesale fixed broadband customers. On 19 May 2008 we acquired a 26.4% interest in Arcor, following which we own 100% of Arcor. The integration of the mobile business and the fixed line operations has progressed, with cost savings being realised according to plan.

EBITDA margin remained broadly stable at 41.1%, reflecting an improvement in the mobile margin which was offset by a decline in the fixed line margin, with the former due to a reduction in prepaid subsidies and an increase in the number of SIM-only contracts. Operating expenses were also broadly stable with the 2008 financial year as a restructuring charge of €35 million in the 2009 financial year (£32 million) was more than offset by non-recurring adjustments, including favourable legal settlements.

Italy

Service revenue growth was 1.2%(*) reflecting targeted demand stimulation initiatives, ARPU enhancing initiatives and strong growth in data revenue due to increased penetration of mobile PC connectivity devices, email enabled devices and mobile internet services. Fixed line revenue growth was 3.7%(*), supported by 278,000 fixed broadband customer net additions during the year as well as the benefit from the launch of Vodafone Station during the summer of 2008 and the continued good performance of Tele2.

EBITDA declined by 0.1%(*) and EBITDA margin declined by 2.2 percentage points mainly due to a brand royalty provision release in the 2008 financial year. Excluding the impact of the brand royalty provision release and the impact of the acquisition of Tele2, the EBITDA margin was broadly stable, with an improvement in the mobile margin offsetting the increased contribution of lower margin fixed line services.

Spain

Service revenue declined by 4.9%(*) with an 8.6%(*) decline in the fourth quarter. Negative trends in the economic environment put strong pressure on usage in some customer segments and led to increased involuntary churn. Data revenue growth accelerated during the year, driven primarily by PC connectivity services and an improvement in media content revenue growth following a successful campaign in the fourth quarter. Fixed line revenue continued to grow, supported by the launch of Vodafone Station.

Operating results continued

EBITDA decreased by 9.2%(*) as the decline in service revenue and the dilutive effect of the increased contribution of lower margin fixed line services outweighed benefits from cost cutting initiatives in customer and operating costs.

UK

Service revenue declined by 1.1%(*) primarily due to a decrease in voice revenue resulting from increased competition in a challenging economic environment, customer optimisation of out of bundle offers and lower roaming revenue. Wholesale revenue increased due to the success of the MVNO business, principally ASDA and Lebara. Data revenue growth was maintained, driven primarily by increased penetration of mobile PC connectivity and mobile internet services. The acquisition of Central Telecom, which provides converged enterprise services, was completed in December 2008.

The 12.8%(*) decline in EBITDA, which included the impact of a £30 million VAT refund in the 2008 financial year, was primarily due to higher off network usage in messaging services and higher retention costs. The cost of retaining customers increased as a higher proportion of the contract base received upgrades in the 2009 financial year following the expiration of 18 month contracts which were introduced in 2006. Operating expenses grew, primarily due to the impact of the sterling/euro exchange rate on euro denominated intercompany charges; otherwise operating expenses were broadly stable year-on-year.

Other Europe

Service revenue decreased by 1.2%(*) during the year and 5.0%(*) in the fourth quarter, as growth in the Netherlands was more than offset by declines in Greece and Ireland, where the trends have deteriorated throughout the year. The Netherlands benefited from a rise in the customer base and strong growth in visitor revenue. Both Greece and Ireland were impacted by deteriorating market environments, which worsened in the fourth quarter, and substantial price reductions in prepaid tariffs, whilst Greece was also affected by termination rate cuts.

The fall in EBITDA margin of 1.2 percentage points was primarily driven by the service revenue decline and restructuring charges recorded in the fourth quarter in most countries.

The share of profit in SFR increased, reflecting the acquisition of Neuf Cegetel and foreign exchange benefits on translation of the results into sterling.

Africa and Central Europe

	Vodacom £m	Other[1] £m	Africa and Central Europe £m	% change £	% change Organic
Year ended 31 March 2009					
Revenue	1,778	3,723	5,501	11.2	3.9
Service revenue	1,548	3,565	5,113	10.7	3.1
EBITDA	606	1,114	1,720	1.5	(2.3)
Adjusted operating profit	373	302	675	(12.6)	(12.6)
EBITDA margin	34.1%	29.9%	31.3%		
Year ended 31 March 2008					
Revenue	1,609	3,337	4,946		
Service revenue	1,398	3,219	4,617		
EBITDA	586	1,108	1,694		
Adjusted operating profit	365	407	772		
EBITDA margin	36.4%	33.2%	34.2%		

Note:
(1) On 1 October 2007 Romania rebased all of its tariffs and changed its functional currency from US dollars to euros. In calculating all constant exchange rate and organic metrics which include Romania, previous US dollar amounts have been translated into euros at the 1 October 2007 US$/euro exchange rate.

Revenue increased by 11.2%, including the contribution of favourable exchange rate movements and the impact of merger and acquisition activity. Revenue growth was 3.9%(*) as sustained growth in Vodacom was offset by weakening trends in Turkey and Romania. Service revenue growth was 3.1%(*) reflecting the 9.9% increase in the average customer base partially offset by an impact from termination rate cuts of around three percentage points.

EBITDA increased by 1.5%, with the contribution of favourable exchange rate movements partially offset by merger and acquisition activity. EBITDA decreased by 2.3%(*), with the EBITDA margin decreasing in the majority of markets reflecting the continued network expansion, investment in the turnaround plan in Turkey and increased competition in Romania.

The impact of merger and acquisition activity and foreign exchange movements on revenue, service revenue, EBITDA and adjusted operating profit are shown below:

	Organic growth %	M&A activity pps	Foreign exchange pps	Reported growth %
Revenue				
Africa and Central Europe	**3.9**	**(0.7)**	**8.0**	**11.2**
Service revenue				
Vodacom	13.8	2.1	(5.2)	10.7
Other	(0.9)	(1.5)	13.1	10.7
Africa and Central Europe	**3.1**	**(0.6)**	**8.2**	**10.7**
EBITDA				
Vodacom	7.3	0.5	(4.4)	3.4
Other	(6.7)	(5.9)	13.1	0.5
Africa and Central Europe	**(2.3)**	**(4.0)**	**7.8**	**1.5**
Adjusted operating profit				
Vodacom	6.3	0.3	(4.4)	2.2
Other	(26.2)	(10.5)	10.9	(25.8)
Africa and Central Europe	**(12.6)**	**(5.6)**	**5.6**	**(12.6)**

Vodacom

Service revenue grew by 13.8%(*) as strong growth in Vodacom's average customer base continued, increasing by 11.2%, which took the closing customer base to 39.6 million on a 100% basis. Revenue growth was driven by the prepaid voice market and data services. Voice usage per customer in the prepaid market, which represents the majority of the customer base, grew as the higher usage driven by revised tariffs in South Africa was offset by the dilutive effect of the increased customer base in both Tanzania and Mozambique, which both have lower than average ARPU. Data revenue grew by 59.7%(*), as the higher revenue base partially offset the benefit from increased penetration of mobile PC connectivity devices, with the absence of fixed line alternatives making mobile data a popular offering. Relatively low contract voice revenue growth resulted from reduced out of bundle usage as customers cut back on spending due to economic conditions. Equipment revenue was adversely impacted by consumer preference for lower value handsets. Trading conditions in the Democratic Republic of Congo ('DRC') have worsened significantly due to the impact of lower commodity prices on mining which is central to the DRC's economy.

EBITDA growth was 7.3%(*), despite lower margins, as the growth in revenue more than offset the increasing cost base which benefited from stable customer costs as a percentage of revenue as the South African market matures. The cost base was adversely impacted by an increase in operating expenses due to continued expansion, investment in enterprise services, Black Economic Empowerment share charges and high wage inflation.

On 30 December 2008 Vodacom acquired the carrier services and business network solutions subsidiaries ('Gateway') from Gateway Telecommunications SA (Pty) Ltd. Gateway provides services in more than 40 countries in Africa.

Other Africa and Central Europe

Service revenue declined by 0.9%(*) due to the performance in Turkey combined with the impact of deteriorating economic conditions across Central Europe, most notably in Romania in the fourth quarter. Service revenue in Turkey decreased by 7.6%(*) with an 18.4%(*) fall in the fourth quarter. Termination rate cuts adversely impacted revenue by 6.9% and revenue was further depressed by a higher rate of churn and a decline in prepaid ARPU due to intense competition in the market. Consumer confidence in Turkey fell with the deterioration in the macroeconomic environment impacting revenue. Competition also intensified with the launch of mobile number portability in November 2008 leading to aggressive acquisition and pricing campaigns, especially in the fourth quarter of the year. Mobile ARPU fell in the second half of the year but stabilised in the fourth quarter following successful promotions. In Romania service revenue grew by 1.1%(*) but deteriorated during the year with a 10.3%(*) decline in the fourth quarter. The market continued to mature, with the decline in ARPU resulting from local currency devaluation against the euro – whilst tariffs are quoted in euros household incomes are earned in local currency – in addition to market led price reductions impacting performance in the fourth quarter in particular. These effects were partially offset by data revenue growth following successful data promotions and flexible access offers which led to a rise in the number of mobile PC connectivity devices.

EBITDA decreased by 6.7%(*), with the EBITDA margin also declining due to the fall in revenue and investment in the turnaround plan in Turkey. EBITDA in Turkey declined by 36.6%(*) as a result of the decline in revenue and increased operating expenses reflecting higher marketing costs, higher technology costs due to expansion of the network and organisational restructuring as part of the turnaround plan. In Romania EBITDA decreased by 3.7%(*) as aggressive market competition and higher gross customer additions led to the rise in the cost of acquiring and retaining customers.

In May 2008 the Group changed the consolidation status of Safaricom from a joint venture to an associate following completion of the share allocation for the public offering of 25.0% of Safaricom's shares previously held by the Government of Kenya and termination of the shareholders' agreement with the Government of Kenya. In August 2008 we acquired 70.0% of Ghana Telecommunications Company Limited which offers both mobile and fixed services. We also increased our stake in Polkomtel from 19.6% to 24.4% in December 2008.

Asia Pacific and Middle East

	India £m	Other £m	Eliminations £m	Asia Pacific and Middle East £m	% change £	% change Organic
Year ended 31 March 2009						
Revenue	2,689	3,131	(1)	5,819	32.3	9.3
Service revenue	2,604	2,831	(1)	5,434	32.5	8.5
EBITDA	717	1,062	–	1,779	18.3	6.9
Adjusted operating (loss)/profit	(30)	586	–	556	0.5	5.8
EBITDA margin	26.7%	33.9%		30.6%		
Year ended 31 March 2008						
Revenue	1,822	2,577	–	4,399		
Service revenue	1,753	2,348	–	4,101		
EBITDA	598	906	–	1,504		
Adjusted operating profit	35	518	–	553		
EBITDA margin	32.8%	35.2%		34.2%		

Revenue increased by 32.3%, including the contribution from favourable exchange rate movements in addition to the benefit from acquisitions, primarily in India. Revenue growth on a pro-forma basis was 19%, reflecting the growth in India, Egypt and Australia. Service revenue increased by 8.5%(*) primarily as a result of the 27.3% organic rise in the average customer base, although revenue growth slowed as a result of stronger competition coupled with maturing market conditions.

EBITDA grew by 18.3% with favourable exchange rate movements and the positive impact of acquisitions contributing to the growth. On a pro-forma basis including India, EBITDA increased by 7%. The decline in the EBITDA margin resulted from positive performances in India and Egypt being mitigated by a decline in Australia.

The impact of merger and acquisition activity and foreign exchange movements on revenue, service revenue, EBITDA and adjusted operating profit are shown below:

	Organic growth %	M&A activity pps	Foreign exchange pps	Reported growth %
Revenue				
Asia Pacific and Middle East	**9.3**	**13.3**	**9.7**	**32.3**
Service revenue				
India	–	42.5	6.0	48.5
Other	8.5	0.3	11.8	20.6
Asia Pacific and Middle East	**8.5**	**14.2**	**9.8**	**32.5**
EBITDA				
India	–	14.1	5.8	19.9
Other	6.9	(3.4)	13.7	17.2
Asia Pacific and Middle East	**6.9**	**0.6**	**10.8**	**18.3**
Adjusted operating profit				
India	–	(173.2)	(12.5)	(185.7)
Other	5.8	(6.8)	14.1	13.1
Asia Pacific and Middle East	**5.8**	**(19.7)**	**14.4**	**0.5**

India

Revenue grew by 33% on a pro-forma basis, with growth in the fourth quarter of 27.7%(*). Growth in the fourth quarter remained stable in comparison to the third quarter as the eight percentage point benefit of the new revenue stream from the network sharing joint venture, Indus Towers, which launched during the first half of the 2009 financial year, offset the slowing underlying growth rate. Visitor revenue increased, albeit at a lower rate, due to the impact of economic pressures as people travel less. Lower effective rates per minute reflecting price reductions earlier in the year, coupled with the continued market shift to lifetime validity prepaid offerings, led to a reduction in customer churn. The lower effective rate and a slight fall in usage per customer were mitigated by net customer additions, which averaged 2.1 million per month, and the launch of services in seven new circles, bringing the closing customer base to 68.8 million. Customer penetration in the Indian mobile market reached 34% at 31 March 2009.

EBITDA grew by 6% on a pro-forma basis. Customer costs as a percentage of revenue decreased, benefiting from economies of scale. Licensing costs increased as discounts received from the regulator in some service areas were terminated. Network expansion continued, with an average of 2,600 base stations constructed per month, primarily in the new circles. Site sharing increased and Indus Towers steadily increased its operations throughout the rest of the year, with 95,000 sites under its management at the end of March 2009.

Operating results continued

Other Asia Pacific and Middle East

The increase in service revenue of 8.5%(*) was attributable to performances in Egypt and Australia. In Egypt service revenue grew by 11.9%(*) as growth in the customer base and increased usage per customer were partially offset by a decline in the effective rate per minute as a result of the introduction of new tariffs in addition to lower termination rates and a fall in both visitor revenue and the enterprise segment revenue as people travelled less. Service revenue in Australia increased by 6.1%(*) due to an increase in the average customer base and good data revenue growth, especially in mobile broadband services. These were partially offset by lower ARPU, reflecting strong competition, which led to a lower revenue growth rate in the fourth quarter. In New Zealand service revenue grew by 4.9%(*) as result of an increase in the fixed broadband customer base and growth in data services, the latter following increased penetration of mobile PC connectivity devices. These benefits were partially offset by the competitive and recessionary trends in the market.

EBITDA grew by 6.9%(*), with a decline in the EBITDA margin, as the increase in Egypt was offset by the decline in Australia. Egypt's EBITDA grew by 15.5%(*) in proportion to revenue, with a slight increase in margin, despite the inclusion of 3G licensing fees for the full year in comparison to only part of the prior year. In Australia EBITDA decreased by 16.9%(*) primarily due to a loss provision related to a prepaid recharge vendor and an increased focus on contract customers resulting in higher customer costs.

Verizon Wireless

	2009	2008	% change	
	£m	£m	£	Organic
Revenue	14,085	10,144	38.9	10.4
Service revenue	12,862	9,246	39.1	10.5
EBITDA	5,543	3,930	41.0	13.0
Interest	(217)	(102)	112.7	
Tax(1)	(198)	(166)	19.3	
Non-controlling interest	(78)	(56)	39.3	
Discontinued operations	57	–	–	
Share of result in Verizon Wireless	3,542	2,447	44.7	21.6

Note:
(1) Our 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 our share of the partnership's pre-tax profit is included within our tax charge.

Verizon Wireless, our associate in the US, achieved 5.6 million net customer additions in a market where penetration reached an estimated 92% at 31 March 2009. The increased closing customer base of 86.6 million was achieved through continued strong organic growth, the acquisitions of Rural Cellular Corporation and Alltel, combined with concentration on the high value contract segment and market leading customer loyalty as evidenced by low customer churn.

Service revenue growth was 10.5%(*) driven by the expanding customer base and robust messaging and data ARPU. Messaging and data revenue continued to increase strongly, predominantly as a result of growth in data card, email and messaging services. Verizon Wireless continued to extend the reach of its 3G network which now covers more than 280 million people after the Alltel acquisition.

Verizon Wireless improved its EBITDA margin to 39.4% through efficiencies in operating expenses partly offset by a higher level of customer acquisition and retention costs, driven by increased demand for high-end data devices such as the BlackBerry Storm.

Verizon Wireless completed the acquisition of Rural Cellular Corporation in the first half of the 2009 financial year, adding 0.7 million customers. On 9 January 2009 Verizon Wireless completed its acquisition of Alltel, purchasing Alltel's equity and acquiring and repaying Alltel's debt with Verizon Wireless and Alltel cash as well as the proceeds from capital market transactions. The Alltel acquisition added 13.2 million customers before required divestitures. Verizon Wireless expects to realise synergies with a net present value, after integration costs, of more than US$9 billion, driven by aggregate capital and operating expense savings. Increased debt in relation to the acquisition of Alltel led to a £150 million interest charge for the quarter ended 31 March 2009.

Guidance

2011 financial year and three year guidance

	2010 actual performance £bn	**2011 guidance £bn**	**Three year guidance £bn**
Adjusted operating profit	11.5	**11.2 – 12.0**	**n/a**
Free cash flow	7.2	**In excess of 6.5**	**6.0 – 7.0**

2011 financial year

We expect the Group to return to low levels of organic revenue growth during the 2011 financial year although this will be dependent upon the strength of the economic environment and the level of unemployment within Europe. In contrast revenue growth in emerging economies, in particular India and Africa, is expected to continue as the Group drives penetration and data in these markets.

EBITDA margins are expected to decline but at a significantly lower rate than that experienced in the previous year. Adjusted operating profit is expected to be in the range of £11.2 billion to £12.0 billion. Total depreciation and amortisation charges are expected to be slightly higher than the prior year, before the impact of licence and spectrum purchases, if any, during the 2011 financial year.

Free cash flow is expected to be in excess of £6.5 billion reflecting a continued but lower level of benefit from the working capital improvement programme launched in the 2010 financial year. We intend to maintain capital expenditure at a similar level to last year, adjusted for foreign exchange, ensuring that we continue to invest in high speed data networks, enhancing our customer experience and increasing the attractiveness of the Group's data services.

The adjusted tax rate percentage is expected to be in the mid 20s for the 2011 financial year with the Group targeting a similar level in the medium-term. The Group continues to seek resolution of the UK Controlled Foreign Company and India tax cases.

Three year free cash flow and dividend per share growth target

We expect that annual free cash flow will be between £6.0 billion and £7.0 billion, in each of the financial years in the period ending 31 March 2013, underpinning a dividend per share growth target of at least 7% per annum for each of these financial years. We therefore expect that total dividends per share will be no less than 10.18p for the 2013 financial year.

Assumptions

Guidance is based on our current assessment of the global economic outlook and assumes foreign exchange rates of £1:€1.15 and £1:US$1.50 throughout this three year period. It excludes the impact of licence and spectrum purchases, if any, material one-off tax settlements and restructuring costs and assumes no material change to the current structure of the Group.

With respect to the dividend 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 rate remains within 10% of the above guidance exchange rate.

A 1% change in the euro to sterling exchange rate would impact adjusted operating profit by approximately £70 million and free cash flow by approximately £60 million.

2010 financial year

	Adjusted operating profit £bn	Free cash flow £bn
Guidance – May 2009[1]	11.0 – 11.8	6.0 – 6.5
Guidance – February 2010[1]	11.4 – 11.8	6.5 – 7.0
2010 actual performance	11.5	7.2
Foreign exchange	0.2	0.1
Alltel restructuring costs[2]	0.2	–
2010 performance on guidance basis	**11.9**	**7.3**

Notes:
(1) The Group's guidance reflected assumptions for average for exchange rates for the 2010 financial year of approximately £1:€1.12 and £1:US$1.50. Actual exchange rates were £1:€1.13 and £1:US$1.60.
(2) The Group's guidance did not include the impact of reorganisation costs arising from the Alltel acquisition by Verizon Wireless.

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 immaterial, may also impact our business. This section should be carefully read in conjunction with the "Forward-looking statements" on page 140 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 make it more difficult for us to raise capital externally which could 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 the recent 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 133.

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 handsets, higher than anticipated prices of new handsets 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 ERP system. However there is no assurance that the full extent of the anticipated benefits will be realised in the timeline envisaged.

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 71 and note 10 to the consolidated financial statements.

Our global footprint may present exposure to unpredictable economic, political, regulatory and legal risks.

Political, regulatory, economic and legal systems in emerging markets may be less predictable than in countries with more developed 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 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.

Our strategic objectives may be impeded by the fact that we do not have a controlling interest in some of our ventures.

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 the nature of our mobile ownership interests, no assurance can be given that our partners will not exercise their power of veto or their controlling influence in any of our ventures in a way that will hinder our corporate objectives and reduce 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 and our ability to retain customers and attract new customers 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 in some countries where we operate 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 addition, as described under the heading "Legal proceedings" in note 29 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.

Financial position and resources

Consolidated statement of financial position

	2010 £m	2009 £m
Non-current assets		
Intangible assets	74,258	74,938
Property, plant and equipment	20,642	19,250
Investments in associates	36,377	34,715
Other non-current assets	11,489	10,767
	142,766	**139,670**
Current assets	14,219	13,029
Total assets	**156,985**	**152,699**
Total equity shareholders' funds	90,381	86,162
Total non-controlling interests	429	(1,385)
Total equity	**90,810**	**84,777**
Liabilities		
Borrowings		
Long-term	28,632	31,749
Short-term	11,163	9,624
Taxation liabilities		
Deferred tax liabilities	7,377	6,642
Current taxation liabilities	2,874	4,552
Other non-current liabilities	1,550	1,584
Other current liabilities	14,579	13,771
Total liabilities	**66,175**	**67,922**
Total equity and liabilities	**156,985**	**152,699**

Assets

Intangible assets

At 31 March 2010 our intangible assets were £74.3 billion with goodwill comprising the largest element at £51.8 billion (2009: £54.0 billion). The increase in intangible assets resulting from the acquisition of Vodacom and the £1.5 billion of additions was offset by amortisation of £3.5 billion and net impairment losses of £2.1 billion.

Property, plant and equipment

Property, plant and equipment increased from £19.3 billion at 31 March 2009 to £20.6 billion at 31 March 2010 predominantly as a result of £5.0 billion of additions and £1.6 billion in relation to acquisitions which more than offset the £4.5 billion of depreciation charges.

Investments in associates

Investments in associates increased from £34.7 billion at 31 March 2009 to £36.4 billion at 31 March 2010 mainly as a result of our share of the results of associates, after deductions of interest, tax and non-controlling interest which contributed £4.7 billion to the increase, mainly arising from our investment in Verizon Wireless, and was partially offset by £1.4 billion of dividends received and unfavourable foreign exchange movements of £1.1 billion.

Other non-current assets

Other non-current assets mainly relate to other investments which totalled £7.6 billion at 31 March 2010 compared to £7.1 billion at 31 March 2009. The increase was primarily as a result of an increase in the listed share price of China Mobile.

Current assets

Current assets increased to £14.2 billion at 31 March 2010 from £13.0 billion at 31 March 2009.

Total equity and liabilities

Total equity shareholders' funds

Total equity shareholders' funds increased from £86.2 billion at 31 March 2009 to £90.4 billion at 31 March 2010. The increase comprises primarily the profit for the year of £8.6 billion less equity dividends of £4.1 billion.

Borrowings

Long-term borrowings and short-term borrowings decreased to £39.8 billion at 31 March 2010 from £41.4 billion at 31 March 2009 mainly as a result of foreign exchange movements and bond repayments during the year.

Taxation liabilities

Current tax liabilities decreased from £4.6 billion at 31 March 2009 to £2.9 billion at 31 March 2010 mainly as a result of the agreement of the German tax loss claim. The deferred tax liability increased from £6.6 billion at 31 March 2009 to £7.4 billion at 31 March 2010 mainly due to deferred tax arising on the acquisition of Vodacom.

Other current liabilities

The increase in other current liabilities from £13.8 billion at 31 March 2009 to £14.6 billion at 31 March 2010 was primarily due to foreign exchange differences arising on translation of liabilities in foreign subsidiaries and joint ventures. Trade payables at 31 March 2010 were equivalent to 31 days (2009: 38 days) outstanding, calculated by reference to the amount owed to suppliers as a proportion of the amounts invoiced by suppliers during the year.

Contractual obligations and contingencies

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

	Payments due by period £m				
Contractual obligations(1)	Total	<1 year	1-3 years	3-5 years	>5 years
Borrowings(2)	47,527	12,198	7,858	9,443	18,028
Operating lease commitments(3)	6,243	1,200	1,682	1,126	2,235
Capital commitments(3)(4)	2,019	1,862	126	31	–
Purchase commitments	3,372	2,216	724	189	243
Total contractual cash obligations(1)	**59,161**	**17,476**	**10,390**	**10,789**	**20,506**

Notes:
(1) The above table of contractual obligations excludes 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.
(2) See note 22 to the consolidated financial statements.
(3) See note 28 to the consolidated financial statements.
(4) Primarily related to network infrastructure.

Equity dividends

The table below sets out the amounts of interim, final and total cash dividends paid or, in the case of the final dividend for the 2010 financial year, proposed, in respect of each financial year.

	Pence per ordinary share		
Year ended 31 March	Interim	Final	Total
2006	2.20	3.87	6.07
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(1)	8.31

Note:
(1) The final dividend for the year ended 31 March 2010 was proposed on 18 May 2010 and is payable on 6 August 2010 to holders on record as of 4 June 2010. 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.

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 2009 the directors announced an interim dividend of 2.66 pence per share representing a 3.5% increase over last year's interim dividend. The directors are proposing a final dividend of 5.65 pence per share representing an 8.7% increase over last year's final dividend. Total dividends for the year increased by 7% to 8.31 pence per share.

The directors intend that dividend per share growth will be at least 7% per annum for the next three financial years ending on 31 March 2013 assuming no material adverse foreign exchange movements. We expect that total dividends per share will therefore be no less than 10.18p for the 2013 financial year. See page 37 for the assumptions underlying this expectation.

Liquidity and capital resources

The major sources of Group liquidity for the 2010 and 2009 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 38 and 39. In particular, we continue to expect significant cash payments and associated interest payments in relation to long standing tax issues.

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 increased by 26.5% to £7,241 million due to increased cash generated by operations, dividends received and lower taxation payments partially offset by higher interest payments. The Group invested £989 million in licences and spectrum including £223 million in respect of Turkey and £549 million in respect of Qatar, the latter of which was funded through the initial public offering in Qatar discussed on page 42.

Cash generated by operations increased by 4.8% to £15,337 million primarily driven by foreign exchange and working capital improvements. Cash capital expenditure decreased by £247 million primarily due to lower expenditure in India partially offset by higher reported spend in South Africa following the change from proportionate to full consolidation of Vodacom during the year. Capital intensity in Europe and Common Functions was 11.3%.

Payments for taxation decreased by £148 million primarily due to the one-time benefit of additional tax deductions in Italy offset by increased tax payments in the US and the impact of the full consolidation of Vodacom.

Dividends received from associates and investments increased by 108.9% to £1,577 million primarily due to the timing of the Verizon Wireless dividend, US$250 million of which had been deferred from 2009 financial year, and the increase in the dividend agreed at the time of the Alltel acquisition.

Net interest payments increased by 20.4% to £1,406 million primarily due to higher average net debt and a proportionate increase in the amount of ZAR and INR denominated debt and an increase in cash payments relating to interest on the settlement of outstanding tax issues. The interest payments resulting from the 13.4% increase in average net debt at month end accounting dates and the change in our currency mix of net debt towards ZAR and INR denominated debt was partially offset by a reduction in underlying interest rates given our preference for floating rate borrowing.

	2010 £m	2009 £m	%
Cash generated by operations	**15,337**	**14,634**	**4.8**
Cash capital expenditure[1]	(5,986)	(6,233)	
Disposal of intangible assets and property plant and equipment	48	317	
Operating free cash flow	**9,399**	**8,718**	**7.8**
Taxation	(2,273)	(2,421)	
Dividends from associates and investments[2]	1,577	755	
Dividends paid to non-controlling shareholders in subsidiaries	(56)	(162)	
Net interest paid	(1,406)	(1,168)	
Free cash flow	**7,241**	**5,722**	**26.5**
Acquisitions and disposals[3]	(2,683)	(1,450)	
Licence and spectrum payments	(989)	(735)	
Amounts received from non-controlling shareholders[4]	613	618	
Equity dividends paid	(4,139)	(4,013)	
Purchase of treasury shares	–	(963)	
Foreign exchange and other	864	(8,255)	
Net debt decrease/(increase)	**907**	**(9,076)**	
Opening net debt	(34,223)	(25,147)	
Closing net debt	**(33,316)**	**(34,223)**	**(2.7)**

Notes:
(1) Cash paid for purchase of intangible assets, other than licence and spectrum payments, and property, plant and equipment.
(2) Year ended 31 March 2010 includes £389 million (2009:£303 million) from our interest in SFR and £1,034 million (2009: £333 million) from our interest in Verizon Wireless.
(3) Year ended 31 March 2010 includes net cash and cash equivalents paid of £1,777 million (2009: £1,360 million) and assumed debt of £906 million (2009: £78 million). The year ended 31 March 2009 also includes a £12 million increase in net debt in relation to the change in consolidation status of Safaricom from a joint venture to an associate.
(4) Year ended 31 March 2010 includes £613 million (2009: £591 million) in relation to Qatar.

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 £1,034 million (2009: £333 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 tax distributions have continued. Current projections forecast that tax distributions will not be sufficient to cover the US tax liabilities arising from our partnership interest in Verizon Wireless until 2015. However the tax distributions are expected to be sufficient to cover the net tax liabilities of the Group's US holding company.

Following the announcement of Verizon Wireless' acquisition of Alltel, certain additional tax distributions were agreed. Under the terms of the partnership agreement the Verizon Wireless board has no obligation to effect additional

Financial position and resources continued

distributions above the level of the tax distributions. However the Verizon Wireless board has agreed that it will review distributions from Verizon Wireless on an annual 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. The 2010 financial year benefited from a US$250 million gross tax distribution deferred from the 2009 financial year to April 2009.

During the year ended 31 March 2010 cash dividends totalling £389 million (2009: £303 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.

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 2010 financial year Vodafone Italy paid dividends net of withholding tax totalling €626 million to Verizon Communications Inc.

The Vodafone Essar shareholders' agreement provides for the payment of dividends to non-controlling partners under certain circumstances but not before May 2011.

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 a net £1,777[(1)] million in acquisition activities during the year ended 31 March 2010. An analysis of the significant transactions in the 2010 financial year including changes to our effective shareholding is shown in the table below. Further details of the acquisitions are provided in note 26 to the consolidated financial statements.

	£m
Vodacom (15%)	1,577
Other net acquisitions and disposals, including investments	200
Total	**1,777**

Note:
(1) Amounts are shown net of cash and cash equivalents acquired or disposed.

On 20 April 2009 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 following the listing of its shares on the Johannesburg Stock Exchange and concurrent termination of the shareholder agreement with Telkom SA Limited, the seller and previous joint venture partner. During the period from 20 April 2009 to 18 May 2009 the Group continued to account for Vodacom as a joint venture, proportionately consolidating 65% of the results of Vodacom.

On 10 May 2009 Vodafone Qatar completed a public offering of 40.0% of its authorised share capital raising QAR3.4 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.

On 9 June 2009 Vodafone Australia completed its merger with Hutchison 3G Australia to form a 50:50 joint venture, Vodafone Hutchison Australia Pty Limited, which, in due course, will market its products and services solely under the Vodafone brand. To equalise the value difference between the respective businesses Vodafone will receive a deferred payment of AUS$500 million which is expected to be received in the 2011 financial year. The combined business is proportionately consolidated as a joint venture.

In December 2009 we acquired a 49% interest in each of two companies that hold indirect equity interests in Vodafone Essar Limited following the partial exercise of options which are described under "Option agreements and similar arrangements" on page 44. As a result we increased our aggregate direct and indirect equity interest in Vodafone Essar Limited from 51.58% to 57.59%.

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. The Company did not repurchase any of its own shares between 1 April 2009 and 31 March 2010.

Shares purchased are held in treasury in accordance with sections 724 to 732 of the Companies Act 2006. The movement in treasury shares during the 2010 financial year is shown below:

	Number Million	£m
1 April 2009	5,322	8,036
Reissue of shares	(149)	(189)
Other	(27)	(37)
31 March 2010	**5,146**	**7,810**

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 on short-term and long-term debt markets and non-recourse borrowing assumed in respect of the emerging market business. It has not been necessary for us to draw down on our committed bank facilities during the year.

Net debt

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

	2010 £m	2009 £m
Cash and cash equivalents[(1)]	**4,423**	**4,878**
Short-term borrowings:		
Bonds	(1,174)	(5,025)
Commercial paper[(2)]	(2,563)	(2,659)
Put options over non-controlling interests	(3,274)	–
Bank loans	(3,460)	(893)
Other short-term borrowings[(1)]	(692)	(1,047)
	(11,163)	**(9,624)**
Long-term borrowings:		
Put options over non-controlling interests	(131)	(3,606)
Bonds, loans and other long-term borrowings	(28,501)	(28,143)
	(28,632)	**(31,749)**
Other financial instruments[(3)]	2,056	2,272
Net debt	**(33,316)**	**(34,223)**

Notes:
(1) At 31 March 2010 the amount includes £604 million (2009: £691 million) in relation to collateral support agreements.
(2) At 31 March 2010 US$245 million was drawn under the US commercial paper programme and amounts of €2,491 million, £161 million and US$33 million were 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 (2010: £2,128 million; 2009: £2,707 million) and trade and other payables (2010: £460 million; 2009: £435 million) and ii) short-term investments in index linked government bonds included as a component of other investments (2010: £388 million; 2009: £nil). 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 2010 we had £4,423 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 2010 were money market funds, commercial paper and bank deposits.

Net debt decreased by £907 million to £33,316 million primarily due to the impact of foreign exchange rate movements which decreased net debt by £1,038 million. The £7,241 million free cash flow generated during the year was primarily used to fund £4,139 million of dividend payments to shareholders, the additional stake in Vodacom purchased during the year as well spectrum purchases in Turkey, Egypt and Italy. Net debt represented 41.6% of our market capitalisation at 31 March 2010 compared with 53.1% at 31 March 2009. Average net debt at month end accounting dates over the 12 month period ended 31 March 2010 was £32,280 million and ranged between £30,363 million and £34,001 million 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.

Credit ratings

Consistent with the development of our strategy we target, on average, a low single A long-term credit rating. As of 17 May 2010 the credit ratings were as follows:

Rating agency	Rating date	Type of debt	Rating	Outlook
Standard & Poor's	30 May 2006	Short-term	A-2	
	30 May 2006	Long-term	A-	Negative
Moody's	30 May 2006	Short-term	P-2	
	16 May 2007	Long-term	Baa1	Stable
Fitch Ratings	30 May 2006	Short-term	F2	
	30 May 2006	Long-term	A-	Negative

Our credit ratings enable us to have access to a wide range of debt finance including commercial paper, bonds and committed bank facilities. Credit ratings are not a recommendation to purchase, hold or sell securities in as much as ratings do not comment on market price or suitability for a particular investor and are subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently.

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 2010 amounts external to the Group of €2,491 million (£2,219 million), £161 million and US$33 million (£22 million) were drawn under the euro commercial paper programme and US$245 million (£161 million) was drawn down under the US commercial paper programme, with such funds being provided by counterparties external to the Group. At 31 March 2009 US$1,412 million (£987 million) was drawn under the US commercial paper programme and €1,340 million (£1,239 million), £357 million and US$108 million (£76 million) was drawn under the euro commercial paper programme. The commercial paper facilities were supported by US$9.1 billion (£6.4 billion) of committed bank facilities (see "Committed facilities"), comprised of a US$4.1 billion revolving credit facility that matures on 28 July 2011 and a US$5 billion revolving credit facility that matures on 22 June 2012. At 31 March 2010 and 31 March 2009 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 2010 the total amounts in issue under these programmes split by currency were US$13.2 billion, £2.6 billion, €11.8 billion and £0.2 billion sterling equivalent of other currencies.

In the year ended 31 March 2010 bonds with a nominal value equivalent of £3.9 billion at the relevant 31 March 2010 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
April 2009	November 2012	€250	229
June 2009	December 2017	£600	600
June 2009	June 2014	US$1,250	780
June 2009	June 2019	US$1,250	780
November 2009	November 2015	US$500	329
January 2010	January 2022	€1,250	1,113

At 31 March 2010 we had bonds outstanding with a nominal value of £21,963 million (2009: £23,754 million).

Committed facilities

The following table summarises the committed bank facilities available to us at 31 March 2010.

Committed bank facilities	Amounts drawn
29 July 2008	
US$4.1 billion revolving credit facility, maturing 28 July 2011	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.
24 June 2005	
US$5 billion revolving credit facility, maturing 22 June 2012	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.
21 December 2005	
¥258.5 billion term credit facility, maturing 16 March 2011, entered into by Vodafone Finance K.K. and guaranteed by the Company	The facility was drawn down in full on 21 December 2005. The facility is available for general corporate purposes, although amounts drawn must be on-lent to the Company.
16 November 2006	
€0.4 billion loan facility, maturing 14 February 2014	The 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	The 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.
14 September 2009	
€0.4 billion loan facility, available for 18 months, repayment is the seventh year anniversary of the first advance drawn within the availability period ending March 2011	No drawings have been made against this facility. The facility is available for financing capital expenditure in our German operations.
29 September 2009	
US$0.7 billion export credit agency loan facility, maturing 16 September 2018	No drawings have been made against this facility. The facility is available for financing eligible Swedish goods and services.

Financial position and resources continued

Under the terms and conditions of the US$9.1 billion 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.

Substantially the same terms and conditions apply in the case of Vodafone Finance K.K.'s ¥258.5 billion term credit facility although the change of control provision is applicable to any guarantor of borrowings under the term credit facility. Additionally, the facility agreement requires Vodafone Finance K.K. to maintain a positive tangible net worth at the end of each financial year. As of 31 March 2010 the Company was the sole guarantor.

The terms and conditions of the €0.4 billion loan facility maturing on 14 February 2014 are similar to those of the US$9.1 billion 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 US$9.1 billion 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 up to €0.4 billion of seven year term finance for the Group's virtual digital subscriber line ('VDSL') project in Germany. The facility is available for drawing up until 15 March 2011. The terms and conditions are similar to those of the US$9.1 billion 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 US$9.1 billion 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 commence on 30 June 2010 with a final maturity date of 16 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 2010 Vodafone India had facilities of INR 257 billion (£3.8 billion) of which INR 169 billion (£2.5 billion) is drawn. Vodafone Egypt has a partly drawn EGP 1 billion (£120 million) syndicated bank facility of EGP 4.0 billion (£478 million) that matures in March 2014 and Vodacom had fully drawn facilities of ZAR 10.8 billion (£1 billion), US$103 million (£68 million) and TZS 54 billion (£26 million).

In aggregate we have committed facilities of approximately £15,057 million, of which £8,457 million was undrawn and £6,601 million was drawn at 31 March 2010.

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 2010 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, our Indian operating company, is 57.59% at 31 March 2010. We have call options to acquire shareholdings in three companies which indirectly own a further 9.39% interest in Vodafone Essar Limited. 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 66.98% in Vodafone Essar Limited.

We also granted put options exercisable between 8 May 2010 and 8 May 2011 to members of the Essar group of companies that, if exercised, would allow the Essar group to sell its 33% shareholding in Vodafone Essar Limited for US$5 billion or to sell up to US$5 billion worth of Vodafone Essar Limited shares at an independently appraised fair market value.

Off-balance sheet arrangements

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

Quantitative and qualitative disclosures about market risk

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

Corporate responsibility

Our approach to Corporate Responsibility ('CR') is to engage with stakeholders to understand their expectations on the issues most important to them and respond with appropriate targets, programmes and reports on progress. We understand that responsible behaviour is key to building and maintaining trust in our brand.

More detail on CR performance for the year ended 31 March 2010 will be available in our 2010 sustainability report and at www.vodafone.com/responsibility.

During the year our 2009 CR report won the Corporate Register Reporting Award for the best report. We are included in the FTSE4Good and Dow Jones Sustainability Index and rated first in the Tomorrow's Value Rating of the sustainability performance of the telecommunications sector.

Strategy

There is increasing interest in how businesses are addressing the challenges of sustainability. Our licences to operate are granted by governments that seek evidence of responsible business practices. Our research shows that consumers are becoming more concerned about sustainability. Ethical investors and non-government organisations remain focused on issues, such as supply chain standards and privacy, and our corporate customers seek information on our performance through questionnaires and meetings.

CR is relevant across all aspects of our activities and therefore we seek integration into all key business processes. The CR strategy focuses on CR issues material to the Group and has the following main strands:

- to capture the potential of mobile communications to bring socio-economic value in both emerging economies and developed markets through broadening access to communications to all sections of society;
- to deliver against stakeholder expectations on the key areas of climate change, a safe and responsible internet experience and sustainable products and services; and
- to ensure our business practices are implemented responsibly, underpinned by our business principles.

Key CR strategic objectives

Core initiative: Access to communications		
Safe and responsible internet experience	**Climate change**	**Sustainable products and services**
Supported by responsible business practices		
Underpinned by values, principles and behaviours		

CR governance

Our main focus is on implementing our CR programme across local operating companies. For the purposes of this section of the annual report "operating companies" refers to the Group's operating subsidiaries and the Group's joint venture in Italy. Vodacom, Ghana and Qatar are currently not consolidated in our CR reporting system but we intend to include them in reporting for the 2011 financial year. We recognise that we also have influence with joint ventures, associates, investments, partner markets and outsourcing partners.

Our approach to CR is underpinned by our business principles which cover, amongst other things, the environment, employees, individual conduct, community and society. During the year the business principles were reviewed and updated. We have also created a code of conduct which provides a practical guide for employees in relation to how to comply with the business principles. The new business principles and the Vodafone code of conduct will be communicated during the 2011 financial year.

The Executive Committee receives a formal update on CR twice a year and the Board continues to receive an annual presentation on CR. A CR management structure is established in each local operating company and CR performance is closely monitored and reported at most local operating company boards on a regular basis. CR is also integrated into our risk management processes, such as the formal annual confirmation provided by each local operating company detailing the operation of their controls system.

These processes are supported by stakeholder engagement which helps us to ensure we are aware of the issues relevant to the business and to provide a clear understanding of expectations of performance. Stakeholder consultations take place with customers, investors, employees, suppliers, the communities where we operate and where networks are based, governments, regulators and non-governmental organisations. Established in 2007 the Vodafone Corporate Responsibility Expert Advisory Panel comprises opinion leaders who are experts on CR issues important to Vodafone. The Panel met once during the 2010 financial year and discussed the progress made on identifying low carbon product and service opportunities, and customer privacy issues.

Our CR programme and selected performance information, as reported in the Group's 2010 sustainability report, will be independently assured by KPMG using the International Standard on Assurance Engagements ('ISAE 3000'). The assurance process assesses our adherence to the AA1000 AccountAbility Principles Standard ('AA1000APS') addressing inclusiveness, materiality and responsiveness, and the reliability of selected performance information. KPMG's assurance statement outlining the specific assurance scope, procedures and assurance conclusions will be published in our 2010 sustainability report.

For the 2010 financial year our CR reporting comprises online information on CR programmes and a performance report. Nine operating companies have produced their own CR reports during the 2010 financial year.

Information regarding our employees including diversity, inclusion, health, safety and wellbeing can be found in "People" on page 22.

Performance in the 2010 financial year

Access to communications

Our access to communications strategy continues to focus on responding to the needs of customers in emerging markets and increasing the accessibility of our products and services across demographics and individual capabilities.

Emerging markets

We have aligned the opportunity from mobile products and services in emerging markets to the United Nations' Millennium Development Goals – a blueprint agreed to by all the world's countries and leading development institutions to meet the needs of the world's poorest. Under this framework we set a target to "be recognised as a communications company making one of the most significant contributions to achieving the Millennium Development Goals ('MDGs') by 2015."

We have continued to support our local markets to develop commercial products and services with high social value through our social investment fund ('SIF'). In the 2010 financial year we adapted the fund criteria to identify propositions that contribute to one or more of the MDGs and eight projects were conducted under the SIF the majority of which are relevant to MDG goals such as "eradicate extreme poverty and hunger" and "combat HIV/AIDS, malaria and other diseases".

In February 2010 we announced the launch of Vodafone 150, an extremely affordable handset that retails unsubsidised at below US$15 depending on the local market. These innovations reduce the cost barriers to the adoption of mobile communication making new technologies available in developing countries – a target under the MDGs. In the 2010 financial year we shipped 5.4 million Vodafone branded handsets. Approximately 55% of these cost less than US$50.

Corporate responsibility continued

Further to the rapid take-up of affordable handsets we commissioned research to better understand their socio-economic impact in India which quantified benefits for customers such as reduced transport costs and increased employment opportunities.

Our mobile money transfer product, named "M-PESA" in Kenya and Tanzania and "M-Paisa" in Afghanistan, continued to grow during the 2010 financial year in terms of customers, transactions and the volume of money moved. Across our markets there are 13 million registered customers who moved US$3.6 billion during the 2010 financial year.

Accessibility

We commissioned research to better understand the market sizes for accessible products and services. The research showed that age is closely correlated to capability loss and that we need to consider propositions that cater for multiple minor disabilities rather than only targeting a single capability loss.

Our centre of excellence for accessibility, led by Vodafone Spain, continues to develop the portfolio of accessible products and services. During the year a new wireless loopset was trialled in collaboration with Nokia and Oticon and we launched a new online training course for employees to raise awareness on disabilities and the products and services that we offer our customers. Our markets in Egypt, Germany, Portugal and Italy also launched new products and services for the deaf and hearing impaired.

Safe and responsible internet experience

Our reputation depends on earning and maintaining the trust of our customers. The way we deal with certain key consumer issues directly impacts trust in the business. These issues include responsible delivery of age-sensitive content and services, mobile advertising and protecting customers' privacy.

Responsible delivery of content and services

We continue to be heavily involved in industry work in this area. Having implemented age-restricted content controls in the markets where such content is provided our work is focused on providing a safe and responsible internet experience when using new media applications. These have particular relevance to the mobile communications sector and have formed a key part of our activities during the 2010 financial year:

- In October 2009 we launched the first comprehensive website to help parents play an active and essential role in their children's digital world and better understand their use of mobiles, and online social media. The Vodafone Parents' Guide (www.vodafone.com/parents) offers up-to-date guidance on challenging issues such as children's excessive use of technology, managing their reputations and online identities in social media, safe access to location-based technology, cyber-bullying and the risks of meeting strangers online.
- Together with other industry partners we have continued to develop the Teachtoday website (www.teachtoday.eu) providing advice for teachers and students to help create a safer online environment for children and young people.
- Vodafone continued to be a board member of the newly formed UK Council for Child Internet Safety ('UKCCIS'). Board members include senior figures from government, industry, charities, academia and law enforcement. The board sets direction at a strategic level and there are a number of working groups including the industry and expert research panels in which we play an active role.

Consumer privacy and freedom of expression

We know that users increasingly wish to exercise control over how their personal information is made available and recognise the need to ensure that internet commerce over mobile and new business models, such as advertising, gains the trust of both consumers and regulators. We seek to ensure that our products and services are designed to address privacy risks and concerns, particularly those associated with social networking and media, as well as location-enabled applications and services.

To make our commitment to our customers' privacy clearer to our staff, customers and external stakeholders, we are developing a set of core principles that will become a part of our global privacy policy. These will form the basis of all of our privacy standards and provide guidance on a wide range of privacy issues across our business.

In October 2009 we launched Vodafone 360, a new internet proposition which can be accessed by mobile or PC. Among the many features of Vodafone 360 is a rich visual address book that provides users with many ways to communicate including aggregating their social networks into one view, showing who's connected to whom and enabling them to share their locations. Vodafone 360 was developed with users' privacy and safety uppermost in mind: mechanisms which promote safe and appropriate usage, and protect users' privacy, are core to the proposition. In particular, users can review their profile and manage what, if any, information they wish to share with their groups of contacts on a single, easy-to-use 'privacy settings' page on the web, and from a privacy widget on the mobile device.

We have continued to work on the issues of privacy and freedom of expression in the human rights context throughout the financial year. In particular, we are now finalising a global policy on the way we provide assistance to Government law enforcement authorities to ensure respect for the human rights of our users.

Climate change

Our climate change strategy has three key elements: limiting our own carbon dioxide ('CO_2') emissions, developing products and services to reduce the emissions of our customers and working with our suppliers to develop joint strategies for CO_2 emissions reduction.

In 2008 we announced that by 2020 we will reduce our CO_2 emissions by 50% against the 2007 financial year baseline which included all operating companies within the Group throughout the 2007 financial year. We have now restated our target to include all of our operating companies based in countries obligated under the Kyoto protocol including those that have joined the Group since 31 March 2007; this reduced the 2007 baseline by 73,000 tonnes. In addition, Vodafone Australia has been removed from the target as it is no longer a subsidiary. We are now seeking a 50% reduction against a baseline of 1.04 million tonnes.

The primary strategy to achieve the 50% reduction is through direct reduction in CO_2 emissions through the evolution of network technology, investment in energy efficiency and by making greater use of renewably generated electricity. Energy use associated with the operation of the network accounts for around 80% of our CO_2 emissions. In the 2010 financial year the total energy use of our operations, excluding India, increased by 7.7% to 3,278 GWh. This increase reflects the continued growth of networks in existing markets. The total CO_2 emissions for those operating companies covered by the 50% reduction target decreased by 9%, to 0.94 million tonnes of CO_2.

Climate change strategies and energy intensity targets are being developed for those operating companies which are not covered by the 50% target. In India activities have been focused on improving the quality of data to establish a baseline and support target setting. The instability and limited coverage of the national electricity grid requires diesel generation on the majority of sites. We are trialling the use of onsite micro-renewable generation and the use of batteries as the main power source to reduce diesel consumption in remote sites where there may be no access to the electricity grid. The majority of our network sites in India are managed by our joint venture, Indus Towers. Estimated CO_2 data for India has been reported alongside our consolidated totals for the 2010 financial year and we continue to work with our suppliers to capture more accurate information.

In the 2010 financial year the total CO_2 emissions of our operating companies, excluding India, were 1.2 million tonnes. The estimated CO_2 emissions of our operations in India were approximately 2.3 million tonnes which includes emissions from the network sites managed by Vodafone and the network sites managed by third parties, principally Vodafone's joint venture, Indus Towers.

In the 2009 financial year we established a target to set joint CO_2 reduction strategies with suppliers accounting for 50% of relevant spend by 2012. The strategies will help Vodafone, our customers or our suppliers to reduce CO_2 emissions.

Sustainable products and services

The information and communications technology ('ICT') industry has a major role to play in delivering wider benefits to society beyond its own operations. Our industry is part of the solution to the challenge of climate change (www.vodafone.com/carbonconnections) and can also contribute to more efficient delivery of public services.

In the 2009 financial year we published a report in conjunction with Accenture: "Carbon connections: quantifying mobile's role in tackling climate change". The report provided detailed, quantified assessments of 13 wireless opportunities demonstrating that in 2020 these opportunities could save 2.4% of expected EU emissions or €43 billion in energy costs alone. This would require a billion mobile connections, 87% of which are machine-to-machine ('M2M'), connecting one piece of equipment wirelessly with another. We have established a dedicated M2M service platform which aims to meet the expected rise in demand for M2M services around the world as more companies look to improve efficiency. This unit has set a target of providing ten million carbon reducing M2M connections by 2013. This target has been restated from the 2009 financial year as we were not able to accurately define the global baseline.

We have established a new mobile health solutions business unit this year to accelerate the development of healthcare solutions. Mobile technology offers significant opportunities to improve the efficiency and effectiveness of health services. Much of this can be achieved using existing technologies and we are working with healthcare providers, governments and pharmaceutical companies to fully understand how we can help.

We are also working to reduce the environmental impact of our products and services and since November 2009 the Samsung Blue Earth phone has been introduced in seven of our markets. The phone is designed to be environmentally friendly and has a full touchscreen and other advanced multimedia features.

We continue to address the reuse and recycling of handsets, accessories and network equipment and we have worked with suppliers to ensure substances prohibited by the Restriction of Hazardous Substances Directive are phased out. We comply with the EU's Waste Electronic and Electrical Equipment Directive through handset recycling programmes in all operating companies where it applies. During the 2010 financial year 1.33 million phones were collected for reuse and recycling through collection programmes in 15 local operating companies. 5,870 tonnes of network equipment waste was generated in all operating companies (not including India) with 98% of this sent for reuse or recycling.

Responsible business practices

Mobile phones, masts and health

We recognise that there is public concern about the safety of radio frequency ('RF') fields from mobile phones and base stations. For authoritative advice on potential health effects from mobile phones and masts we look to independent reviews of the entire body of evidence by panels of experts in the field, commissioned by recognised national or international health agencies. We provide access to such expert reviews of the science on our website (available at www.vodafone.com/responsibility/mpmh).

We understand that even with the current large body of scientific evidence, the World Health Organization ('WHO') considers there are a few areas where uncertainty remains and additional research is needed. In 2006 the WHO identified the following three main areas for additional research: long-term (more than 10 years) exposure to low-level RF fields, potential health effects of mobile device use in children and the way the levels of RF fields absorbed are calculated. We continue to contribute to the funding of independent scientific research in these areas via national and international research programmes. In 2010 the WHO plans to review again what further research may still be needed.

We require manufacturers of mobile devices to test for compliance with limits set by the International Commissions on Non-Ionizing Radiation Protection ('ICNIRP') limits for specific absorption rate ('SAR'). Depending on the mobile device we require testing to be performed for use both at the ear and against, or near, the body. We have been actively engaged with the International Electrotechnical Commission ('IEC') standards organisation to develop a new global protocol for testing phones for use against, or near, the body. This new IEC standard, to be published in 2010, better reflects the ways customers now use mobile devices.

Responsible network deployment

We recognise that network deployment can cause concern to communities, usually regarding the visual impact of base stations or health issues concerning RF fields.

For many years we have implemented a responsible network deployment policy covering these issues. In recognition that we are increasingly working with outsourced partners in delivering the most efficient network we have commissioned an external party to analyse the systems and controls we have in place to ensure our contractors meet this policy.

We continue to engage closely with local communities as part of the planning process for new masts. Our long-term programme of engagement with a range of stakeholders demonstrates that we place importance on acting responsibly. In surveys of external stakeholder opinion conducted annually over the last three years, an average of 83% of respondents regarded Vodafone as acting responsibly regarding mobile phones, masts and health.

We aim to comply with local planning regulations but are sometimes found to be in breach. This is normally related to conflicting local, regional or national planning regulations. During the 2010 financial year we were found to be in breach of planning regulations relating to 370 of our total 104,344 mast sitings. Fines levied by regulatory bodies or courts in relation to offences under environmental law or regulations were approximately £89,000.

Supply chain

We continue to work to improve labour and environmental standards across our supply chain. This year we reviewed and updated our Code of Ethical Purchasing and Supplier Evaluation Scorecard. Both now include more stringent labour and environmental requirements for suppliers. During the 2010 financial year we:

- assessed 64 suppliers against our evaluation scorecard on social and environmental aspects. The scorecard allows us to identify strengths and weaknesses in our suppliers' sustainability management and performance programmes and highlight areas where improvement is needed. Over the last four years we have evaluated over 638 suppliers; and
- carried out 24 on-site evaluations of high risk suppliers. During these visits we identified 139 areas for improvement, mainly concerning the inadequacy of practices on health and safety and working hours.

Social investment

The Vodafone Foundation and its network of 27 local operating company and associate foundations have continued to implement a global social investment programme. During the 2010 financial year the Company made a charitable grant of £18.0 million to the Vodafone Foundation. In addition, operating companies made charitable grants totalling a further £17 million to their foundations and a further £4 million directly to social causes. Total donations for the year ended 31 March 2010 were £41.7 million and included donations of £2.7 million towards foundation operating costs.

The Vodafone Foundation made grants to charitable partners engaged in a range of global projects. Its areas of focus are: utilising mobile technology for the benefit of all, sport and music as a means of benefiting some of the most disadvantaged young people and their communities, and disaster relief and preparedness.

The majority of the Vodafone Foundation funds are distributed in grants through operating company foundations to a variety of local charitable organisations meeting the needs of the communities in which they operate.

Key performance indicators[1]

	2010[2]	2009[2]	2008[2]
Vodafone Group			
Energy use (GWh) (direct and indirect)	3,278	3,044	2,920
Carbon dioxide emissions (millions of tonnes)	1.21	1.22	1.30
Percentage of energy sourced from renewables	23	19	18
Number of phones collected for reuse and recycling (millions)	1.33	1.53[3]	1.14[3]
Network equipment waste generated (tonnes)	5,870	4,944[3]	4,199
Percentage of network equipment waste sent for reuse or recycling	98	97	95

Notes:
(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 data excludes India, Ghana, Qatar and Vodacom. Our joint venture in Italy is included in all years. Amounts related to the 2008 financial year exclude Tele2 in Italy and Spain.
(2) Australia is excluded as it is no longer a subsidiary; the comparative data for 2009 and 2009 has also been restated.
(3) Amounts related to the 2009 and 2008 financial years have been amended. Refer to the online sustainability report for further information.