22. Borrowings

Carrying value and fair value information

	2011 Short-term borrowings £m	2011 Long-term borrowings £m	2011 Total £m	2010 Short-term borrowings £m	2010 Long-term borrowings £m	2010 Total £m
Financial liabilities measured at amortised cost:						
Bank loans	2,070	5,872	7,942	3,460	4,183	7,643
Bank overdrafts	47	–	47	60	–	60
Redeemable preference shares	–	1,169	1,169	–	1,242	1,242
Commercial paper	1,660	–	1,660	2,563	–	2,563
Bonds	2,470	16,046	18,516	1,174	12,675	13,849
Other liabilities(1)(2)	3,659	1,023	4,682	3,906	385	4,291
Bonds in fair value hedge relationships	–	4,265	4,265	–	10,147	10,147
	9,906	**28,375**	**38,281**	**11,163**	**28,632**	**39,795**

Notes:
(1) At 31 March 2011 amount includes £531 million (2010: £604 million) in relation to collateral support agreements.
(2) Amounts at 31 March 2011 includes £3,190 million (2010: £3,405 million) in relation to the options disclosed in note 12.

Banks loans include a ZAR 3.5 billion loan borrowed by Vodafone Holdings SA Pty Limited ('VHSA'), which directly and indirectly owns the Group's interest in Vodacom Group Limited. VHSA has pledged its 100% equity shareholding in Vodafone Investments SA ('VISA'), which holds a direct 20.1% equity shareholding in Vodacom Group Limited, as security for its loan obligations. The terms and conditions of the pledge mean that should VHSA not meet all of its loan payment and performance obligations, the lenders may sell the equity shareholding in its subsidiary VISA at market value to recover their losses, with any remaining sales proceeds being returned to VHSA. Vodafone International Holdings B.V. has also guaranteed this loan with recourse only to the VHSA shares it has pledged. The terms and conditions of the security arrangement mean the lenders may be able to sell these respective shares in preference to the VISA shares held by VHSA. An arrangement has been put in place where the Vodacom Group Limited shares held by VHSA and VISA are held in an escrow account to ensure the shares cannot be sold to satisfy the pledge made by the Company. The maximum collateral provided is ZAR 3.5 billion, being the carrying value of the bank loan at 31 March 2011 (2010: ZAR 4.85 billion). Bank loans also include INR 262 billion of loans held by Vodafone Essar Limited ('VEL') and its subsidiaries (the 'VEL Group'). The VEL Group has a number of security arrangements supporting certain licences secured under the terms of tri-party agreements between the relevant borrower, the department of telecommunications, Government of India and the agent representing the secured lenders and certain share pledges of the shares under VEL. The terms and conditions of the security arrangements mean that should members of the VEL Group not meet all of their loan payment and performance obligations, the lenders may sell the pledged shares and enforce rights over the certain licences under the terms of the tri-party agreements to recover their losses, with any remaining sales proceeds being returned to the VEL Group. Each of the eight legal entities within the VEL Group provide cross guarantees to the lenders in respect to debt contracted by the other seven.

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

	Sterling equivalent nominal value 2011 £m	Sterling equivalent nominal value 2010 £m	Fair value 2011 £m	Fair value 2010 £m	Carrying value 2011 £m	Carrying value 2010 £m
Financial liabilities measured at amortised cost	7,316	9,910	7,425	10,006	7,436	9,989
Bonds:	2,444	1,113	2,463	1,124	2,470	1,174
5.875% euro 1.25 billion bond due June 2010	–	1,113	–	1,124	–	1,174
US dollar floating rate note due June 2011	171	–	171	–	171	–
5.5% US dollar 750 million bond due June 2011	467	–	471	–	478	–
1% US dollar 100 million bond due August 2011	45	–	45	–	45	–
Euro floating rate note due January 2012	1,144	–	1,146	–	1,148	–
US dollar floating rate note due February 2012	306	–	306	–	306	–
5.35% US dollar 500 million bond due February 2012	311	–	324	–	322	–
Short-term borrowings	**9,760**	**11,023**	**9,888**	**11,130**	**9,906**	**11,163**

Notes to the consolidated financial statements continued

22. Borrowings continued

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

	Sterling equivalent nominal value		Fair value		Carrying value	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Financial liabilities measured at amortised cost:						
Bank loans	5,728	4,149	5,872	4,183	5,873	4,183
Redeemable preference shares	1,027	1,174	1,054	1,098	1,169	1,242
Other liabilities	1,022	385	1,023	385	1,022	385
Bonds:	14,581	11,455	15,578	11,961	16,046	12,675
US dollar floating rate note due June 2011	–	230	–	230	–	230
5.5% US dollar 750 million bond due June 2011	–	494	–	518	–	524
Euro floating rate note due January 2012	–	1,158	–	1,157	–	1,161
US dollar floating rate note due February 2012	–	329	–	329	–	329
5.35% US dollar 500 million bond due February 2012	–	329	–	351	–	352
3.625% euro 1,250 million bond due November 2012	1,104	1,113	1,125	1,157	1,132	1,149
6.75% Australian dollar 265 million bond due January 2013	171	160	173	161	176	167
Czech krona floating rate note due June 2013	19	19	19	19	19	19
Euro floating rate note due September 2013	751	757	752	756	752	758
5.0% US dollar 1,000 million bond due December 2013	623	658	676	704	667	718
6.875% euro 1,000 million bond due December 2013	883	891	970	1,024	922	936
Euro floating rate note due June 2014	1,104	1,113	1,099	1,099	1,105	1,114
4.15% US dollar 1,250 million bond due June 2014	778	823	826	856	802	852
4.625% sterling 350 million bond due September 2014	350	–	367	–	382	–
4.625% sterling 525 million bond due September 2014	525	–	551	–	544	–
5.125% euro 500 million bond due April 2015	442	445	475	496	470	475
5.0% US dollar 750 million bond due September 2015	467	–	506	–	512	–
3.375% US dollar 500 million bond due November 2015	311	329	317	327	312	330
6.25% euro 1,250 million bond due January 2016	1,104	–	1,230	–	1,139	–
2.875% US dollar 600 million bond due March 2016	374	–	371	–	371	–
5.75% US dollar 750 million bond due March 2016	467	–	523	–	532	–
4.75% euro 500 million bond due June 2016	442	–	463	–	487	–
5.625% US dollar 1,300 million bond due February 2017	809	–	897	–	920	–
5.375% sterling 600 million bond due December 2017	600	–	638	–	629	–
5% euro 750 million bond due June 2018	663	668	697	721	689	694
8.125% sterling 450 million bond due November 2018	450	–	550	–	488	–
4.375% US dollar 500 million bond due March 2021	311	–	307	–	309	–
7.875% US dollar 750 million bond due February 2030	467	494	591	589	759	814
6.25% US dollar 495 million bond due November 2032	308	326	332	328	425	453
6.15% US dollar 1,700 million bond due February 2037	1,058	1,119	1,123	1,139	1,503	1,600
Bonds in fair value hedge relationships:	3,962	9,395	4,199	10,085	4,265	10,147
4.625% sterling 350 million bond due September 2014	–	350	–	367	–	388
4.625% sterling 525 million bond due September 2014	–	525	–	550	–	532
2.15% Japanese yen 3,000 million bond due April 2015	23	21	24	22	23	22
5.375% US dollar 900 million bond due January 2015	560	592	616	636	621	650
5.0% US dollar 750 million bond due September 2015	–	494	–	529	–	543
6.25% euro 1,250 million bond due January 2016	–	1,113	–	1,278	–	1,168
5.75% US dollar 750 million bond due March 2016	–	494	–	536	–	556
4.75% euro 500 million bond due June 2016	–	445	–	477	–	503
5.625% US dollar 1,300 million bond due February 2017	–	856	–	919	–	960
5.375% sterling 600 million bond due December 2017	–	600	–	634	–	628
4.625% US dollar 500 million bond due July 2018	311	329	327	328	338	349
8.125% sterling 450 million bond due November 2018	–	450	–	553	–	487
5.45% US dollar 1,250 million bond due June 2019	778	823	850	857	823	849
4.65% euro 1,250 million bond January 2022	1,104	1,113	1,115	1,129	1,114	1,145
5.375% euro 500 million bond June 2022	442	445	470	481	505	525
5.625% sterling 250 million bond due December 2025	250	250	258	254	284	285
6.6324% euro 50 million bond due December 2028	44	45	68	64	57	54
5.9% sterling 450 million bond due November 2032	450	450	471	471	500	503
Long-term borrowings	**26,320**	**26,558**	**27,726**	**27,712**	**28,375**	**28,632**

During the year ended 31 March 2011 fair value hedge relationships relating to bonds with nominal value US$2,800 million (£1,743 million), €1,750 million (£1,546 million) and £1,925 million were de-designated.

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

Maturity of borrowings

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

	Bank loans £m	Redeemable preference shares £m	Commercial paper £m	Bonds £m	Other liabilities £m	Loans in fair value hedge relationships £m	Total £m
Within one year	1,881	52	1,670	3,292	3,766	203	10,864
In one to two years	528	52	–	2,009	191	203	2,983
In two to three years	2,510	52	–	2,919	60	203	5,744
In three to four years	321	52	–	3,251	60	763	4,447
In four to five years	885	52	–	3,613	901	195	5,646
In more than five years	1,825	1,240	–	7,725	–	4,752	15,542
	7,950	**1,500**	**1,670**	**22,809**	**4,978**	**6,319**	**45,226**
Effect of discount/financing rates	(8)	(331)	(10)	(4,293)	(249)	(2,054)	(6,945)
31 March 2011	**7,942**	**1,169**	**1,660**	**18,516**	**4,729**	**4,265**	**38,281**
Within one year	3,406	93	2,572	1,634	3,983	510	12,198
In one to two years	858	56	–	3,008	145	510	4,577
In two to three years	847	56	–	1,712	156	510	3,281
In three to four years	1,852	56	–	2,671	–	510	5,089
In four to five years	138	56	–	2,152	31	1,977	4,354
In more than five years	598	1,370	–	6,009	68	9,983	18,028
	7,699	**1,687**	**2,572**	**17,186**	**4,383**	**14,000**	**47,527**
Effect of discount/financing rates	(56)	(445)	(9)	(3,337)	(32)	(3,853)	(7,732)
31 March 2010	**7,643**	**1,242**	**2,563**	**13,849**	**4,351**	**10,147**	**39,795**

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

	2011 Payable £m	2011 Receivable £m	2010 Payable £m	2010 Receivable £m
Within one year	14,840	15,051	13,067	13,154
In one to two years	631	829	929	938
In two to three years	724	882	1,083	974
In three to four years	667	770	1,040	932
In four to five years	619	690	868	816
In more than five years	3,715	4,592	7,607	5,912
	21,196	**22,814**	**24,594**	**22,726**

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

	2011 Payable £m	2011 Receivable £m	2010 Payable £m	2010 Receivable £m
Sterling	–	10,198	–	8,257
Euro	11,422	2,832	8,650	3,177
US dollar	13	387	1,545	55
Japanese yen	2,164	23	548	21
Other	727	832	1,485	755
	14,326	**14,272**	**12,228**	**12,265**

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The £54 million net payable (2010: £37 million net receivable) in relation to foreign exchange financial instruments in the table above is split £153 million (2010: £95 million) within trade and other payables and £99 million (2010: £132 million) within trade and other receivables.

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

	2011 £m	2010 £m
Within one year	14	21
In two to five years	45	47
In more than five years	6	7

Notes to the consolidated financial statements continued

22. Borrowings continued

Interest rate and currency of borrowings

Currency	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings(1) £m	Other borrowings(2) £m
Sterling	2,831	906	1,925	–
Euro	12,361	4,198	8,163	–
US dollar	16,030	9,488	3,352	3,190
Japanese yen	807	807	–	–
Other	6,252	2,920	3,332	–
31 March 2011	**38,281**	**18,319**	**16,772**	**3,190**
Sterling	3,022	3,022	–	–
Euro	14,244	9,429	4,815	–
US dollar	15,195	7,329	4,461	3,405
Japanese yen	2,605	2,605	–	–
Other	4,729	4,105	624	–
31 March 2010	**39,795**	**26,490**	**9,900**	**3,405**

Notes:
(1) The weighted average interest rate for the Group's sterling denominated fixed rate borrowings is 5.7% (2010: n/a). The weighted average time for which these rates are fixed is 5.4 years (2010: n/a). The weighted average interest rate for the Group's euro denominated fixed rate borrowings is 4.3% (2010: 5.3%). The weighted average time for which the rates are fixed is 3.8 years (2010: 3.4 years). The weighted average interest rate for the Group's US dollar denominated fixed rate borrowings is 5.4% (2010: 5.5%). The weighted average time for which the rates are fixed is 9.7 years (2010: 12.3 years). The weighted average interest rate for the Group's other currency fixed rate borrowings is 9.2% (2010: 10.1%). The weighted average time for which the rates are fixed is 2.0 years (2010: 1.5 years).
(2) Other borrowings of £3,190 million (2010: £3,405 million) are the liabilities arising under options over direct and indirect interests in Vodafone Essar.

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

At 31 March 2011 the Group had entered into foreign exchange contracts to decrease its sterling, US dollar and other currency borrowings above by £10,198 million and amounts equal to £374 million and £105 million respectively, and to increase its euro and Japanese yen currency borrowings above by amounts equal to £8,590 million and £2,141 million respectively.

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

Further protection from euro and US dollar interest rate movements is provided by interest rate swaps. At 31 March 2011 the Group had euro denominated interest rate swaps covering the period March 2011 to September 2015 for an amount equal to £883 million and US dollar denominated interest swaps covering the period March 2011 to September 2015 for an amount equal to £641 million. The average effective rate which has been fixed is 1.23% for euro denominated interest rate swaps and 1.73% in relation to US dollar denominated interest rate swaps.

The Group has entered into euro and US dollar denominated interest rate futures. The euro denominated interest rate futures cover the periods September 2011 to December 2011, December 2011 to March 2012, March 2012 to June 2012 and June 2012 to September 2012 for amounts equal to £2,083 million, £833 million, £7,185 million and £6,811 million respectively. Additional cover is provided for the period March 2013 to March 2014 and March 2015 to March 2016 for average amounts for each period equal to £2,006 million and £2,331 million respectively. The US dollar denominated interest rate futures cover the periods June 2011 to September 2011, June 2013 to September 2013 and September 2013 to December 2013 for amounts equal to £3,601 million, £1,923 million and £833 million respectively. The average effective rate which has been fixed is 2.87% for euro denominated interest rate futures and 1.33% for US dollar denominated interest rate futures.

The Group has entered into interest rate futures to alter the level of protection against interest rate movements during some futures periods. During the period June 2016 to December 2016 euro denominated interest rate swaps will reduce the level of fixed rate debt in the Group by an amount equal to £833 million. US dollar denominated futures will reduce the level of fixed rate debt during the period March 2016 to March 2019 for an amount equal to £321 million. US dollar denominated interest rate futures will reduce the level of fixed rate debt during the periods September 2012 to December 2012 and December 2013 to March 2014 for amounts equal to £4,487 million and £1,282 million respectively.

At 31 March 2010 the Group had entered into euro and US dollar denominated interest rate futures. The euro denominated interest rate futures cover the period June 2010 to September 2010, September 2010 to December 2010 and December 2010 to March 2011 for amounts equal to £7,888 million, £8,461 million and £4,067 million respectively. The average effective rate which has been fixed is 1.27%. The US dollar denominated interest rate futures cover the period June 2010 to September 2010, September 2010 to December 2010 and December 2010 to March 2011 for amounts equal to £3,197 million, £2,582 million, and £1,119 million respectively. The average effective rate which has been fixed is 0.86%.

Borrowing facilities

At 31 March 2011 the Group's most significant committed borrowing facilities comprised two bank facilities which remained undrawn throughout the period of €4,150 million (£3,666 million) and US$4,170 million (£2,596 million) both expiring between four and five years (2010: two bank facilities of US$4,115 million (£2,709 million) and US$5,025 million (£3,308 million)), a US$650 million (£405 million) bank facility which expires in more than five years (2010: US$650 million (£428 million)), a ¥259 billion (2010: ¥259 billion (£1,821 million)) term credit facility expired during the period, two loan facilities of €400 million (£353 million) and €350 million (£309 million) both expiring between two and five years (2010: two loan facilities of €400 million (£356 million) and €350 million (£312 million) and a loan facility of €410 million (£362 million) which expires in more than five years (2010: €410 million (£365 million)). The €400 million and €350 million loan facilities were fully drawn on 14 February 2007 and 12 August 2008 respectively and the €410 million facility was drawn on 30 July 2010.

Under the terms and conditions of the €4,150 million and US$4,170 million bank facilities, lenders have the right, but not the obligation, to cancel their commitment 30 days from the date of notification of a change of control of the Company and have outstanding advances repaid on the last day of the current interest period.

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

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

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

The terms and conditions of the €410 million loan facility are similar to those of the US dollar bank facilities, with the addition that, should the Group's German fixed line operation, spend less than the equivalent of €824 million on capital expenditure, the Group will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.

In addition to the above, certain of the Group's subsidiaries had committed facilities at 31 March 2011 of £7,152 million (2010: £5,759 million) in aggregate, of which £667 million (2010: £1,647 million) was undrawn. Of the total committed facilities £2,137 million (2010: £1,139 million) expires in less than one year, £3,719 million (2010: £2,880 million) expires between two and five years, and £1,296 million (2010: £1,740 million) expires in more than five years.

Redeemable preference shares

Redeemable preference shares comprise class D and E preferred shares issued by Vodafone Americas, Inc. An annual dividend of US$51.43 per class D and E preferred share is payable quarterly in arrears. The dividend for the year amounted to £58 million (2010: £56 million). The aggregate redemption value of the class D and E preferred shares is US$1.65 billion. The holders of the preferred shares are entitled to vote on the election of directors and upon each other matter coming before any meeting of the shareholders on which the holders of ordinary shares are entitled to vote. Holders are entitled to vote on the basis of twelve votes for each share of class D or E preferred stock held. The maturity date of the 825,000 class D preferred shares is 6 April 2020. The 825,000 class E preferred shares have a maturity date of 1 April 2020. The class D and E preferred shares have a redemption price of US$1,000 per share plus all accrued and unpaid dividends.

23. Post employment benefits

Background

At 31 March 2011 the Group operated a number of pension plans for the benefit of its employees throughout the world, which vary depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through both defined benefit and defined contribution arrangements. Defined benefit schemes provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

The Group operates defined benefit schemes in Germany, Ghana, Greece, India, Ireland, Italy, Turkey, the United Kingdom and the United States. Defined contribution pension schemes are currently provided in Australia, Egypt, Greece, Hungary, Ireland, Italy, Kenya, Malta, the Netherlands, New Zealand, Portugal, South Africa, Spain and the United Kingdom. The Group's principal defined benefit pension scheme in the United Kingdom was closed to new entrants from 1 January 2006 and closed to future accrual by current members on 31 March 2010.

Income statement expense

	2011 £m	2010 £m	2009 £m
Defined contribution schemes	130	110	73
Defined benefit schemes	4	50	40
Total amount charged to the income statement (note 31)	**134**	**160**	**113**

Defined benefit schemes

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

	2011[1] %	2010[1] %	2009[1] %
Weighted average actuarial assumptions used at 31 March:			
Rate of inflation	3.1	3.5	2.6
Rate of increase in salaries	2.9	4.6	3.7
Rate of increase in pensions in payment and deferred pensions	3.1	3.5	2.6
Discount rate	5.6	5.7	6.3
Expected rates of return:			
Equities	8.2	8.5	8.4
Bonds[2]	5.1	5.1	5.7

Notes:
(1) Figures shown represent a weighted average assumption of the individual schemes.
(2) For the year ended 31 March 2011 the expected rate of return for bonds consisted of a 5.3% rate of return for corporate bonds (2010: 5.5%; 2009: 6.1%) and a 3.6% rate of return for government bonds (2010: 4.0%; 2009: 4.0%).

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

Mortality assumptions used are consistent with those recommended by the individual scheme actuaries and reflect the latest available tables, adjusted for the experience of the Group where appropriate. The largest scheme in the Group is the UK scheme and the tables used for this scheme indicate a further life expectancy for a male/female pensioner currently aged 65 of 23.5/24.3 years (2010: 22.3/25.4 years, 2009: 22.0/24.8 years) and a further life expectancy from age 65 for a male/female non-pensioner member currently aged 40 of 27.0/26.6 years (2010: 24.6/27.9 years, 2009: 23.2/26.0 years).

Measurement of the Group's defined benefit retirement obligations are particularly sensitive to changes in certain key assumptions including the discount rate. An increase or decrease in the discount rate of 0.5% would result in a £156 million decrease or a £178 million increase in the defined benefit obligation respectively.

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

	2011 £m	2010 £m	2009 £m
Current service cost	12	29	46
Interest cost	95	77	83
Expected return on pension assets	(103)	(76)	(92)
Curtailment/settlement	–	20	3
Total included within staff costs	**4**	**50**	**40**
Actuarial losses recognised in the SOCI	(190)	149	220
Cumulative actuarial losses recognised in the SOCI	306	496	347