

5. Investment income and financing costs

	2011 £m	2010 £m	2009 £m
Investment income:			
Available-for-sale investments:			
Dividends received	83	145	110
Loans and receivables at amortised cost	339	423	339
Gain on settlement of loans and receivables ⁽¹⁾	472	–	–
Fair value through the income statement (held for trading):			
Derivatives – foreign exchange contracts	38	3	71
Other ⁽²⁾	263	92	275
Equity put rights and similar arrangements ⁽³⁾	114	53	–
	1,309	716	795
Financing costs:			
Items in hedge relationships:			
Other loans	746	888	782
Interest rate swaps	(338)	(464)	(180)
Dividends on redeemable preference shares	58	56	53
Fair value hedging instrument	(47)	228	(1,458)
Fair value of hedged item	40	(183)	1,475
Cash flow hedges transferred from equity	17	82	–
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts ⁽⁴⁾	629	591	452
Other loans ⁽⁵⁾	121	185	440
Potential interest on settlement of tax issues ⁽⁶⁾	(826)	(178)	(81)
Equity put rights and similar arrangements ⁽³⁾	19	94	627
Finance leases	9	7	1
Fair value through the income statement (held for trading):			
Derivatives – forward starting swaps and futures	1	206	308
	429	1,512	2,419
Net (investment income)/financing costs	(880)	796	1,624

Notes:

(1) Gain on settlement of loans and receivables issued by SoftBank Mobile Corp.

(2) Amounts include foreign exchange gains on investments held following the disposal of Vodafone Japan to SoftBank Corp. and for 2011, foreign exchange gains on net investment in foreign operations.

(3) Includes amounts in relation to the Group's arrangements with its minority partners in India.

(4) The Group capitalised £138 million of interest expense in the year (2010: £1 million; 2009: £nil). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 9.8%.

(5) Amount for 2010 includes £48 million (2009: £94 million) of foreign exchange losses arising from net investments in foreign operations.

(6) Amounts for 2011, 2010 and 2009 include a reduction of the provision for potential interest on tax issues.