

VODAFONE GROUP PUBLIC LTD CO

Form 20-F

June 02, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 20-F**

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

p **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: March 31, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report: _____

For the transition period from: _____ to _____

Commission file number: 001-10086

VODAFONE GROUP PUBLIC LIMITED COMPANY

(Exact name of Registrant as specified in its charter)

England

(Jurisdiction of incorporation or organization)

Vodafone House, The Connection, Newbury, Berkshire RG14 2FN, England

(Address of principal executive offices)

Rosemary Martin (Group General Counsel and Company Secretary) tel +44 (0) 1635 33251, fax +44 (0) 1635 580 857

Vodafone House, The Connection, Newbury, Berkshire RG14 2FN, England

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
See Schedule A	See Schedule A
Securities registered or to be registered pursuant to Section 12(g) of the Act:	
None	

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares of 11 3/7 US cents each	52,663,134,573
7% Cumulative Fixed Rate Shares of £1 each	50,000

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP	International Financial Reporting Standards as issued by the International Accounting Standards Board	Other
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

SCHEDULE A

Title of each class	Name of each exchange on which registered
Ordinary shares of 11 3/7 US cents each	NASDAQ Global Select Market*
American Depositary Shares (evidenced by American Depositary)	NASDAQ Global Select Market

Receipts) each representing ten ordinary shares

Floating Rate Notes due June 2011

5.50% Notes due June 2011

5.35% due Feb 2012

Floating Rate Notes due Feb 2012

5.00% Notes due December 2013

4.150% Notes due June 2014

5.375% Notes due January 2015

5% Notes due September 2015

3.375% Notes due November 2015

5.75% Notes March 2016

5.625% Notes due Feb 2017

4.625% Notes due July 2018

5.450% Notes due June 2019

6.25% Notes due November 2032

6.15% Notes due Feb 2037

New York Stock Exchange

New York Stock Exchange

New York Stock Exchange

New York Stock Exchange

New York Stock Exchange

New York Stock Exchange

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New York Stock Exchange

* Listed, not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

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This constitutes the annual report on Form 20-F of Vodafone Group Plc (the Company) in accordance with the requirements of the US Securities and Exchange Commission (the SEC) for the year ended 31 March 2010 and is dated 2 June 2010. This document contains certain information set out within the Company's annual report in accordance with International Financial Reporting Standards (IFRS) and with those parts of the UK Companies Act 2006 applicable to companies reporting under IFRS, dated 18 May 2010, as updated or supplemented if necessary. Details of events occurring subsequent to the approval of the annual report on 18 May 2010 are summarised on page A-1. The content of the Group's website (www.vodafone.com) should not be considered to form part of this annual report on Form 20-F.

In the discussion of the Group's reported financial position, operating results and cash flow for the year ended 31 March 2010, information is presented to provide readers with additional financial information that is regularly reviewed by management. However this additional information is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

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

For further information see Non-GAAP information on pages 136 and 137 and Definition of terms on page 141.

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

This document contains forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and business management and strategy, plans and objectives for the Group. For further details please see Forward-looking statements on page 140 and Principal risk factors and uncertainties on pages 38 and 39 for a discussion of the risks associated with these statements.

Vodafone, the Vodafone logo, Vodafone Mobile Broadband, Vodafone Passport, Vodafone Email Plus, M-PESA, M-PAISA, Vodafone Money Transfer, Vodafone Station, Vodafone 360, Vodafone One Net, Vodafone Sure Signal, Vodafone Mobile Connect and Vodacom are trade marks of the Vodafone Group. The RIM® and BlackBerry® families of trade marks, images and symbols are the exclusive properties and trade marks of Research in Motion Limited, used by permission. RIM and BlackBerry are registered with the US Patent and Trademark Office and may be pending or registered in other countries. Windows Mobile and ActiveSync are either registered trade marks or trade marks of Microsoft Corporation in the United States and/or other countries. Other product and company names mentioned herein may be the trade marks of their respective owners.

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We are one of the world's largest mobile communications companies by revenue, operating across the globe providing a wide range of communications services. Our vision is to be the communications leader in an increasingly connected world.

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Executive summary

Highlights

Executive summary For more information, visit: www.vodafone.com/investor Highlights Group highlights for the 2010 financial year Revenue Financial highlights Q Total revenue of £44.5 billion, up 8.4%, with improving trends in most £44.5bn markets through the year. 8.4% growth Q Adjusted operating profit of £11.5 billion, a 2.5% decrease in a recessionary environment. Q Data revenue exceeded £4 billion for the first time and is now 10% Adjusted operating profit of service revenue. Q £1 billion cost reduction programme delivered a year ahead of schedule; £11.5bn further £1 billion programme now underway. 2.5% decrease Q Final dividend per share of 5.65 pence, resulting in a total for the year of 8.31 pence, up 7%. Q Higher dividends supported by £7.2 billion of free cash flow, an increase Free cash flow of 26.5%. £7.2bn Operational highlights 26.5% growth Q We are one of the world's largest mobile communications companies by revenue with 341.1 million proportionate mobile customers, up 12.7% during the year. Proportionate mobile customers Q Improved performance in emerging markets with increasing revenue market share in India, Turkey and South Africa during the year. 341.1m Q Expanded fixed broadband customer base to 5.6 million, up 1 million during the year. 12.7% growth Q Comprehensive smartphone range, including the iPhone, BlackBerry® Bold and Samsung H1. Q Launch of Vodafone 360, a new internet service for the mobile and internet. Q High speed mobile broadband network with peak speeds of up to 28.8 Mbps. Vodafone Group Plc Annual Report 2010 1

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Chairman's statement

Sir John Bond Chairman Chairman's statement Your Company continues to deliver strong cash generation, is well positioned to benefit from economic recovery and looks to the future with confidence. Environment and performance more efficiently and pleasurably, making better use of their time and Q Against a difficult background, we generated £7.2 billion opportunities. This has resulted in ever increasing demand, with voice of free cash flow, up 26.5%. minutes up by 22.3%(*) and data revenue up by 19.3%(*) across the Q Total dividends per share of 8.31 pence, up 7%; three year Group. This additional demand on our networks means that we need dividend per share growth target of at least 7% per annum. to manage traffic to ensure both good service for our customers and Q Original £1 billion cost programme completed a year ahead appropriate returns for our shareholders from continued investment of schedule with a further £1 billion initiative underway. in those networks. Q Continued strong investment in network capability to maintain and enhance the quality of service. Innovation Q Continued innovation in our products and services 2009 saw the sharpest contraction in the world's economy for more broadens and enhances our business portfolio. Dividends per share than a generation. Unquestionably, this has been the most difficult The new Vodafone 360 service combines the benefits (Pence) Q economic environment in which your Company has ever operated. of mobile communications and the internet to bring 8.31 7.51 7.77 Against this background, I am very pleased to report that the Group your phone, email chat and social network contacts delivered an adjusted operating profit of £11.5 billion (down 2.5%), together in one place. and generated £7.2 billion of free cash flow (up 26.5%). The Board is recommending a final dividend of 5.65 pence, making a total for the Innovation in the services we offer, and the expansion of those services year of 8.31 pence per share (up 7%). The Board is also targeting to into other sectors such as health care or communication between maintain growth in dividends per share at no less than 7% per annum different types of machine smart metering on energy grids or smart for the next three years. This year's results have been achieved while communications for delivery truck fleets can make important 2008 2009 2010 maintaining the capital expenditure (up slightly at £6.2 billion) needed contributions to our societies, lowering carbon emissions and to serve our customers growing demand for voice minutes and data enhancing lifestyles. This kind of innovation is important both for the services. The share price has increased by 6% since 1 April 2009, wider benefits it brings but also because it broadens and enhances the broadly in line with other major European telecommunications base on which our business is built. We have now set-up separate companies, but behind the increase in the FTSE 100. health and machine-to-machine teams to ensure that we maximise these opportunities. While the Group is not immune from the economic environment in which we operate, with our retail customers seeking to control their Your Company has also continued to innovate in the services we expenditure as much as possible and our business customers seeking provide. This year has seen the launch of Vodafone 360, a service to control cost, we have responded swiftly with cost reduction designed to help bridge the intersection between mobile and efficiency programmes. On top of our original £1 billion cost communications and the internet making it easier to communicate programme, delivered a year ahead of plan, we have now committed with friends, colleagues and family from your mobile using social to a further £1 billion cost programme by the 2013 financial year. With media or more traditional forms of electronic communication. The mobile voice prices continuing to decline in Europe by over 1 0% a year, Vodafone Money Transfer system (branded M-PESA in Kenya and tight cost control will remain a high priority in the future. Tanzania) is available in three countries with 13 million customers transferring US\$3.6 billion during the 2010 financial year. We expect The telecommunications sector as a whole has seen declining revenue to roll-out the service to further markets later this year. We recently through this period but we have not seen the extremely steep declines launched two of the world's most inexpensive handsets for example in revenue experienced by some other sectors of the economy the Vodafone 150 retails in most markets at unsubsidised prices below mobile communications remain an essential element in most people's US \$15 and we are working on low

cost handsets which will give lives. We see how our services are allowing people to lead their lives access to the internet. 2 Vodafone Group Plc Annual Report 2010

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Geographic diversity experience of the Asia Pacific region have been great assets to the Proportionate mobile Q Wide portfolio of operations including developed and emerging Board, and I am grateful for the contribution he has made. customers markets. Q In emerging markets growth prospects remain positive. The Vodafone Foundation 341.1m We now have over 100 million customers in our key Q The Vodafone Foundation supports communities and societies up 12.7% Indian market. in the countries in which we operate. Q Vodafone invested a total of £42 million in foundation One of the benefits of our broad spread of operations in both programmes and social causes. developed and emerging markets is the diversification of risk that this allows. The Board keeps a close watch on this portfolio of investments, We have continued to fund the work of the Vodafone Foundation, particularly those where we do not exercise management control. In Through the Vodafone Foundation and our network of national affiliate Verizon Wireless we have an outstanding asset whose value has foundations we support communities and societies in the countries in increased substantially over recent years, and SFR has secured a which we operate. In this financial year we invested a total of £42 million strong market position and provided good dividends. The Board in foundation programmes and social causes, and our World of reviews these investments regularly and will remain focused upon the Difference programme enabled 604 people to take paid time to work best way of realising maximum shareholder value. for a charitable purpose of their choice in their own community or in a developing country. Across the Group we have also put in place The impairment of our investment in Vodafone Essar in India was a mechanisms to make it easy for our customers to give money to support major disappointment to the Board. It results from an intense price war, charitable appeals following disasters. After the Haiti earthquake, triggered by the unprecedented and unforeseeable entry of six new Vodafone foundations donated £0.3 million to the emergency relief and competitors into the Indian market. Our operational performance in reconstruction effort, and we helped our customers in 14 countries to India however remains strong and we remain confident in the long- give a total of £4.7 million by text message. term prospects for the Indian market. We recently passed a very important milestone, with Vodafone Essar now having more than 100 Summary million customers one of only five national mobile operators in the On behalf of the Board, I would like to thank all Vodafone staff around world to have reached this scale, reflecting strong growth from 28 the world for the great efforts they have made in the past year in such million customers when we acquired control of Vodafone Essar in May challenging economic conditions. Vodafone would not have been able 2007. Elsewhere in the emerging markets, the operational turnaround to deliver these results without the tremendous effort of the team. of our company in Turkey has yielded very positive results and we have seen good progress in Ghana. The Board is heartened by your Company s strong results especially in the face of such a sharp economic downturn. It believes that the Group Your Board is well positioned to benefit from economic recovery and looks to the This year we conducted an evaluation on the effectiveness of the future with confidence. Board and its Committees aided by the external advisors MWM Consulting. They concluded that the Board was effective, had the right composition and skills and was generally performing well. More detail is contained at page 48 of this report. Sir John Bond Simon Murray, who has been a non-executive Director since July 2007, Chairman has decided to step down from the Board after this year s AGM. His knowledge of telecommunications, entrepreneurial spirit, and Vodafone Group Plc Annual Report 2010 3

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Telecommunications industry

Telecommunications industry At a glance The telecommunications industry has grown rapidly in size to provide essential services that facilitate a fundamental human need to communicate. Customers Mobile penetration Competition and regulation Q There are 4.7 billion mobile customers across Q Global mobile penetration is around 70% and Q Ongoing competitive and regulatory the globe with growth of around 20% per is generally higher in more mature markets pressures have contributed to significant annum over the last three years. The majority such as Europe and the United States but is reductions in mobile prices which are being of customers are in emerging markets such growing most quickly in emerging markets partly offset by higher mobile usage. as India and China. Vodafone is a leading such as India, China and Africa. company with a 7% share of the global market. The industry has 4.7 billion mobile customers across Mobile penetration (the proportion of the population Competition in the telecommunications industry the globe, up from 2.7 billion in 2006. that have a mobile) has grown to around 70% from 40% is intense. Consumers have a large choice of in December 2006. communication offers from established mobile and Consumers are increasingly choosing to make voice fixed line operators. Newer competitors, including calls over mobile rather than fixed phones and mobile Looking forward the number of worldwide mobile phone handset manufacturers, internet based companies calls accounted for 70% of all phone calls made in 2009 users is expected to continue to grow strongly. Most of and software providers, are also entering the market compared to 50% in 2006. As a result the number of this growth is expected in emerging markets such as offering converged communication services. mobile users now far exceeds the number of fixed India, China and Africa where mobile penetration is around telephones (1.3 billion). 50% compared to about 130% in mature markets such Industry regulators continue to impose lower mobile as Europe. termination rates (the fees mobile companies charge for Over the last three years mobile customer growth calls received from other companies networks) and has been strongest in emerging markets such as India Developing countries are generally expected to deliver lower roaming prices. Termination fees and roaming and China. In contrast growth has been more muted faster GDP growth which combined with relatively little charges accounted for 17% of Group revenue in 2010. in developed regions such as Europe which are alternative fixed line infrastructure is positive for mobile relatively mature.. penetration growth prospects. The combination of competition and regulatory pressures have contributed to a 17% per annum decline in the average price per minute across our global network over the last three years. However price pressures are being partly offset by increased usage. During the year our customers spoke for an average of 191 minutes per month compared to 137 in 2007. Mobile customers (m) Mobile penetration at December 2009 (%) Vodafone outgoing voice prices and minutes (%) 24.0 22.7 130 120 519 764 12.4 93 480 Western Europe Eastern Europe 69 464 USA/Canada (16.8) (12.5) (21.8) 309 54 45 48 India China 525 Other Asia Pacific 866 Africa Price 725 Other Western Eastern USA/ India China Other Africa Minutes Europe Europe Canada Asia 2008 2009 2010 Pacific 4 Vodafone Group Plc Annual Report 2010

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Product focus: Vodafone 360 Samsung H1 Customers are increasingly using high-end smartphones to download applications and browse the internet. Major trends The mobile industry continues to evolve rapidly, driven by new sources of revenue, rising smartphone proliferation and new technologies.

Services Mobile handsets Network and product evolution Q Around 80% of our service revenue comes Q Global handset volumes increased 5% per Q Our industry is undergoing significant from traditional voice and messaging annum over the last three years. In this time technological change, with faster download services. The remaining 20% stems from the mix has changed, with more demand for speeds and product innovation improving the faster growing areas of mobile data both smartphones and low cost devices at the customer experience. and fixed broadband. the expense of mid range feature phones. Our revenue from traditional voice and messaging The mobile industry shipped around 1.1 billion handsets Our technological capabilities are rapidly changing. Our services in mature markets is declining due to ongoing worldwide in 2009. These include ultra low cost devices networks have evolved from 2G or second generation competitive and regulatory pressures, partly offset by for more value conscious consumers, standard feature systems for voice, text and basic data services to 3G or faster growth in newer areas of data and fixed services. 2G and 3G devices, and high-end smartphones which third generation networks which also provide high speed can access the internet and download increasingly internet and email access. Vodafone s peak mobile data We have seen demand for data services such as laptop popular user applications. We have seen a change in mix, download speeds have increased to up to 28.8 Mbps. access to the internet and mobile internet browsing lead with increased demand for both smartphones and low Looking forward we, along with other operators, have to a four fold increase in our data traffic over the last two cost devices. been testing 4G, or fourth generation, technologies years. Data revenue has expanded from £1.1 billion in the which offer even faster network speeds to enhance the 2006 financial year to £4.1 billion in the 2010 financial Smartphones accounted for 15% of the industry handset customer experience. year. Data growth has been driven by faster network shipments in 2009 compared to 8% in 2006. 24% of speeds and increased penetration of mobile broadband our new handset sales in Europe during the year were We have been a pioneer in a range of new products. services and smartphones. smartphones and this is expected to grow further over These include high speed mobile broadband for internet the next few years. and email access and femtocells to enhance customers Our fixed services mainly comprise fixed broadband indoor 3G signals via their household broadband rather than fixed voice calls. The number of fixed Our low cost devices are targeted at developing markets connection. We have also developed quality of service broadband customers has grown to 5.6 million at and certain prepaid segments in Europe. Demand has techniques which enable careful management of the 31 March 2010 from 2.1 million in March 2007. been driven by lower prices and an expanding portfolio assignment of capacity in our networks during the with attractive features, including touchscreen and busiest times to enhance our customers experience. data capabilities. Service revenue (%) Smartphone share of global handset shipments (%) Vodafone mobile peak downlink speeds (Mbps) 15.3 3.8 28 12.8 7.9 10.9 21 9.7 7.9 14 11.5 Voice 67.1 Messaging Data 7 Fixed line Other 0 2006 2007 2008 2009 2006 2010 Note: (1) Market data sourced from Wireless intelligence and Strategy Analytics. Vodafone Group Plc Annual Report 2010 5

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Chief Executive's review

Chief Executive's review In a challenging economic environment our financial results exceeded our guidance on all measures, we increased our commercial focus, delivered our cost reduction targets ahead of schedule and maintained strong capital investment levels. Financial review of the year profit was £11.5 billion, with a growing contribution from Verizon Q 2010 financial results were ahead of guidance on all measures. Wireless and foreign exchange benefits offsetting weaker performance Q Increased revenue contribution from our targeted growth in Europe. areas in data, fixed line and emerging markets. Q Free cash flow generation of £7.2 billion, up 26.5%. Group free cash flow was £7.2 billion, up 26.5%, benefiting from significant improvements in working capital management and a We have made significant progress in implementing our strategy. We deferred dividend from Verizon Wireless. This exceptional level of cash now generate 33% of service revenue from products other than mobile flow was generated whilst maintaining capital investment, developing voice reflecting the shift of Vodafone to a total communications provider. fixed broadband services in Europe, funding the turnaround in Turkey In particular, mobile data and fixed broadband services continue to grow and Ghana, and expanding in India. while we increased the contribution being made by our operations in emerging economies, primarily by gaining market share. We have At the year end we had 341 million proportionate mobile customers reduced costs and working capital to manage better in the recessionary worldwide. Free cash flow environment while maintaining investment in our networks. Europe service revenue declined by 3.5%(*). Data and fixed line £7.2bn As a result, Vodafone's financial results are ahead of the guidance revenue growth was strong but this was more than offset by ongoing up 26.5% range we issued in May 2009 and the upgraded guidance we issued in voice price reduction and lower volume growth in our core voice February 2010. The Group generated free cash flow of approximately products. Europe's adjusted EBITDA margin declined by 1.0 percentage £1 billion ahead of our medium-term target established in November point, at about the same rate as the previous year, reflecting lower 2008 even after adjusting for beneficial foreign exchange. revenue, increased commercial activity, reduced cost and the increased contribution from lower margin fixed broadband. Operating The economic situation has remained challenging throughout the year free cash flow was strong at £8.2 billion. affecting our business in several ways. In our more mature European and Central European operations, voice and messaging revenue Africa and Central Europe service revenue declined by 1.2%(*), with declined and roaming revenue fell due to lower business and leisure good revenue growth at Vodacom and a much stronger result in travel. In addition, enterprise revenue declined in Europe as our business Turkey being offset by the impact of weaker economies in Central customers reduced activity and headcount. However, results in Africa Europe. The adjusted EBITDA margin declined by around 2 percentage and India remained robust driven by continued, albeit lower, GDP points, due to lower profitability in Turkey where we have focused on growth and increasing market penetration. During the course of the investment in the network, distribution, driving market share and financial year the impact of the global slowdown on the Group's financial brand visibility. performance has diminished somewhat with Group service revenue declining in the fourth quarter by only 0.2%(*), better than the preceding Asia Pacific and Middle East service revenue increased by 9.8%(*), three quarters and the second successive quarterly improvement. reflecting another strong contribution from India where service revenue grew by 14.7%(*). During the 2010 financial year we attracted In the full year Group revenue increased by 8.4% to £44.5 billion, 32 million customers in India and in March we exceeded the 100 declining 2.3%(*) after excluding benefits from foreign exchange and million customer mark. In a very competitive pricing environment we acquisitions. The Group's adjusted EBITDA margin declined by 2.2 were pleased to have confirmed our number two position in the percentage points to 33.1%, in line with our expectations, primarily as a market. Since Vodafone's entry into India in 2007, our performance has result of lower revenue in Europe and the greater weight of lower been strong. We have gained about 1 percentage point per annum in margin operations in emerging economies. Group adjusted operating revenue market share, added 72 million

customers, moved the 6 Vodafone Group Plc Annual Report 2010

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We have improved business into operating free cash flow generation and launched Indus Vodafone continues to evolve towards being a total communications our commercial Towers, the world's largest tower company with more than 100,000 provider, rebalancing mobile voice in mature economies with focus and cost towers under management. However the introduction of six additional increasing revenue from broadband data services. We have also national mobile licences one year after our entry and the resulting increased the proportion of revenue we generate from emerging efficiency, with intense price competition have led to a £2.3 billion impairment charge. economies. In parallel we continued to reduce our cost base to finance visible results. In Australia our joint venture company with Hutchison continues to growth and commercial competitiveness primarily by leveraging our perform in line with the merger plan with pro-forma revenue growth Group scale. of 8%. The adjusted EBITDA margin for the region declined by 2.2 percentage points, primarily reflecting lower margins in India caused 1. Drive operational performance by the competitive pricing environment and operating investment in We have reinforced the commercial focus of our operating companies new circles. by emphasising relative market share of quality customers, exploitation of the data opportunity and expansion into converged services. Verizon Wireless posted another set of strong results for the financial Progress in all areas has become more evident in the second half of the year. Service revenue growth was 6.3%(*) driven by increased customer year. penetration and data, although price competition has increased and growth rates have slowed in the second half of the year. We have At the same time we accelerated our £1 billion cost reduction established joint initiatives with Verizon Wireless around LTE programme, announced in 2008, and delivered its full benefits one technology and enterprise customers during the year. year ahead of plan. The majority of these savings were generated by our European operations and from cost reductions in our central We maintained capital investment at a similar level to the previous functions. Despite growth in mobile voice minutes and a significant financial year and invested £6.2 billion, consistent with our guidance increase in data usage, Europe's overheads declined enabling in May 2009. Capital expenditure in Europe was slightly higher than in commercial investment to be increased. the 2009 financial year as we took advantage of our strong cash generation to accelerate investment in fixed and mobile broadband In November we announced a further £1 billion cost saving programme networks, and in services to enterprise customers. to be delivered by the 2013 financial year. This will help us to offset inflationary pressures and the competitive environment and Adjusted earnings per share was 16.11 pence, lower than last year enable us to invest in our revenue growth opportunities. Around half primarily as the result of a one-off tax and associated interest benefit of these savings will be available for commercial reinvestment or in the prior year. Excluding this, adjusted earnings per share increased margin enhancement. by 6.6%. We will continually update our programme to identify further ways in Total dividends per share have increased by 7% to 8.31 pence with a which the Group can benefit from its regional scale and further reduce final dividend of 5.65 pence per share, up 9% reflecting the strong cash costs in order to offset external pressures and competitor action and performance of the Group. to invest in growth. Strategy 2. Pursue growth opportunities in total communications Q Cost reduction targets delivered a year ahead of plan. Data revenue grew by 19.3%(*) and is now over £4 billion. In addition to Q Strong revenue growth from data and fixed line services. driving continued growth in PC connectivity services, we have been Q Continued strong growth in emerging markets. particularly successful in increasing smartphone penetration across Q Enhanced shareholder returns new three year our customer base and in ensuring that smartphone customers dividend target. subscribed for additional data services. Vodafone Group Plc Annual Report 2010 7

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During the financial year our active data users across the Group During the year we returned approximately £4.1 billion of free cash increased to around 50 million and within this the number of mobile flow to shareholders in the form of dividends. The remaining free cash internet users to around 31 million. These achievements, while flow was used to fund the Vodacom stake purchase completed in May significant, highlight the huge potential of data as we increase 2009 and spectrum purchases in Turkey, Egypt and Italy. Net debt penetration of the remaining part of our 341 million proportionate declined to £33.3 billion primarily as a result of foreign exchange customer base. movements. The Group has retained a low single A credit rating. Fixed line revenue increased by 7.9%(*) during the year. We now have We now expect that annual free cash flow for the Group will be between 5.6 million fixed broadband customers, an increase of around 1 million £6.0 billion and £7.0 billion (using guidance foreign exchange rates) for during the year. In Europe adjusted EBITDA margins of the fixed the next three financial years ending 31 March 2013 reflecting the activities remained stable at around 14% and the business was broadly successful execution of the Group s strategy and our expectations for free cash flow neutral after capital expenditure of approximately improving operating free cash flow from our emerging markets and fixed £450 million. line investments. Europe s enterprise revenue declined by 4.1%(*) during the year as a The Board is therefore targeting dividend per share growth of at least 7% consequence of the significant impact of the economic downturn on per annum for the next three financial years ending on 31 March 2013(1). our enterprise customers. In contrast Vodafone Global Enterprise, which We expect that total dividends per share will therefore be no less than serves our larger enterprise customers on a Group-wide basis, had a 10.18 pence for the 2013 financial year. good year and delivered revenue growth of around 2%(*) demonstrating the strength of Vodafone services to multinational corporations. During Performance-driven organisation the year we launched fixed mobile convergent products such as Significant changes have been made to the Group s internal structure, Vodafone One Net specifically for smaller and medium enterprise organisation and incentive systems in the last 12 months. Head office customers which will position us well for recovery in due course. functions and management layers have been reduced significantly, simplifying our business processes and increasing the speed with 3. Execute in emerging markets which we can respond to the changing environment. In India we have secured the number two position in the market by revenue despite fierce price competition stimulated by new entrants. The specific responsibilities of Group Technology, Group Marketing Indus Towers is now the world s largest tower company with over and our local operating companies have been simplified, eliminating 100,000 towers under management. overlapping areas and coordination activities. We are also shifting progressively into incentive schemes which emphasise reward for Vodacom increased service revenue by 4.6%(*) and maintained its competitive performance and cash generation. leadership in South Africa. In Turkey service revenue increased by 31.3%(*) in the last quarter and 5.3%(*) in the full year. The turnaround plan Prospects for the year ahead(1) has brought the company back to growth and we now have to focus on Q Adjusted operating profit of £11.2 to £12.0 billion. continuing this momentum in the forthcoming financial year. Q Free cash flow in excess of £6.5 billion. While we look at opportunities to expand as they are presented, we We expect the Group to return to organic revenue growth during the remain cautious with respect to future footprint ex pansion. Our primary 2011 financial year although this will be dependent upon the strength focus remains on driving results from our existing emerging markets. of the economic environment and the level of unemployment within Europe. In contrast, revenue growth in other emerging economies, in 4. Strengthen capital discipline to drive shareholder returns particular India and Africa, is expected to continue as the Group drives Cash generation by the Group has been strong throughout the recession, penetration and data in these markets. reflecting significant cost reductions and the success of the Group wide working capital improvement plan in its first of two years. 8 Vodafone Group Plc Annual Report 2010

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Executive summary Our strategy The key focus of our strategy is to drive free cash flow generation. This is supported by four main objectives: drive operational performance, pursue growth opportunities in total communications, execute in emerging markets and strengthen capital discipline. Drive operational performance We aim to improve our performance through targeted commercial investment in high value customers, improved device portfolio In emerging markets we and cost reduction. are focused on operational performance and driving the Progress mobile data opportunity. Q Increased smartphone penetration across our customer base. Progress Q Capital investment of £6.2bn to enhance our product portfolio Q Increasing revenue market share and network quality. in India, Turkey and South Africa Q £1bn cost reduction programme during the year. delivered a year early; a further Q India now has 100m customers, £1bn programme now underway. up a record 32m during the year. Adjusted EBITDA margins are expected to decline at a significantly Q Cost initiatives include: greater Q Returned to revenue growth in lower rate than in the 2010 financial year. This reflects the continuing network sharing, efficiencies in Turkey driven by investment in benefit of the Group s cost saving programme which is enabling us to customer self-service and the network, IT and distribution. increase commercial activity and drive increased revenue in data and streamlining of support functions. Q 33%(*) data revenue growth fixed line. in Vodacom. Cost savings over last two years Adjusted operating profit is expected to be in the range of £11.2 billion Service revenue to £12.0 billion. Performance will be determined by actual economic £1bn trends and the extent to which we decide to reinvest cost savings into 32% total communications growth opportunities. from emerging markets(2) Pursue growth opportunities Free cash flow is expected to be in excess of £6.5 billion, consistent with in total communications our new three year target. Strengthen capital discipline We intend to maintain capital expenditure at a similar level to last year, adjusted for foreign exchange, ensuring that we continue to invest in We are focused on enhancing high speed data networks, enhancing our customers experience and returns to shareholders and increasing the attractiveness of the Group s data products. have clear priorities for Summary surplus capital. In an extremely challenging economic environment, we have improved Vodafone s commercial focus and cost efficiency with We have identified three Progress visible results. revenue growth opportunities, mobile data, fixed broadband Q £4.1bn of free cash flow used to We have made good progress in our growth areas mobile data, pay dividends. and enterprise services, broadband and enterprise and exceeded our improved guidance, Q Total dividends per share of 8.31 generating strong free cash flow of £7.2 billion. As a result of greater which represent our total pence, up 7%. confidence in Vodafone s prospects and cash generation ability, the communications services. Q Remaining free cash flow used Board has adopted a revised dividend policy, delivering attractive to purchase spectrum and growth for shareholders over the next three years(1). Progress an additional 15% of Vodacom. Q New dividend target dividends Economic growth remains fragile in many of our largest markets but Q 19%(*) data revenue growth; driven by per share growth of at least 7% we remain confident that our strategy is creating a stronger Vodafone. PC connectivity services and mobile over the next three years. internet usage. Q Fixed broadband customer base Total dividends of 5.6m, up 1m. Q 2%(*) revenue growth in Vodafone 8.31p Vittorio Colao Global Enterprise. up 7% Chief Executive Mobile data users Notes: 50m (1) For guidance and dividend assumptions see page 37. up 135% over the year (2) Africa and Cent ral Europe and Asia Pacific and Middle East. Vodafone Group Plc Annual Report 2010 9

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Global presence

Global presence We have a significant global presence, with equity interests in over 30 countries and over 40 partner markets worldwide. The Group operates in three geographic regions Europe, Africa and Central Europe, Asia Pacific and Middle East and has an investment in Verizon Wireless in the United States. Europe Africa and Central Europe Our mobile subsidiaries and joint venture operate under the brand name Vodafone . Our subsidiaries in this region operate under the Vodafone brand or, in the case of our associate in France operates as SFR and Neuf Cegetel , and our fixed line of Vodacom and its mobile subsidiaries, the Vodacom and Gateway brands. communication businesses operate as Vodafone , Arcor , Tele2 and TeleTu . Our joint venture in Poland operates as Plus and our associate in Kenya operates as Safaricom .

Poland	3.3m	Czech Republic	3.0m	Hungary	2.6m	Romania	9.7m	Turkey	15.8m	Ireland	2.1m	UK	19.0m	Netherlands	4.7m	Germany	34.5m	Ghana	2.8m	France	8.6m	Kenya	5.3m														
Democratic Republic of Congo(2)	Italy	23.2m	Tanzania(2)	Portugal	6.0m	Albania	1.7m	Spain	16.7m	Greece	6.0m	Vodacom(2)	39.9m	Mozambique(2)	Malta	0.2m	Lesotho(2)	South Africa(2)(3)	Europe Revenue	growth (%)	Africa and Central Europe Revenue	growth (%)	Revenue(1)	8.7	Revenue(1)	3.2(*)	(4)	2.1									
£29.9bn	£8.0bn	(15.8)	(1.1)	2.1	0.8%	growth	(1.7)	(6.8)	0.5	45.9%	growth	Adjusted operating profit(1)	Adjusted operating profit(1)	£6.9bn	Germany	Italy	Spain	UK	Other	£0.5bn	Vodacom	Romania	Turkey	Other	2.9%	decrease	21.9%	decrease									
Operating free cash flow(1)	(1)	The sum of these amounts does not equal	Operating free cash flow(1)	(2)	Vodacom refers to the Group's interest in	Group totals due to	Common Functions and Vodacom Group Limited (Vodacom)	in South	£8.2bn	intercompany	eliminations.	£1.1bn	Africa and its subsidiaries, including its operations in the	Democratic Republic of Congo,	2.7%	decrease	70.5%	growth	Lesotho, Mozambique and Tanzania. It also	Capital expenditure(1)	Capital expenditure(1)	includes its Gateway services and business network solutions subsidiaries which	have customers in more than 40 countries in Africa.	£3.0bn	£1.4bn	(3)	The Group's customers for	Vodacom include	17.1 million customers in South Africa.	6.0%	growth	61.1%	growth	(4)	Vodacom	became a subsidiary on 18 May 2009. The reported revenue growth was	150.3%.
Partner markets	Partner markets	extend our brand exposure outside investment. Similar arrangements also exist with a	Partnership agreements in place at 31 March 2010, the controlled operating companies through entering	number of our joint ventures, associates and excluding those with our joint ventures, associates and into a	partnership agreement with a local mobile investments. investments, are shown in the table to the right.	operator, enabling a range of our global products and services to be marketed in that operator's territory.	The results of partner markets are included within	Under the terms of these partner market agreements	Common Functions, together with the net result of we cooperate with our partners in the development	unallocated central costs and recharges to the Group's and marketing of certain services. These	partnerships operations, including royalty fees for the use of the create additional revenue through royalty	and Vodafone brand. franchising fees without the need for equity	10	Vodafone Group Plc Annual Report	2010																						

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Executive summary Regions Revenue(1) Adjusted operating Operating free cash flow(1) Capital expenditure(1) (£bn) profit(1) (£bn) (£bn) (£bn) Europe 6.5 0.6 Africa and Central Europe 1.1 1.4 Asia Pacific and Middle East 4.1 8.0 Verizon Wireless (US) 3.0 6.9 29.9 1.4 0.4 8.2 0.5 Asia Pacific and Middle East Verizon Wireless (United States) Our subsidiaries and joint venture in Fiji operate under the Vodafone brand and our Our associate in the US operates under the brand Verizon Wireless . joint venture in Australia operates under the brands Vodafone and 3 . China 17.2m Egypt 24.6m Verizon Wireless 41.8m Qatar 0.5m India 100.9m Fiji 0.4m Australia 3.5m New Zealand 2.5m Asia Pacific and Middle East Revenue growth (%) Verizon Wireless (US) Revenue growth (%) Revenue(1) 15.8 Revenue(5) 22.3 £6.5bn 9.3 £17.2bn 11.4% growth 22.3% growth 5.1 Adjusted operating profit(1) Adjusted operating profit(1) £0.4bn India Egypt Other £4.1bn US 35.6% decrease 16.1% growth Operating free cash flow(1) (5) This amount represents the Group s share of Verizon Wireless revenue and is not included £0.6bn in Group revenue as Verizon Wireless is an associate. Subsidiary Capital expenditure(1) Joint venture Associate £1.4bn Investment 25.1% decrease Amounts on map represent proportionate mobile customers at 31 March 2010. Country Operator Country Operator Country Operator Note: Afghanistan Roshan Faroe Islands Vodafone Faroe Islands Russia MTS (1) Partnership includes Bermuda and the Armenia MTS Finland Elisa Serbia VIP mobile following countries within the Caribbean: Austria A1 Honduras Digicel Singapore M1 Anguilla, Antigua and Barbuda, Aruba, Barbados, Bonaire, Curaçao, the Cayman Azerbaijan Azerfon-Vodafone Hong Kong SmarTone-Vodafone Slovenia Si.mobile Islands, Dominica, French West Indies, Bahrain Zain Iceland Vodafone Iceland Sri Lanka Dialog Grenada, Haiti, Jamaica, Samoa, St Lucia, Belgium Proximus Japan SoftBank Sweden TDC St Kitts and Nevis, St Vincent, Trinidad Bulgaria Mobiltel Latvia Bité Switzerland Swisscom and Tobago, Turks and Caicos Islands and Caribbean(1) Digicel Libya Al Madar Taiwan Chunghwa British Guyana. Channel Islands Airtel-Vodafone Lithuania Bité Thailand DTAC Chile Entel Luxembourg Tango Turkmenistan MTS Croatia VIPnet Macedonia/FYROM VIP operator Ukraine MTS Cyprus Cytamobile-Vodafone Malaysia Celcom United Arab Emirates Du Denmark TDC Norway TDC Uzbekistan MTS Estonia Elisa Panama Digicel Vodafone Group Plc Annual Report 2010 11

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Customers and distribution

Proportionate mobile customers across the globe. 341.1m (2009: 302.6m; 2008: 260.5m) BrandFinance global ranking 7th most valuable brand (2009: 8th; 2008: 11th) Customers and distribution Customers are at the core of everything we do. Through our products and services we endeavour to address all our customers' communications needs. International customer base with diverse needs Enterprise Vodafone has a truly international customer base with 341.1 million Vodafone also caters to all business segments ranging from small-proportionate mobile customers across the world. We continually office-home-office (SoHo) and small-medium enterprises (SMEs) to seek to develop new and innovative propositions that deliver relevance corporates and multinational corporations (MNCs). While our core and value to all our customers and build a long lasting relationship mobile voice and data business continues to grow, our enterprise meeting their expectations and needs. As customers move between customers are increasingly asking for combined fixed and mobile work and home environments and look for integrated solutions, solutions for their voice and data needs as well as integrated services we have a suite of propositions which often bundle together and productivity tools. voice, messaging, data and increasingly fixed line services to meet their needs. Brand We have continued to build brand value by delivering a superior, consistent and differentiated customer experience. During the 2010 financial year we evolved our brand positioning to 'power to you' emphasising our role of empowering customers to be able to live their lives to the full. It is a further expression of the importance of the customer being central to everything we do and is reinforced in communications substantiating how products and services impact and empower our customers. We regularly conduct brand health tracking which is designed to Global sponsorship measure the performance of the brand in each country and generate Our title sponsorship of the Vodafone insights to manage the brand as effectively as possible. External McLaren Mercedes F1 team delivered benchmark studies have shown that Vodafone brand equity has strong coverage across an exciting and maintained a top ten position in a number of rankings of brands across hard contested 2009 championship. In all industries including the seventh most valuable brand in the world addition to press and news coverage we as measured by BrandFinance. integrated the sponsorship into a wide variety of business activities including Customer segmentation communications, events, content, and Consumer acquisition and retention promotions to Consumer customers are typically classified as prepaid or contract maximise the impact and return on its investment. Significant sponsorship and customers. Prepaid customers pay in advance and are generally not support is also undertaken at a local bound to minimum contractual commitments offering great country level where it builds awareness flexibility and cost control. Contract customers usually sign up for a and brand value by resonating with our predetermined length of time and are invoiced for services, typically customers and their interests. on a monthly basis. Increasingly we offer SIM-only tariffs allowing customers to benefit from our network whilst keeping their existing handset. Around a third of our proportionate customer base including consumer and enterprise customers are contract customers and the remainder are prepaid. 12 Vodafone Group Plc Annual Report 2010

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Business Vodafone branded franchise stores Directly owned and 7,600 managed stores (2009: 5,300; 2008: 5,800) 2,100 (2009: 1,800; 2008: 1,150) Distribution Our customers interact with us in a variety of ways including via retail locations, by telephone or increasingly online. Through our subsidiaries, we directly own and manage approximately 2,100 stores selling services to customers and providing customer support. To be most accessible to our customers we constantly review our store footprint and capabilities. We also have around 7,600 Vodafone branded stores in our controlled markets which sell our products and services exclusively through franchise and exclusive dealer arrangements. Additionally, in most operating companies, sales forces are in place to sell directly to business customers. The internet is increasingly a key channel to promote and sell our products and services and to provide customers with an easy, user friendly and accessible way to manage their services and access support, whilst reducing costs for the Group. The extent of indirect distribution varies between markets but may include using third party service providers, independent dealers, distributors and retailers. We host mobile virtual network operators Customer satisfaction (MVNOs) in a number of markets, selling access to our network at a Historically we have measured customer wholesale level. satisfaction using our customer delight index, a proprietary diagnostic system which tracks customer satisfaction across all points of interaction with Vodafone and identifies the drivers of customer delight and their relative impact. At the end of the 2010 financial year we migrated to the net promoter score (NPS) customer measurement system to monitor and drive customer satisfaction at both an operational and country level in many of our markets. The NPS diagnostic system replaces the customer delight Customer delight index index and uses a scale of how likely customers would be to recommend 73.1 us to friends and family. (2009: 72.9; 2008: 73.1) Vodafone Group Plc Annual Report 2010 13

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Products and services

Voice revenue £28.0bn (2009: £26.9bn; 2008: £24.2bn) Handsets Our wide range of handsets Voice & messaging services covers all our customer segments and price points and is Products and services We provide value focused pricing available in a variety of designs. through unlimited bundles of Q 66 new models released in the 2010 voice and text services. We offer a wide range of products and services financial year. including voice, messaging, data and fixed line Q 23 exclusive handsets launched. Q Voice services incorporate revenue for national, international and solutions and devices to assist customers in roaming calls. Smartphones SMS services include text meeting their total communications needs. Q messages as well as multiple Q A handset offering advanced media, such as pictures, music, Handsets capabilities including access to sound, video and text. The core functionality and use of handsets continues to be voice and email and the internet. text messaging services. Many different tariffs and propositions are Q 24% of handset sales in Europe. available, targeted at different customer segments, and include a All leading brands represented Voice usage (billions of minutes) Q range of unlimited usage offers which have been particularly appealing including iPhone in 14 countries. 686.6 to customers. Q Launched two tailor-made 548.4 Vodafone 360 handsets: Samsung H1 427.9 With sophisticated handsets becoming readily available, customers and Samsung M1. are increasingly using their mobile phones to complement their lives in new and innovative ways. Data usage continues to grow rapidly fuelled by large numbers of intuitive internet enabled devices Vodafone branded handsets (smartphones), many with touch screens such as the iPhone and 2008 2009 2010 BlackBerry® Storm , and transparent pricing available through our Q Enabling millions of people in internet on your mobile unlimited browsing tariff. Instant messaging emerging markets to share the SMS usage (billions of messages) is available with Yahoo! and MSN and we offer integrated services from benefits of mobile technology. 223.5 leading internet brand partners including YouTube, eBay, Google and Q Prices start from less than US\$15. 172.0 Google Maps . Q 16 new models released under our 131.4 own brand. Our partnership agreements with leading companies, such as RIM, Q Low cost combined with high-end Samsung and Google, have enabled us to be first to market with features, such as touch screen and cutting-edge devices such as the BlackBerry Storm, Samsung H1 and mobile internet capability. Samsung M1 (our two tailor-made handsets that support our Vodafone 2008 2009 2010 360 proposition) and Google Nexus One. Vodafone branded handsets shipped Messaging revenue Available in 31 markets including partner markets, Vodafone branded 5.4m devices are designed to meet a range of customer needs and £4.8bn (2009: 10.7m; 2008: 10.0m) preferences from low cost phones offering simple voice and text, (2009: £4.5bn; 2008: £4.0bn) through fashion and design influenced, to competitively priced mobile internet devices with cutting-edge smartphone functionality including touch screen and mobile internet capability. During the 2010 financial year Vodafone launched its most affordable handset to date, the Vodafone 150, which retails for less than US\$15 unsubsidised, giving millions of people in emerging markets the opportunity to share in the benefits of mobile technology for the first time. Product focus: Vodafone branded handsets Apple iPhone 3GS Vodafone 845 (left) Android smartphone Vodafone 150 (right) ultra low-cost handset. 14 Vodafone Group Plc Annual Report 2010

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Business Data services We offer a number of products and services to enhance our customers' access to data services including access to Fixed services the internet, email, music, games and television. We offer fixed voice and Organic data revenue growth fixed broadband solutions to our customers' total Total communications services 19.3% communications needs. We have continued to diversify and expand the services we provide to (2009: 25.9%; 2008: 39.0%) assist customers in meeting their total communications needs. These Q Fixed line services available in include data services, such as mobile internet and mobile broadband 13 countries in addition to Gateway. and fixed services incorporating fixed line voice and fixed broadband. Data revenue Q 5.6m fixed broadband customers, up 1m. Data Q Data, a fast growing revenue Q Vodafone DSL Router launched We provide a range of data products including PC connectivity, internet stream, now accounts for 10% in six countries. services, applications and roaming. of service revenue. Q 50m total data users, up over 100%, PC connectivity services, available through Vodafone Mobile Broadband including 31m mobile internet users. Fixed line revenue (£bn) devices and certain handsets, provide mobile internet access for laptop, Q Integrated services from leading 3.3 netbook and PC users. Vodafone Mobile Broadband provides simple and internet partners including YouTube, 2.7 secure access to the internet and to business customers' systems. We Google and Google Maps. 1.9 have been at the forefront of deployment of HSPA+ networks and development of devices (such as USB modems) to support these speeds. We were the first to deploy high speed HSPA services (peak rate of Data devices 14.4 Mbps) in selected markets, such as the UK, and HSPA+ (peak rate of 21.6 Mbps and 28.8 Mbps) in selected markets such Ireland, Portugal and Q Four netbook models with built-in 2008 2009 2010 Greece. USB sticks with exclusive designs and simple plug and play 3G broadband launched. software continue to be very popular. A wide variety of laptop models are Q Peak download speeds of up to Fixed broadband customers available with built in 3G broadband and Vodafone SIM cards. 28.8 Mbps. Q 13m smartphone users in Europe, 5.6m Internet services enable users to access the internet on their mobile representing 11% of customers. (2009: 4.6m; 2008: 3.6m) handset. Applications include email services with real time handheld Q First to launch a 21 Mbps USB stick access to email, calendar, address book and other applications. Data in several markets in Europe. roaming allows customers to use our services on a mobile network when travelling abroad. PC connectivity users Fixed 8.7m Our fixed service incorporates fixed broadband, offered mainly (2009: 5.7m; 2008: 2.7m) through DSL technology, and fixed line voice, which allows consumer and enterprise customers to make fixed line voice calls using Vodafone as their total communications provider. Data revenue (£bn) 4.1 The Vodafone DSL Router combines mobile and fixed broadband services. This means customers can connect immediately after 3.0 Product focus: Vodafone DSL Router purchase via the USB broadband modem and then later with fixed 2.1 The Vodafone DSL Router features instant broadband when this has been provisioned. At this stage the USB activation and a back-up connection via the modem can continue to be used with a laptop for usage outside of the separate USB dongle. home. During the year we have also launched Vodafone Sure Signal in the UK which, used in conjunction with home fixed broadband, 2008 2009 2010 provides customers with excellent indoor 3G coverage. Data traffic in Europe (petabytes) 81.8 40.8 18.8 Product focus: Vodafone Mobile Broadband USB modem Latest high-speed Vodafone USB modem, capable 2008 2009 2010 of supporting peak download speeds up to 28.8 Mbps. Vodafone Group Plc Annual Report 2010 15

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Value added services

Vodafone 360 is a new internet service for mobile, PC and Mac. It brings phone, email, chat and social network contacts together in one place. Vodafone 360 provides customers with access to games, music and thousands of applications as well as browsing the internet. Vodafone Money Transfer The Vodafone Money Transfer system is available in three countries with 13 million customers moving US\$3.6 billion during the year. We Value added services expect to roll-out the service to further markets later this year. We have continued to diversify and expand Applications Vodafone Money Transfer customers (millions) the services we provide to our customers to meet their total communications needs. 13.0 We provide a wide range of additional services to customers. 6.5 Consumer During the 2010 financial year we launched an exciting new suite of Q Vodafone Email Plus, Windows 2.5 services called Vodafone 360 particularly catering to the needs of Mobile® Email from Vodafone customers wanting to be always connected both on the move and at and BlackBerry from Vodafone 2008 2009 2010 home. This allows customers to keep all their contacts and content in provide enterprise customers one place and access the latest information available on the internet. with real time handheld access Vodafone 360 integrates the latest updates from popular social to email, calendar, address book Roaming services networking sites, such as Facebook, so customers can stay instantly and other applications. up to date with their friends latest news. Q Vodafone PC Backup and Restore enables users to remotely store Our roaming services The Vodafone 360 store gives customers the choice to download from data securely and automatically allow Vodafone customers over 8,000 applications ranging from checking the weather and news to via their internet connection. to make calls and use the latest music and games. All the information, social contacts and Q Full track music down loads with data services on other content can also be seamlessly accessed online from PCs and Macs, in more than 2m songs available. addition to handsets, allowing customers the freedom to connect via operators mobile networks whichever channel is most convenient to them. Vodafone was the first whilst travelling abroad. operator to offer DRM-free bundles and now has the largest number of paid digital music subscriptions in Europe, with over 500,000 customers. 4.5m Q Over the last three years we Mobile email users , up 29% have reduced the cost of voice Applications roaming by 38% in Europe. Our range of total communications solutions provides customers with Q Vodafone Passport enables integrated office and mobile voice and data services, such as Vodafone PC Backup and Restore customers to take their home Always Best Connected, an internet connection management tariff abroad offering greater software tool which manages connections across all network price transparency and certainty. connection types including Mobile Broadband, Wi-Fi and LAN. This service allows customers to stay connected to the internet on the best available connection, simply and securely. The software provides a Vodafone Passport customers (millions) simple user experience for managing different connections in the 24.9 22.5 office, at home, in a hotspot or on the move by automatically Enables PC users to store data securely managing the switching between available connection types. and automatically, allowing access to files 17.5 and documents at any time from any computer with an internet connection, whether fixed or mobile. Service focus: DRM-free deals with all four major record labels in 2009 More than 500,000 customers signed up 2008 2009 2010 for music subscription services provided in partnership with all four major labels (EMI, Sony, Universal and Warner), making us the largest provider of paid digital music subscription services in Europe. 16 Vodafone Group Plc Annual Report 2010

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Business Share of Europe service revenue from enterprise services 30% Product focus: Vodafone One Net Provides small and medium-sized business with just one Mobile broadband solutions number for their fixed and mobile calls. 7 Causes is a marketing consultancy with a difference. Based in the Netherlands, they've changed the way they work with clients. Out went expensive office space and long commutes. Instead they bought a bus and turned it into a mobile office complete with Vodafone mobile broadband. So now instead of wasting time travelling, they can work on the move and see more of their clients and their own families. Enterprise services Vodafone offers total Business managed services communications solutions for a wide range of enterprise Q As customers look to improve their efficiency they are increasingly customers from small looking to Vodafone to take control businesses to large of their technology for them. Enterprise multinational companies. Q Business managed services We continue to add value to our enterprise customers, building on our provide fully managed solutions core mobile business and leading the way with a range of services which bring together every where applications and data are secured and hosted in the Vodafone Vodafone One Net aspect of a customers network or cloud . In addition, we are providing mobile internet telecommunications infrastructure, bundles for smartphones, mobile email (BlackBerry, Microsoft Q Vodafone One Net brings together both fixed and mobile, into a single ActiveSync and Vodafone Email Plus) and mobile broadband via a fixed and mobile communications in management view. range of innovative devices, such as the Vodafone Mobile Wi-Fi, a one system. It means that every user Q Services include logistics, cost portable mobile broadband powered Wi-Fi hub, and class leading USB can have just one number for their control, and security and online dongles, embedded laptops and netbooks. desk phone and mobile, and one management portals offering voicemail box for their messages. single-sign-on. As we embrace the convergence of mobile and fixed networks our Q For a fixed cost per employee, customers are seeing the value it brings to their business through a customers can get business quality range of convergent services. Building on our success in Italy and internet and email, a mobile and/or Machine-to-machine Spain with our cloud-based office phone solution, Vodafone One Net, desk phone for every user, with the service is expected to be launched in Germany and the UK during advanced call management Q Machine-to-machine (M2M) the 2011 financial year. The service provides enterprise customers of features and unlimited calls communication allows businesses all sizes with advanced office desk phone functionality integrated with between all their company phones to automate the capture of data, their mobile services. whether fixed or mobile. perform real-time diagnostics and repair and to control Our partnership with Microsoft has enabled us to combine these assets remotely. converged services with the Microsoft online suite, providing our Vodafone Unified Communications We support M2M solutions ranging Q customers with hosted email and productivity tools as well as from location monitoring of conferencing and collaboration services in a single package. The Q An integrated communications vehicles and remote patient services have launched successfully in Germany and Spain. solution in partnership with monitoring through to supporting Microsoft which provides a real-time secure payments and Vodafone Global Enterprise (VGE) manages the relationships with customer with just one interface providing real-time inventory over 550 of our largest multinational corporate customers. VGE for all of their communications, reports for retailers. corporate simplifies the provision of fixed, mobile and data services for MNCs enabling employees to access and MNC segments. who need a single operational and commercial relationship with emails, share documents and files, Vodafone worldwide. It provides a range of managed services, such as access calendars, hold web and central ordering, customer self-serve web portals, telecommunications video conferences and exchange expense management tools and device management coupled with a instant messages from any location single contract and guaranteed service level agreements. and using almost any device. Within VGE, our machine-to-machine (M2M) business unit provides MNC customers with global capabilities for M2M services through a Enterprise mobile voice connections (millions) single platform and a global numbering range. The business has achieved major customer wins in both the automotive and smart 25.2 metering sectors. VGE has continued to expand both its footprint and 22.4 Product focus: Vodafone Mobile Wi-Fi 19.6 the services it provides to

our customers and now has dedicated Provides a personal Wi-Fi network resources in India and Africa, both growing areas for VGE s services. For for up to five users. the fourth year running VGE has extended its position in the Gartner Magic quadrant report to become the clear industry leader. 2008 2009 2010 Vodafone Group Plc Annual Report 2010 17

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Technology and resources

Technology and resources Our key technologies and resources include the telecommunications licences that we hold and the related network infrastructure which enable us to operate our telecommunications networks around the world. Delivering the best customer experience of GPRS called enhanced data rates for GSM evolution (EDGE). These We have built extensive coverage across our networks and strive networks provide download speeds of over 200 kilobits per second to deliver the best possible user experience for our customers. (kbps) to our customers. Q Over 200,000 base station sites for the transmission of wireless signals. Third generation (3G) Q Network traffic of nearly 700 billion minutes and over Our 3G networks, operating the wideband code division multiple 90 petabytes of data per year. access (W-CDMA) standard, provide customers with an optimised Q Peak download speeds of up to 28.8 Mbps. data access experience. We have continued to expand our service offering on 3G networks, which provide high speed internet and We continue to deliver a high quality customer experience across all email access, video telephony, full track music downloads, mobile TV of our markets, leveraging the extensive knowledge and expertise that and other data services in addition to existing voice and basic data Our networks we have across the Group. We measure key performance indicators connectivity services. provide peak across our markets on an ongoing basis to ensure we maintain high download speeds standards of service quality and availability. We also participate in High speed packet access (HSPA) of up to 28.8 Mbps. regular network drive test campaigns conducted by independent third HSPA is a 3G wireless technology enhancement enabling significant party companies to benchmark our networks against those of our increases in data transmission speeds. It provides increased mobile We expect to major competitors. data traffic capacity and improves the customer experience through provide ever faster the availability of 3G broadband services and significantly shorter data speeds in the Over the last year we have introduced advanced tools across all of transfer times. All of our markets with 3G capability now support the years to come. our established 3G markets in Europe providing us with the ability 3.6 mega bits per second (Mbps) peak speed evolution of high speed to monitor and proactively manage our customers experience on downlink packet access (HSDPA) and with peak speeds of up to the network. 28.8 Mbps peak speed in some areas. The figures are theoretical peak rates deliverable by the technology in ideal radio conditions with no Network infrastructure customer contention for resources. While HSDPA focuses on the Our network infrastructure provides the means of delivering our downlink (network to mobile), high speed uplink packet access mobile and fixed voice, messaging and data services to our customers. (HSUPA) focuses on the uplink (mobile to network) and peak speeds Our customers are linked via the access part of the network which of up to 1.4 Mbps on the uplink are now available across all of our connects to the core network that manages the set-up and routing of markets, with peak speeds up to 5.8 Mbps available in key areas across calls, transfer of messages and data connections. many of our 3G networks. Second generation (2G) Evolving our networks We operate 2G networks in all of our mobile operating subsidiaries We continually improve our network and IT capability in order to through global system for mobile (GSM) networks, offering customers enhance the service we provide our customers. services such as voice, text messaging and basic data services. In addition, all of the Group s controlled networks operate general packet With the increasing adoption of mobile broadband services and the radio services (GPRS), often referred to as 2.5G. GPRS allows mobile wider availability of advanced smartph ones we are seeing accelerated devices to be used for sending and receiving data over an IP based growth in data traffic across our networks. To ensure we continue to network and enabling data service offers such as internet and email deliver the best possible quality of service to our customers we are access. In a number of networks, we also provide an advanced version proactively evolving our infrastructure through a range of initiatives. 18 Vodafone Group Plc Annual Report 2010

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Business Customer devices Access and transmission network Core network Other networks As a total communications Our access networks provide the means by which our customers can The core network is responsible Our networks connect to company our customers connect to Vodafone. We provide mobile access through a network for setting up and controlling a wide range of other can use a broad range of of base stations and fixed access through consumer digital the connection of our customers networks to enable our devices to access our subscriber lines (DSL) and optical fibre, or corporate private wire. to our voice and data services. customers to reach products and services. These access networks connect back to our core network via a customers of other transmission network. operators and access services beyond Vodafone. Base station Circuit switched Base stations manage the The circuit switched domain wireless radio transmissions to provides voice/video calls and from Vodafone s customers and some basic data services. Fixed line operators Standard handsets mobile devices. Smartphones Private wire Transmission Packet switched corporate access infrastructure Mobile operators Netbook and laptop We deliver private branch exchange The transmission infrastructure The packet switched domain computers services to our enterprise customers connects together our access provides our customers access to via dedicated private wire and core networks. data services. Internet service Fixed line devices connections. providers Desktop computers Fixed broadband IP multimedia subsystem Corporate networks We provide fixed line telephony The IP multimedia subsystem connections enabling our provides advanced control for all customers to connect to the internet protocol (IP) services. internet via DSL and optical fibre (GPON) technologies. Access network evolution in our networks in order to optimise the overall customer experience Population coverage We are actively driving additional 3G data technology enhancements we deliver. in Europe to further improve the customer s experience and capacity of our networks including evolutions of HSPA technology to increase both We have continued to expand the deployments of IP multimedia 99% the downlink and uplink speeds. We have successfully trialled subsystem (IMS) infrastructure across these markets in order to with 2G and over 80% evolutions of mobile broadband technology delivering peak rates of serve the increasing demand for advanced internet based services with 3G 43.2 Mbps. During the 2011 financial year we expect to extend the and applications. availability of 28.8 Mbps downlink and 5.8 Mbps uplink speeds within our network. Licences The licences held across our operating companies enable us to deliver We have continued to expand our fixed line footprint in accordance fixed and mobile communication services. Further detail on the issue with our total communications strategy by building our own and regulation of licences and a table summarising the most significant network and/or using wholesale arrangements in 13 countries at mobile licences held by operating subsidiaries and the joint venture 31 March 2010. in Italy at 31 March 2010 can be found in Regulation on page 133. In addition, we also have licences to provide fixed line services in many Transmission network evolution of the countries in which we operate. We continue to upgrade our access transmission infrastructure from the base stations to the core switching network to deal with the We regularly assess the value of our spectrum holdings and participate increasing bandwidth demands of the access network. We have in auctions to supplement our holdings on a case-by-case basis. continued to pursue a strategy of implementing scalable and cost effective self-build solutions and are also leveraging our DSL interests Innovation by increasingly backhauling data traffic onto more cost effective DSL We are a pioneer in products an d services to enhance customer transport connections. During the 2010 financial year we also choice and user experience. introduced new high capacity ethernet microwave solutions into our access transmission network and continued to deploy high bandwidth Quality of service for data applications optical fibre more widely across our access transmission network. In We have been driving the development of quality of service the core transmission network we have continued to expand our high differentiation in 3G which enables us to carefully manage the capacity optical fibre infrastructure, including technology assignment of capacity in our networks during the busiest times. With enhancements, which enable the use of cost effective IP technology increasing data demands, driven by faster HSDPA and fixed broadband, to achieve high quality transport of both voice and data traffic. this capability enables us to manage our costs through intelligent allocation of network resources. We

have already launched quality of Core network evolution service differentiation to customers in Spain and Romania and plan At 31 March 2010 we had consolidated 15 national IP networks into a further launches across the majority of our 3G footprint. single IP backbone, including all markets in our Europe region, centralising IP operations to avoid duplication and achieve simplicity and flexibility in the deployment of new services to serve multiple markets. We have also introduced advanced yield management capabilities across substantially all of our established 3G markets. This provides us with the ability to actively manage the capacity allocated Vodafone Group Plc Annual Report 2010 19

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Femtocells Q_formation of the wholesale application community (WAC) where At 31 March 2010 we had femtocells in service in the UK and Qatar and innovative applications are developed through the global alliance continue to trial the product in several other markets. Available as of mobile operators and device manufacturers; Vodafone Sure Signal in the UK, these innovative devices provide a Q_participation in industry-wide initiatives to develop standards for 4G personal 3G mobile phone signal to our customers by connecting to mobile communications; our core network and services via their household broadband Q_delivery of a mobile healthcare programme supporting our connection, providing enhanced coverage to our customers in areas commercial and corporate responsibilities; and where mobile operators are unable to give customers a strong enough Q_a series of prototypes which enhance the mobile experience (voice, signal in their homes. video, gesture and data) by utilising cloud computing technologies. Product focus: Vodafone IT Cost reduction Sure Signal boosts your As we integrate fixed and mobile services together, and as the web While evolving the Group s infrastructure it is also important that we mobile signal at home becomes increasingly mobile, IT has become a key enabler for service continue to have a tight control over our cost base. We have been or work. innovation. New IT technologies, such as cloud-based services, which actively driving a variety of initiatives which enable us to manage our All you need is a home broadband connection, provide unlimited processing capabilities by utilising shared resources network investments. a 3G phone and our easy-on the internet, and service oriented architecture solutions, are to-install Vodafone Sure delivering new revenue generating services and a consistent and Infrastructure sharing Signal box. enriched user experience for our consumer and enterprise customers. Significant effort has been placed in reducing the costs of deploying mobile network infrastructure and we are now conducting network For example in September 2009 Vodafone 360 was launched across sharing in all of our controlled markets as well as securing network Europe which required a common set of interfaces for partners such sharing agreements on over 75% of the new radio sites we deployed as Google and Nokia. This architecture is expected to be the foundation across the Group in the 2010 financial year. for future innovative consumer and enterprise propositions. Transmission self build Research and development We are driving significant reductions in our ongoing operational costs Research and development is oriented to incubate and deliver through our strategy of building our own high capacity backhaul innovation to the business, from disruptive new technologies to transmission network as opposed to leasing capacity from third party incremental commercial enhancements. Supporting our strategic network providers. We now own over 75% of the backhaul transmission objectives we have undertaken significant and varied activities during network across the markets in our Europe region. the 2010 financial year. Highlights include: IT transformation Q_a way to use the mobile subscriber identity module (SIM) card to The IT transformation programme launched in the 2009 financial year simplify and authenticate secure virtual private network access to is on track to deliver its targeted savings and business benefits. The corporate networks; main focus areas include moving towards a common delivery model, Q_trials of next generation wireless technologies including GSM simplifying the use of applications to minimise complexity and evolution, HSPA evolution and 4G; implementing a standard unified communications toolset including Q_new machine-to-machine capabilities enabling us to deliver new video and audio conferencing on standard PCs. services to our customers; Q_near field communications (NFC) tag s that add new functionality to mobile handsets already in use; 20 Vodafone Group Plc Annual Report 2010

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Business Supply chain management Proportion of new radio Handsets, network equipment, marketing and IT services account for sites shared the majority of our purchases, with the bulk of these from global suppliers. Our supply chain management (SCM) team is responsible 75% for managing our relationships with all suppliers (excluding handsets) and for providing cost benefits through utilisation of scale and scope. Since the launch of our supplier performance programme, the performance of these global suppliers has improved year-on-year. The best performing suppliers are recognised annually during our supplier conference. Our SCM team was recently voted as one of the top 20 most admired companies for buy negotiation by a study run by the International Association for Contract & Commercial Management. SCM is a major contributor to our cost reduction programme and operates across all local markets, achieving savings that are measured using a unified methodology and are reported regularly to the Executive Committee. SCM has been operating its strategic procurement function from the Vodafone Procurement Company (VPC) in Luxembourg for over two years, driving increased standardisation and cost savings through the use of global price books and contracts, e-auctions and low cost network vendors. Worldwide independent benchmarking studies have shown our SCM team has Solar panels powering our base achieved significant cost advantages and indicate that we are stations in India achieving best in class pricing for IT storage and servers. We also We are working hard to reduce our operate through the China Sourcing Centre which has achieved own carbon impact through significant trading volumes further improving the Group s cost base. increasing energy efficiency and use of renewable energy as well as Our suppliers are expected to comply with the Group s Code of Ethical behaving responsibly by seeking to manage environmental issues in our Purchasing as well as stringent health and safety plans. Further detail supply chain. on this can be found in Corporate responsibility on page 45. It is our policy to agree terms of transactions, including payment terms, with suppliers and it is our normal practice that payment is made accordingly. Vodafone Group Plc Annual Report 2010 21

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People Vodafone employed an average of around 85,000 people worldwide during the 2010 financial year. We rely on our people to maintain and build on our success and to deliver excellent service to our customers. We aim to attract, develop and retain the best people and to realise their full potential. We maintain high levels of employee engagement, investing in employees' development and offering attractive, performance-based incentives and career progression. Culture, communications and engagement We continued to optimise the shape and size of our organisation Q The Vodafone Way aligns all Vodafone employees to during the 2010 financial year. The majority of operating companies Employees a common set of values and behaviours. reduced the number of layers from the top to the bottom of their Q Aiming to be an admired, innovative and customer-focused organisation and increased management spans of control, resulting in 85,000 company operating with speed, simplicity and trust. flatter structures with wider management accountability. Several of Q Maintained high performance benchmark for our markets made significant organisation changes in the year: employee engagement. Q Vodafone UK simplified its organisation structure, primarily in back During the 2010 financial year we launched a change programme office functions, resulting in 490 redundancies. In the 2011 financial called The Vodafone Way . The Vodafone Way is about being an year the UK will be recruiting for 170 new customer-facing roles and admired company in the eyes of our customers, shareholders and appointing 50 graduates into their graduate programme; employees by operating with speed, simplicity and trust. The Q_233 redundancies were made across central commercial functions. programme has defined a consistent set of values and behaviours for The majority of these were from the reshaping of the internet all Vodafone employees. Many of our senior leaders have been services function which included the closure of Wayfinder, through a workshop to embed The Vodafone Way behaviours and Vodafone s location based services organisation in Sweden; these workshops will be extended to all senior leaders during the 2011 Q_the formation of the joint venture, Vodafone Hutchison Australia, in financial year. The performance and potential of our employees are June 2009 led to 340 redundancies from Vodafone Australia; reviewed against the standards of The Vodafone Way. Q Vodafone Ghana continued its change programme reducing employee numbers by 1,331 and recruiting more than 350 The Vodafone Way is very much about increasing customer focus. Ghanaians into new roles in the business; For one day each month senior leaders in every operating country and Q Vodafone Turkey reviewed its organisation structure to the Group spend time with customers and customer-facing staff, such streamline processes and reduce duplication. This resulted in as in retail stores or contact centres. Insights from these customer over 300 redundancies. Turkey has reinvested in hiring similar days are used to simplify customer-facing processes and improve numbers of new talent into key roles and building a graduate customer experiences. recruitment programme; Q_in December 2009 the legal merger of Arcor and Vodafone In November 2009 we carried out our fifth annual global people Germany was finalised and the two organisations have been survey. The survey measures employees' level of engagement successfully integrated following the creation of a single executive (a combination of pride, loyalty and motivation). 89% of employees committee in March 2009. surveyed responded which is four percentage points more than last year. The above organisation changes clearly had significant implications for the employees in these markets. Changes were communicated We achieved an overall employee engagement score of 76% which clearly and transparently. We offered a range of support to help means that we have maintained the high performance benchmark for affected employees find new jobs, for example outplacement services, engagement for the second year in a row. The high performance insights into how to set-up their own business and training on interview benchmark is an external measure of best in class organisations that and resume writing skills. Vodafone aims to treat all employees fairly, achieve strong financial performance alongside high levels of ensuring healthy employee relations through open communications employee engagement. This achievement demonstrates that people and employee consultation. continue to feel proud to work for Vodafone and are committed and willing to give their best. Talent and

resourcing Q Regular reviews of peoples performance and potential. Regular, consistent and open communication is fundamental to Q Graduate recruitment programmes in almost all ensuring we maintain high levels of employee engagement. Our operating countries. people have access to information about our business through a Q Continued focus on increasing diversity and inclusion: global intranet with local translations and content where appropriate. Q_14% of senior leaders, two Executive Committee members Nationalities in top The Chief Executive communicates directly with all of our employees and three operating company CEOs are female; and senior management roles via regular email and video updates particularly focusing on business Q_26 nationalities are represented in senior leadership roles. performance, strategy and The Vodafone Way. This is reinforced with 26 local CEO communications in all our markets. Relevant performance During the 2010 financial year we increased our focus on driving high and change issues are also discussed with employee representatives performance and building a strong base of talented leaders and from operating companies within the European Union, who meet employees. All managers are encouraged to hold regular performance annually with members of the Executive Committee in the Vodafone discussions with their direct reports. Annual performance dialogues are European Employee Consultative Council. mandatory to enable each employee to receive a performance and potential rating which is the basis for development planning and reward Organisation effectiveness and change decisions. Quarterly departmental and operating company talent Q Continued focus on efficient and effective reviews have been introduced, alongside annual development boards. organisation structures. For most senior leadership roles, the Executive Committee review Q Headcount reduction in several markets including succession and key appointments each month. the UK and Ghana. Q Successful integration of Arcor into Vodafone Germany. We want to attract the best and brightest graduates to work in all of our operating companies. A globally consistent graduate recruitment programme has been introduced with a target of 230 top graduate 22 Vodafone Group Plc Annual Report 2010

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Business Employees by location hires across the Group during the 2010 calendar year. We have also In January 2010 we confirmed the closure of our UK defined benefit partnered with seven leading MBA schools to hire top MBA graduates pension scheme for future accruals on 31 March 2010. All UK based 1 to join us and progress to key management and leadership roles. employees were invited to join a new, enhanced defined contribution pension scheme, which we believe is now highly competitive in the 7 2 We aim to create a working culture that is inclusive to all and believe local market as well as more sustainable longer-term. 3 that having a diverse workforce helps to meet the different needs of 4 our customers across the globe. We do not condone unfair treatment Health, safety and wellbeing 6 5 of any kind and offer equal opportunities for all aspects of employment Q Significant and increased effort to address the frequency and advancement regardless of race, nationality, sex, age, marital and likelihood of fatal accidents in high risk countries. 1. Germany 15.9% status, sexual orientation, disability or religious or political belief. This 2. Italy 7.3% also applies to agency workers, self employed persons and contract The health, safety and wellbeing of our customers, employees and 3. Spain 5.1% workers who work for Vodafone. In the latest people survey 87% of others who could be affected by our activities are of paramount 4. UK 11.5% 5. Vodacom 8.0% employees agreed that people in Vodafone are treated fairly, regardless importance to us. Expansion in emerging markets and the application 6. India 11.9% of their gender, background, age or belief. of the most rigorous and demanding tracking methodologies have this 7. Other 40.3% year highlighted an unacceptable level of fatal accidents. It is deeply The main focus of our diversity strategy has been on gender with actions regrettable that 27 fatalities occurred related to our operations in the taken to provide inclusive working policies and to increase inclusive 2010 financial year. 24 of these were third party contractors and three behaviour amongst managers. Compared to the 2009 financial year were Vodafone employees. Over 80% of these incidents occurred in there has been a slight increase in the percentage of women in senior India, Ghana and Turkey markets with a legacy of poor safety practice roles, up from 13% to 14%. There will be continued efforts to increase and infrastructure, and a high rate of road accidents. the proportion of women in senior leadership roles during the 2010 financial year. Loss of life as a consequence of us doing business in any country is unacceptable to us and tackling the causes of these fatalities is a top More recently we have extended our diversity strategy to focus on priority. Urgent action was taken to improve safety governance and diversity of nationality, industry background and technical experience. awareness in these countries which has resulted in a significant 26 nationalities are represented in the senior leadership of the Group. reduction in fatal incidents in the second half of the 2010 financial year. In the countries where the majority of the incidents occurred we have Learning and capability development introduced a fatality prevention plan and linked this to the performance Q Global programmes continue to develop high objectives of each CEO. The plan includes two key initiatives: adopting potential employees. Det Norse Veritas International Safety Ranking System (ISRS) and implementing a set of absolute rules as mandatory requirements to We are committed to helping people reach their full potential through drive safe behaviour. Further details can be found at www.vodafone. ongoing training and development. In our most recent people survey com/responsibility and in the 2010 sustainability report. 71% of employees rated their opportunities to develop their skills and knowledge as good or very good. Employme nt policies and employee relations Q We aim to be recognised as an employer of choice. Inspire, our global leadership development programme, is in its second Q We strive to maintain high standards and good year. The programme focuses on identifying and developing potential employee relations. future leaders from within the Group. The programme builds commercial capability and leadership skills through an 18 month fast- Our employment policies are developed to reflect local legal, cultural track approach. 67 managers from 19 countries participated in the and employment requirements. We aim to be recognised as an programme during the 2009 calendar year and 51 have started on the employer of choice and therefore seek to maintain high standards and 2010 calendar year course. Of the managers who have completed the good employee relations wherever we operate. programme, 40% have been promoted to a more senior role. Our business principles set out our ethical standards and we have Performance, reward

and recognition recently developed a code of conduct that defines what employees Q Extension of reward differentiation based on need to do to live up to our business principles. New and existing individual performance. employees will receive communication and training on the code of Q Replacement of UK defined benefits pension scheme conduct during the 2011 financial year. with enhanced defined contribution scheme. We reward employees based on their performance, potential and Key performance indicators contribution to the success of the business and we aim to provide KPI 2010 2009 2008 competitive and fair rates of pay and benefits in every country where Total number of employees(1) 84,990 79,097 72,375 we operate. Global short- and long-term incentive plans are offered to Employee turnover rates (%) 13.0 13.0 15.2 leadership and management levels and paid according to individual Number of women in the top 33 out 29 out 26 out and company performance. senior management roles of 228 of 221 of 211 Number of nationalities in the In response to global economic conditions a pay freeze policy was top senior management roles 26 23 20 introduced to the senior leadership team in the 2010 financial year. Note: Most operating companies did however award bonuses through global (1) Represents the average number of employees during the financial year. or local plans, with greater emphasis on rewarding strong business and individual performance. Vodafone Group Plc Annual Report 2010 23

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Key performance indicators

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 adjusted EBITDA market share. KPI Purpose of KPI 2010 2009 2008 Free cash flow(2) Provides an evaluation of the cash generated by our £7,241m £5,722m £5,580m operations and available for reinvestment, shareholder returns or debt reduction. Also used in determining management s remuneration. Service revenue and related Measure of our success in growing ongoing revenue streams. £41,719m £38,294m £33,042m organic growth(2) Also used in determining management s remuneration. (1.6)% (0.3)% 4.3% Data revenue and related Data revenue is expected to be a key driver of the future growth £4,051m £3,046m £2,119m organic growth(2) of the business. 19.3% 25.9% 39.0% Fixed line revenue and related Measure of success in offering total communications services £3,289m £2,727m £1,874m organic growth(2) 7.9% 2.1% 6.2% Capital expenditure Measure of our investment in capital expenditure £6,192m £5,909m £5,075m to deliver services to customers. Adjusted EBITDA and related Measure used by management to monitor performance at a £14,735m £14,490m £13,178m organic growth(2) segment level. (7.4)% (3.5)% 2.6% Customer delight index Measure of customer satisfaction across our controlled markets 73.1 72.9 73.1 and jointly controlled market in Italy. Also used in determining management s remuneration. 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 Measure used for the assessment of operating performance, £11,466m £11,757m £10,075m and related organic growth(2) including the results of associates. Also used in determining (7.0)% 2.0% 5.7% management s remuneration. Proportionate mobile Customers are a key driver of revenue growth in all operating 341.1m 302.6m 260.5m customers(1) companies in which we have an equity interest. Proportionate mobile Measure of our success at attracting new and retaining 34.6m 33.6m 39.5m customer net additions(1) existing customers. Voice usage (in minutes) Voice usage is an important driver of revenue growth, especially 686.6bn 548.4bn 427.9bn given continuing price reductions in the competitive markets in which we operate. 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. 24 Vodafone Group Plc Annual Report 2010

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Operating results

Performance

This section presents our operating performance, providing commentary on how the revenue and the adjusted 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 £m	Eliminations £m	2010 £m	2009 £m	% 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)
Adjusted 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 adjusted 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

Adjusted 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 adjusted EBITDA growth.

In Europe, adjusted EBITDA decreased by 7.3%(*), with a decline in the adjusted 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 adjusted EBITDA decreased by 5.8%*) resulting from reduced adjusted 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 adjusted 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.

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Operating results continued

Net financing costs

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

Notes:

- (1) Excluding interest on settlement of German tax claim.
- (2) Comprises foreign exchange differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange differences on financial instruments received as consideration in the disposal of

Vodafone Japan
to SoftBank in
April 2006.

(3) Primarily
represents
foreign
exchange
movements and
accretion
expense. Further
details of these
options are
provided on
page 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 .

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							Performance			
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)	
Adjusted 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)	
Adjusted 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			
Adjusted 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			
Adjusted 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 adjusted 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.

Adjusted 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, adjusted 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 adjusted 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
Adjusted 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.

Adjusted 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%.

Adjusted EBITDA increased by 4.3%^(*) and adjusted 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.

Adjusted EBITDA declined 9.9%^(*) and the adjusted 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.

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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 adjusted 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%^(*). Adjusted EBITDA declined by 10.2%^(*). The adjusted 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 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)
Adjusted EBITDA	1,528	799	2,327	35.3	(5.8)
Adjusted operating profit	520	7	527	(21.9)	(7.9)
Adjusted 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		
Adjusted EBITDA	606	1,114	1,720		
Adjusted operating profit	373	302	675		
Adjusted EBITDA margin	34.1%	29.9%	31.3%		

Notes:

(1) The Group revised how it determines and discloses segmental adjusted 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.

Adjusted EBITDA increased by 35.3%, also benefiting from the full consolidation of Vodacom and positive foreign exchange rate movements. On an organic basis adjusted EBITDA decreased by 5.8%^(*), with adjusted 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

Adjusted 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.

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

Table of Contents**Performance****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.

Adjusted 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 adjusted EBITDA for the financial year. In Romania adjusted 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	Eliminations £m	Asia Pacific and Middle East £m	£	% 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
Adjusted EBITDA	807	1,033		1,840	3.4	1.4
Adjusted operating (loss)/profit	(37)	395		358	(35.6)	(25.9)
Adjusted 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		
Adjusted EBITDA	717	1,062		1,779		
Adjusted operating (loss)/profit	(30)	586		556		
Adjusted EBITDA margin	26.7%	33.9%		30.6%		

Notes:

(1) The Group revised how it determines and discloses segmental adjusted 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.

Adjusted 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 adjusted EBITDA increased by 1.4%^(*) with adjusted 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
Adjusted 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.

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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.

Adjusted 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.

Adjusted EBITDA declined 4.8%^(*) with a similar decline in adjusted 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
Adjusted 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 adjusted 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.

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2009 financial year compared to the 2008 financial year
Group

	Europe £m	Africa and Central Europe £m	Asia Pacific and Middle East £m	Wireless £m	Functions £m	Eliminations £m	2009 £m	2008 £m	% 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)
Adjusted 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

Adjusted 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 adjusted EBITDA growth. Including India and Tele2 in Italy and Spain, pro-forma adjusted EBITDA declined by 3%.

In Europe adjusted EBITDA decreased by 5.0%^(*), with a decline in the adjusted 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 adjusted 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 adjusted EBITDA decreased by 2.3%^(*), with the adjusted 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 adjusted EBITDA increased by 7% on a pro-forma basis including India, with a decline in the adjusted 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' adjusted 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.

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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 .

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							Performance		
Europe									
	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	Europe £m	% 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)
Adjusted 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)
Adjusted 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		
Adjusted 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		
Adjusted 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, adjusted 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
Adjusted 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.

Adjusted 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 adjusted 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.

Adjusted 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.

Adjusted EBITDA declined by 0.1%^(*) and adjusted 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 adjusted 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.

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Operating results continued

Adjusted 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 adjusted 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 adjusted 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 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
Adjusted EBITDA	606	1,114	1,720	1.5	(2.3)
Adjusted operating profit	373	302	675	(12.6)	(12.6)
Adjusted 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		
Adjusted EBITDA	586	1,108	1,694		
Adjusted operating profit	365	407	772		
Adjusted 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. Adjusted EBITDA increased by 1.5%, with the contribution of favourable exchange rate movements partially offset by merger and acquisition activity. Adjusted EBITDA decreased by 2.3%^(*), with the adjusted 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, adjusted 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
Adjusted 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.

Adjusted 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.

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Table of Contents**Performance****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.

Adjusted EBITDA decreased by 6.7%^(*), with the adjusted EBITDA margin also declining due to the fall in revenue and investment in the turnaround plan in Turkey. Adjusted 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 adjusted 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 £ 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
Adjusted EBITDA	717	1,062		1,779	18.3	6.9
Adjusted operating (loss)/profit	(30)	586		556	0.5	5.8
Adjusted 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		
Adjusted EBITDA	598	906		1,504		

Adjusted operating profit	35	518	553
Adjusted 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.

Adjusted 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, adjusted EBITDA increased by 7%. The decline in the adjusted 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, adjusted 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
Adjusted 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. Adjusted 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.

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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.

Adjusted EBITDA grew by 6.9%^(*), with a decline in the adjusted EBITDA margin, as the increase in Egypt was offset by the decline in Australia. Egypt's adjusted 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 adjusted 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 £m	2008 £m	£	% change Organic
Revenue	14,085	10,144	38.9	10.4
Service revenue	12,862	9,246	39.1	10.5
Adjusted 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 adjusted 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.

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				Performance	
Guidance					
2011 financial year and three year guidance		2010			
		actual	2011		Three
		performance	guidance		year
		£bn	£bn		guidance
					£bn
Adjusted operating profit		11.5	11.2 12.0		n/a
			In excess		
Free cash flow		7.2	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.

Adjusted 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 Free

	profit £bn		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.

Table of Contents**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

Table of Contents**Performance**

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.

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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.

	Total	<1 year	Payments due by period £m		
			1-3 years	3-5 years	>5 years
Contractual obligations ⁽¹⁾					
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.

Year ended 31 March	Interim	Pence per ordinary share	
		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.

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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

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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.

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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
<p>29 July 2008 US\$4.1 billion revolving credit facility, maturing 28 July 2011</p>	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.
<p>24 June 2005 US\$5 billion revolving credit facility, maturing 22 June 2012</p>	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.
<p>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</p>	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.
<p>16 November 2006 0.4 billion loan facility, maturing 14 February 2014</p>	The facility was drawn down in full on 14 February 2007. The facility is available for financing capital expenditure in our Turkish operating company.
<p>28 July 2008 0.4 billion loan facility, maturing 12 August 2015</p>	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.

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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.

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Performance

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.

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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 (CO₂) emissions, developing products and services to reduce the emissions of our customers and working with our suppliers to develop joint strategies for CO₂ emissions reduction.

In 2008 we announced that by 2020 we will reduce our CO₂ 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 CO₂ 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 CO₂ 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 CO₂ emissions for those operating companies covered by the 50% reduction target decreased by 9%, to 0.94 million tonnes of CO₂.

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 CO₂ 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 CO₂ emissions of our operating companies, excluding India, were 1.2 million tonnes. The estimated CO₂ 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 CO₂ reduction strategies with suppliers accounting for 50% of relevant spend by 2012. The strategies will help Vodafone, our customers or our suppliers to reduce CO₂ 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

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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/CO₂ 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.

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Board of directors and Group management

Directors and senior management

Our business is managed by our Board of directors (the Board). Biographical details of the directors and senior management at 18 May 2010 are as follows:

Board of directors

Chairman

1. Sir John Bond, aged 68, became Chairman of Vodafone Group Plc in July 2006, having previously served as a non-executive director of the Board, and is Chairman of the Nominations and Governance Committee. He is a non-executive director of A.P. Møller Mærsk A/S and Shui On Land Limited (Hong Kong SAR). He retired from the position of Group Chairman of HSBC Holdings plc in May 2006. Previous non-executive directorships include the London Stock Exchange plc, Orange plc, British Steel plc, the Court of the Bank of England and Ford Motor Company, USA. He is also an advisor to Northern Trust in Chicago.

Executive directors

2. Vittorio Colao, Chief Executive, aged 48, was appointed Chief Executive of Vodafone Group Plc after the AGM on 29 July 2008. He joined the Board in October 2006 as Chief Executive, Europe and Deputy Chief Executive. He spent the early part of his career as a partner in the Milan office of McKinsey & Co working on media, telecommunications and industrial goods and was responsible for recruitment. In 1996 he joined Omnitel Pronto Italia, which subsequently became Vodafone Italy, and he was appointed Chief Executive in 1999. He was then appointed Regional Chief Executive Officer, Southern Europe for Vodafone Group Plc in 2001, became a member of the Board in 2002 and was appointed to the role of Regional Chief Executive Officer for Southern Europe, Middle East and Africa for Vodafone in 2003. In 2004 he left Vodafone to join RCS MediaGroup, the leading Italian publishing company, where he was Chief Executive until he rejoined Vodafone. He sits on the International Advisory Board of Bocconi University, Italy.

3. Andy Halford, Chief Financial Officer, aged 51, joined the Board in July 2005. He joined Vodafone in 1999 as Financial Director for Vodafone Limited, the UK operating company, and in 2001 he became Financial Director for Vodafone's Northern Europe, Middle East and Africa region. In 2002 he was appointed Chief Financial Officer of Verizon Wireless in the US and is currently a member of the Board of Representatives of the Verizon Wireless partnership. Prior to joining Vodafone he was Group Finance Director at East Midlands Electricity Plc. He holds a bachelors degree in Industrial Economics from Nottingham University and is a Fellow of the Institute of Chartered Accountants in England and Wales.

4. Michel Combes, aged 48, Chief Executive Officer, Europe Region, was appointed to the Board with effect from 1 June 2009. He joined the Company in October 2008. He began his career at France Telecom in 1986 in the External Networks Division and then moved to the Industrial and International Affairs Division. After being technical advisor to the Minister of Transportation from 1991 to 1995, he served as Chairman and Chief Executive Officer of GlobeCast from 1995 to 1999. He was Executive Vice President of Nouvelles Frontieres Group from December 1999 until the end of 2001 when he moved to the position of Chief Executive Officer of Assystem-Brime, a company specialising in industrial engineering. He returned to France Telecom Group in 2003 as Senior Vice President of Group Finance and Chief Financial Officer. Until January 2006 he was Senior Executive Vice President, in charge of NExT Financial Balance & Value Creation and a member of the France Telecom Group Strategic Committee. From 2006 to 2008 he was Chairman and Chief Executive Officer of TDF Group. He is Chairman of the Supervisory Board of Assystem SA in France.

5. Stephen Pusey, aged 48, Group Chief Technology Officer, joined Vodafone in September 2006 and was appointed to the Board with effect from 1 June 2009. He is responsible for all aspects of Vodafone's networks, IT capability, research and development and supply chain management. Prior to joining Vodafone he held the positions of Executive Vice President and President, Nortel EMEA, having joined Nortel in 1982 gaining a wealth of international experience across both the wireline and wireless industries and in business applications and solutions. Prior to Nortel, he spent several years with British Telecom.

Deputy Chairman and senior independent director

6. John Buchanan[§], aged 66, became Deputy Chairman and senior independent director in July 2006 and has been a member of the Board since April 2003. He retired from the board of directors of BP p.l.c. in 2002 after six years as Group Chief Financial Officer and executive director following a wide-ranging career with the company. He was a member of the United Kingdom Accounting Standards Board from 1997 to 2001. He is Chairman of Smith & Nephew plc and senior independent director of BHP Billiton Plc. He is Chairman of The International Chamber of Commerce (UK) and previous non-executive directorships include AstraZeneca plc and Boots plc.

Non-executive directors

7. Alan Jebson[§], aged 60, joined the Board in December 2006. He retired in May 2006 from his role as Group Chief Operating Officer of HSBC Holdings plc, a position which included responsibility for IT and Global Resourcing. During a long career with HSBC he held various positions in IT including the position of Group Chief Information Officer. His roles included responsibility for the Group's international systems including the consolidation of HSBC and Midland systems following the acquisition of Midland Bank in 1993. He originally joined HSBC as Head of IT Audit in 1978 where, building upon his qualification as a chartered accountant, he built an international

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audit team and implemented controls in the Group's application systems. He is also a non-executive director of Experian Group plc and MacDonald Dettwiler and Associates Ltd. in Canada.

8. Samuel Jonah, aged 60, was appointed to the Board on 1 April 2009. He is Executive Chairman of Jonah Capital (Pty) Limited, an investment holding company in South Africa and serves on the boards of various public and private companies including The Standard Bank Group. He previously worked for Ashanti Goldfields Company Limited, becoming Chief Executive Officer in 1986, and was formerly Executive President of AngloGold Ashanti Limited, a director of Lonmin Plc and a member of the Advisory Council of the President of the African Development Bank. He is an advisor to the Presidents of Ghana, South Africa, Nigeria and Namibia. An Honorary Knighthood was conferred on him by Her Majesty the Queen in 2003 and in 2006 he was awarded Ghana's highest national award, the Companion of the Order of the Star.

9. Nick Land[§], aged 62, joined the Board in December 2006 and is Chairman of the Audit Committee. Solely for the purposes of relevant legislation he is the Board's appointed financial expert on the Audit Committee. In June 2006 he retired as Chairman of Ernst & Young LLP after a distinguished career spanning 36 years with the firm. He became an audit partner in 1978 and held a number of management appointments before becoming Managing Partner in 1992. He was appointed Chairman and joined the Global Executive Board of Ernst & Young Global LLP in 1995. He is a non-executive director of Royal Dutch Shell plc, Alliance Boots GmbH, BBA Aviation plc and the Ashmore Group plc. He is an advisor to the board of Denton Wilde Sapte, Chairman of the Board of Trustees of Farnham Castle, and is a member of the Finance and Audit Committees of the National Gallery. He is also Chairman of The Vodafone Foundation.

10. Anne Lauvergeon[§], aged 50, joined the Board in November 2005. She is Chief Executive Officer of AREVA Group, the leading French energy company, having been appointed to that role in July 2001. She started her professional career in 1983 in the steel industry and in 1990 she was named Advisor for Economic International Affairs at the French Presidency and Deputy Chief of its Staff in 1991. In 1995 she became a Partner of Lazard Frères & Cie, subsequently joining Alcatel Telecom as Senior Executive Vice President in March 1997. She was responsible for international activities and the Group's industrial shareholdings in the energy and nuclear fields. In 1999 she was appointed Chairman and Chief Executive Officer of AREVA NC. She is currently also a member of the Advisory Board of the Global Business Coalition on HIV/AIDS and a non-executive director of Total S.A. and GDF SUEZ.

11. Simon Murray CBE, aged 70, joined the Board in July 2007. His career has been largely based in Asia where he has held positions with Jardine Matheson Limited, Deutsche Bank and Hutchison Whampoa Limited where, as Group Managing Director, he oversaw the development and launch of mobile telecommunications networks in many parts of the world. He remains on the Boards of Cheung Kong Holdings Limited, Compagnie Financière Richemont SA and Orient Overseas (International) Limited. He also sits on the Advisory Board of Imperial College in London. He will retire from the Board on conclusion of the AGM on 27 July 2010.

12. Luc Vandevelde, aged 59, joined the Board in September 2003 and is Chairman of the Remuneration Committee. He is a director of Société Générale and the Founder and Managing Director of Change Capital Partners LLP, a private equity fund. He was formerly Chairman of the Supervisory Board of Carrefour SA, Chairman of Marks & Spencer Group plc and Chief Executive Officer of Promodès, and has held senior European and international roles with Kraft General Foods.

13. Anthony Watson CBE, aged 65, was appointed to the Board in May 2006. He is currently Chairman of Marks & Spencer Pension Trust Ltd and the Asian Infrastructure Fund. He is the senior independent director of Hammerson plc and Witan Investment Trust, a non-executive director of Lloyds Banking Group plc and sits on the Advisory Board of Norges Bank Investment Management. He joined the Board of the Shareholder Executive in October 2009, having been a member of its Advisory Group since April 2008. Prior to joining the Vodafone Board he was Chief Executive of Hermes Pensions Management Limited, a position he had held since 2002. Previously he was Hermes' Chief Investment Officer having been Managing Director of AMP Asset Management plc and the Chief International Investment Officer of Citicorp Investment Management from 1991 until joining Hermes in 1998. He was Chairman of The Strategic Investment Board in Northern Ireland until he retired in March 2009. In January 2009 he was awarded a

CBE for his services to the economic redevelopment of Northern Ireland.

14. Philip Yea, aged 55, became a member of the Board in September 2005. He is currently the Chairman of Majid Al Futtaim Properties LLC, a UAE based property group. He is also Chairman of the trustees of the British Heart Foundation. He is the Senior Business Advisor to HRH Duke of York in his role as the UK's Special Representative for International Trade & Investment, and is a member of a number of Advisory Boards, including PricewaterhouseCoopers in the UK and Bridges Ventures. From July 2004 until January 2009 he was Chief Executive Officer of 3i Group plc. Prior to joining 3i he was Managing Director of Investcorp and from 1997 to 1999 Group Finance Director of Diageo plc following the merger of Guinness plc, where he was Finance Director, and Grand Metropolitan P.L.C. He has previously held non-executive roles at HBOS plc and Manchester United plc.

§ Audit
Committee

Nominations
and Governance
Committee

Remuneration
Committee

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Board of directors and Group management continued

Executive Committee

Chaired by Vittorio Colao, this committee focuses on the Group's strategy, financial structure and planning, succession planning, organisational development and Group-wide policies. The Executive Committee membership comprises the executive directors, details of whom are shown on pages 48 and 49 above, and the senior managers who are listed below.

Senior management

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

Wendy Becker, aged 44, Chief Marketing Officer, was appointed to this position and joined the Executive Committee in September 2009. She was previously Managing Director of Talk Talk, a subsidiary of the Carphone Warehouse. Prior to this role she was a partner at McKinsey & Company with responsibility for the UK consumer practice, which specialises in strategic marketing and brand roles at Procter & Gamble. She is a non-executive director of Whitbread plc.

Warren Finegold, aged 53, Group Strategy and Business Development Director, joined the Executive Committee in April 2006 as Chief Executive, Global Business Development with responsibility for mergers and acquisitions, business development and partner markets. He assumed his current position in August 2009 when his role was expanded to include Group Strategy. He started his career with Hill Samuel & Co. Limited as an Executive in the Corporate Finance department, advising clients on mergers and acquisitions. He then moved to Goldman Sachs International in 1986 where he held positions in New York and London. Prior to joining Vodafone he was a Managing Director of UBS Investment Bank where he held a number of senior positions, most recently as head of its technology team in Europe.

Matthew Kirk, aged 49, Group External Affairs Director, was appointed to his current position and joined the Executive Committee in March 2009. Matthew joined Vodafone in 2006 as Group Director of External Relationships. Prior to that he was a member of the British Diplomatic Service for more than 20 years and before joining Vodafone served as British Ambassador to Finland.

Terry Kramer, aged 50, Regional President – Vodafone Americas, joined Vodafone in January 2005 as Chief of Staff. Before moving to his present role he also served as Group Human Resources Director and Group Strategy and Business Improvement Director. He is a Board member of Verizon Wireless and the mobile industry association, GSMA, Chairman of Vodafone Ventures Limited and Chairman of the Vodafone Americas Foundation. Prior to joining Vodafone he was Chief Executive Officer of Q Comm International Inc., a publicly traded provider of transaction processing services for the telecommunications industry. He also worked for 12 years at PacTel/AirTouch Communications in a variety of roles including President AirTouch Paging, Vice President Human Resources-AirTouch Communications, Vice President Business Development-AirTouch Europe and Vice President & General Manager-AirTouch Cellular Southwest Market. Prior to that he was an Associate with Booz Allen & Hamilton Inc, a management consulting firm.

Morten Lundal, aged 45, Chief Executive Officer, Africa and Central Europe Region, was appointed to his current position and joined the Executive Committee in November 2008. He joined Nordic mobile operator, Telenor, in 1997 and held several Chief Executive Officer positions including for the Internet Division and Telenor Business Solutions as well as the position of Executive Vice President for Corporate Strategy before becoming the Chief Executive Officer of Telenor's Malaysian subsidiary, DiGi Telecommunications.

Rosemary Martin, aged 50, was appointed Group General Counsel and Company Secretary in March 2010. She previously served as Chief Executive Officer of the Practical Law Group prior to which she previously spent 11 years with Reuters Group Plc. in various company secretary and legal roles with the last five years as Group General Counsel and Company Secretary. Before joining Reuters she was a partner with Mayer, Brown, Rowe & Maw. She is a non-executive director of HSBC Bank Plc (the European arm of HSBC Group) and a member of the Institute of Chartered Accountants of England and Wales Corporate Governance Committee.

Nick Read, aged 45, Chief Executive Officer, Asia Pacific and Middle East Region, was appointed to this position and joined the Executive Committee in November 2008. He joined Vodafone in 2002 and has held a variety of senior

roles including Chief Financial Officer and Chief Commercial Officer of Vodafone Limited, the UK operating company, and was appointed Chief Executive Officer of Vodafone Limited in early 2006. Prior to joining Vodafone he held senior global finance positions with United Business Media plc and Federal Express Worldwide.

Ronald Schellekens, aged 46, Group Human Resources Director, joined Vodafone and the Executive Committee in January 2009. Prior to joining Vodafone he was Executive Vice President Human Resources for Royal Dutch Shell plc's global downstream business (refining, retail, commercial, lubricants, chemicals and Canadian Oil Sands) responsible for approximately 81,000 employees in 120 countries. Prior to working for Shell he spent nine years working for PepsiCo in various international senior human resources roles including assignments in Switzerland, Spain, South Africa, the UK and Poland. In his last role he was responsible for the Europe, Middle East and Africa region for PepsiCo Foods International. Prior to PepsiCo he worked for nine years for AT&T Network Systems in human resources roles in the Netherlands and Poland.

Other Board and Executive Committee members

The following members also served on the Board or the Executive Committee during the 2010 financial year: **Stephen Scott** was Group General Counsel and Company Secretary and a member of the Executive Committee until his retirement on 30 March 2010. **Frank Rovekamp** was Group Chief Marketing Officer and a member of the Executive Committee until 18 September 2009.

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Corporate governance

Governance

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

In March 2010 GovernanceMetrics International, a global corporate governance ratings agency, ranked us amongst the top UK companies with an overall global corporate governance rating of ten, the highest score assigned and achieved by only 1% of the 4,216 companies rated.

In our profile report by Institutional Shareholder Services Inc. (ISS) dated 1 February 2010, our governance practices outperformed 98.6% of the companies in the ISS developed universe (excluding US), 98.2% of the companies in the telecommunications sector group and 98.1% of the companies in the UK.

In October 2009 we received the Golden Peacock Global Award for Excellence in Corporate Governance.

Compliance with the Combined Code

Our ordinary shares are listed in the UK on the London Stock Exchange. In accordance with the Listing Rules of the UK Listing Authority, we confirm that throughout the year ended 31 March 2010 and at the date of this document we were compliant with the provisions of, and applied the principles of, Section 1 of the 2008 FRC Combined Code on Corporate Governance (the Combined Code). The Combined Code can be found on the FRC website (www.frc.org.uk). The following section, together with the Directors' remuneration section on pages 57 to 67, provides detail of how we apply the principles and comply with the provisions of the Combined Code. We intend to comply with the new UK Corporate Governance Code which was published by the FRC on 28 May 2010.

Corporate governance statement

We comply with the corporate governance statement requirements pursuant to the FSA's Disclosure and Transparency Rules by virtue of the information included in this corporate governance section of the annual report together with information contained in the Shareholder information section on pages 125 to 131.

Board organisation and structure

The role of the Board

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

The Board:

- has final responsibility for the management, direction and performance of our businesses;

- is required to exercise objective judgement on all corporate matters independent from executive management;

- is accountable to shareholders for the proper conduct of the business; and

- is responsible for ensuring the effectiveness of and reporting on our system of corporate governance.

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

- Group strategy and long-term plans;

- major capital projects, acquisitions or divestments;

- annual budget and operating plan;

- Group financial structure, including tax and treasury;

- annual and half-year financial results and shareholder communications;

- system of internal control and risk management; and

senior management structure, responsibilities and succession plans.

The schedule is reviewed periodically. It was last formally reviewed by the Nominations and Governance Committee in March 2009, at which time it was determined that no amendments were required.

Other specific responsibilities are delegated to Board committees which operate within clearly defined terms of reference. Details of the responsibilities delegated to the Board committees are given on pages 53 and 54.

Board meetings

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

The following table shows the number of years directors have been on the Board at 31 March 2010 and their attendance at scheduled Board meetings they were eligible to attend during the 2010 financial year:

	Years on Board	Meetings attended
Sir John Bond	5	8/8
John Buchanan	7	8/8
Vittorio Colao	3	8/8
Michel Combes (since 1 June 2009)	<1	7/7
Andy Halford	4	8/8
Alan Jebson	3	8/8
Samuel Jonah	1	8/8
Nick Land	3	7/8
Anne Lauvergeon	4	8/8
Simon Murray	3	7/8
Stephen Pusey (since 1 June 2009)	<1	7/7
Luc Vandavelde	6	7/8
Anthony Watson	4	8/8
Philip Yea	4	8/8

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

Division of responsibilities

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

Board balance and independence

Our Board consists of 14 directors, 12 of whom served throughout the 2010 financial year. At 31 March 2010, in addition to the Chairman, Sir John Bond, there were four executive directors and nine non-executive directors. Michel Combes and Stephen Pusey were appointed as executive directors with effect from 1 June 2009.

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

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

Changes to the commitments of the directors are reported to the Board.

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Corporate governance continued

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

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

- bringing a wide range of skills and experience, including independent judgement on issues of strategy, performance, financial controls and systems of risk management;

- constructively challenging the strategy proposed by the Chief Executive and executive directors;

- scrutinising and challenging performance across the Group's business;

- assessing risk and the integrity of the financial information and controls; and

- ensuring appropriate remuneration and succession planning arrangements are in place in relation to executive directors and other senior executive roles.

Board effectiveness

Appointments to the Board

There is a formal, rigorous and transparent procedure, which is based on merit and against objective criteria, for the appointment of new directors to the Board. This is described in the section on the Nominations and Governance Committee set out on page 53.

Samuel Jonah was identified as a potential candidate by internal sources and subsequently recommended to the Board by the Nominations and Governance Committee on the basis of his wealth of business experience in Africa, particularly South Africa and Ghana where we have made important investments recently. Michel Combes and Stephen Pusey were proposed for appointment following assessment of their performance and their potential contribution by the Nominations and Governance Committee and the whole Board subsequently discussed the proposal before their appointments were confirmed.

Information and professional development

Each member of the Board has immediate access to a dedicated online team room and can access monthly information including actual financial results, reports from the executive directors in respect of their areas of responsibility and the Chief Executive's report which deals, amongst other things, with investor relations, giving Board members an opportunity to develop an understanding of the views of major investors. These matters are discussed at each Board meeting. From time to time the Board receives detailed presentations from non-Board members on matters of significance or on new opportunities. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings. The non-executive directors periodically visit different parts of the Group and are provided with briefings and information to assist them in performing their duties.

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

On appointment individual directors undergo an induction programme covering, amongst other things:
the business of the Group;

their legal and regulatory responsibilities as directors;

briefings and presentations from relevant executives; and

opportunities to visit business operations.

If appropriate the induction will also include briefings on the scope of the internal audit function and the role of the Audit Committee, meetings with the external auditor and other areas the Company Secretary deems fit considering the director's area of responsibility. Following discussion with the Chairman and senior independent director, the Company Secretary provides a programme of ongoing training for the directors which covers a number of sector specific and business issues as well as legal, accounting and regulatory changes and developments relevant to individual director's areas of responsibility. Throughout their period in office the directors are continually updated on the Group's businesses and the regulatory and industry specific environments in which it operates. These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

Performance evaluation

Performance evaluation of the Board, its committees and individual directors takes place on an annual basis and is conducted within the terms of reference of the Nominations and Governance Committee with the aim of improving individual contributions, the effectiveness of the Board and its committees and the Group's performance. This year the performance evaluation was conducted by an independent external advisor, MWM Consulting (MWM). This process involved:

MWM devising an appropriate questionnaire, with assistance from the Chairman, which was sent to all Board members;

MWM undertaking individual meetings with each Board member and the Company Secretary on Board performance; and

in conjunction with the Chairman, MWM producing a report on Board performance using the completed questionnaires and individual meetings which was sent to and considered by the Nominations and Governance Committee before being discussed with Board members at the following Board meeting.

The evaluation was designed to determine whether the Board continues to be capable of providing the high level judgement required and whether, as a Board, the directors are informed and up to date with the business and its goals and understand the context within which it operates. The evaluation also included a review of the administration of the Board covering its operation, its agenda, the reports and information produced for its consideration, committee processes and the Board's relationship with its committees. MWM reported that the Board is strong and effective. The Board has chosen to broaden and deepen its focus on strategic topics and to continue to strengthen its capabilities in technology and is gaining insights into changing consumer behaviour.

The Chairman also held individual meetings with each non-executive director and the Chief Executive to discuss their individual performance. The Chief Executive undertook the performance reviews for the executive directors and the senior independent director conducted the review of the performance of the Chairman by having individual meetings with all the other directors and the Company Secretary. Following this process the senior independent director produced a written report which was discussed with the Chairman. The report's findings reflected MWM's view that the Chairman provides outstanding leadership in focusing the Board's efforts and ensuring open and constructive debate.

The evaluation of each of the Board committees was undertaken using observations from the MWM report. These were then discussed by each of the committees. The evaluations found that the committees operate efficiently and effectively.

The evaluations undertaken in the 2010 financial year found the performance of each director to be effective and concluded that the Board provides the effective leadership and control required for a listed company. The Nominations and Governance Committee confirmed to the Board that the contributions made by the directors offering themselves for re-election at the AGM in July 2010 continue to be effective and that the Company should support their re-election. The Board will continue to review its procedures, its effectiveness and development in the financial year ahead.

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Although not required by the articles, in the interests of good corporate governance the directors have resolved that, subject to the recommendation of the Nominations and Governance Committee, they will all submit themselves for annual re-election at each AGM. Accordingly, at the AGM to be held on 27 July 2010 all the directors will offer themselves for re-election with the exception of Simon Murray who is retiring from the Board.

Independent advice

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

Indemnification of directors

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

Board committees

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

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

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

Audit Committee

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

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

The Audit Committee is comprised of financially literate members having the necessary ability and experience to understand financial statements. Solely for the purpose of fulfilling the requirements of the Sarbanes-Oxley Act and the Combined Code, the Board has designated Nick Land, who is an independent non-executive director satisfying the independence requirements of Rule 10A-3 of the US Securities Exchange Act 1934, as its financial expert on the Audit Committee. Further details on Nick Land can be found in "Board of directors and Group management" on page 49.

The Audit Committee's responsibilities include:

overseeing the relationship with the external auditor;

reviewing our preliminary results announcement, half-year results and annual financial statements;

monitoring compliance with statutory and listing requirements for any exchange on which our shares and debt instruments are quoted;

reviewing the scope, extent and effectiveness of the activity of the Group internal audit department; engaging independent advisors as it determines is necessary and to perform investigations;

reporting to the Board on the quality and acceptability of our accounting policies and practices including, without limitation, critical accounting policies and practices; and

playing an active role in monitoring our compliance efforts for Section 404 of the Sarbanes-Oxley Act and receiving progress updates at each of its meetings.

At least twice a year the Audit Committee meets separately with the external auditors and the Group Audit Director without management being present. Further details on the work of the Audit Committee and its oversight of the relationships with the external auditors can be found under [Auditors](#) and the [Report from the Audit Committee](#) which are set out on pages 55 and 56.

Nominations and Governance Committee

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

	Meetings attended
Sir John Bond, Chairman	3/3
John Buchanan	3/3
Luc Vandavelde	3/3

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

leads the process for identifying and making recommendations to the Board of candidates for appointment as directors giving full consideration to succession planning and the leadership needs of the Group;

makes recommendations to the Board on the composition of the Nominations and Governance Committee and the composition and chairmanship of the Audit and Remuneration Committees;

regularly reviews the structure, size and composition of the Board including the balance of skills, knowledge and experience and the independence of the non-executive directors, and makes recommendations to the Board with regard to any change; and

is responsible for the oversight of all matters relating to corporate governance, bringing any issues to the attention of the Board.

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

Remuneration Committee

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

	Meetings attended
Luc Vandeveldel, Chairman	5/5
Simon Murray	3/5
Anthony Watson	5/5
Philip Yea	5/5

Samuel Jonah was appointed to the Remuneration Committee on 11 May 2010.

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

determining, on behalf of the Board, the policy on the remuneration of the Chairman, the executive directors and the senior management team;

determining the total remuneration packages for these individuals including any compensation on termination of office; and

appointing any consultants in respect of executive directors remuneration.

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Corporate governance continued

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

Further information on the Remuneration Committee's activities is contained in Directors' remuneration on pages 57 to 67.

Executive Committee

The executive directors, together with certain other Group functional heads and regional chief executives, meet 12 times a year as the Executive Committee under the chairmanship of the Chief Executive. The Executive Committee is responsible for the day-to-day management of our businesses, our overall financial performance in fulfilment of strategy, plans and budgets and our capital structure and funding. It also reviews major acquisitions and disposals. The members of the Executive Committee and their biographical details are set out on pages 48 to 50.

Strategy Board

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

Company Secretary

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

- assists the Chairman in ensuring that all directors have full and timely access to all relevant information;

- is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters; and

- administers the procedure under which directors can, where appropriate, obtain independent professional advice at the Company's expense.

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

Relations with shareholders

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

- formal presentations of full year and half-year results and interim management statements;

- briefing meetings with major institutional shareholders in the UK, the US and in Continental Europe after the half-year results and preliminary announcement, to ensure that the investor community receives a balanced and complete view of our performance and the issues we face;

- regular meetings with institutional investors and analysts by the Chief Executive and the Chief Financial Officer to discuss business performance;

- hosting investors and analysts sessions at which senior management from relevant operating companies deliver presentations which provide an overview of each of the individual businesses and operations;

- attendance by senior executives across the business at relevant meetings and conferences throughout the year;

- responding to enquiries from shareholders and analysts through our Investor Relations team; and

- www.vodafone.com/shareholder which is a section dedicated to shareholders on our website.

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

The senior independent director and other members of the Board are also available to meet major investors on request. The senior independent director has a specific responsibility to be available to shareholders who have concerns, for whom contact

with the Chairman, Chief Executive or Chief Financial Officer has either failed to resolve their concerns or for whom such contact is inappropriate.

At the 2007 AGM the shareholders approved amendments to the articles which enabled us to take advantage of the provisions in the Companies Act 2006 to communicate with our shareholders electronically. Following that approval, unless a shareholder has specifically asked to receive a hard copy, they will receive notification of the availability of the annual report on our website at www.vodafone.com/investor. For the 2010 financial year shareholders will receive the notice of meeting and form of proxy in paper through the post unless they have previously opted to receive email communications. Shareholders continue to have the option to appoint proxies and give voting instructions electronically.

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

A summary presentation of results and development plans is also given at the AGM before the Chairman deals with the formal business of the meeting. The AGM is broadcast live on our website (www.vodafone.com/agm) and a recording of the webcast can subsequently be viewed on our website. All substantive resolutions at our AGMs are decided on a poll. The poll is conducted by our registrars and scrutinised by Electoral Reform Services. The proxy votes cast in relation to all resolutions, including details of votes withheld, are disclosed to those in attendance at the meeting and the results of the poll are published on our website and announced via Regulatory News Service. Financial and other information is made available on our website (www.vodafone.com/investor) which is regularly updated.

A summary of our share and control structures is set out on pages 128 and 129 in the shareholder information section of this report.

Political donations

The directors consider that it is in the best interest of shareholders that we participate in public debate and opinion forming on matters which affect our business. In order not to inhibit these activities and to avoid inadvertent infringement of the Companies Act 2006, at the 2008 AGM the directors sought and received shareholders' approval for the Company and its subsidiaries to be authorised, for the purposes of part 14 of the Companies Act 2006, to make political donations and to incur political expenditure during the period from the AGM to the conclusion of the AGM of in 2012 or 29 July 2012, whichever is earlier, up to a maximum aggregate amount of £100,000 per year. The Company and its subsidiaries have not made any such political donations during the year. It is our Group policy not to make political donations or incur political expenditure as those expressions are normally understood.

Internal control and risk management

The Board has overall responsibility for the system of internal control. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The process of managing the risks associated with social, environmental and ethical impacts is also discussed under Corporate responsibility on pages 45 to 47.

The Board has established procedures that implement in full the Turnbull Guidance Internal Control: Revised Guidance for Directors on the Combined Code for the year under review and to the date of approval of the annual report. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks we face. See page 69 for management's report on internal control over financial reporting.

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Governance

Monitoring and review activities

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

a formal annual confirmation provided by the chief executive and chief financial officer of each Group company certifying the operation of their control systems and highlighting any weaknesses, the results of which are reviewed by regional management, the Audit Committee and the Board;

a review of the quality and timeliness of disclosures undertaken by the Chief Executive and the Chief Financial Officer which includes formal annual meetings with the operating company or regional chief executives and chief financial officers and the Disclosure Committee;

periodic examination of business processes on a risk basis including reports on controls throughout the Group undertaken by the Group internal audit department who report directly to the Audit Committee; and

reports from the external auditors on certain internal controls and relevant financial reporting matters presented to the Audit Committee and management.

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

A Risk Council meets twice a year to evaluate the risks that the business is facing and reports back to the Executive Committee and the Audit Committee which in turn report to the Board. The Risk Council is chaired by the Group Chief Financial Officer, facilitated by the Group Audit Director and attended by representatives from the three geographic regions, finance, mergers and acquisitions, strategy, technology, legal, external affairs and human resources.

Review of effectiveness

The Board and the Audit Committee have reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management, in accordance with the Combined Code for the period from 1 April 2009 to 18 May 2010, the date of approval of our annual report. No significant failings or weaknesses were identified during this review. However had there been any such failings or weaknesses, the Board confirms that necessary actions would have been taken to remedy them.

Disclosure controls and procedures

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

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

Going concern

The going concern statement required by the Listing Rules and the Combined Code is set out in the Directors statement of responsibility on page 69.

Auditors

Following a recommendation by the Audit Committee, and in accordance with Section 489 of the Companies Act 2006, a resolution proposing the reappointment of Deloitte LLP as our auditors will be put to the shareholders at the 2010 AGM. We do not indemnify our external auditors.

In its assessment of the independence of the auditors and in accordance with the US Public Company Accounting Oversight Board's standard on independence, the Audit

Committee receives in writing details of relationships between the Company and Deloitte LLP that may have a bearing on their independence and receives confirmation that they are independent of the Company within the meaning of the securities laws administered by the SEC.

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

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

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

During the year Deloitte LLP and its affiliates charged the Group £9 million (2009: £8 million, 2008: £7 million) for audit and audit-related services and a further £1 million (2009: £1 million, 2008: £2 million) for non-audit assignments. An analysis of these fees can be found in note 4 to the consolidated financial statements.

US listing requirements

On 29 October 2009 the Company transferred its American depositary shares from the New York stock exchange to the NASDAQ Stock Market LLC (NASDAQ). We are subject to the rules of NASDAQ as well as US securities laws and the rules of the SEC. NASDAQ requires US companies listed on the exchange to comply with NASDAQ's corporate governance rules but foreign private issuers, such as the Company, are exempt from many of those rules. However pursuant to NASDAQ Listing Rule 5615 we are required to disclose a summary of any material ways in which the corporate governance practices we follow differ from those required by NASDAQ for US companies. The material differences are as follows:

Independence

The NASDAQ rules require that a majority of the Board be comprised of independent directors and the rules include detailed definitions that US companies must use for determining independence.

The Combined Code requires a company's board of directors to assess and make a determination as to the independence of its directors.

While the Board does not explicitly take into consideration NASDAQ's detailed definitions, it has carried out an assessment based on the requirements of the Combined Code and has determined in its judgement that all of the non-executive directors are independent within those requirements. At 18 May 2010 the Board comprised the Chairman, four executive directors and nine non-executive directors.

Committees

NASDAQ rules require US companies to have a nominations committee, an audit committee and a compensation committee, each composed entirely of independent directors, with the nominations committee and audit committee required to have a written charter that addresses the committees' purpose and responsibilities.

Our Nominations and Governance Committee and Remuneration Committee have terms of reference and composition that comply with the Combined Code's requirements.

The Nominations and Governance Committee is chaired by the Chairman of the Board and its other members are non-executive directors of the Company and the Chief Executive.

The Remuneration Committee is composed entirely of non-executive directors whom the Board has determined to be independent.

The Audit Committee is composed entirely of non-executive directors whom the Board has determined to be independent and who meet the requirements of Rule 10A-3 of the Exchange Act.

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Corporate governance continued

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

Code of conduct

Under NASDAQ rules US companies must adopt a code of conduct applicable to all directors, officers and employees.

We have adopted a Code of Ethics in compliance with Section 406 of the US Sarbanes-Oxley Act of 2002 which is applicable to the senior financial and principal executive officers. We have made our Code of Ethics available to the public on our website at (www.vodafone.com/governance).

We have also adopted a Group governance manual which provides the first level of the framework for governance within which our businesses operate. The manual is a reference for chief executives and their teams and applies to all directors and employees.

Quorum

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

Related party transactions

The NASDAQ rules require companies to conduct appropriate reviews of related party transactions and potential conflicts of interest via the company's audit committee or other independent body of the board of directors.

We are subject to extensive provisions under the Listing Rules issued by the Financial Services Authority in the UK (the Listing Rules) governing transactions with related parties, as defined therein, and the Companies Act 2006 also restricts the extent to which companies incorporated in England and Wales may enter into related party transactions.

Our articles of association contain provisions regarding disclosure of interests by our directors and restrictions on their votes in circumstances involving conflicts of interest.

In lieu of obtaining an independent review of related party transactions for conflicts of interests, but in accordance with the Listing Rules, the Companies Act 2006 and our articles of association, we seek shareholder approval for related party transactions that meet certain financial thresholds or where transactions have unusual features.

The concept of a related party for the purposes of NASDAQ's listing rules differs in certain respects from the definition of a transaction with a related party under the Listing Rules.

Shareholder approval

NASDAQ requires shareholder approval for certain transactions involving the sale or issuance by a listed company of share capital.

Under the NASDAQ rules, whether shareholder approval is required for such transactions depends on, among other things, the number of shares to be issued or sold in connection with a transaction, while we are bound by the provisions of the Listing Rules which state that shareholder approval is required, among other things, when the size of a transaction exceeds a certain percentage of the size of the listed company undertaking the transaction.

In accordance with our articles of association we also seek shareholder approval annually for issuing shares and to dis-apply the pre-emption rights that apply under law in line with limit guidelines issued by investor bodies.

Report from the Audit Committee

The Audit Committee assists the Board in carrying out its responsibilities in relation to financial reporting requirements, risk management and the assessment of internal controls. The Audit Committee also reviews the effectiveness of the Company's internal audit function and manages the Company's relationship with the external auditors.

The composition of the Audit Committee is shown in the table on page 53 and its terms of reference can be found on the Vodafone website (www.vodafone.com/governance). By invitation of the Chairman of the Audit Committee, the Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Director of Financial Reporting, the Group Audit Director and the external auditors also attend the Audit Committee meetings. Also invited to attend certain meetings are relevant people from the business to present sessions on issues designed to enhance the Audit Committee's awareness of key issues and developments in the business which are relevant to the Audit Committee in the performance of its role.

During the year ended 31 March 2010 the principal activities of the Audit Committee were as follows:

Financial reporting

The Audit Committee reviewed and discussed with management and the external auditors the half-year and annual financial statements focusing on, without limitation, the quality and acceptability of accounting policies and practices, the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements. To aid their review, the Audit Committee considered reports from the Group Financial Controller and the Director of Financial Reporting and also reports from the external auditors, Deloitte LLP, on the scope and outcome of their half-year review and annual audit.

Risk management and internal control

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

Internal audit

The Audit Committee monitored and reviewed the scope, extent and effectiveness of the activity of the Group internal audit department and received reports from the Group Audit Director which included updates on audit activities and achievement against the Group audit plan, the results of any unsatisfactory audits and the action plans to address these areas, and resource requirements of the internal audit department. The Audit Committee held private discussions with the Group Audit Director throughout the year. An external evaluation of the internal audit department was undertaken during the year. It was confirmed to the Audit Committee that internal audit operates well within the standards expected of a company in the top ten of the FTSE.

External auditors

The Audit Committee reviewed and monitored the independence of the external auditors and the objectivity and effectiveness of the audit process and provided the Board with its recommendation to the shareholders on the reappointment of Deloitte LLP as external auditors. The Audit Committee approved the scope and fees for audit and permitted non-audit services provided by Deloitte LLP.

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

Audit Committee effectiveness

The Audit Committee conducts a formal review of its effectiveness annually, and concluded its performance was effective. Further details on the evaluation process can be found under "Performance evaluation" on page 52.

/s/ Nick Land

Nick Land

On behalf of the Audit Committee

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Directors remuneration

Governance

Dear Shareholder

This year the work of the Remuneration Committee took place against a background of very challenging business conditions in the global economy. In this environment the Committee maintained its focus on ensuring that the Company's remuneration policies in general, and the packages of the executive directors in particular, were designed to allow the Company to recruit, retain and motivate its talented people and to ensure those people were fully incentivised to maximise shareholder value.

At the start of the year a key focus for the Company was the generation of cash flow. This was reflected in the weighting applied to this measure in the short-term plan. As the focus now moves more to growing revenue and market share the weightings have been modified for the coming year to appropriately reflect this change.

The structure of the long-term plan has also been reviewed and the Committee believes that the current design remains appropriate with its strong continued focus on both cash flow and total shareholder return.

As well as considering the current package, the Remuneration Committee continues to monitor how well incentive awards made in previous years align with the Company's performance. In this regard, the Committee is confident that there is a strong link between performance and reward.

The Remuneration Committee has appreciated the dialogue and feedback from investors and has taken account of their views when reviewing the incentive designs. This has been seen in two ways: i) in the alignment of the senior leadership population with the Board and the Executive Committee through the cascading down of the free cash flow performance condition in the long-term plan; and ii) in the greater differentiation that has been built into both short and long-term plans with individual performance being more rigorously measured and directly affecting award sizes. The Committee will continue to take an active interest in investors' views and the voting on the remuneration report. As such, it hopes to receive your support at the AGM on 27 July 2010.

/s/ Luc Vandevelde

Luc Vandevelde

Chairman of the Remuneration Committee

18 May 2010

Contents

The detail of this remuneration report is set out over the following pages, as follows:

Page 57	Remuneration Committee
Page 58	Overview of remuneration philosophy
Page 59	The remuneration package
Page 61	Awards made to executive directors during the 2010 financial year
Page 61	Amounts executive directors will actually receive in the 2011 financial year
Page 62	Other considerations
Page 63	Audited information for executive directors
Page 66	Non-executive directors remuneration
Page 66	Audited information for non-executive directors serving during the year ended 31 March 2010
Page 67	Beneficial interests

Remuneration Committee

The Remuneration Committee is comprised to exercise independent judgement and consists only of independent non-executive directors. For further details, the terms of reference can be found on page 53.

Remuneration Committee

Chairman	Luc Vandeveldde
Committee members	Simon Murray Anthony Watson Philip Yea
Management attendees	
Chief Executive	Vittorio Colao
Group HR Director	Ronald Schellekens
Group Reward Director	Tristram Roberts (until 31 October 2009)
Head of Group Reward	Adam Parsons (1 November 2009 to 31 March 2010)

External advisors

During the year Towers Watson supplied market data and advice on market practice and governance. PricewaterhouseCoopers LLP provided performance analysis and advice on plan design and performance measures. Both advisors were appointed by the Remuneration Committee in 2007.

The advisors also provided advice to the Company on general human resource and compensation related matters. In addition, PricewaterhouseCoopers LLP also provided a broad range of tax, share scheme and advisory services to the Group during the 2010 financial year.

As noted in his biographical details on page 49 of this annual report, during the year Philip Yea joined an advisory board for PricewaterhouseCoopers LLP. In light of their role as advisor to the Remuneration Committee on remuneration matters, this appointment was considered by the Committee and it was determined that there is no conflict or potential conflict arising.

Meetings

The Remuneration Committee had five meetings during the year.

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Directors remuneration continued
Overview of remuneration philosophy
Remuneration policy

The Remuneration Committee commissioned a full review of the reward arrangements for the Company's executive directors in the 2008 financial year and the remuneration policy was last updated at this point. The policy is felt to be appropriate for the coming financial year.

Vodafone wishes to provide a level of remuneration which attracts, retains and motivates executive directors of the highest calibre. To maximise the effectiveness of the remuneration policy careful consideration will be given to aligning the remuneration package with shareholder interests and best practice.

The aim is to target an appropriate level of remuneration for managing the business in line with the strategy. There will be the opportunity for executive directors to achieve significant upside for truly exceptional performance. In setting total remuneration the Remuneration Committee will consider a relevant group of comparators which will be selected on the basis of the role being considered. Typically no more than three reference points will be used. These will be as follows: top European companies, top UK companies and, particularly for scarce skills, the relevant market in question.

These comparators reflect the fact that currently the majority of the business is in Europe, the Company's primary listing is in the UK and that the Remuneration Committee is aware that, in some markets, the competition is tough for the very best talent.

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

Finally, to fully embed the link to shareholder alignment, all executive directors are expected to comply with the rigorous and stretching share ownership requirements set by the Remuneration Committee.

Summary of key reward philosophies

Link to business strategy

Performance conditions have been determined to align with business strategy and to maximise shareholder value.

The annual bonus continues to support the short-term operational performance of the business by measuring against the business fundamentals of revenue, profit, cash flow and competitive performance.

The long-term incentive measures performance against:

free cash flow, which is believed to be the single most important operational measure; and

total shareholder return (TSR) relative to our key competitors.

Shareholder alignment

The executives are required to meet stretching share ownership requirements which are supported by the opportunity to invest into the long-term incentive plan.

The performance conditions on the long-term incentive plan are there to underpin shareholder value creation.

Summary of key reward philosophies (continued)

Risk and reward

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

the heavy weighting towards long-term incentives;

the need for short-term incentive payouts to be used to purchase and hold investment shares in order to fully participate in the long-term arrangements; and

the enhanced weighting on non-financial measures in the short-term plan.

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

Changes to plans for the 2011 financial year

The table below sets out any changes to the individual elements of the reward package for the 2011 financial year:

Reward elements	2011 financial year
Base salary	No change to the benchmarking policy.
Annual bonus	There has been a re-balancing of the weighting for the performance measures to focus on service revenue. A competitive performance assessment has been introduced which incorporates net promoter score and in some markets customer delight index.
Long-term incentive plan	No change to the plan design.
Investment opportunity	No changes to the level of investment an individual may make.

Setting remuneration levels

The remuneration package for executive directors is benchmarked by reference to total data for the base salary, annual bonus and long-term incentive levels combined. The principal comparator group (used for benchmarking only) is made up of 28 top European companies excluding any in the financial services sector.

When undertaking the benchmarking process the Remuneration Committee makes assumptions that individuals will invest their own money into the long-term incentive plan. This means that individuals will need to make a significant investment in order to achieve a market competitive level of remuneration.

Comparison of the ratio of fixed pay to variable pay

The base salary and pension contributions to executives are considered to be fixed levels of remuneration. The annual bonus and the long-term incentive awards are variable, i.e. the actual value the executive receives will depend on the performance of the Company.

As can be seen below the variable elements of the executive directors remuneration package are in excess of 77% assuming target performance, maximum co-investment and no movement in current share price.

Analysis of executive directors pay as a percentage of total package

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The remuneration package

The table below summarises the plans used to reward the executive directors in the 2010 financial year.

	Summary	Grant policy
Base salary	<p>Set by the Remuneration Committee as part of the overall benchmarking process (see previous page).</p> <p>Benchmark assumed to be the market level for the role.</p>	<p>Base salaries set annually on 1 July.</p>
Annual bonus Group Short-Term Incentive Plan (GSTIP¹⁾)	<p>Remuneration Committee reviews performance against targets over the financial year. Actual results measured against the budget set at the start of the year.</p> <p>Summary of the plan in the 2010 financial year</p> <p>2010 performance measures:</p> <p>Three key financial measures: operating profit (25%), service revenue (25%) and free cash flow (35%); and</p> <p>Customer delight (15%) customer satisfaction is a key component in the Group's success.</p> <p>Changes for the 2011 financial year</p> <p>Performance measures for the 2011 financial year:</p> <p>Rebalance of weightings to focus on service revenue to stimulate top line growth;</p> <p>Introduction of a competitive performance assessment to include customer satisfaction; and</p>	<p>Bonus levels reviewed annually. Mix of performance measures and the performance targets also reviewed.</p> <p>Annual bonus paid in cash in June each year for performance over the previous financial year.</p> <p>Target bonus is 100% of base salary earned over the financial year.</p> <p>Maximum bonus is 200% of base salary earned and is only paid out for exceptional performance.</p>

Split of measures for the 2011 financial year: operating profit (20%), service revenue (30%), free cash flow (20%) and competitive performance assessment (30%).

Long-term incentives (details on page 60)

Global long-term incentive plan (GLTI) base awards

Long-term incentive all delivered in performance shares.

Base award set annually and made in June.

Base award has vesting period of three years, subject to a matrix of two performance measures over this period:

The Chief Executive's base award will have a target face value of 137.5% of base salary (maximum 550%) in June 2010.

Firstly, an operational performance measure (free cash flow); and

The base award for other executive directors will have a target face value of 110% of base salary (maximum 440%) in June 2010.

Secondly, an equity performance multiplier (relative TSR).

Performance details set out in more detail on page 60.

Co-investment matching awards

Individuals may purchase Vodafone shares and hold them in trust for three years in order to receive additional performance shares in the form of a GLTI matching award.

Matching award made annually in June in line with the investment made.

Matching awards made under the GLTI plan have the same performance measures as the base award.

Executive directors can co-invest up to two times net base salary.

Matching award used to encourage increased share ownership and supports the share ownership requirements set out below.

Matching award will have a face value equal to 50% of the equivalent multiple of gross basic salary invested.

Share ownership requirements

Option to co-invest into the GLTI plan designed to encourage executives to meet their share ownership requirements.

The Chief Executive is required to hold four times base salary.

Ownership against the requirements must be met after five years.

Other executive directors are required to hold three times base salary.

Progress towards this requirement reviewed by the Remuneration

Committee before granting long-term awards.

Other remuneration
Defined benefit pension

The Chief Financial Officer is the only executive director to receive this benefit.

The Chief Financial Officer is a member of the UK defined benefit scheme for pensionable salary up to the scheme cap of £110,000. Details of this are set out in the pensions table on page 63. He receives the cash allowance set out below on pensionable salary over the scheme cap.

The UK defined benefit scheme closed to future accrual by existing members on 31 March 2010.

Defined contribution pension/cash allowance

The pension contribution or cash allowance is available for the executives to make provisions for their retirement.

30% of basic salary taken either as a cash payment or a pension contribution.

Benefits

Company car or cash allowance worth £19,200 per annum.

Benefits reviewed from time to time.

Private medical insurance.

Chauffeur services, where appropriate, to assist with their role.

Note:

(1) GSTIP targets are not disclosed as they are commercially sensitive.

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Directors remuneration continued

Details of the GLTI performance shares

The number of shares vesting depends on the performance of two measures: free cash flow and relative TSR. This section sets out how the performance of each of the two measures is calculated.

Underlying operational performance adjusted free cash flow

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

Verizon Wireless additional distributions;

Foreign exchange movements over the performance period; and

Material one-off tax settlements.

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

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

The target free cash flow level is set by reference to the Company's three year plan and market expectations. The Remuneration Committee consider the 2011, 2010 and 2009 targets to be stretching ones.

TSR out-performance of a peer group median

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

BT Group;

Deutsche Telekom;

France Telecom;

Telecom Italia;

Telefonica; and

Emerging market composite (consists of the average TSR performance of Bharti, MTN and Turkcell).

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

Out-performance of peer group median	Multiplier
--------------------------------------	------------

Median	0.0%p.a.	No increase
65th percentile	4.5%p.a.	1.5 times
80th percentile (upper quintile)	9.0%p.a.	2.0 times

The performance measure has been calibrated using statistical techniques.

Combined vesting matrix

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

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

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

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

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Awards made to executive directors during the 2010 financial year

Reward elements	Vittorio Colao	Andy Halford	Michel Combes	Stephen Pusey
Base salary	Vittorio's base salary was not increased from £975,000 in July 2009.	Andy's base salary was not increased from £674,100 in July 2009.	Michel's base salary increased from £720,000 to £740,000 on 1 June 2009 on promotion to the Board.	Stephen's base salary increased from £445,200 to £500,000 on 1 June 2009 on promotion to the Board.
Annual bonus	The target bonus was £975,000 and the maximum bonus was £1,950,000.	The target bonus was £674,100 and the maximum bonus was £1,348,200.	The target bonus was £736,667 and the maximum bonus was £1,473,334.	The target bonus was £490,867 and the maximum bonus was £981,734.
Long-term incentive plan	In June 2009 the base award for the Chief Executive had a face value of 137.5% of base salary at target.	In July 2009 the base award for the Chief Financial Officer had a face value of 110% of base salary at target.	In June 2009 the base award for the Chief Executive, Europe had a face value of 110% of base salary at target.	In June 2009 the base award for the Chief Technology Officer had a face value of 110% of base salary at target.
Investment opportunity	Vittorio invested 55% of the maximum into the GLTI plan (529,098 shares) and therefore received a matching award with a face value of 55% base salary at target.	Andy invested 73% of the maximum into the GLTI plan (486,146 shares) and therefore received a matching award with a face value of 73% base salary at target.	Michel invested 21% of the maximum into the GLTI plan (156,014 shares) and therefore received a matching award with a face value of 21% base salary at target.	Stephen invested 30% of the maximum into the GLTI plan (147,896 shares) and therefore received a matching award with a face value of 30% base salary at target.

Amounts executive directors will actually receive in the 2011 financial year

As previously explained a very large percentage of the executive directors' package is made up of variable pay subject to performance. The information below explains what the executive directors who were on the Board on 31 March 2010 will actually receive from awards made previously with performance conditions which ended on 31 March 2010 but that will vest in the 2011 financial year.

As previously noted there were no salary increases, other than for promotions, for the executive directors during the 2010 financial year. However the Remuneration Committee felt that it was appropriate to review base salary levels for the 2011 financial year. Accordingly, the new salaries shown below will become effective 1 July 2010. In the case of Vittorio Colao this is his first increase since his promotion to the role of Chief Executive two years ago and reflects his outstanding leadership of the Company in a very difficult environment.

The executive directors 2009/10 GSTIP is payable in June 2010 with actual payments detailed in the table below. Vittorio Colao, Andy Halford and Stephen Pusey were measured solely against Group performance, whilst Michel Combes was measured on both Group and Europe Region performance. Group performance was at or above target for each of the key financial measures particularly with respect to free cash flow.

Later in 2010 the GLTI share options granted in 2007 will vest. The threshold relative TSR performance target for the 2007 GLTI performance shares was met and, as such, shares will vest from this award at 25%. In all cases performance was determined at 31 March 2010 year end. These figures are set out in the table below (only the 2009/10 GSTIP payment is included in the audited section towards the end of the directors remuneration report).

	Vittorio Colao	Andy Halford	Michel Combes	Stephen Pusey
Base salary				
Base salary effective from July 2010	£ 1,065,000	£ 700,000	£ 770,000	£ 550,000
GSTIP (Annual bonus)⁽¹⁾				
Target (100% of base salary earned over 2010)	£ 975,000	£ 674,100	£ 736,667	£ 490,867
Percentage of target achieved for the 2010 financial year	128.7%	128.7%	111.0%	128.7%
Actual bonus payout in June 2010	£ 1,254,825	£ 867,567	£ 817,700	£ 631,746
GLTI share options				
Exercise price	162.5p	162.5p		162.5p
GLTI share options awarded in July 2007	3,003,575	2,295,589		947,556
Vesting percentage based on three year earnings per share (EPS) growth	100%	100%		100%
GLTI share options vesting in 2010	3,003,575	2,295,589		947,556
GLTI performance shares				
GLTI performance share awarded in July 2007	1,557,409	1,190,305		491,325
Vesting percentage based on relative TSR	25%	25%		25%
GLTI performance shares vesting in 2010	389,352	297,576		122,831

Note:

(1) More information on key performance indicators, against which Group performance is measured, can be found in Key performance indicators on page 24.

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Directors remuneration continued

Other considerations

Service contracts of executive directors

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

All current executive directors' contracts have an indefinite term (to normal retirement date) and one year notice periods. No payments should normally be payable on termination other than the salary due for the notice period and such entitlements under incentive plans and benefits that are consistent with the terms of such plans.

	Date of service agreement	Notice period
Vittorio Colao	27 May 2008	12 months
Andy Halford	20 May 2005	12 months
Michel Combes	1 June 2009	12 months
Stephen Pusey	1 June 2009	12 months

Fees retained for external non-executive directorships

Executive directors may hold positions in other companies as non-executive directors. In the 2010 financial year Michel Combes was the only executive director with such a position held at AS System SA. He retained fees of 33,120 in relation to this position over the full financial year. Fees were retained in accordance with Group policy.

Cascade to senior management

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

Cascade of policy to Executive Committee 2010 financial year

Total remuneration and base salary

Methodology consistent with the executive directors.

Annual bonus

The annual bonus is based on the same measures. However in some circumstances these are measured within a region or business area rather than across the whole Group.

Long-term incentive

The long-term incentive is consistent with the executive directors including the opportunity to invest in the GLTI to receive matching awards. In addition, Executive Committee members have a share ownership requirement of two times base salary.

All-employee share plans

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

Summary of plans

Global AllShare Plan

A significant number of employees were granted an award of 340 shares AllShares each on 1 July 2009. These awards vest after two years. In March 2010 the Remuneration Committee stated there would be no further grants.

Sharesave

The Vodafone Group 2008 Sharesave Plan is an HM Revenue & Customs (HMRC) approved scheme open to all permanently employed UK staff. Options under the plan are granted at up to a 20% discount to market value. Executive directors participation is included in the option table on page 65.

Share Incentive Plan

The Vodafone Share Incentive Plan is an HMRC approved plan open to all staff permanently employed by a Vodafone Company in the UK. Participants may contribute up to a maximum of £125 per month which the trustee of the plan uses to buy shares on their behalf. An equivalent number of shares are purchased with contributions from the employing company. UK based executive directors are eligible to participate.

Dilution

All awards are made under plans that incorporate dilution limits as set out in the guidelines for share incentive schemes published by the Association of British Insurers. The current estimated dilution from subsisting awards, including executive and all-employee share awards, is approximately 3.1% of the Company s share capital at 31 March 2010 (3.3% at 31 March 2009).

Funding

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

Other matters

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

All of the Company s share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions at that time.

TSR performance

The following chart shows the performance of the Company relative to the FTSE100 index and FTSE Global Telecoms index. We were a constituent of both throughout the 2010 financial year.

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

Notes:

- (1) Graph provided by Towers Watson and calculated according to a methodology that is compliant with the requirements of The Large and Medium Sized Companies and Groups (Accounts & Reports) Regulation 2008.
- (2) Data sources: FTSE and Datastream.
- (3) Performance of the Company shown by the graph is not indicative of vesting levels under the Company s various incentive plans.

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Audited information for executive directors
Remuneration for the year ended 31 March 2010
The remuneration of executive directors was as follows:

	Salary/fees		Incentive schemes ⁽¹⁾		Cash in lieu of pension		Benefits/other ⁽²⁾		Total	
	2010 £ 000	2009 £ 000	2010 £ 000	2009 £ 000	2010 £ 000	2009 £ 000	2010 £ 000	2009 £ 000	2010 £ 000	2009 £ 000
Chief Executive Vittorio Colao	975	932	1,255	881	292	280	146	171	2,668	2,264
Other executive directors										
Andy Halford	674	666	868	650	169	167	26	25	1,737	1,508
Michel Combes	737		818		221		52		1,828	
Stephen Pusey	491		632		147		38		1,308	
Former Chief Executive Arun Sarin		436		434				553		1,423
Total	2,877	2,034	3,573	1,965	829	447	262	749	7,541	5,195

Notes:

- (1) These figures are the cash payouts from the 2010 financial year Vodafone Group Short-Term Incentive Plan applicable to the year ended 31 March 2010. These awards are in relation to the performance against targets in adjusted operating profit, service revenue, free cash flow, total communications revenue and customer delight

index for the financial year ended 31 March 2010.

- (2) Includes amounts in respect of cost of living allowance, private healthcare and car allowance.

The aggregate remuneration we paid to our collective senior management⁽¹⁾ for services for the year ended 31 March 2010 is set out below. The aggregate number of senior management at 31 March 2010 was eight, the same as at 31 March 2009.

	2010 £ 000	2009 £ 000
Salaries and fees	3,655	3,896
Incentive schemes ⁽²⁾	4,417	2,984
Cash in lieu of pension	164	399
Benefits/other	3,376	2,949
Total	11,612	10,228

Notes:

- (1) Aggregate remuneration for senior management is in respect of those individuals who were members of the Executive Committee during the year ended 31 March 2010, other than executive directors, and reflects compensation paid from either 1 April 2009 or date of appointment to

the Executive
Committee, to
31 March 2010
or date of
leaving, where
applicable.

- (2) Comprises the
incentive
scheme
information for
senior
management on
an equivalent
basis to that
disclosed for
directors in the
table at the top
of this page.
Details of share
incentives
awarded to
directors and
senior
management are
included in
footnotes to
Long-term
incentives on
page 64.

Pensions

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

Andy Halford was a contributing member of the Vodafone Group Pension Scheme, a UK defined benefit scheme approved by HMRC until 31 March 2010. The scheme provides a benefit of two-thirds of pensionable salary after a minimum of 20 years' service. The normal retirement age is 60 but directors may retire from age 55 with a pension proportionately reduced to account for their shorter service, but with no actuarial reduction. Andy's pensionable salary is capped in line with the Vodafone Group pension scheme rules at £110,000. Andy has elected to take a cash allowance of 30% of base salary in lieu of pension contributions on salary above the scheme cap. Liabilities in respect of the pension schemes in which the executive directors participate are funded to the extent described in note 23 to the consolidated financial statements. In January 2010 Vodafone confirmed it would close its UK defined benefit scheme to future accrual by existing members on 31 March 2010. From 1 April 2010 Andy Halford will be paid a cash allowance in lieu of pension of 30% of his full basic salary.

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

Pension benefits earned by the directors serving during the year ended 31 March 2010 were:

Transfer
value Employer
allocation/

	Total accrued benefit at 31 March 2010 ⁽¹⁾ £ 000	Change in accrued benefit over the year ⁽¹⁾ £ 000	Transfer value at 31 March 2010 ⁽²⁾ £ 000	Transfer value at 31 March 2009 ⁽²⁾ £ 000	Change in transfer value over year less member contributions £ 000	Change in accrued benefit in excess of inflation contributions £ 000	of increase in accrued benefit net of member contributions £ 000	contribution to defined contribution plans £ 000
Vittorio Colao								
Andy Halford	17.8	(6.5)	628.0	543.6	80.6	(6.2)		
Michel Combes								
Stephen Pusey								

Notes:

- (1) Andy Halford took the opportunity to take early retirement from the pension scheme due to the closure of the scheme on 31 March 2010. In accordance with the scheme rules, his accrued pension at this date was reduced with an early retirement factor for four years to reflect the fact that his pension is being paid before age 55 and is therefore expected to be paid out for a longer period of time. In addition, Andy Halford exchanged part

of his early retirement pension at 31 March 2010 for a tax-free cash lump sum of £118,660. The accrued benefit of £17,800 shown above is Andy Halford's pension after the application of an early retirement factor and after cash has been taken. There is therefore a negative change in accrued benefit over the year. The accrued pension benefits earned by the directors are those which would be paid annually on retirement, based on service to the end of the year, at the normal retirement age. The increase in accrued pension excludes any increase for inflation.

- (2) The transfer values 31 March 2010 have been calculated on the basis and methodology set by the Trustees after taking actuarial advice.

No director
elected to pay
additional
voluntary
contributions.

The transfer
values disclosed
above do not
represent a sum
paid or payable
to the individual
director. Instead
they represent a
potential
liability of the
pension scheme.

In respect of senior management, the Group has made aggregate contributions of £851,000 into defined contribution pension schemes and had a total service cost of £360,000 for defined pension liabilities.

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Directors remuneration continued

Directors interests in the shares of the Company

Historic medium-term incentives

This table shows conditional awards of ordinary shares made in prior periods to executive directors under the Deferred Share Bonus (DSB). Shares which vested during the year ended 31 March 2010 are also shown below:

	Total interest in DSB at 1 April 2009	Shares forfeited during the year in respect of the 2008 and 2009 financial years	Shares vested during the year in respect of the 2008 and 2009 financial years ⁽¹⁾⁽²⁾	Total interest in DSB at 31 March 2010	
	Number of shares	Number of shares	Number of shares	Number of shares	Total value £ 000
Vittorio Colao	153,671		153,671		
Andy Halford	275,820		275,820		
Michel Combes					
Stephen Pusey	93,670		93,670		
Total	523,161		523,161		

Notes:

(1) The shares vesting gave rise to cash payments equal to the equivalent value of dividends over the vesting period. These cash payments equated to £23,481 for Vittorio Colao, £42,145 for Andy Halford and £14,313 for Stephen Pusey.

(2) Shares granted on 15 June 2007 vested on 15

June 2009. The closing mid-market share prices at these dates were 163.2 pence and 112.9 pence respectively.

The performance condition for this award was a requirement to achieve 85% of the cumulative planned free cash flow target for the 2008 and 2009 financial years, which was met in full.

No shares were awarded during the year under the deferred share bonus to any of the Company's directors or senior management.

Long-term incentives

Performance shares

Conditional awards of ordinary shares made to executive directors under the Vodafone Group Plc 1999 Long-Term Stock Incentive Plan (LTSIP) and the Vodafone Global Incentive Plan (GIP) for the relevant financial years are shown below. Long-term incentive shares that vested during the year ended 31 March 2010 are also shown below:

	Total interest in performance shares at 1 April 2009 or date of appointment Number of shares	Shares conditionally awarded during the 2010 financial year ⁽¹⁾ Number of shares	Shares forfeited during the 2010 financial year ⁽²⁾ Number of shares	Shares vested during the 2010 financial year Number of shares	Total interest in performance shares at 31 March 2010 ⁽³⁾ Number of shares	Total value ⁽⁴⁾ £ 000	Market price at date awards granted Pence	Vesting date
Vittorio Colao								
2006	1,073,465		(1,073,465)				115.75	Jul 2009
2007	1,557,409				1,557,409	2,367	156.00	Jul 2010
2008	7,127,741				7,127,741	10,834	129.95	

2009		6,382,861		6,382,861	9,702	117.20	Jul 2011 Jul 2012
Total	9,758,615	6,382,861	(1,073,465)	15,068,011	22,903		

Andy Halford

2006	946,558		(946,558)			115.75	Jul 2009
2007	1,190,305			1,190,305	1,809	156.00	Jul 2010
2008	4,357,399			4,357,399	6,623	129.95	Jul 2011
2009		4,201,690		4,201,690	6,387	117.20	Jul 2012
Total	6,494,262	4,201,690	(946,558)	9,749,394	14,819		

Michel Combes

2006							Jul 2009
2007							Jul 2010
2008	3,326,701			3,326,701	5,057	129.95	Jul 2011
2009		3,305,625		3,305,625	5,025	117.20	Jul 2012
Total	3,326,701	3,305,625		6,632,326	10,082		

Stephen Pusey

2006	319,680		(319,680)			115.75	Jul 2009
2007	491,325			491,325	747	156.00	Jul 2010
2008	1,442,976			1,442,976	2,193	129.95	Jul 2011
2009		2,383,697		2,383,697	3,623	117.20	Jul 2012
Total	2,253,981	2,383,697	(319,680)	4,317,998	6,563		

Notes:

- (1) The awards were granted during the year under the Vodafone Global Incentive Plan using an average of the closing share prices on each of the five working days prior to and including 29 June being 117.5 pence. These awards have a performance period running from 1 April 2009 to 31 March 2012. The performance conditions are a matrix of free cash flow performance and relative total shareholder return. The vesting date will be in June 2012.
- (2) Shares granted on 25 July 2006 were forfeited on 25 July 2009. The performance condition on these awards was a relative total shareholder return measure against the companies making up the FTSE Global

Telecoms index at the start of the performance period. This condition was not met.

- (3) The total interest at 31 March 2010 includes awards over three different performance periods ending on 31 March 2010, 31 March 2011 and 31 March 2012. The performance condition for the award vesting in July 2010 is relative shareholder return measured against companies from the FTSE Global Telecoms index taken at the start of the performance period.

- (4) The total value is calculated using the closing mid-market share price at 31 March 2010 of 152.0 pence.

The aggregate number of shares conditionally awarded during the year to the Company's senior management is 14,142,323 shares. The performance and vesting conditions on the shares awarded in the year are based on a matrix of free cash flow performance and relative total shareholder return.

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Table of Contents**Governance****Share options**

No options have been granted to directors during the 2010 financial year. The following information summarises the directors' options under the Vodafone Group 1998 Sharesave Scheme, the Vodafone Group 2008 Sharesave Plan, the Vodafone Group 1998 Company Share Option Scheme (CSOS), the LTSIP and the GIP HMRC approved awards may be made under all of the schemes above. The table also summarises the directors' options under the Vodafone Group 1998 Executive Share Option Scheme (ESOS) which is not HMRC approved. No other directors have options under any of these schemes.

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

		Options granted during the 2010 financial year	Options exercised during the 2010 financial year	Options lapsed during the 2010 financial year	Options held at 31 March 2010 Number	Option price which is exercisable Pence	Date from Expiry date	Market price on exercise Pence
	Grant appointment date ⁽¹⁾ Number	Number	Number	Number	Number			
Vittorio Colao								
GIP	Nov 2006	3,472,975			3,472,975	135.50	Nov 2009	Nov 2016
GIP	Jul 2007	3,003,575			3,003,575	167.80	Jul 2010	Jul 2017
SAYE	Jul 2009		16,568		16,568	93.85	Sep 2014	Feb 2015
Total		6,476,550	16,568		6,493,118			
Andy Halford								
CSOS	Jul 1999	11,500		(11,500)		255.00	Jul 2002	Jul 2009
ESOS	Jul 1999	114,000		(114,000)		255.00	Jul 2002	Jul 2009
CSOS	Jul 2000	200			200	282.30	Jul 2003	Jul 2010
ESOS	Jul 2000	66,700			66,700	282.30	Jul 2003	Jul 2010
LTSIP	Jul 2001	152,400			152,400	151.56	Jul 2004	Jul 2011
LTSIP	Jul 2002	94,444		(94,444)		90.00	Jul 2005	Jul 2012
LTSIP		233,333		(233,333)		119.25		146.70

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	Jul 2003					Jul 2006	Jul 2013
LTSIP	2004	226,808	(226,808)			119.00	2007 2014
	Jul 2005						Jul 2015
LTSIP	2005	1,291,326		1,291,326	145.25		2008 2015
	Jul 2006						Jul 2016
GIP	2006	3,062,396	(3,062,396)		115.25		2009 2016
	Jul 2006						Sep 2010
SAYE	2006	10,202	(10,202)		91.64		2009 2010
	Jul 2007						Jul 2017
GIP	2007	2,295,589		2,295,589	167.80		2010 2017
	Jul 2009						Sep 2012
SAYE	2009		9,669		93.85	9,669	2012 2013
Total		7,558,898	9,669	(3,627,183)	(125,500)	3,815,884	

**Stephen
Pusey**

	Nov 2006					Nov 2009	Nov 2016
GIP	2006	1,034,259		1,034,259	135.50		2009 2016
	Jul 2007						Jul 2017
GIP	2007	947,556		947,556	167.80		2010 2017
	Jul 2009						Sep 2012
SAYE	2009		9,669		93.85	9,669	2012 2013
Total		1,981,815	9,669			1,991,484	

**Michel
Combes**

	Jul 2009					Sep 2012	Feb 2013
SAYE	2009		9,669		93.85	9,699	2012 2013
Total			9,669			9,699	

Notes:

- (1) The unvested award granted in July 2007 has a performance period ending on 31 March 2010. The performance condition for this award is

three year EPS
growth ranges
of 5% to 8% per
annum.

- (2) The closing
mid-market
share price on
31 March 2010
was 152.0
pence. The
highest
mid-market
share price
during the year
was 153.8 pence
and the lowest
price was 111.2
pence.

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Directors remuneration continued

Non-executive directors remuneration

The remuneration of non-executive directors is reviewed annually by the Board, excluding the non-executive directors. Our policy is to pay competitively for the role including consideration of the time commitment required. In this regard, the fees are benchmarked against a comparator group of the current FTSE 15 companies. Following the 2010 review there will be an increase to the fees from 1 April 2010:

Position/role	Fees payable (£ 000s)	
	From 1 April 2010	From 1 April 2009
Chairman ⁽¹⁾	600	575
Deputy Chairman	160	155
Non-executive director	115	110
Chairmanship of Audit Committee	25	25
Chairmanship of Remuneration Committee	20	20

Note:

- (1) From 1 April 2010 the Chairman's fee also includes the fee for the Chairmanship of the Nominations and Governance Committee.

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

Details of each non-executive director's remuneration for the 2010 financial year are included in the table below. Non-executive directors do not participate in any incentive or benefit plans. The Company does not provide any contribution to their pension arrangements.

The Chairman is entitled to use of a car and a driver whenever and wherever he is providing his services to or representing the Company.

Chairman and non-executive directors service contracts

The Chairman, Sir John Bond, has a contract that may be terminated by either party on one year's notice. The date of his letter of appointment is 5 December 2005.

Non-executive directors, including the Deputy Chairman, are engaged on letters of appointment that set out their duties and responsibilities. The appointment of non-executive directors may be terminated without compensation. Non-executive directors are generally not expected to serve for a period exceeding nine years.

The terms and conditions of appointment of non-executive directors are available for inspection by any person at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

Date of

Date of

	letter of appointment	re-election
John Buchanan	28 April 2003	AGM 2010
Alan Jebson	7 November 2006	AGM 2010
Samuel Jonah	9 March 2009	AGM 2010
Nick Land	7 November 2006	AGM 2010
Anne Lauvergeon	20 September 2005	AGM 2010
Simon Murray	16 May 2007	n/a
Luc Vandeveld	24 June 2003	AGM 2010
Anthony Watson	6 February 2006	AGM 2010
Philip Yea	14 July 2005	AGM 2010

Audited information for non-executive directors serving during the year ended 31 March 2010⁽¹⁾:

	Salary/fees		Benefits		Total	
	2010	2009	2010	2009	2010	2009
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Chairman						
Sir John Bond	575	575	3	27	578	602
Deputy Chairman						
John Buchanan	155	155			155	155
Non-executive directors						
Dr Michael Boskin		63				63
Alan Jebson	146	146			146	146
Samuel Jonah	140				140	
Nick Land	135	127			135	127
Anne Lauvergeon	110	110			110	110
Simon Murray	110	110			110	110
Professor Jürgen Schrempp		37				37
Luc Vandeveld	130	130			130	130
Anthony Watson	110	110			110	110
Philip Yea	110	110			110	110
Total	1,721	1,673	3	27	1,724	1,700

Note:

- (1) Former
Chairman, Lord
MacLaurin,
received
consulting fees
of £42,000
during the year,
together with
continued
benefits valued
at £4,700 from
his previous
arrangements.
These
arrangements
ended in
July 2009.

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Table of Contents**Governance****Beneficial interests**

The beneficial interests of directors and their connected persons in the ordinary shares of the Company, which includes interests in the Vodafone Share Incentive Plan, but which excludes interests in the Vodafone Group share option schemes, and the Vodafone Group short-term or long-term incentives, are shown below:

	17 May 2010	31 March 2010	1 April 2009 or date of appointment
Sir John Bond	357,584	357,584	237,345
John Buchanan	211,055	211,055	211,055
Vittorio Colao	1,575,567	1,575,567	1,046,149
Andy Halford	2,186,709	2,186,541	1,211,095
Michel Combes	392,389	392,223	232,827
Stephen Pusey	402,599	402,599	254,293
Alan Jebson	82,340	82,340	75,000
Samuel Jonah			
Nick Land	35,000	35,000	35,000
Anne Lauvergeon	28,936	28,936	28,936
Simon Murray	246,250	246,250	157,500
Luc Vandavelde	72,829	72,829	72,500
Anthony Watson	115,000	115,000	115,000
Philip Yea	61,250	61,250	61,250

At 31 March 2010 and during the period from 1 April 2010 to 17 May 2010, no director had any interest in the shares of any subsidiary company. Other than those individuals included in the table above who were Board members at 31 March 2010, members of the Group's Executive Committee at 31 March 2010 had an aggregate beneficial interest in 3,229,762 ordinary shares of the Company. At 17 May 2010 the directors had an aggregate beneficial interest in 5,767,508 ordinary shares of the Company and the Executive Committee members had an aggregate beneficial interest in 3,230,262 ordinary shares of the Company. However none of the directors or the Executive Committee members had an individual beneficial interest amounting to greater than 1% of the Company's ordinary shares.

Interests in share options of the Company

At 17 May 2010 there had been no change to the directors' interests in share options from 31 March 2010 (see page 65).

Other than those individuals included in the table above, at 17 May 2010, members of the Group's Executive Committee at that date held options for 4,302,914 ordinary shares at prices ranging from 91.6 pence to 167.8 pence per ordinary share, with a weighted average exercise price of 158.0 pence per ordinary share exercisable at dates ranging from July 2008 to July 2017.

Sir John Bond, John Buchanan, Alan Jebson, Samuel Jonah, Nick Land, Anne Lauvergeon, Simon Murray, Luc Vandavelde, Anthony Watson and Philip Yea held no options at 17 May 2010.

Directors' interests in contracts

None of the current directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the financial year.

/s/ Luc Vandavelde

Luc Vandavelde

On behalf of the Board

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Financials

Directors' statement of responsibility

Financial statements and accounting records

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

select suitable accounting policies and apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU;

state for the Company financial statements whether applicable UK accounting standards have been followed; and

prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

Directors' responsibility statement

The Board confirms to the best of its knowledge:

the consolidated financial statements, prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and

the directors' report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

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

Disclosure of information to auditors

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

Going concern

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

Management's report on internal control over financial reporting

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

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

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

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

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

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

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

Management is not required to evaluate the internal controls of entities accounted for under the equity method. Accordingly, the internal controls of these entities, which contributed a net profit of £4,742 million (2009: £4,091 million) to the profit for the financial year, have not been assessed, except relating to controls over the recording of amounts relating to the investments that are recorded in the Group's consolidated financial statements. During the period covered by this document there were no changes in the Company's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over financial reporting.

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

By Order of the Board

/s/ RES Martin

Rosemary Martin

Secretary

18 May 2010

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Audit report on internal controls

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

We have audited the internal control over financial reporting of Vodafone Group Plc and subsidiaries and applicable joint venture