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Directors' Statement of Responsibility

Financial statements and accounting records

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Consolidated Financial Statements have been prepared in accordance with 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 1985 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 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 234ZA of the Companies Act 1985) 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 the 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.

Management's report on internal control over financial reporting

As required by section 404 of the Sarbanes-Oxley Act of 2002, 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 permit the preparation of financial statements in accordance with IFRS, as adopted by the European Union 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 2008 based on the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Management has not evaluated the internal controls of Vodacom Group (Pty) Limited ("Vodacom"), which is accounted for using proportionate consolidation and the conclusion regarding the effectiveness of internal control over financial reporting does not extend to the internal controls of Vodacom. Management is unable to assess the effectiveness of internal control at Vodacom due to the fact that it does not have the ability to dictate or modify its controls and does not have the ability, in practice, to assess those controls.

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

	Vodacom 2008 £m
Total assets	1,093
Net assets	400
Revenue	1,609
Profit for the financial year	260

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 £2,876 million (2007: £2,728 million) to the profit (2007: loss) 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 Annual Report, 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.

Based on management's assessment, management has concluded that the internal control over financial reporting was effective at 31 March 2008.

The Company's internal control over financial reporting, as at 31 March 2008, has been audited by Deloitte & Touche 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 84.

By Order of the Board

Stephen Scott
Secretary
27 May 2008

Audit Report on Internal Controls

Report of Independent Registered Public Accounting Firm to the Members of Vodafone Group Plc

We have audited the internal control over financial reporting of Vodafone Group Plc and subsidiaries and applicable joint ventures (the "Group") as of 31 March 2008 based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Vodacom Group (Pty) Limited ("Vodacom"), as the Group does not have the ability to dictate, modify or assess the controls. Vodacom constitutes 0.5 percent and 0.9 percent of net assets and total assets, respectively, 4.5 percent of revenue, and 3.9 percent of net income of the consolidated financial statement amounts as of and for the year ended 31 March 2008. Accordingly, our audit did not include the internal control over financial reporting at Vodacom. The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of 31 March 2008, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Financial Statements of the Group as of and for the year ended 31 March 2008, prepared in conformity with International Financial Reporting Standards ("IFRS"), as adopted by the European Union and IFRS as issued by the International Accounting Standards Board ("IASB"). Our report dated 27 May 2008 expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
27 May 2008

Critical Accounting Estimates

The Group prepares its Consolidated Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board and IFRS as adopted by the European Union, the application of which often requires judgements to be made by management when formulating the Group's financial position and results. Under IFRS, the directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each below.

The discussion below should also be read in conjunction with the Group's disclosure of significant IFRS accounting policies, which is provided in note 2 to the Consolidated Financial Statements, "Significant accounting policies".

Management has discussed its critical accounting estimates and associated disclosures with the Company's Audit Committee.

Impairment reviews

Asset recoverability is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, as noted below.

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Group management currently undertakes an annual impairment test covering goodwill and other indefinite lived assets and also reviews finite lived assets and investments in associated undertakings at least annually to consider whether a full impairment review is required.

Assumptions

There are a number of assumptions and estimates involved in calculating the net present value of future cash flows from the Group's businesses, including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- uncertainty of future technological developments;
- long term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Group prepares and internally approves formal ten year plans for its businesses and uses these as the basis for its impairment reviews. Management uses the initial five years of the plans, except in markets which are forecast to grow ahead of the long term growth rate for the market. In such cases, further years will be used until the forecast growth rate trends towards the long term growth rate, up to a maximum of ten years.

For mobile businesses where the first five years of the ten year management plan are used for the Group's value in use calculations, a long term growth rate into perpetuity has been determined as the lower of:

- the nominal GDP rates for the country of operation; and
- the long term compound annual growth rate in EBITDA in years six to ten of the management plan.

For mobile businesses where the full ten year management plans are used for the Group's value in use calculations, a long term growth rate into perpetuity has been determined as the lower of:

- the nominal GDP rates for the country of operation; and
- the compound annual growth rate in EBITDA in years nine to ten of the management plan.

For non-mobile businesses, no growth is expected beyond management's plans for the initial five year period.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and, hence, results.

The Group's review includes the key assumptions related to sensitivity in the cash flow projections.

The following changes to the assumptions used in the impairment review would have led to an impairment loss being recognised in the year ended 31 March 2008:

	Increase by 2% £bn	Decrease by 2% £bn
Discount rate	0.3	–
Budgeted EBITDA(1)	–	0.2
Capital expenditure(2)	–	–
Long term growth rate	–	–

Notes:
(1) Represents the compound annual growth rate for the initial five years of the Group's approved financial plans.
(2) Represents capital expenditure as a percentage of revenue in the initial five years of the Group's approved plans.

Business combinations

Goodwill only arises in business combinations. The amount of goodwill initially recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

On the acquisition of mobile network operators, the identifiable intangible assets may include licences, customer bases and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset, assuming no active market for the assets exist. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

Critical Accounting Estimates continued

On transition to IFRS, the Group elected not to apply IFRS 3, "Business Combinations", retrospectively as the difficulty in applying these requirements to the large number of business combinations completed by the Group from incorporation through to 1 April 2004 exceeded any potential benefits. Goodwill arising before the date of transition to IFRS, after adjusting for items including the impact of proportionate consolidation of joint ventures, amounted to £78,753 million.

If the Group had elected to apply the accounting for business combinations retrospectively, it may have led to an increase or decrease in goodwill and increase in licences, customer bases, brands and related deferred tax liabilities recognised on acquisition.

Intangible assets, excluding goodwill

Other intangible assets include the Group's aggregate amounts spent on the acquisition of 2G and 3G licences, computer software, customer bases, brands and development costs. These assets arise from both separate purchases and from acquisition as part of business combinations.

The relative size of the Group's intangible assets, excluding goodwill, makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance.

At 31 March 2008, intangible assets, excluding goodwill, amounted to £18,995 million (2007: £15,705 million) and represented 14.9% (2007: 14.3%) of the Group's total assets.

Estimation of useful life

The useful life used to amortise intangible assets relates to the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The basis for determining the useful life for the most significant categories of intangible assets is as follows:

Licences and spectrum fees

The estimated useful life is, generally, the term of the licence, unless there is a presumption of renewal at negligible cost. Using the licence term reflects the period over which the Group will receive economic benefit. For technology specific licences with a presumption of renewal at negligible cost, the estimated useful economic life reflects the Group's expectation of the period over which the Group will continue to receive economic benefit from the licence. The economic lives are periodically reviewed, taking into consideration such factors as changes in technology. Historically, any changes to economic lives have not been material following these reviews.

Customer bases

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge. Historically, changes to the estimated useful lives have not had a significant impact on the Group's results and financial position.

Capitalised software

The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of expected benefits over which the Group will receive benefits from the software, but not exceeding the licence term. For unique software products controlled by the Group, the life is based on historical experience with similar products as well as anticipation of future events, which may impact their life, such as changes in technology.

Historically, changes in useful lives have not resulted in material changes to the Group's amortisation charge.

Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the asset base of the Group, being 13.1% (2007: 12.3%) of the Group's total assets. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance.

Estimation of useful life

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Consolidated Income Statement.

The useful lives of Group assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Furthermore, network infrastructure is only depreciated over a period that extends beyond the expiry of the associated licence under which the operator provides telecommunications services, if there is a reasonable expectation of renewal or an alternative future use for the asset.

Historically, changes in useful lives have not resulted in material changes to the Group's depreciation charge.

Cost capitalisation

Cost includes the total purchase price and labour costs associated with the Group's own employees to the extent that they are directly attributable to construction costs, or where they comprise a proportion of a department directly engaged in the purchase or installation of a fixed asset. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. For the year ended 31 March 2008, internal costs capitalised were £245 million (2007: £244 million) and represented approximately 5% (2007: 6%) of expenditure on property, plant and equipment and computer software.

Taxation

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profit and loss and/or cash flow variances. See "Financial Position and Resources" on page 54.

The complexity of the Group's structure following its geographic expansion makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the tax charge in the Consolidated Income Statement and tax payments.

Significant items on which the Group has exercised accounting judgement include a provision in respect of an enquiry from UK HMRC with regard to the CFC tax legislation (see note 32 to the Consolidated Financial Statements), potential tax losses in respect of a write down in the value of investments in Germany (see note 6 to the Consolidated Financial Statements) and litigation with the Indian tax authorities in relation to the acquisition of Vodafone Essar (see note 32 to the Consolidated Financial Statements). The amounts recognised in the Consolidated Financial Statements in respect of each matter are derived from the Group's best estimation and judgement, as described above. However, the inherent uncertainty regarding the outcome of these items means eventual resolution could differ from the accounting estimates and therefore impact the Group's results and cash flows.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

Historical differences between forecast and actual taxable profits have not resulted in material adjustments to the recognition of deferred tax assets.

Revenue recognition and presentation

Revenue from mobile telecommunications comprises amounts charged to customers in respect of monthly access charges, airtime charges, messaging, the provision of other mobile telecommunications services, including data services and information provision, fees for connecting users of other fixed line and mobile networks to the Group's network, revenue from the sale of equipment, including handsets, and revenue arising from the Group's partner network agreements.

Arrangements with multiple deliverables

In revenue arrangements including more than one deliverable, the arrangement consideration is allocated to each deliverable based on the fair value of the individual element. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis, after considering volume discounts where appropriate.

Deferral period

Customer connection fees, when combined with related equipment revenue, in excess of the fair value of the equipment are deferred and recognised over the expected life of the customer relationship. The life is determined by reference to historical customer churn rates. An increase in churn rates would reduce the expected customer relationship life and accelerate revenue recognition. Historically, changes to the expected customer relationship lives have not had a significant impact on the Group's results and financial position.

Any excess upgrade or tariff migration fees over the fair value of equipment provided are deferred over the average upgrade or tariff migration period as appropriate. This time period is calculated based on historical activity of customers who upgrade or change tariffs. An increase in the time period would extend the period over which revenue is recognised.

Presentation

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost.

Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis, with revenue representing the margin earned.

Consolidated Income Statement

for the years ended 31 March

	Note	2008 £m	2007 £m	2006 £m
Revenue	3	**35,478**	**31,104**	**29,350**
Cost of sales		(21,890)	(18,725)	(17,070)
Gross profit		**13,588**	**12,379**	**12,280**
Selling and distribution expenses		(2,511)	(2,136)	(1,876)
Administrative expenses		(3,878)	(3,437)	(3,416)
Share of result in associated undertakings	14	2,876	2,728	2,428
Impairment losses	10	–	(11,600)	(23,515)
Other income and expense	29	(28)	502	15
Operating profit/(loss)	3,4	**10,047**	**(1,564)**	**(14,084)**
Non-operating income and expense	29	254	4	(2)
Investment income	5	714	789	353
Financing costs	5	(2,014)	(1,612)	(1,120)
Profit/(loss) before taxation		**9,001**	**(2,383)**	**(14,853)**
Income tax expense	6	(2,245)	(2,423)	(2,380)
Profit/(loss) for the financial year from continuing operations		**6,756**	**(4,806)**	**(17,233)**
Loss for the financial year from discontinued operations	29	–	(491)	(4,588)
Profit/(loss) for the financial year		**6,756**	**(5,297)**	**(21,821)**
Attributable to:				
– Equity shareholders	23	6,660	(5,426)	(21,916)
– Minority interests		96	129	95
		6,756	**(5,297)**	**(21,821)**
Basic earnings/(loss) per share				
Profit/(loss) from continuing operations	8	12.56p	(8.94)p	(27.66)p
Loss from discontinued operations	8, 29	–	(0.90)p	(7.35)p
Profit/(loss) for the financial year	8	**12.56p**	**(9.84)p**	**(35.01)p**
Diluted earnings/(loss) per share				
Profit/(loss) from continuing operations	8	12.50p	(8.94)p	(27.66)p
Loss from discontinued operations	8, 29	–	(0.90)p	(7.35)p
Profit/(loss) for the financial year	8	**12.50p**	**(9.84)p**	**(35.01)p**

Consolidated Statement of Recognised Income and Expense

for the years ended 31 March

	Note	2008 £m	2007 £m	2006 £m
Gains on revaluation of available-for-sale investments, net of tax	22	1,949	2,108	705
Exchange differences on translation of foreign operations, net of tax	22	5,537	(3,804)	1,494
Net actuarial (losses)/gains on defined benefit pension schemes, net of tax	22	(37)	50	(30)
Revaluation gain	22	–	–	112
Foreign exchange (gains)/losses transferred to the Consolidated Income Statement	22	(7)	838	36
Fair value gains transferred to the Consolidated Income Statement	22	(570)	–	–
Other	22	37	–	–
Net gain/(loss) recognised directly in equity		**6,909**	**(808)**	**2,317**
Profit/(loss) for the financial year		6,756	(5,297)	(21,821)
Total recognised income and expense relating to the year		**13,665**	**(6,105)**	**(19,504)**
Attributable to:				
– Equity shareholders		13,912	(6,210)	(19,607)
– Minority interests		(247)	105	103
		13,665	**(6,105)**	**(19,504)**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheet

at 31 March

	Note	2008 £m	2007 £m
Non-current assets			
Goodwill	9	51,336	40,567
Other intangible assets	9	18,995	15,705
Property, plant and equipment	11	16,735	13,444
Investments in associated undertakings	14	22,545	20,227
Other investments	15	7,367	5,875
Deferred tax assets	6	436	410
Post employment benefits	25	65	82
Trade and other receivables	17	1,067	494
		118,546	**96,804**
Current assets			
Inventory	16	417	288
Taxation recoverable		57	21
Trade and other receivables	17	6,551	5,023
Cash and cash equivalents	18	1,699	7,481
		8,724	**12,813**
Total assets		**127,270**	**109,617**
Equity			
Called up share capital	19	4,182	4,172
Share premium account	21	42,934	43,572
Own shares held	21	(7,856)	(8,047)
Additional paid-in capital	21	100,151	100,185
Capital redemption reserve	21	10,054	9,132
Accumulated other recognised income and expense	22	10,558	3,306
Retained losses	23	(81,980)	(85,253)
Total equity shareholders' funds		**78,043**	**67,067**
Minority interests		1,168	226
Written put options over minority interests		(2,740)	–
Total minority interests		**(1,572)**	**226**
Total equity		**76,471**	**67,293**
Non-current liabilities			
Long term borrowings	24	22,662	17,798
Deferred tax liabilities	6	5,109	4,626
Post employment benefits	25	104	123
Provisions	26	306	296
Trade and other payables	27	645	535
		28,826	**23,378**
Current liabilities			
Short term borrowings	24, 34	4,532	4,817
Current taxation liabilities		5,123	5,088
Provisions	26	356	267
Trade and other payables	27	11,962	8,774
		21,973	**18,946**
Total equity and liabilities		**127,270**	**109,617**

The Consolidated Financial Statements were approved by the Board of directors on 27 May 2008 and were signed on its behalf by:

Arun Sarin
Chief Executive

Andy Halford
Chief Financial Officer

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Cash Flow Statement

for the years ended 31 March

	Note	2008 £m	2007 £m	2006 £m
Net cash flows from operating activities	29, 30	**10,474**	**10,328**	**11,841**
Cash flows from investing activities				
Purchase of interests in subsidiary undertakings and joint ventures, net of cash acquired		(5,957)	(2,805)	(4,186)
Disposal of interests in subsidiary undertakings, net of cash disposed		–	6,767	599
Disposal of interests in associated undertakings		–	3,119	–
Purchase of intangible assets		(846)	(899)	(690)
Purchase of property, plant and equipment		(3,852)	(3,633)	(4,481)
Purchase of investments		(96)	(172)	(57)
Disposal of property, plant and equipment		39	34	26
Disposal of investments		785	80	1
Dividends received from associated undertakings		873	791	835
Dividends received from investments		72	57	41
Interest received		438	526	319
Net cash flows from investing activities	29	**(8,544)**	**3,865**	**(7,593)**
Cash flows from financing activities				
Issue of ordinary share capital and reissue of treasury shares		310	193	356
Net movement in short term borrowings		(716)	953	708
Proceeds from issue of long term borrowings		1,711	5,150	5,256
Repayment of borrowings		(3,847)	(1,961)	(1,371)
Loans repaid to associated undertakings		–	–	(47)
Purchase of treasury shares		–	(43)	(6,457)
B share capital redemption		(7)	(5,713)	–
B share preference dividends paid		–	(3,291)	–
Equity dividends paid		(3,658)	(3,555)	(2,749)
Dividends paid to minority shareholders in subsidiary undertakings		(113)	(34)	(51)
Interest paid		(1,545)	(1,051)	(721)
Net cash flows from financing activities	29	**(7,865)**	**(9,352)**	**(5,076)**
Net cash flows		**(5,935)**	**4,841**	**(828)**
Cash and cash equivalents at beginning of the financial year	18	7,458	2,932	3,726
Exchange gain/(loss) on cash and cash equivalents		129	(315)	34
Cash and cash equivalents at end of the financial year	18	**1,652**	**7,458**	**2,932**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Basis of preparation

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Consolidated Financial Statements are also prepared in accordance with IFRS adopted by the European Union ("EU"), the Companies Act 1985 and Article 4 of the EU IAS Regulations.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. For a discussion on the Group's critical accounting estimates see "Critical Accounting Estimates" on page 85. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Amounts in the Consolidated Financial Statements are stated in pounds sterling.

2. Significant accounting policies

Accounting convention

The Consolidated Financial Statements are prepared on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled, both unilaterally and jointly, by the Company.

Accounting for subsidiaries

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's share of changes in equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Previously held identifiable assets, liabilities and contingent liabilities of the acquired entity are revalued to their fair value at the date of acquisition, being the date at which the Group achieves control of the acquiree. The movement in fair value is taken to the asset revaluation surplus.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined with the equivalent items in the results on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Consolidated Financial Statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Group's interest in that associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The licences of the Group's associated undertaking in the US, Verizon Wireless, are indefinite lived assets as they are subject to perfunctory renewal. Accordingly, they are not subject to amortisation but are tested annually for impairment, or when indicators exist that the carrying value is not recoverable.

Intangible assets

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each balance sheet date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

Goodwill arising before the date of transition to IFRS, on 1 April 2004, has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Licence and spectrum fees
Licence and spectrum fees are stated at cost less accumulated amortisation. The amortisation periods range from 3 to 25 years and are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives from the commencement of service of the network.

Computer software
Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives, being 3 to 5 years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and directly attributable overheads.

Software integral to a related item of hardware equipment is accounted for as property, plant and equipment.

Costs associated with maintaining computer software programs are recognised as an expense when they are incurred.

Research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activity is recognised only if all of the following conditions are met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

Other intangible assets
Other intangible assets with finite lives are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

Brands	1 – 10 years
Customer bases	2 – 5 years

Property, plant and equipment

Land and buildings held for use are stated in the balance sheet at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Equipment, fixtures and fittings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, using the straight-line method, over their estimated useful lives, as follows:

Freehold buildings	25 – 50 years
Leasehold premises	the term of the lease

Equipment, fixtures and fittings:

• Network infrastructure	3 – 25 years
• Other	3 – 10 years

Depreciation is not provided on freehold land.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of assets

Goodwill
Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The Group prepares and internally approves formal ten year management plans for its businesses. The first five years of these plans are used for the value in use calculations, except in markets which are forecast to grow ahead of the long term growth rate. In such cases, the ten year plan is used until the forecast growth rate trends towards the long term growth rate, up to a maximum of ten years. Long range growth rates are used for cash flows into perpetuity beyond the relevant five or ten year period.

Property, plant and equipment and finite lived intangible assets
At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Disposal groups held for sale

Disposal groups held for sale are stated at the lower of carrying value and fair value less costs to sell.

Revenue

Group revenue comprises revenue of the Company and its subsidiary undertakings plus the Group's share of the revenue of its joint ventures and excludes sales taxes and discounts.

Revenue from mobile telecommunications comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, the provision of other mobile telecommunications services, including data services and information provision, fees for connecting users of other fixed line and mobile networks to the Group's network, revenue from the sale of equipment, including handsets, and revenue arising from partner market agreements.

Access charges and airtime used by contract customers are invoiced and recorded as part of a periodic billing cycle and recognised as revenue over the related access period, with unbilled revenue resulting from services already provided from the billing cycle date to the end of each period accrued and unearned revenue from services provided in periods after each accounting period deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Other revenue from mobile telecommunications primarily comprises equipment sales, which are recognised upon delivery to customers, and customer connection revenue. Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised together with related equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue from data services and information provision is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Incentives are provided to customers in various forms and are usually offered on signing a new contract or as part of a promotional offering. Where such incentives are provided on connection of a new customer or the upgrade of an existing customer, revenue representing the fair value of the incentive, relative to other deliverables provided to the customer as part of the same arrangement, is deferred and recognised in line with the Group's performance of its obligations relating to the incentive.

For equipment sales made to intermediaries, revenue is recognised if the significant risks associated with the equipment are transferred to the intermediary and the intermediary has no general right of return. If the significant risks are not transferred, revenue recognition is deferred until sale of the handset to an end customer by the intermediary or the expiry of the right of return.

Intermediaries are incentivised by the Group to connect new customers and upgrade existing customers. Where such incentives are separable from the initial sale of equipment to an intermediary, the incentive is accounted for as an expense upon connection, or upgrade, of the customer.

Revenue from other businesses primarily comprises amounts charged to customers of the Group's fixed line businesses, mainly in respect of access charges and line usage, invoiced and recorded as part of a periodic billing cycle.

In revenue arrangements including more than one deliverable, the arrangement consideration is allocated to each deliverable based on the fair value of the individual element. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis, after considering volume discounts where appropriate.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average costs and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Foreign currencies

In preparing the financial statements of the individual entities within the Group, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognised in the income statement and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as investments in equity securities classified as available for sale, are included in equity.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of entities with a functional currency other than sterling are expressed in sterling using exchange rates prevailing on the balance sheet date. Income and expense items and cash flows are translated at the average exchange rates for the period and exchange differences arising are recognised directly in equity. Such translation differences are recognised in the income statement in the period in which a foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

In respect of all foreign operations, any exchange differences that have arisen before 1 April 2004, the date of transition to IFRS, are deemed to be nil and will be excluded from the determination of any subsequent profit or loss on disposal.

The net foreign exchange gains recognised in the Consolidated Income Statement for continuing operations is £373 million (2007: £92 million loss, 2006: £36 million loss). A loss of £794 million was recognised in the 2007 financial year for discontinued operations.

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

Borrowing costs
All borrowing costs are recognised in the income statement in the period in which they are incurred.

Post employment benefits
For defined benefit retirement plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or liability on the balance sheet. Scheme liabilities are assessed using the projected unit funding method and applying the principal actuarial assumptions as at the balance sheet date. Assets are valued at market value.

During the year ended 31 March 2006, the Group early adopted the amendment to IAS 19, "Employee Benefits", and applied it from 1 April 2004. Accordingly, actuarial gains and losses are taken to the statement of recognised income and expense as incurred. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any curtailment or settlements. The interest cost less the expected return on assets is also charged to the income statement. The amount charged to the income statement in respect of these plans is included within operating costs or in the Group's share of the results of equity accounted operations as appropriate.

The Group's contributions to defined contribution pension plans are charged to the income statement as they fall due.

Cumulative actuarial gains and losses as at 1 April 2004, the date of transition to IFRS, have been recognised in the balance sheet.

Taxation
Income tax expense represents the sum of the current tax payable and deferred tax.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using UK and foreign tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect changes in probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also recognised directly in equity.

Financial instruments
Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group has applied the requirements of IFRS to financial instruments for all periods presented and has not taken advantage of any exemptions available to first time adopters of IFRS in this respect. During the year ended 31 March 2006, the Group early adopted IFRS 7, "Financial Instruments: Disclosures", amendments to IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 4, "Insurance Contracts", regarding "Financial Guarantee Contracts" and amendments to IAS 39 regarding "The Fair Value Option" and "Cash Flow Hedge Accounting of Forecast Intragroup Transactions" and applied them from 1 April 2004.

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

Other investments
Other investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Other investments classified held for trading and available-for-sale are stated at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, determined using the weighted average costs method, is included in the net profit or loss for the period.

Other investments classified as loans and receivables are stated at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables
Trade payables are not interest bearing and are stated at their nominal value.

Financial liabilities and equity instruments
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Capital market and bank borrowings
Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting
The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. Changes in values of all derivatives of a financing nature are included within investment income and financing costs in the income statement. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The Group designates certain derivatives as either:

- hedges of the change of fair value of recognised assets and liabilities ("fair value hedges"); or
- hedges of net investments in foreign operations.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Fair value hedges
The Group's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings. The Group designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the income statement for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. The ineffective portion is recognised immediately in the income statement.

Net investment hedges
Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in equity. Gains and losses on those hedging instruments (which include bonds, commercial paper and foreign exchange contracts) designated as hedges of the net investments in foreign operations are recognised in equity to the extent that the hedging relationship is effective. These amounts are included in exchange differences on translation of foreign operations as stated in the statement of recognised income and expense. Gains and losses relating to hedge ineffectiveness are recognised immediately in the income statement for the period. Gains and losses accumulated in the translation reserve are included in the income statement when the foreign operation is disposed of. During the year ended 31 March 2006, the Group adopted the Amendments to IAS 21, "The Effect of Changes in Foreign Exchange Rates", with effect from 1 April 2004, being the date of transition to IFRS for the Group.

Put option arrangements
The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary.

The amount that may become payable under the option on exercise is initially recognised at fair value within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over minority interests, adjacent to minority interests in the net assets of consolidated subsidiaries. The Group recognises the cost of writing such put options, determined as the excess of the fair value of the option over any consideration received, as a financing cost.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Share-based payments
The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using a binomial pricing model, being a lattice-based option valuation model, which is calibrated using a Black-Scholes framework. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group uses historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behaviour are considered separately for valuation purposes. The expected life of options granted is derived from the output of the option valuation model and represents the period of time that options are expected to be outstanding. Expected volatilities are based on implied volatilities as determined by a simple average of no less than three international banks, excluding the highest and lowest numbers. The risk-free rates for periods within the contractual life of the option are based on the UK gilt yield curve in effect at the time of grant.

Some share awards have an attached market condition, based on Total Shareholder Return ("TSR"), which is taken into account when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone's ranking within the same group of companies, where possible, over the past five years. The volatility of the ranking over a three year period is used to determine the probable weighted percentage number of shares that could be expected to vest and hence affect fair value.

The fair value of awards of non-vested shares to the Board of directors and Executive Committee is equal to the closing price of the Vodafone's shares on the date of grant, as these awards are entitled to dividend equivalents during the vesting period. Awards of non-vested shares to other employees are not entitled to dividends during the vesting period and the fair value reflects a discount to the closing share price of Vodafone's shares on the date of grant equal to the present value of expected dividends to be received over the vesting period.

Notes to the Consolidated Financial Statements continued

3. Segment analysis

The Group has a single group of related services and products, being the supply of communications services and products. Segment information is provided on the basis of geographic areas, being the basis on which the Group manages its world wide interests. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue. Inter-segment sales are charged at arms length prices. The Group uses adjusted operating profit for internal performance analysis and, therefore, the Group's measure of segment profit is adjusted operating profit, being operating profit excluding non-operating income of associates, impairment losses and other income and expense.

During the year ended 31 March 2008, the Group early adopted IFRS 8 "Operating Segments". The Group also changed its organisation structure such that the Group's associated undertaking in France, SFR, is now managed within the Europe region and reported within Other Europe. As a result, prior period disclosures have been amended to conform to the current year presentation.

	Segment revenue £m	Common functions £m	Intra-region revenue £m	Regional revenue £m	Inter-region revenue £m	Group revenue £m	Adjusted operating profit £m
31 March 2008							
Germany	5,397		(128)	5,269	(10)	5,259	1,265
Italy	4,435		(33)	4,402	(6)	4,396	1,573
Spain	5,063		(96)	4,967	(4)	4,963	1,282
UK	5,424		(46)	5,378	(10)	5,368	431
Arcor	1,632		(86)	1,546	(1)	1,545	225
Other Europe(1)	4,583		(64)	4,519	(3)	4,516	1,430
Europe	**26,534**		**(453)**	**26,081**	**(34)**	**26,047**	**6,206**
Eastern Europe	3,154		–	3,154	(35)	3,119	332
Middle East, Africa & Asia(2)	4,547		(1)	4,546	(24)	4,522	769
Pacific	1,645		–	1,645	(14)	1,631	181
Associates – US	–		–	–	–	–	2,447
EMAPA	**9,346**		**(1)**	**9,345**	**(73)**	**9,272**	**3,729**
Common functions(3)	–	170	–	170	(11)	159	140
Group	**35,880**	**170**	**(454)**	**35,596**	**(118)**	**35,478**	**10,075**
31 March 2007							
Germany	5,443		(123)	5,320	(9)	5,311	1,354
Italy	4,245		(44)	4,201	(5)	4,196	1,575
Spain	4,500		(106)	4,394	(3)	4,391	1,100
UK	5,124		(54)	5,070	(9)	5,061	511
Arcor	1,441		(27)	1,414	–	1,414	171
Other Europe(1)	4,275		(82)	4,193	(4)	4,189	1,448
Europe	**25,028**		**(436)**	**24,592**	**(30)**	**24,562**	**6,159**
Eastern Europe	2,477		–	2,477	(31)	2,446	184
Middle East, Africa & Asia(2)	2,565		–	2,565	(9)	2,556	694
Pacific	1,399		–	1,399	(11)	1,388	159
Associates – US	–		–	–	–	–	2,077
Associates – Other	–		–	–	–	–	130
EMAPA	**6,441**		**–**	**6,441**	**(51)**	**6,390**	**3,244**
Common functions(3)	–	168	–	168	(16)	152	128
Group	**31,469**	**168**	**(436)**	**31,201**	**(97)**	**31,104**	**9,531**
31 March 2006							
Germany	5,754		(143)	5,611	(9)	5,602	1,496
Italy	4,363		(39)	4,324	(4)	4,320	1,672
Spain	3,995		(100)	3,895	(2)	3,893	968
UK	5,048		(50)	4,998	(10)	4,988	698
Arcor	1,320		(34)	1,286	–	1,286	139
Other Europe(1)	4,697		(78)	4,619	(3)	4,616	1,452
Europe	**25,177**		**(444)**	**24,733**	**(28)**	**24,705**	**6,425**
Eastern Europe	1,435		–	1,435	(14)	1,421	176
Middle East, Africa & Asia(2)	1,784		–	1,784	(15)	1,769	523
Pacific	1,335		–	1,335	(14)	1,321	140
Associates – US	–		–	–	–	–	1,732
Associates – Other	–		–	–	–	–	192
EMAPA	**4,554**		**–**	**4,554**	**(43)**	**4,511**	**2,763**
Common functions(3)	–	145	–	145	(11)	134	211
Group	**29,731**	**145**	**(444)**	**29,432**	**(82)**	**29,350**	**9,399**

Notes:
(1) Adjusted operating profit includes £425 million (2007: £517 million; 2006: £479 million), representing the Group's share of results in associated undertakings.
(2) Adjusted operating profit includes £2 million (2007: £nil; 2006: £nil), representing the Group's share of results in associated undertakings.
(3) Adjusted operating profit includes £2 million (2007: £1 million; 2006: £8 million), representing the Group's share of results in associated undertakings.

A reconciliation of adjusted operating profit to operating profit/(loss) is shown below. For a reconciliation of operating profit/(loss) to profit/(loss) before taxation, see the Consolidated Income Statement on page 88.

	2008 £m	2007 £m	2006 £m
Adjusted operating profit	10,075	9,531	9,399
Impairment losses	–	(11,600)	(23,515)
Other items	(28)	505	32
Operating profit/(loss)	**10,047**	**(1,564)**	**(14,084)**

	Non-current assets[1] £m	Capitalised fixed asset additions[2] £m	Other expenditure on intangible assets £m	Depreciation and amortisation £m	Impairment of goodwill £m
31 March 2008					
Germany	18,267	392	14	1,067	–
Italy	16,215	411	1	582	–
Spain	14,589	533	–	500	–
UK	7,930	465	–	973	–
Arcor	862	221	–	100	–
Other Europe	8,303	469	11	616	–
Europe	**66,166**	**2,491**	**26**	**3,838**	–
Eastern Europe	6,879	633	–	665	–
Middle East, Africa & Asia	11,958	1,554	7	954	–
Pacific	1,346	212	–	245	–
EMAPA	**20,183**	**2,399**	**7**	**1,864**	–
Common functions	717	185	8	207	–
Group	**87,066**	**5,075**	**41**	**5,909**	–
31 March 2007					
Germany	16,233	425	–	1,063	6,700
Italy	13,722	421	26	556	4,900
Spain	12,289	547	–	449	–
UK	8,483	661	–	930	–
Arcor	627	189	–	144	–
Other Europe	7,187	489	6	586	–
Europe	**58,541**	**2,732**	**32**	**3,728**	**11,600**
Eastern Europe	6,235	435	–	349	–
Middle East, Africa & Asia	3,079	574	276	272	–
Pacific	1,249	251	–	194	–
EMAPA	**10,563**	**1,260**	**276**	**815**	**–**
Common functions	612	216	–	568	–
Group	**69,716**	**4,208**	**308**	**5,111**	**11,600**
31 March 2006					
Germany		592	–	1,167	19,400
Italy		541	1	588	3,600
Spain		502	–	395	–
UK		665	11	924	–
Arcor		129	–	140	–
Other Europe		511	4	645	515
Europe		**2,940**	**16**	**3,859**	**23,515**
Eastern Europe		280	–	231	–
Middle East, Africa & Asia		426	–	216	–
Pacific		247	–	209	–
EMAPA		**953**	**–**	**656**	**–**
Common functions		112	–	189	–
Group		**4,005**	**16**	**4,704**	**23,515**

Notes:
(1) Includes goodwill, other intangible assets and property, plant and equipment.
(2) Includes additions to property, plant and equipment and computer software, reported within intangible assets.

Notes to the Consolidated Financial Statements continued

4. Operating profit/(loss)

Operating profit/(loss) has been arrived at after charging/(crediting):

	2008 £m	2007 £m	2006 £m
Net foreign exchange (gains)/losses	(27)	6	–
Depreciation of property, plant and equipment (note 11):			
Owned assets	3,400	2,994	3,069
Leased assets	27	17	10
Amortisation of intangible assets (note 9)	2,482	2,100	1,625
Impairment of goodwill (note 10)	–	11,600	23,515
Research and development expenditure	234	222	206
Staff costs (note 35)	2,698	2,466	2,310
Operating lease rentals payable:			
Plant and machinery	43	35	35
Other assets including fixed line rentals	1,117	984	933
Loss on disposal of property, plant and equipment	70	43	69
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(245)	(244)	(256)

The total remuneration of the Group's auditor, Deloitte & Touche LLP, and its affiliates for services provided to the Group is analysed below:

	2008 £m	2007 £m	2006 £m
Audit fees:			
Parent company	1	1	1
Subsidiary undertakings	5	4	3
	6	**5**	**4**
Fees for statutory and regulatory filings(1)	1	2	–
Audit and audit-related fees	**7**	**7**	**4**
Other fees:			
Taxation	1	1	1
Corporate finance transactions	–	–	1
Other(2)	1	2	2
	2	**3**	**4**
Total fees	**9**	**10**	**8**

Notes:
(1) Amounts for 2008 and 2007 include mainly audit fees in relation to Section 404 of the US Sarbanes-Oxley Act of 2002.
(2) Amounts for 2007 and 2006 include fees mainly relating to the preparatory work required in advance of the implementation of Section 404 of the US Sarbanes-Oxley Act of 2002 and general accounting advice.

The total remuneration includes £nil (2007: £nil, 2006: £1 million) in respect of the Group's discontinued operations in Japan. In addition to the above, the Group's joint ventures and associated undertakings paid fees totalling £2 million (2007: £2 million, 2006: £2 million) and £3 million (2007: £4 million, 2006: £4 million), respectively, to Deloitte & Touche LLP and its affiliates during the year. Deloitte & Touche LLP and its affiliates have also received amounts totalling less than £1 million in each of the last three years in respect of services provided to pension schemes and charitable foundations associated to the Group.

A description of the work performed by the Audit Committee in order to safeguard auditor independence when non-audit services are provided is set out in "Corporate Governance" on page 69.

5. Investment income and financing costs

	2008 £m	2007 £m	2006 £m
Investment income:			
Available-for-sale investments:			
Dividends received	72	57	41
Other[(1)]	–	86	–
Loans and receivables at amortised cost[(2)]	451	452	153
Fair value through the income statement (held for trading):			
Derivatives – foreign exchange contracts	125	160	159
Other[(3)]	66	–	–
Equity put rights and similar arrangements[(5)]	–	34	–
	714	**789**	**353**
Financing costs:			
Items in hedge relationships:			
Other loans	612	548	510
Interest rate swaps	61	(9)	(118)
Dividends on redeemable preference shares	42	45	48
Fair value hedging instrument	(635)	42	213
Fair value of hedged item	601	(47)	(186)
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts	347	126	126
Other loans[(4)]	390	276	78
Potential interest charge on settlement of tax issues	399	406	329
Equity put rights and similar arrangements[(5)]	143	32	161
Finance leases	7	4	7
Fair value through the income statement (held for trading):			
Derivatives – forward starting swaps and futures	47	71	(48)
Other[(6)]	–	118	–
	2,014	**1,612**	**1,120**
Net financing costs	**1,300**	**823**	**767**

Notes:
(1) Amount for 2007 includes a gain resulting from refinancing of SoftBank related investments received as part of the consideration for the disposal of Vodafone Japan on 27 April 2006.
(2) Amount for 2007 includes £77 million of foreign exchange gains arising from hedges of a net investment in a foreign operation.
(3) Includes foreign exchange gain on certain intercompany balances and investments held following the disposal of Vodafone Japan to SoftBank.
(4) Amount for 2008 includes £72 million of foreign exchange losses arising from hedges of a net investment in a foreign operation.
(5) Includes amounts in relation to the Group's arrangements with its minority partners in India, its fixed line operations in Germany and, in respect of prior years, Telecom Egypt. Further information is provided in "Option agreements and similar arrangements" on page 58.
(6) Amount for 2007 includes foreign exchange losses on certain intercompany balances and investments held following the disposal of Vodafone Japan to SoftBank.

Notes to the Consolidated Financial Statements continued

6. Taxation

Income tax expense

	2008 £m	2007 £m	2006 £m
United Kingdom corporation tax (income)/expense at 30%:			
Current year	–	–	169
Adjustments in respect of prior years	(53)	(30)	(15)
	(53)	**(30)**	**154**
Overseas current tax expense/(income):			
Current year	2,539	2,928	2,077
Adjustments in respect of prior years	(293)	215	(418)
	2,246	**3,143**	**1,659**
Total current tax expense	**2,193**	**3,113**	**1,813**
Deferred tax on origination and reversal of temporary differences:			
United Kingdom deferred tax	(125)	(49)	444
Overseas deferred tax	177	(641)	123
Total deferred tax expense/(income)	**52**	**(690)**	**567**
Total income tax expense from continuing operations	**2,245**	**2,423**	**2,380**

Tax (credited)/charged directly to equity

	2008 £m	2007 £m	2006 £m
Current tax credit	(5)	(2)	(6)
Deferred tax (credit)/charge	(65)	11	(11)
Total tax (credited)/charged directly to equity	**(70)**	**9**	**(17)**

Factors affecting tax expense for the year

The table below explains the differences between the expected tax expense on continuing operations, at the UK statutory tax rate of 30% for 2008, 2007 and 2006, and the Group's total tax expense for each year. Further discussion of the current year tax expense can be found in the section titled "Operating Results" on page 33. Subsequently, the UK statutory tax rate reduced to 28%, effective from 1 April 2008, and the impact on year end tax balances is included within "Effect of current year changes in statutory tax rates" below.

	2008 £m	2007 £m	2006 £m
Profit/(loss) before tax on continuing operations as shown in the Consolidated Income Statement	**9,001**	**(2,383)**	**(14,853)**
Expected income tax expense/(income) on profit from continuing operations at UK statutory tax rate	2,700	(715)	(4,456)
Effect of taxation of associated undertakings, reported within operating profit	134	119	133
Impairment losses with no tax effect	–	3,480	7,055
Expected income tax expense at UK statutory rate on profit from continuing operations, before impairment losses and taxation of associates	**2,834**	**2,884**	**2,732**
Effect of different statutory tax rates of overseas jurisdictions	320	346	411
Effect of current year changes in statutory tax rates	66	1	(15)
Deferred tax on overseas earnings	255	(373)	(78)
Assets revalued for tax purposes	(16)	(197)	(142)
Effect of previously unrecognised temporary differences including losses	(833)	(562)	(95)
Adjustments in respect of prior years	(254)	145	(470)
Expenses not deductible for tax purposes and other items	321	577	480
Exclude taxation of associated undertakings	(448)	(398)	(443)
Income tax expense from continuing operations	**2,245**	**2,423**	**2,380**

Deferred tax

Analysis of movements in the net deferred tax balance during the year:

	2008 £m
1 April 2007	(4,216)
Charged to the income statement	(52)
Credited directly to equity	65
Acquisitions and disposals	(480)
Exchange movements	10
31 March 2008	**(4,673)**

Deferred tax assets and liabilities in respect of continuing operations, before offset of balances within countries, are as follows:

	Gross deferred tax asset £m	Gross deferred tax liability £m	Less amounts unrecognised £m	Net recognised deferred tax asset/ (liability) £m	Amount credited/ (charged) in income statement £m
Accelerated tax depreciation	576	(1,635)	(25)	(1,084)	326
Tax losses	25,792	–	(25,433)	359	(6)
Deferred tax on overseas earnings	–	(3,535)	–	(3,535)	(255)
Other short term timing differences	3,807	(2,223)	(1,997)	(413)	(117)
31 March 2008	**30,175**	**(7,393)**	**(27,455)**	**(4,673)**	**(52)**

Analysed in the balance sheet, after offset of balances within countries, as:

	£m
Deferred tax asset	436
Deferred tax liability	(5,109)
31 March 2008	**(4,673)**

	Gross deferred tax asset £m	Gross deferred tax liability £m	Less amounts unrecognised £m	Net recognised deferred tax asset/ (liability) £m	Amount credited/ (charged) in income statement £m
Accelerated tax depreciation	386	(1,720)	(25)	(1,359)	112
Tax losses	13,619	–	(13,334)	285	(264)
Deferred tax on overseas earnings	–	(3,296)	–	(3,296)	373
Other short term timing differences	4,147	(1,615)	(2,378)	154	469
31 March 2007	**18,152**	**(6,631)**	**(15,737)**	**(4,216)**	**690**

Analysed in the balance sheet, after offset of balances within countries, as:

	£m
Deferred tax asset	410
Deferred tax liability	(4,626)
31 March 2007	**(4,216)**

Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the impact of corporate restructuring, the resolution of open issues, future planning opportunities, corporate acquisitions and disposals, the use of brought forward tax losses and changes in tax legislation and tax rates. For example, in June 2007, the UK Government issued a discussion document about the taxation of companies' foreign profits and invited comments from business in order to develop more detailed proposals for further consultation and potential legislation in the 2009 calendar year.

Vodafone is routinely subject to audit by tax authorities in the territories in which it operates and the following items have reached litigation. The Group holds provisions in respect of the potential tax liability that may arise. However, the amount ultimately paid may differ materially from the amount accrued and could therefore affect the overall profitability and cash flows of the Group in future periods.

The Group's subsidiary Vodafone 2 is responding to an enquiry by HM Revenue & Customs ("HMRC") with regard to the UK tax treatment of one of its Luxembourg holding companies under the controlled foreign companies ("CFC") rules. Further details in relation to this enquiry are included in note 32 "Contingent liabilities".

A Spanish subsidiary, Vodafone Holdings Europe SL ("VHESL"), is in disagreement with the Spanish tax authorities regarding the tax treatment of interest expenses claimed by VHESL in the accounting periods ended 31 March 2003 and 31 March 2004. The matter is now being pursued through the Spanish court system.

Notes to the Consolidated Financial Statements continued

6. Taxation continued

At 31 March 2008, the gross amount and expiry dates of losses available for carry forward are as follows:

	Expiring within 5 years £m	Expiring within 6-10 years £m	Unlimited £m	Total £m
Losses for which a deferred tax asset is recognised	275	24	901	1,200
Losses for which no deferred tax is recognised	226	332	86,780	87,338
	501	**356**	**87,681**	**88,538**

Included above are losses amounting to £1,969 million (2007: £1,938 million) in respect of UK subsidiaries which are only available for offset against future capital gains and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised.

The losses above also include £82,204 million (2007: £41,298 million) that have arisen in overseas holding companies as a result of revaluations of those companies' investments for local GAAP purposes. Since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised.

In addition to the losses described above, the Group has potential tax losses of £40,181 million (2007: £34,292 million) in respect of a write down in the value of investments in Germany. These losses have to date been denied by the German tax authorities. Vodafone is in continuing discussions with them regarding the availability of the losses. However, the outcome of these discussions and the timing of the resolution are not yet known. The Group has not recognised the availability of the losses, nor the income statement benefit arising from them, due to this uncertainty. If upon resolution a benefit is recognised, it may impact both the amount of current income taxes provided since the date of initial deduction and the amount of the benefit from tax losses the Group will recognise. The recognition of these benefits could affect the overall profitability of the Group in future periods. The £5,889 million increase compared to the position at 31 March 2007 is due to foreign exchange, as a result of sterling weakening against the euro.

The Group holds provisions in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint ventures were to be realised after the balance sheet date. No deferred tax liability has been recognised in respect of a further £49,000 million (2007: £34,946 million) of unremitted earnings of subsidiaries, associates and joint ventures because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.

7. Equity dividends

	2008 £m	2007 £m	2006 £m
Declared during the financial year:			
Final dividend for the year ended 31 March 2007: 4.41 pence per share (2006: 3.87 pence per share, 2005: 2.16 pence per share)	2,331	2,328	1,386
Interim dividend for the year ended 31 March 2008: 2.49 pence per share (2007: 2.35 pence per share, 2006: 2.20 pence per share)	1,322	1,238	1,367
	3,653	**3,566**	**2,753**
Proposed after the balance sheet date and not recognised as a liability:			
Final dividend for the year ended 31 March 2008: 5.02 pence per share (2007: 4.41 pence per share, 2006: 3.87 pence per share)	2,667	2,331	2,328

8. Earnings/(loss) per share

	2008 Millions	2007 Millions	2006 Millions
Weighted average number of shares for basic earnings/(loss) per share	53,019	55,144	62,607
Effect of dilutive potential shares: restricted shares and share options[1]	268	–	–
Weighted average number of shares for diluted earnings/(loss) per share	**53,287**	**55,144**	**62,607**
	£m	£m	£m
Earnings/(loss) for basic and diluted earnings per share:			
Continuing operations	6,660	(4,932)	(17,318)
Discontinued operations[2]	–	(494)	(4,598)
Total	**6,660**	**(5,426)**	**(21,916)**

Notes:
(1) In the years ended 31 March 2007 and 2006, 215 million and 183 million shares, respectively, have been excluded from the calculation of diluted loss per share as they are not dilutive.
(2) See note 29 for further information on discontinued operations, including the per share effect of discontinued operations.

9. Intangible assets

	Goodwill £m	Licences and spectrum fees £m	Computer software £m	Other £m	Total £m
Cost:					
1 April 2006	76,130	16,991	3,572	755	97,448
Exchange movements	(2,321)	(431)	(55)	(99)	(2,906)
Arising on acquisition	1,746	707	18	257	2,728
Additions	–	308	799	–	1,107
Transfer to other investments	(487)	(319)	–	(48)	(854)
Disposals	–	–	(29)	–	(29)
31 March 2007	**75,068**	**17,256**	**4,305**	**865**	**97,494**
Exchange movements	12,406	1,707	573	59	14,745
Arising on acquisition	4,316	3,045	8	256	7,625
Additions	–	33	993	8	1,034
Disposals	–	(1)	(79)	–	(80)
Other[1]	(28)	–	–	–	(28)
31 March 2008	**91,762**	**22,040**	**5,800**	**1,188**	**120,790**
Accumulated impairment losses and amortisation:					
1 April 2006	23,524	2,359	2,339	108	28,330
Exchange movements	(623)	(61)	(45)	(14)	(743)
Amortisation charge for the year	–	1,088	719	293	2,100
Impairment losses	11,600	–	–	–	11,600
Transfer to other investments	–	(30)	–	(11)	(41)
Disposals	–	–	(24)	–	(24)
31 March 2007	**34,501**	**3,356**	**2,989**	**376**	**41,222**
Exchange movements	5,925	433	436	28	6,822
Amortisation charge for the year	–	1,343	802	337	2,482
Disposals	–	–	(67)	–	(67)
31 March 2008	**40,426**	**5,132**	**4,160**	**741**	**50,459**
Net book value:					
31 March 2007	**40,567**	**13,900**	**1,316**	**489**	**56,272**
31 March 2008	**51,336**	**16,908**	**1,640**	**447**	**70,331**

Note:
(1) Represents a pre-tax charge against goodwill offsetting the tax benefit arising on recognition of a pre-acquisition deferred tax asset.

For licences and spectrum fees and other intangible assets, amortisation is included within the cost of sales line within the Consolidated Income Statement.

The net book value at 31 March 2008 and expiry dates of the most significant purchased licences are as follows:

	Expiry date	2008 £m	2007 £m
Germany	December 2020	5,089	4,684
UK	December 2021	4,579	4,912

Notes to the Consolidated Financial Statements continued

10. Impairment

Impairment losses

The impairment losses recognised in the Consolidated Income Statement, as a separate line item within operating profit, in respect of goodwill are as follows:

	Reportable segment	2008 £m	2007 £m	2006 £m
Germany	Germany	–	6,700	19,400
Italy	Italy	–	4,900	3,600
Sweden	Other Europe	–	–	515
		–	**11,600**	**23,515**

Germany

During the year ended 31 March 2007, the goodwill in relation to the Group's mobile operation in Germany was impaired by £6.7 billion following a test for impairment triggered by an increase in long term interest rates and increased price competition in the German market along with continued regulatory pressures.

The impairment loss for the year ended 31 March 2006 of £19.4 billion was determined as part of the annual test for impairment and was as a result of the intensification in price competition, principally from new market entrants, together with high levels of penetration and continued regulated reductions in incoming call rates.

The pre-tax risk adjusted discount rate used in the testing at 31 March 2007 was 10.6% (31 January 2007: 10.5%, 30 September 2006: 10.4%, 31 January 2006: 10.1%).

Italy

During the year ended 31 March 2007, the goodwill in relation to the Group's mobile joint venture in Italy was impaired by £4.9 billion. During the second half of the 2007 financial year, £3.5 billion of the impairment loss resulted from the estimated impact of legislation cancelling the fixed fees for the top up of prepaid cards and the related competitive response in the Italian market. At 30 September 2006, the goodwill was impaired by £1.4 billion, following a test for impairment triggered by an increase in long term interest rates.

The impairment loss for the year ended 31 March 2006 of £3.6 billion was due to competitive pressures increasing with the mobile network operators competing aggressively on subsidies and, increasingly, on price.

The pre-tax risk adjusted discount rate used in the testing at 31 March 2007 was 11.5% (31 January 2007: 11.2%, 30 September 2006: 10.9%, 31 January 2006: 10.1%).

Sweden

The impairment of the carrying value of goodwill of the Group's mobile operation in Sweden in the year ended 31 March 2006 resulted from fierce competition in the Swedish market combined with onerous 3G licence obligations.

Prior to its disposal in the year ended 31 March 2006, the carrying value of goodwill was tested for impairment as increased competition provided an indicator that the goodwill may have been further impaired. The recoverable amount of the goodwill was determined as the fair value less costs to sell, reflecting the announcement on 31 October 2005 that the Group's 100% interest in Vodafone Sweden was to be sold for €953 million (£653 million). The sale completed on 5 January 2006.

Goodwill

The carrying value of goodwill at 31 March was as follows:

	2008 £m	2007 £m
Germany	10,984	9,355
Italy	13,205	11,125
Spain	12,168	10,285
	36,357	**30,765**
Other	14,979	9,802
	51,336	**40,567**

Key assumptions used in the value in use calculations

The key assumptions used in determining the value in use are:

Assumption	How determined
Budgeted EBITDA	Budgeted EBITDA, calculated as adjusted operating profit before depreciation and amortisation, has been based on past experience adjusted for the following: • voice and messaging revenue is expected to benefit from increased usage from new customers, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be partially offset by increased competitor activity, which may result in price declines, and the trend of falling termination rates; • non-messaging data revenue is expected to continue to grow strongly as the penetration of 3G enabled devices rises and new products and services are introduced; and • margins are expected to be impacted by negative factors such as an increase in the cost of acquiring and retaining customers in increasingly competitive markets and the expectation of further termination rate cuts by regulators and by positive factors such as the efficiencies expected from the implementation of Group initiatives.
Budgeted capital expenditure	The cash flow forecasts for capital expenditure are based on past experience and includes the ongoing capital expenditure required to provide enhanced voice and data products and services and to meet the population coverage requirements of certain of the Group's licences. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Long term growth rate	For mobile businesses where the first five years of the ten year management plan are used for the Group's value in use calculations, a long term growth rate into perpetuity has been determined as the lower of: • the nominal GDP rates for the country of operation; and • the long term compound annual growth rate in EBITDA in years six to ten of the management plan. For mobile businesses where the full ten year management plans are used for the Group's value in use calculations, a long term growth rate into perpetuity has been determined as the lower of: • the nominal GDP rates for the country of operation; and • the compound annual growth rate in EBITDA in years nine to ten of the management plan. For non-mobile businesses, no growth is expected beyond management's plans for the initial five year period.
Pre-tax risk adjusted discount rate	The discount rate applied to the cash flows of each of the Group's operations is based on the risk free rate for ten year bonds issued by the government in the respective market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment ("beta") applied to reflect the risk of the specific Group operating company relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the Group's operations determined using an average of the betas of comparable listed mobile telecommunications companies and, where available and appropriate, across a specific territory. Management has used a forward looking equity market risk premium that takes into consideration both studies by independent economists, the average equity market risk premium over the past ten years and the market risk premiums typically used by investment banks in evaluating acquisition proposals.

Key assumptions for the Group's operations in Germany and Italy are disclosed below under "Sensitivity to changes in assumptions". During the year ended 31 March 2008, the most recent value in use calculation for Group's operations in Spain was based on a pre-tax risk adjusted discount rate of 10.6% (2007: 9.7%) and long term growth rate of 1.4% (2007: 3.2%).

Notes to the Consolidated Financial Statements continued

10. Impairment continued

Sensitivity to changes in assumptions

Other than as disclosed below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash generating unit to exceed its recoverable amount.

31 March 2008

As of 31 January 2008, the date of the Group's annual impairment test, the estimated recoverable amount of the Group's operations in Germany and Italy exceeded their carrying value by £2,700 million and £3,400 million respectively. The table below shows the key assumptions used in the value in use calculation and the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value in both cases.

	Assumptions used in value in use calculation		Change required for carrying value to equal the recoverable amount	
	Germany %	Italy %	Germany Percentage points	Italy Percentage points
Pre-tax adjusted discount rate	10.2	11.5	1.6	2.7
Long term growth rate	1.2	0.1	(1.7)	(3.0)
Budgeted EBITDA(1)	(2.2)	1.4	(2.0)	(4.2)
Budgeted capital expenditure(2)	7.5 to 8.7	5.8 to 9.5	4.2	6.6

Notes:
(1) Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years of the Group's approved management plans.
(2) Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years of the Group's approved management plans.

31 March 2007

Germany

The estimated recoverable amount of the Group's operations in Germany equalled its carrying value and, consequently, any adverse change in a key assumption could have caused a further impairment loss to be recognised.

The last value in use calculation during the year ended 31 March 2007 was based on the following assumptions:

- Pre-tax risk adjusted discount rate of 10.6%;
- Long term growth rate of 1.2%;
- Budgeted EBITDA, expressed as the compound annual growth rates in the initial five years of the Group's approved management plans, of (4.2)%; and
- Budgeted capital expenditure, expressed as the range of capital expenditure as a percentage of revenue in the initial five years of the Group's approved management plans, of 7.5-7.0%.

Italy

The estimated recoverable amount of the Group's operations in Italy equalled its carrying value and, consequently, any adverse change in a key assumption could have caused a further impairment loss to be recognised.

The last value in use calculation during the year ended 31 March 2007 was based on the following assumptions:

- Pre-tax risk adjusted discount rate of 11.5%;
- Long term growth rate of 1.0%;
- Budgeted EBITDA, expressed as the compound annual growth rates in the initial five years of the Group's approved management plans, of (3.8)%; and
- Budgeted capital expenditure, expressed as the range of capital expenditure as a percentage of revenue in the initial five years of the Group's approved management plans, of 11.4-8.7%.

11. Property, plant and equipment

	Land and buildings £m	Equipment, fixtures and fittings £m	Total £m
Cost:			
1 April 2006	1,112	25,731	26,843
Exchange movements	(22)	(839)	(861)
Arising on acquisition	–	172	172
Additions	87	3,322	3,409
Transfer to other investments	(1)	(268)	(269)
Disposals	(9)	(692)	(701)
Reclassifications	(4)	4	–
Other	77	–	77
31 March 2007	**1,240**	**27,430**	**28,670**
Exchange movements	201	3,898	4,099
Arising on acquisition	14	1,150	1,164
Additions	94	3,988	4,082
Disposals	(10)	(761)	(771)
Reclassifications	(109)	109	–
31 March 2008	**1,430**	**35,814**	**37,244**
Accumulated depreciation and impairment:			
1 April 2006	353	12,830	13,183
Exchange movements	(7)	(349)	(356)
Charge for the year	72	2,939	3,011
Transfer to other investments	–	(31)	(31)
Disposals	(4)	(605)	(609)
Other	28	–	28
31 March 2007	**442**	**14,784**	**15,226**
Exchange movements	77	2,456	2,533
Charge for the year	79	3,348	3,427
Disposals	(10)	(667)	(677)
Reclassifications	(66)	66	–
31 March 2008	**522**	**19,987**	**20,509**
Net book value:			
31 March 2007	**798**	**12,646**	**13,444**
31 March 2008	**908**	**15,827**	**16,735**

The net book value of land and buildings and equipment, fixtures and fittings includes £110 million and £51 million, respectively (2007: £49 million and £116 million) in relation to assets held under finance leases (see note 24). Included in the net book value of land and buildings and equipment, fixtures and fittings are assets in the course of construction, which are not depreciated, with a cost of £28 million and £1,013 million, respectively (2007: £13 million and £998 million). Property, plant and equipment with a net book value of £1,503 million (2007: £73 million) has been pledged as security against borrowings.

Notes to the Consolidated Financial Statements continued

12. Principal subsidiary undertakings

At 31 March 2008, the Company had the following principal subsidiary undertakings carrying on businesses which affect the profits and assets of the Group. Unless otherwise stated, the Company's principal subsidiary undertakings all have share capital consisting solely of ordinary shares and are indirectly held. The country of incorporation or registration of all subsidiary undertakings is also their principal place of operation.

Name	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Arcor AG & Co. KG[2]	Fixed line operator	Germany	73.7
Vodafone Albania Sh.A.	Mobile network operator	Albania	99.9
Vodafone Americas Inc.[3]	Holding company	USA	100.0
Vodafone Czech Republic a.s.	Mobile network operator	Czech Republic	100.0
Vodafone D2 GmbH	Mobile network operator	Germany	100.0
Vodafone Egypt Telecommunications S.A.E.	Mobile network operator	Egypt	54.9
Vodafone España S.A.	Mobile network operator	Spain	100.0
Vodafone Essar Limited[4]	Mobile network operator	India	51.6
Vodafone Europe B.V.	Holding company	Netherlands	100.0
Vodafone Group Services Limited[5]	Global products and services provider	England	100.0
Vodafone Holding GmbH	Holding company	Germany	100.0
Vodafone Holdings Europe S.L.	Holding company	Spain	100.0
Vodafone Hungary Mobile Telecommunications Limited	Mobile network operator	Hungary	100.0
Vodafone International Holdings B.V.	Holding company	Netherlands	100.0
Vodafone Investments Luxembourg S.a.r.l.	Holding company	Luxembourg	100.0
Vodafone Ireland Limited	Mobile network operator	Ireland	100.0
Vodafone Libertel B.V.	Mobile network operator	Netherlands	100.0
Vodafone Limited	Mobile network operator	England	100.0
Vodafone Malta Limited	Mobile network operator	Malta	100.0
Vodafone Marketing S.a.r.l.	Provider of partner network services	Luxembourg	100.0
Vodafone Network Pty Limited	Mobile network operator	Australia	100.0
Vodafone New Zealand Limited	Mobile network operator	New Zealand	100.0
Vodafone-Panafon Hellenic Telecommunications Company S.A.	Mobile network operator	Greece	99.9
Vodafone Portugal-Comunicações Pessoais, S.A.[6]	Mobile network operator	Portugal	100.0
Vodafone Romania S.A.	Mobile network operator	Romania	100.0
Vodafone Telekomunikasyon A.S.	Mobile network operator	Turkey	100.0

Notes:
(1) Rounded to nearest tenth of one percent.
(2) Arcor AG & Co. KG is a partnership and, accordingly, its share capital is comprised solely of partners' capital rather than share capital.
(3) Share capital consists of 395,834,251 ordinary shares and 1.65 million class D and E redeemable preference shares, of which 100% of the ordinary shares are held by the Group.
(4) The Group owns 100% of CGP Investments (Holdings) Limited ("CGP"), which owns a 51.58% indirect shareholding in Vodafone Essar Limited. As part of its acquisition of CGP, Vodafone acquired a less than 50% equity interest in Telecom Investments India Private Limited ("TII") and in Omega Telecom Holdings Private Limited ("Omega"), which in turn have a 19.54% and 5.11% indirect shareholding in Vodafone Essar Limited. The Group was granted call options to acquire 100% of the shares in two companies which together indirectly own the remaining share of TII and an option to acquire 100% of the shares in a third company, which owns the remaining shares in Omega. The Group also granted a put option to each of the shareholders of these companies, which if exercised, would require Vodafone to purchase 100% of the equity 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, the Group would own 66.98% of Vodafone Essar Limited.
(5) The entire issued share capital of Vodafone Group Services Limited is held directly by Vodafone Group Plc.
(6) 38.6% of the issued share capital of Vodafone Portugal-Comunicações Pessoais, S.A. is held directly by Vodafone Group Plc.

13. Investments in joint ventures

Principal joint ventures

Unless otherwise stated, the Company's principal joint ventures all have share capital consisting solely of ordinary shares, which are indirectly held, and the country of incorporation or registration is also their principal place of operation.

Name	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Indus Towers Limited	Tower company	India	21.7[2]
Polkomtel S.A.	Mobile network operator	Poland	19.6
Safaricom Limited[3][4]	Mobile network operator	Kenya	35.0[5]
Vodacom Group (Pty) Limited	Holding company	South Africa	50.0
Vodafone Fiji Limited	Mobile network operator	Fiji	49.0[5]
Vodafone Omnitel N.V.[6]	Mobile network operator	Netherlands	76.9[7]

Notes:
(1) Rounded to nearest tenth of one percent.
(2) Vodafone Essar, in which the Group has a 51.58% equity interest, owns 42.0% of Indus Towers Limited.
(3) The Group also holds two non-voting shares.
(4) An initial public offering of 25% of Safaricom shares held by the Government of Kenya closed to applicants on 23 April 2008. Share allocations are expected to be announced on, or around, 30 May 2008, following which Safaricom will be accounted for as an associate, rather than as a joint venture. The Group's effective equity interest will remain unchanged.
(5) The Group holds substantive participating rights which provide it with a veto over the significant financial and operating policies of these entities and which ensure it is able to exercise joint control over these entities with the respective majority shareholder.
(6) The principal place of operation of Vodafone Omnitel N.V. is Italy.
(7) The Group considered the existence of substantive participating rights held by the minority shareholder provide that shareholder with a veto right over the significant financial and operating policies of Vodafone Omnitel N.V., and determined that, as a result of these rights, the Group does not have control over the financial and operating policies of Vodafone Omnitel N.V., despite the Group's 76.9% ownership interest.

Effect of proportionate consolidation of joint ventures

The following presents, on a condensed basis, the effect of including joint ventures in the Consolidated Financial Statements using proportionate consolidation:

	2008 £m	2007 £m	2006 £m
Revenue	**6,448**	**6,232**	**5,756**
Cost of sales	(3,225)	(3,077)	(2,832)
Gross profit	**3,223**	**3,155**	**2,924**
Selling, distribution and administrative expenses	(1,155)	(1,121)	(885)
Impairment losses	–	(4,900)	(3,600)
Operating profit/(loss)	**2,068**	**(2,866)**	**(1,561)**
Net financing costs	(119)	46	27
Profit/(loss) before tax	**1,949**	**(2,820)**	**(1,534)**
Income tax expense	(829)	(614)	(711)
Profit/(loss) for the financial year	**1,120**	**(3,434)**	**(2,245)**

	2008 £m	2007 £m
Non-current assets	19,102	16,594
Current assets	235	1,062
Total assets	**19,337**	**17,656**
Total shareholders' funds	16,036	17,754
Minority interests	13	8
Total equity	**16,049**	**17,762**
Non-current liabilities	352	333
Current liabilities	2,936	(439)
Total liabilities	**3,288**	**(106)**
Total equity and liabilities	**19,337**	**17,656**

Notes to the Consolidated Financial Statements continued

14. Investments in associated undertakings

The Company's principal associated undertakings all have share capital consisting solely of ordinary shares, unless otherwise stated, and are all indirectly held. The country of incorporation or registration of all associated undertakings is also their principal place of operation.

Name	Principal activity	Country of incorporation or registration	Percentage[1] shareholdings
Cellco Partnership[2]	Mobile network operator	USA	45.0
Société Française du Radiotéléphone S.A.	Mobile network and fixed line operator	France	44.0

Notes:
(1) Rounded to nearest tenth of one percent.
(2) Cellco Partnership trades under the name Verizon Wireless. The principal office of the partnership is One Verizon Way, Basking Ridge, New Jersey, 07920 USA while the registered office is CSC – the Corporation Service Company, 2711 Centreville Road, Suite 400, Wilmington, DE 19808, USA.

The Group's share of the aggregated financial information of equity accounted associated undertakings is set out below. The comparative information includes the share of results in Belgacom Mobile S.A. and Swisscom Mobile A.G. up to the date of their disposal on 3 November 2006 and 20 December 2006, respectively (see note 29).

	2008 £m	2007 £m	2006 £m
Revenue	13,630	12,919	12,480
Share of result in associated undertakings	2,876	2,728	2,428

	2008 £m	2007 £m
Non-current assets	25,951	25,120
Current assets	2,546	1,998
Share of total assets	**28,497**	**27,118**
Non-current liabilities	1,830	2,067
Current liabilities	3,736	4,438
Minority interests	386	386
Share of total liabilities and minority interests	**5,952**	**6,891**
Share of equity shareholders' funds in associated undertakings	**22,545**	**20,227**

15. Other investments

Other investments comprise the following, all of which are classified as available-for-sale, with the exception of other debt and bonds, which are classified as loans and receivables, and cash held in restricted deposits:

	2008 £m	2007 £m
Listed securities:		
Equity securities	4,813	3,915
Unlisted securities:		
Equity securities	949	634
Public debt and bonds	24	20
Other debt and bonds	1,352	1,046
Cash held in restricted deposits	229	260
	7,367	**5,875**

The fair values of listed securities are based on quoted market prices and include the Group's 3.2% investment in China Mobile Limited, which is listed on the Hong Kong and New York stock exchanges and incorporated under the laws of Hong Kong. China Mobile Limited is a mobile network operator and its principal place of operation is China.

Unlisted equity securities include a 26% interest in Bharti Infotel Private Limited, through which the Group has a 4.36% economic interest in Bharti Airtel Limited. Unlisted equity investments are recorded at fair value where appropriate, or at cost if their fair value cannot be reliably measured as there is no active market upon which they are traded.

For public debt and bonds and cash held in restricted deposits, the carrying amount approximates fair value.

Other debt and bonds include preferred equity and a subordinated loan received as part of the disposal of Vodafone Japan to SoftBank. The fair value of these instruments cannot be reliably measured as there is no active market in which these are traded.

16. Inventory

	2008 £m	2007 £m
Goods held for resale	417	288

Inventory is reported net of allowances for obsolescence, an analysis of which is as follows:

	2008 £m	2007 £m	2006 £m
1 April	100	97	121
Transfer in respect of discontinued operations	–	–	(40)
Exchange movements	11	(2)	1
Amounts charged to the income statement	7	5	15
31 March	**118**	**100**	**97**

Cost of sales includes amounts related to inventory amounting to £4,320 million (2007: £3,797 million; 2006: £3,662 million).

17. Trade and other receivables

	2008 £m	2007 £m
Included within non-current assets:		
Trade receivables	49	42
Other receivables	66	45
Prepayments and accrued income	121	183
Derivative financial instruments	831	224
	1,067	**494**
Included within current assets:		
Trade receivables	3,549	2,844
Amounts owed by associated undertakings	21	14
Other receivables	494	226
Prepayments and accrued income	2,426	1,859
Derivative financial instruments	61	80
	6,551	**5,023**

The Group's trade receivables are stated after allowances for bad and doubtful debts based on management's assessment of creditworthiness, an analysis of which is as follows:

	2008 £m	2007 £m	2006 £m
1 April	473	431	474
Transfer in respect of discontinued operations	–	–	(41)
Exchange movements	73	(16)	4
Amounts charged to administrative expenses	293	201	168
Trade receivables written off	(175)	(143)	(174)
31 March	**664**	**473**	**431**

The carrying amounts of trade and other receivables approximate their fair value. Trade and other receivables are predominantly non-interest bearing.

	2008 £m	2007 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	70	60
Foreign exchange swaps	42	78
	112	**138**
Fair value hedges:		
Interest rate swaps	780	166
	892	**304**

The fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at 31 March.

Notes to the Consolidated Financial Statements continued

18. Cash and cash equivalents

	2008 £m	2007 £m
Cash at bank and in hand	451	827
Money market funds	477	5,525
Repurchase agreements	478	–
Commercial paper	293	1,129
Cash and cash equivalents as presented in the balance sheet	**1,699**	**7,481**
Bank overdrafts	(47)	(23)
Cash and cash equivalents as presented in the cash flow statement	**1,652**	**7,458**

Bank balances and money market funds comprise cash held by the Group on a short term basis with original maturity of three months or less. The carrying amount of these assets approximates their fair value.

All commercial paper investments and repurchase agreements have a maturity of less than three months and the carrying value approximates the fair value.

19. Called up share capital

	2008		2007	
	Number	£m	Number	£m
Authorised:				
Ordinary shares of 11 3/7 US cents each (2007: 11 3/7 US cents)	68,250,000,000	4,875	68,250,000,000	4,875
B shares of 15 pence each	38,563,935,574	5,784	38,563,935,574	5,784
Deferred shares of 15 pence each	28,036,064,426	4,206	28,036,064,426	4,206
Ordinary shares allotted, issued and fully paid[1]:				
1 April	58,085,695,298	4,172	66,251,332,784	4,165
Allotted during the year	169,360,427	10	118,241,919	7
Consolidated during the year	–	–	(8,283,879,405)	–
31 March	**58,255,055,725**	**4,182**	**58,085,695,298**	**4,172**
B shares allotted, issued and fully paid[2]:				
1 April	132,001,365	20	–	–
Issued during the year	–	–	66,271,035,240	9,941
Redeemed during the year	(44,572,227)	(7)	(38,102,969,449)	(5,715)
Converted to deferred shares and subsequently cancelled during the year	–	–	(28,036,064,426)	(4,206)
31 March	**87,429,138**	**13**	**132,001,365**	**20**

Notes:
(1) At 31 March 2008, the Group held 5,132,496,335 (2007: 5,250,617,951) treasury shares with a nominal value of £368 million (2007: £377 million). The market value of shares held was £7,745 million (2007: £7,115 million). During the year, 101,466,161 treasury shares (2007: 91,595,624 treasury shares) were reissued under Group share option schemes.
(2) On 31 July 2006, Vodafone Group Plc undertook a return of capital to shareholders via a B share scheme and associated share consolidation. A total of 66,271,035,240 B shares were issued on that day, and 66,271,035,240 existing ordinary shares of 10 US cents each were consolidated into 57,987,155,835 new ordinary shares of 11 3/7 cents each. B shareholders were given the alternatives of initial redemption or future redemption at 15 pence per share or the payment of an initial dividend of 15 pence per share. The initial redemption took place on 4 August 2006 with future redemption dates on 5 February and 5 August each year until 5 August 2008 when the Company expects to exercise its right to redeem all B shares still in issue at their nominal value of 15 pence. B shareholders that chose future redemption are entitled to receive a continuing non-cumulative dividend of 75 per cent of sterling LIBOR payable semi-annually in arrear until they are redeemed. The continuing B share dividend is shown within financing costs in the income statement. B shareholders are only entitled to receive notice of (or attend, speak or vote at) any general meeting if the business includes a resolution for the winding up of the Company. If the Company is wound up, the holders of the B shares are entitled, before any payment to the ordinary shareholders, to repayment of the amount paid up on each B share together with any outstanding entitlement to the B share continuing dividend.

By 31 March 2008, total capital of £9,011 million had been returned to shareholders, £5,720 million by way of capital redemption and £3,291 million by way of initial dividend (note 21). The outstanding B share liability at 31 March 2008 has been classified as a financial liability. During the period, a transfer of £7 million (2007: £9,004 million) in respect of the B shares has been made from retained losses (note 23) to the capital redemption reserve (note 21). The redemptions and initial dividend are shown within cash flows from financing activities in the cash flow statement.

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
UK share awards and option scheme awards	152,400,497	9	249
US share awards and option scheme awards	16,959,930	1	24
Total for share awards and option scheme awards	**169,360,427**	**10**	**273**

20. Share-based payments

The Company currently uses a number of equity settled share plans to grant options and shares to its directors and employees.

The maximum aggregate number of ordinary shares which may be issued in respect of share options or share plans will not (without shareholder approval) exceed:

- 10% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans; and
- 5% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans, other than any plans which are operated on an all-employee basis.

Share options

Vodafone Group Sharesave Scheme

The Vodafone Group 1998 Sharesave Scheme (the "Sharesave Scheme") enables UK staff to acquire shares in the Company through monthly savings of up to £250 over a three or five year period, at the end of which they also receive a tax free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the Company's shares.

Vodafone Group executive schemes

The Vodafone Global Incentive Plan is a discretionary plan under which share options are granted to directors and certain employees. Some of the share options are subject to performance conditions. Options are normally exercisable between three and ten years from the date of grant.

The Company has a number of discretionary share option plans, under which awards are no longer made: the Vodafone Group 1998 Company Share Option Scheme and Vodafone Group 1988 Executive Share Option Scheme (which are UK HM Revenue and Customs approved); the Vodafone Group 1998 Executive Share Option Scheme and the Vodafone 1988 Share Option Scheme (which are unapproved); and the Vodafone Group 1999 Long Term Incentive Plan. Some of the options are subject to performance conditions. Options are normally exercisable between three and ten years from the date of grant.

For grants made to US employees, prior to 7 July 2003 the options have phased vesting over a four year period and are exercisable in respect of ADSs. For grants made from 7 July 2003, options are normally exercisable between three and ten years from the date of grant, subject to the satisfaction of predetermined performance conditions and are exercisable in respect of ADSs.

Other share option schemes

Share option schemes are operated by certain of the Group's subsidiary undertakings although awards are no longer made under these schemes.

Share plans

Vodafone Share Incentive Plan

The Share Incentive Plan enables UK staff to acquire shares in the Company through monthly purchases of up to £125 per month or 5% of salary, whichever is lower. For each share purchased by the employee, the Company provides a free matching share.

Vodafone Group AllShares

All permanent employees at 1 April 2007 received a conditional award of 320 shares (2007: 340) in Vodafone Group Plc on 2 July 2007, under the Vodafone Global Incentive Plan. The awards vest after two years and are not subject to performance conditions but are subject to continued employment.

Vodafone Group executive plans

Under the Vodafone Global Incentive Plan and its predecessor the Vodafone Group Plc 1999 Long Term Stock Incentive Plan, awards of performance shares are granted to directors and certain employees. The release of these shares is conditional upon achievement of performance targets measured over a three year period.

Under the Vodafone Group Deferred Share Bonus Plan, directors and certain employees may defer their annual bonus into shares. Subject to continued employment and retention of the deferred shares for two years, additional shares are released at the end of this two year period if a performance condition has been satisfied.

Movements in ordinary share options and ADS options outstanding

			ADS			Ordinary
	2008 Millions	2007 Millions	2006 Millions	2008 Millions	2007 Millions	2006 Millions
1 April	3	8	11	584	787	1,123
Granted during the year	–	–	–	46	65	64
Forfeited during the year	–	–	–	(30)	(31)	(40)
Exercised during the year	(1)	(3)	(2)	(204)	(179)	(325)
Expired during the year	(1)	(2)	(1)	(23)	(58)	(35)
31 March	**1**	**3**	**8**	**373**	**584**	**787**
Weighted average exercise price:						
1 April	$21.46	$26.53	$24.49	£1.35	£1.32	£1.25
Granted during the year	–	–	–	£1.63	£1.12	£1.35
Forfeited during the year	–	–	–	£1.67	£1.26	£1.46
Exercised during the year	$19.52	$18.50	$15.08	£1.20	£1.05	£0.93
Expired during the year	$28.50	$41.86	$36.83	£1.72	£1.68	£1.83
31 March	**$18.15**	**$21.46**	**$26.53**	**£1.42**	**£1.35**	**£1.32**

Notes to the Consolidated Financial Statements continued

20. Share-based payments continued

Summary of options outstanding and exercisable at 31 March 2008

	Outstanding			Exercisable		
	Outstanding shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months	Exercisable shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months
Vodafone Group Savings Related and Sharesave Scheme:						
£0.01 – £1.00	12	£0.93	27	–	–	–
£1.01 – £2.00	12	£1.21	32	–	–	–
	24	**£1.07**	**30**	**–**	**–**	**–**
Vodafone Group Executive Schemes:						
£1.01 – £2.00	5	£1.60	6	5	£1.60	6
£2.01 – £3.00	23	£2.75	25	23	£2.75	25
	28	**£2.53**	**22**	**28**	**£2.53**	**22**
Vodafone Group 1999 Long Term Stock Incentive Plan:						
£0.01 – £1.00	69	£0.90	51	69	£0.90	51
£1.01 – £2.00	247	£1.47	70	141	£1.49	46
	316	**£1.34**	**66**	**210**	**£1.29**	**48**
Other Share Option Plans:						
£1.01 – £2.00	2	£1.21	43	2	£1.21	43
£2.01 – £3.00	2	£2.05	47	2	£2.05	47
Greater than £3.01	1	£3.20	33	1	£3.20	33
	5	**£1.78**	**43**	**5**	**£1.78**	**43**
Vodafone Group 1999 Long Term Stock Incentive Plan:						
$10.01 – $30.00	**1**	**$18.15**	**48**	**1**	**$17.59**	**46**

Fair value

	ADS options			Ordinary share options					
			Other		Board of directors and Executive Committee				Other
	2008	2007	2006	2008	2007	2006	2008	2007	2006
	4-5	5-6	8-9	4-5	5-6	6-7	4-5	5-7	8-9
Expected share price volatility	25.5-33.5%	27.3-28.3%	17.9-18.9%	25.7-27.7%	24.0-27.7%	17.6-18.6%	25.5-33.5%	25.5-28.3%	17.9-18.9%
Dividend yield	3.8-4.2%	5.1-5.5%	2.8-3.2%	4.0-4.4%	4.8-5.5%	2.6-3.0%	3.8-4.2%	5.1-6.1%	2.8-3.2%
Risk free rates	4.4-5.7%	4.8%	4.2%	5.5%	4.7-4.9%	4.2%	4.4-5.7%	4.6-4.9%	4.2%
Exercise price(1)	£1.67-1.76	£1.15	£1.36	£1.68	£1.15-1.36	£1.45	£1.67-1.76	£1.14-1.16	£1.36

Note:
(1) In the years ended 31 March 2008 and 31 March 2007, there was more than one option grant.

The fair value of options is estimated at the date of grant using a lattice-based option valuation model, which incorporates ranges of assumptions for inputs as disclosed above. Certain options granted to the Board of directors and Executive Committee have a market based performance condition attached and hence the assumptions are disclosed separately.

Share awards

Movements in non-vested shares during the year ended 31 March 2008 are as follows:

	All Shares		Other		Total	
	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date
1 April 2007	33	£1.13	197	£1.04	230	£1.05
Granted	19	£1.55	89	£1.38	108	£1.41
Vested	(15)	£1.26	(50)	£1.11	(65)	£1.15
Forfeited	(3)	£1.26	(23)	£1.09	(26)	£1.11
31 March 2008	**34**	**£1.30**	**213**	**£1.16**	**247**	**£1.18**

Other information

The weighted average grant date fair value of options granted during the 2008 financial year was £0.34 (2007: £0.22, 2006: £0.30).

The total fair value of shares vested during the year ended 31 March 2008 was £75 million (2007: £41 million, 2006: £18 million).

The compensation cost included in the Consolidated Income Statement in respect of share options and share plans for continuing operations was £107 million (2007: £93 million, 2006: £109 million), which is comprised entirely of equity-settled transactions. Including discontinued operations, the compensation cost included in the Consolidated Income Statement in respect of share options and share plans in total was £107 million (2007: £93 million, 2006: £114 million).

The average share price for the year ended 31 March 2008 was 166 pence.

21. Transactions with equity shareholders

	Share premium account £m	Own shares held £m	Additional paid-in capital £m	Capital redemption reserve £m
1 April 2005	52,284	(5,121)	100,081	–
Issue of new shares	152	–	(44)	–
Purchase of own shares	–	(6,500)	–	–
Own shares released on vesting of share awards	8	370	(8)	–
Cancellation of own shares held	–	3,053	–	128
Share-based payment charge, inclusive of tax credit of £9 million	–	–	123	–
31 March 2006	**52,444**	**(8,198)**	**100,152**	**128**
Issue of new shares	154	–	(44)	–
Own shares released on vesting of share awards	–	151	–	–
Share consolidation	(9,026)	–	–	–
B share capital redemption	–	–	–	5,713
B share preference dividend	–	–	–	3,291
Share-based payment charge, inclusive of tax charge of £16 million	–	–	77	–
31 March 2007	**43,572**	**(8,047)**	**100,185**	**9,132**
Issue of new shares	263	–	(134)	–
Own shares released on vesting of share awards	14	191	(14)	–
B share capital redemption	–	–	–	7
Transfer of B share nominal value in respect of own shares deferred and cancelled	(915)	–	–	915
Share-based payment charge, inclusive of tax credit of £7 million	–	–	114	–
31 March 2008	**42,934**	**(7,856)**	**100,151**	**10,054**

22. Movements in accumulated other recognised income and expense

	Translation reserve £m	Pensions reserve £m	Available-for-sale investments reserve £m	Asset revaluation surplus £m	Other £m	Total £m
1 April 2005	1,521	(79)	339	–	–	1,781
Gains/(losses) arising in the year	1,486	(43)	710	112	–	2,265
Transfer to the income statement on disposal	36	–	–	–	–	36
Tax effect	–	13	(5)	–	–	8
31 March 2006	**3,043**	**(109)**	**1,044**	**112**	–	**4,090**
(Losses)/gains arising in the year	(3,802)	65	2,108	–	–	(1,629)
Transfer to the income statement on disposal	838	–	–	–	–	838
Tax effect	22	(15)	–	–	–	7
31 March 2007	**101**	**(59)**	**3,152**	**112**	–	**3,306**
Gains/(losses) arising in the year	5,827	(47)	1,949	–	37	7,766
Transfer to the income statement on disposal	(7)	–	(570)	–	–	(577)
Tax effect	53	10	–	–	–	63
31 March 2008	**5,974**	**(96)**	**4,531**	**112**	**37**	**10,558**

23. Movements in retained losses

	2008 £m	2007 £m	2006 £m
1 April	(85,253)	(67,356)	(39,511)
Profit/(loss) for the financial year	6,660	(5,426)	(21,916)
Equity dividends (note 7)	(3,653)	(3,566)	(2,753)
Gain on expiration of equity put right	–	142	–
Loss on issue of treasury shares	(60)	(43)	(123)
B share capital redemption	(7)	(5,713)	–
B share preference dividend	–	(3,291)	–
Cancellation of shares	–	–	(3,053)
Grant of equity put right[1]	333	–	–
31 March	**(81,980)**	**(85,253)**	**(67,356)**

Note:
(1) In the year ended 31 March 2008, a charge of £333 million, representing the fair value of put options granted by the Group over the Essar group's interest in Vodafone Essar, has been recognised as an expense. The offsetting credit was recognised in retained losses, as no equivalent liability arose in respect of the fair value of the put options granted.

Notes to the Consolidated Financial Statements continued

24. Borrowings

Financial risk management

The Group's treasury function provides a centralised service to the Group for funding, foreign exchange, interest rate management and counterparty risk management.

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed annually by the Company's Board, most recently on 25 September 2007. A Treasury Risk Committee, comprising of the Group's Chief Financial Officer, Group General Counsel and Company Secretary, Group Treasurer and Director of Financial Reporting, meets at least annually to review treasury activities and its members receive management information relating to treasury activities on a quarterly basis. In accordance with the Group treasury policy, a quorum for meetings is four members and either the Chief Financial Officer or Group General Counsel and Company Secretary must be present at each meeting. The Group accounting function, which does not report to the Group Treasurer, provides regular update reports of treasury activity to the Board. The Group's internal auditors review the internal control environment regularly.

The Group uses a number of derivative instruments that are transacted, for risk management purposes only, by specialist treasury personnel. There has been no significant change during the financial year, or since the end of the year, to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

Capital management

The following table summarises the capital of the Group:

	2008 £m	2007 £m
Cash and cash equivalents	(1,699)	(7,481)
Derivative financial instruments	(348)	(85)
Borrowings	27,194	22,615
Net debt	**25,147**	**15,049**
Equity	76,471	67,293
Capital	**101,618**	**82,342**

The Group's policy is to borrow centrally, using a mixture of long term and short term capital market issues and borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries. The Board has approved three debt protection ratios, being: net interest to operating cash flow (plus dividends from associated undertakings); retained cash flow (operating cash flow plus dividends from associated undertakings less interest, tax, dividends to minorities and equity dividends) to net debt; and operating cash flow (plus dividends from associated undertakings) to net debt. These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and are shared with the Group's debt rating agencies, being Moody's, Fitch Ratings and Standard & Poor's. The Group complied with these ratios throughout the financial year.

Credit risk

The Group considers its exposure to credit risk at 31 March to be as follows:

	2008 £m	2007 £m
Bank deposits	451	827
Repurchase agreements	478	–
Money market fund investments	477	5,525
Commercial paper investments	293	1,129
Derivative financial instruments	892	304
Other investments – debt and bonds	1,376	1,066
Trade receivables	3,598	2,886
	7,565	**11,737**

Investments in commercial paper and money market deposits are in accordance with established internal Treasury policies which dictate that an investment's long term credit rating is no lower than single A. Additionally, the Group invests in AAA unsecured money market mutual funds where the investment is limited to 10% of each fund.

The Group has investments in repurchase agreements which are fully collateralised investments. The collateral is Sovereign and Supranational debt of major EU countries denominated in euros and US dollars and can be readily converted to cash. In the event of any default, ownership of the collateral would revert to the Group. Detailed below is the value of the collateral held by the Group at 31 March 2008:

	2008 £m	2007 £m
Sovereign	418	–
Supranational	60	–
	478	**–**

The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from consumers and business customers. At 31 March 2008, £1,546 million (2007: £1,084 million) of trade receivables were not yet due for payment. Total trade receivables consisted of £2,881 million (2007: £1,997 million) relating to the Europe region and £717 million (2007: £890 million) relating to the EMAPA region. Accounts are monitored by management and provisions for bad and doubtful debts raised where it is deemed appropriate.

The following table presents ageing of receivables that are past due and are presented net of provisions for doubtful receivables that have been established.

	2008 £m	2007 £m
30 days or less	1,714	1,559
Between 31 – 60 days	117	72
Between 61 – 180 days	115	111
Greater than 180 days	106	60
	2,052	**1,802**

Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated. Due to this, management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables. Amounts charged to administrative expenses during the year ended 31 March 2008 were £293 million (2007: £201 million, 2006: £168 million) (see note 17).

The Group has other investments in preferred equity and a subordinated loan received as part of the disposal of Vodafone Japan to SoftBank in the 2007 financial year. The carrying value of those investments at 31 March 2008 was £1,346 million (2007: £1,046 million).

In respect of financial instruments used by the Group's treasury function, the aggregate credit risk the Group may have with one counterparty is limited by reference to the long term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's. While these counterparties may expose the Group to credit losses in the event of non-performance, it considers the possibility of material loss to be acceptable because of this policy.

Liquidity risk

At 31 March 2008, the Group had \$11.3 billion committed undrawn bank facilities and \$15 billion and £5 billion commercial paper programmes, supported by the \$11.3 billion committed bank facilities, available to manage its liquidity. The Group uses commercial paper and bank facilities to manage short term liquidity and manages long term liquidity by raising funds on capital markets.

Market risk

Interest rate management

Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in euros, sterling and US dollars are maintained on a floating rate basis, unless the forecast interest charge for the next 18 months is material in relation to forecast results, in which case rates are fixed. Where assets and liabilities are denominated in other currencies, interest rates may also be fixed. In addition, fixing is undertaken for longer periods when interest rates are statistically low.

At 31 March 2008, 77% (2007: 29%) of the Group's gross borrowings were fixed for a period of at least one year. A one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 March 2008 would reduce or increase profit before tax by approximately £3 million (2007: increase or reduce by £24 million), including mark-to-market revaluations of interest rate and other derivatives and the potential interest on outstanding tax issues. There would be no material impact on equity.

Foreign exchange management
As Vodafone's primary listing is on the London Stock Exchange, its share price is quoted in sterling. Since the sterling share price represents the value of its future multi-currency cash flows, principally in euro, sterling and US dollars, the Group maintains the currency of debt and interest charges in proportion to its expected future principal multi-currency cash flows and has a policy to hedge external foreign exchange risks on transactions denominated in other currencies above certain de minimis levels. As the Group's future cash flows are increasingly likely to be derived from emerging markets, it is likely that more debt in emerging market currencies will be drawn.

As such, at 31 March 2008, 119% of net debt was denominated in currencies other than sterling (80% euro, 27% US dollar and 12% other), while 19% of net debt had been purchased forward in sterling in anticipation of sterling denominated shareholder returns via dividends. This allows euro, US dollar and other debt to be serviced in proportion to expected future cash flows and, therefore, provides a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies. Yen debt is used as a hedge against the value of yen assets as the Group has minimal yen cash flows. A relative weakening in the value of sterling against certain currencies in which the Group maintains cash and cash equivalents has resulted in an increase in cash and cash equivalents of £129 million from currency translation differences.

Under the Group's foreign exchange management policy, foreign exchange transaction exposure in Group companies is generally maintained at the lower of €5 million per currency per month or €15 million per currency over a six month period. The Group is exposed to profit and loss account volatility on the retranslation of certain investments received upon the disposal of Vodafone Japan to SoftBank which are yen denominated financial instruments but are owned by legal entities with either a sterling or euro functional currency. In addition, a US dollar denominated financial liability arising from the put rights granted over the Essar Group's interests in Vodafone Essar in the 2008 financial year and discussed on page 118, were granted by a legal entity with a euro functional currency. A 10%, 2% or 1% (2007: 2%, 5% or nil) change in the ¥/£, ¥/€ or US$/€ exchange rates would have a £47 million, £17 million or £23 million (2007: £8 million, £33 million and nil) impact on profit or loss in relation to these financial instruments.

The Group recognises foreign exchange movements in equity for the translation of net investment hedging instruments and balances treated as investments in foreign operations. However, there is no net impact on equity for exchange rate movements as there would be an offset in the currency translation of the foreign operation.

The following table details the Group's sensitivity of the Group's adjusted operating profit to a strengthening of the Group's major currencies in which it transacts. The percentage movement applied to each currency is based on the average movements in the previous three annual reporting periods. The analysis has been performed based on the movement occurring at the start of the reporting period and is calculated by retranslating the adjusted operating profit of each entity whose functional currency is either euro or US dollar.

	2008 £m
Euro 6% change – Adjusted operating profit	357
US dollar 7% change – Adjusted operating profit	177

At 31 March 2007, sensitivity of the Group's adjusted operating profit was analysed for euro 3% change and US$ 8% change, representing £175 million and £176 million respectively.

Equity risk
The Group has equity investments, primarily in China Mobile Limited and Bharti Infotel Private Limited, which are subject to equity risk. See note 15 for further details on the carrying value of these investments.

Carrying value and fair value information

	2008			2007		
	Short term borrowings £m	Long term borrowings £m	Total £m	Short term borrowings £m	Long term borrowings £m	Total £m
Financial liabilities measured at amortised cost:						
Bank loans	806	2,669	3,475	94	2,086	2,180
Bank overdrafts	47	–	47	23	–	23
Redeemable preference shares	–	985	985	–	818	818
Finance lease obligations	9	60	69	7	59	66
Bonds	1,125	4,439	5,564	1,648	3,953	5,601
Other liabilities	1,740	2,945	4,685	2,202	156	2,358
Loans and bonds in fair value hedge relationships	805	11,564	12,369	843	10,726	11,569
	4,532	**22,662**	**27,194**	**4,817**	**17,798**	**22,615**

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

	Fair value		Carrying value	
	2008 £m	2007 £m	2008 £m	2007 £m
Financial liabilities measured at amortised cost	3,715	3,972	3,727	3,974
Loans in fair value hedge relationships:				
4.161% US dollar 150m bond due November 2007	–	76	–	77
3.95% US dollar 500m bond due January 2008	–	252	–	254
4.625% euro 250m bond due January 2008	–	170	–	171
4.625% euro 500m bond due January 2008	–	341	–	341
5.5% euro 400m bond due July 2008	37	–	39	–
6.25% sterling 250m bond due July 2008	250	–	249	–
6.25% sterling 150m bond due July 2008	150	–	148	–
6.65% US dollar 500m bond due May 2008	126	–	130	–
4.0% euro 300m bond due January 2009	237	–	239	–
Short term borrowings	**4,515**	**4,811**	**4,532**	**4,817**

Notes to the Consolidated Financial Statements continued

24. Borrowings continued

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

	Fair value 2008 £m	Fair value 2007 £m	Carrying value 2008 £m	Carrying value 2007 £m
Financial liabilities measured at amortised cost:				
Bank loans	2,669	2,086	2,669	2,086
Redeemable preference shares	985	818	985	818
Finance lease obligations	60	59	60	59
Bonds:				
Euro FRN due July 2008	–	849	–	858
Euro FRN due February 2009	–	102	–	102
Euro FRN due February 2010	237	204	240	205
US dollar FRN due June 2011	227	224	176	178
Euro FRN due January 2012	775	683	805	685
Euro FRN due January 2012	232	205	241	197
US dollar FRN due February 2012	236	254	253	255
Euro FRN due September 2013	644	582	679	579
Euro FRN due June 2014	930	–	998	–
5.125% euro 500m bond due April 2015	397	350	427	365
5% euro 750m bond due June 2018	578	515	620	529
Other liabilities(1)	2,984	156	2,945	156
Loans in fair value hedge relationships:				
5.5% euro 400m bond due July 2008	–	32	–	34
6.25% sterling 250m bond due July 2008	–	251	–	249
6.25% sterling 150m bond due July 2008	–	151	–	149
6.65% US dollar 500m bond due May 2008	–	129	–	132
4.0% euro 300m bond due January 2009	–	203	–	204
4.25% euro 1.4bn bond due May 2009	1,112	950	1,135	965
4.25% euro 500m bond due May 2009	397	339	408	348
4.75% euro 3bn bond due May 2009	695	596	709	602
7.75% US dollar 2.75bn bond due February 2010	1,466	1,480	1,492	1,467
5.5% US dollar 750m bond due June 2011	386	385	410	390
5.35% US dollar 500m bond due February 2012	255	255	271	256
3.625% euro 750m bond due November 2012	564	487	584	492
6.75% Australian dollar 265m bond due January 2013	121	108	119	110
5.0% US dollar 1bn bond due December 2013	532	464	541	502
4.625% sterling 350m bond due September 2014	319	321	347	334
5.375% US dollar 500m bond due January 2015	256	250	268	249
5.375% US dollar 400m bond due January 2015	205	200	215	199
5.0% US dollar 750m bond due September 2015	419	423	406	375
5.75% US dollar 750m bond due March 2016	375	384	415	384
4.75% euro 300m bond due June 2016	227	204	245	209
4.75% euro 200m bond due June 2016	151	136	164	140
5.625% US dollar 1.3bn bond due February 2017	640	650	716	661
4.625% US dollar 500m bond due July 2018	227	231	257	235
5.375% euro 500m bond June 2022	374	–	420	–
5.625% sterling 250m bond due December 2025	220	242	259	253
7.875% US dollar 750m bond due February 2030	409	441	514	481
5.9% sterling 450m bond due November 2032	410	454	458	451
6.25% US dollar 495m bond due November 2032	258	250	275	252
6.15% US dollar 1.2bn bond due February 2037	568	609	665	603
6.15% US dollar 500m bond due February 2037	237	–	271	–
Long term borrowings	**21,777**	**17,712**	**22,662**	**17,798**

Note:
(1) Amount at 31 March 2008 includes £2,476 million (2007 : £nil) in relation to the written put options disclosed in note 12 and written put options granted to the Essar Group that, if exercised, would allow the Essar Group to sell its 33% shareholding in Vodafone Essar to the Group for US$5 billion or to sell between US$1 billion and US$5 billion worth of Vodafone Essar shares at an independently appraised fair market value.

Fair values are calculated using discounted cash flows with a discount rate based upon forward interest rates available to the Group at the balance sheet date.

Banks loans include a ZAR7.2 billion loan held by Vodafone Holdings SA Pty Limited ("VHSA"), which directly and indirectly owns the Group's 50% interest in Vodacom Group (Pty) Limited. VHSA has pledged its 100% equity shareholding in Vodafone Investments SA ("VISA") as security for its loan obligations. The terms and conditions of the pledge mean that should VHSA not meet all of its loan payment and performance obligations, the lenders may sell the equity shareholding in its subsidiary VISA at market value to recover their losses, with any remaining sales proceeds being returned to VHSA. Vodafone International Holdings B.V. and VISA have also guaranteed this loan with recourse only to the VHSA and Vodafone Telecommunications Investment SA ("VTISA") shares they have respectively pledged. The terms and conditions of the security arrangement mean the lenders may be able to sell these respective shares in preference to the VISA shares held by VHSA. An arrangement has been put in place where the Vodacom Group (Pty) Limited shares held by VHSA and VTISA are held in an escrow account to ensure the shares cannot be sold to satisfy the pledge made by both companies. The maximum collateral provided is ZAR7.5 billion, being the carrying value of the bank loan at 31 March 2008 (2007: ZAR8.6 billion).

Bank loans also include INR66 billion of loans held by Vodafone Essar Limited ("VEL") and its subsidiaries (the "VEL Group", a total of eight legal entities), which form the operating companies in India. The VEL Group has a number of security arrangements supporting its secured loan obligations comprising its physical assets and certain share pledges of the shares under VEL. The terms and conditions of the security arrangements mean that should members of the VEL Group not meet all of their loan payment and performance obligations, the lenders may sell the pledged shares and/or assets to recover their losses, with any remaining sales proceeds being returned to the VEL Group. Six of the eight legal entities provide cross guarantees to the lenders.

Maturity of borrowings

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

	Bank loans £m	Redeemable preference shares £m	Finance lease obligations £m	Bonds £m	Other liabilities £m	Loans in fair value hedge relationships £m	Total £m
Within one year	838	43	12	1,368	1,788	1,443	5,492
In one to two years	369	104	12	464	110	4,168	5,227
In two to three years	1,490	77	12	214	2,732	398	4,923
In three to four years	346	43	12	1,671	–	1,016	3,088
In four to five years	142	43	11	139	223	1,082	1,640
In more than five years	423	1,132	26	2,990	137	9,459	14,167
	3,608	**1,442**	**85**	**6,846**	**4,990**	**17,566**	**34,537**
Effect of discount/financing rates	(133)	(457)	(16)	(1,282)	(258)	(5,197)	(7,343)
31 March 2008	**3,475**	**985**	**69**	**5,564**	**4,732**	**12,369**	**27,194**
Within one year	116	43	11	1,853	2,225	1,464	5,712
In one to two years	142	43	11	1,100	21	1,346	2,663
In two to three years	153	43	10	334	–	3,802	4,342
In three to four years	1,265	43	10	123	51	355	1,847
In four to five years	265	43	9	1,430	–	979	2,726
In more than five years	384	1,187	32	1,707	84	9,140	12,534
	2,325	**1,402**	**83**	**6,547**	**2,381**	**17,086**	**29,824**
Effect of discount/financing rates	(145)	(584)	(17)	(946)	–	(5,517)	(7,209)
31 March 2007	**2,180**	**818**	**66**	**5,601**	**2,381**	**11,569**	**22,615**

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

	2008		2007	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	14,931	14,749	15,163	15,163
In one to two years	433	644	611	626
In two to three years	378	441	503	587
In three to four years	399	430	403	398
In four to five years	380	406	400	387
In more than five years	3,662	4,637	3,577	3,596
	20,183	**21,307**	**20,657**	**20,757**

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

	2008		2007	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Sterling	2,126	8,262	1,000	5,477
Euro	10,111	–	7,204	–
US dollar	2,076	4,992	6,178	8,166
Japanese yen	27	15	–	106
Other	42	797	84	747
	14,382	**14,066**	**14,466**	**14,496**

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The £316 million net payable (2007: £30 million net receivable) in relation to foreign exchange financial instruments in the table above is split £358 million (2007: £48 million) within trade and other payables and £42 million (2007: £78 million) within trade and other receivables.

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

	2008 £m	2007 £m
Within one year	9	7
In two to five years	37	30
In more than five years	24	29

Notes to the Consolidated Financial Statements continued

24. Borrowings continued

Interest rate and currency of borrowings

Currency	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings(1) £m	Other borrowings £m
Sterling	1,563	1,563	–	–
Euro	10,787	9,673	1,114	–
US dollar	10,932	8,456	–	2,476
Japanese yen	1,516	1,516	–	–
Other	2,396	2,396	–	–
31 March 2008	**27,194**	**23,604**	**1,114**	**2,476**
Sterling	1,520	1,520	–	–
Euro	9,295	8,382	913	–
US dollar	9,687	9,687	–	–
Japanese yen	1,118	1,118	–	–
Other	995	995	–	–
31 March 2007	**22,615**	**21,702**	**913**	**–**

(1) The weighted average interest rate for the Group's euro denominated fixed rate borrowings is 5.1% (2007: 5.1%). The weighted average time for which the rates are fixed is 8.8 years (2007: 9.8 years).

Other borrowings of £2,476 million are the liabilities arising under put options granted over interests in Vodafone Essar.

Interest on floating rate borrowings is generally based on national LIBOR equivalents or government bond rates in the relevant currencies.

The figures shown in the tables above take into account interest rate swaps used to manage the interest rate profile of financial liabilities.

At 31 March 2008, the Group had entered into foreign exchange contracts to decrease its sterling, US dollar and other currency borrowings above by amounts equal to £6,136 million, £2,916 million and £755 million respectively and to increase its euro and Japanese Yen borrowings above by amounts equal to £10,111 million and £12 million respectively.

At 31 March 2007, the Group had entered into foreign exchange contracts to decrease its sterling, US dollar, Japanese yen and other currency borrowings above by amounts equal to £4,477 million, £1,988 million, £106 million and £663 million respectively and to increase its euro borrowings above by amounts equal to £7,204 million.

Further protection from euro and Japanese yen interest rate movements on debt is provided by interest rate swaps. At 31 March 2008, the Group had euro denominated interest rate swaps for amounts equal to £796 million. The average effective rate which has been fixed, is 2.62%. In addition, the Group has entered into euro denominated forward starting interest rate swaps for amounts equal to £3,183 million and £796 million, which cover the periods June 2008 to June 2009 and September 2008 to September 2009, respectively. The effective rates, which have been fixed, range from 2.87% per annum to 3.02% per annum.

Borrowing facilities

At 31 March 2008, the Group's most significant committed borrowing facilities comprised two bank facilities of $6,125 million (£3,083 million) and $5,200 million (£2,617 million) expiring between two and five years and in more than five years, respectively (2007: two bank facilities of $5,925 million (£3,010 million) and $5,025 million (£2,553 million)), a ¥259 billion (£1,306 million, 2007: ¥259 billion (£1,117 million)) term credit facility, which expires between two and five years and a €400 million (£318 million, 2007: €400 million (£272 million)) loan facility, which expires in more than five years. The US dollar bank facilities remained undrawn throughout the financial year, the ¥259 billion term credit facility was fully drawn down on 21 December 2005 and the €400 million loan facility was fully drawn down on 14 February 2007.

Under the terms and conditions of the $6,125 million and $5,200 million bank facilities, lenders have the right, but not the obligation, to cancel their commitment 30 days from the date of notification of a change of control of the Company and have outstanding advances repaid on the last day of the current interest period.

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

Substantially the same terms and conditions apply in the case of Vodafone Finance K.K.'s ¥259 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 2008, the Company was the sole guarantor.

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

In addition to the above, certain of the Group's subsidiaries had committed facilities at 31 March 2008 of £2,548 million (2007: £1,030 million) in aggregate, of which £473 million (2007: £278 million) was undrawn. Of the total committed facilities, £1,031 million (2007: £99 million) expires in less than one year, £743 million (2007: £574 million) expires between two and five years, and £774 million (2007: £357 million) expires in more than five years. The increase in 2008 is predominantly due to the inclusion of Vodafone Essar facilities totalling £1,736 million.

Redeemable preference shares

Redeemable preference shares comprise class D and E preferred shares issued by Vodafone Americas, Inc. An annual dividend of $51.43 per class D and E preferred share is payable quarterly in arrears. The dividend for the year amounted to £42 million (2007: £45 million). The aggregate redemption value of the class D and E preferred shares is $1.65 billion. The holders of the preferred shares are entitled to vote on the election of directors and upon each other matter coming before any meeting of the shareholders on which the holders of ordinary shares are entitled to vote. Holders are entitled to vote on the basis of twelve votes for each share of class D or E preferred stock held. The maturity date of the 825,000 class D preferred shares is 6 April 2020. The 825,000 class E preferred shares have a maturity date of 1 April 2020. The class D and E preferred shares have a redemption price of $1,000 per share plus all accrued and unpaid dividends.

25. Post employment benefits

Background

At 31 March 2008, the Group operated a number of pension plans for the benefit of its employees throughout the world, which vary depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through both defined benefit and defined contribution arrangements. Defined benefit schemes provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

The principal defined benefit pension scheme of the Group is in the United Kingdom. This tax approved final salary scheme was closed to new entrants from 1 January 2006. The assets of the scheme are held in an external trustee administered fund. In addition, the Group operates defined benefit schemes in Germany, Greece, India, Ireland, Italy, Turkey and the United States. Defined contribution pension schemes are currently provided in Australia, Egypt, Greece, Hungary, Ireland, Italy, Kenya, Malta, the Netherlands, New Zealand, Portugal, South Africa, Spain and the United Kingdom.

Income statement expense

	2008 £m	2007 £m	2006 £m
Defined contribution schemes	63	32	28
Defined benefit schemes	28	62	52
Total amount charged to the income statement (note 35)	**91**	**94**	**80**

Defined benefit schemes

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

	2008(1)	2007(1)	2006(1)
Weighted average actuarial assumptions used at 31 March:			
Rate of inflation	3.1%	2.7%	2.5%
Rate of increase in salaries	4.3%	4.4%	4.2%
Rate of increase in pensions in payment and deferred pensions	3.1%	2.7%	2.5%
Discount rate	6.1%	5.1%	4.8%
Expected rates of return:			
Equities	8.0%	7.8%	7.3%
Bonds(2)	4.4%	4.8%	4.2%
Other assets	1.3%	5.3%	3.4%

Notes:
(1) Figures shown represent a weighted average assumption of the individual schemes.
(2) For the year ended 31 March 2008 the expected rate of return for bonds consisted of a 4.7% rate of return for corporate bonds (2007: 5.1%) and a 3.5% rate of return for government bonds (2007: 4.0%).

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

Mortality assumptions used are consistent with those recommended by the individual scheme actuaries and reflect the latest available tables, adjusted for the experience of the Group where appropriate. The largest scheme in the Group is the UK scheme and the tables used for this scheme indicate a further life expectancy for a male/female pensioner currently aged 65 of 22.0/24.8 years (2007: 19.4/22.4 years, 2006: 17.8/20.7 years) and a further life expectancy for a male/female non-pensioner member currently aged 40 of 23.2/26.0 years (2007: 22.1/25.1 years, 2006: 20.3/23.3 years) from age 65.

Measurement of the Group's defined benefit retirement obligations are particularly sensitive to changes in certain key assumptions, including the discount rate. An increase or decrease in the discount rate of 0.5% would result in a £135 million decrease or a £145 million increase in the defined benefit obligation, respectively.

Charges made to the Consolidated Income Statement and Consolidated Statement of Recognised Income and Expense ("SORIE") on the basis of the assumptions stated above are:

	2008 £m	2007 £m	2006 £m
Current service cost	53	74	57
Interest cost	69	61	52
Expected return on pension assets	(89)	(73)	(57)
Curtailment	(5)	–	–
Total included within staff costs	**28**	**62**	**52**
Actuarial losses /(gains) recognised in the consolidated SORIE	47	(65)	43
Cumulative actuarial losses recognised in the consolidated SORIE	127	80	145

Notes to the Consolidated Financial Statements continued

25. Post employment benefits continued

Fair value of the assets and present value of the liabilities of the schemes

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit schemes is as follows:

	2008 £m	2007 £m	2006 £m
Movement in pension assets:			
1 April	1,251	1,123	874
Reclassification as held for sale	–	–	(3)
Expected return on pension assets	89	73	57
Actuarial (losses)/gains	(176)	26	121
Employer cash contributions	86	55	85
Member cash contributions	13	13	11
Benefits paid	(42)	(32)	(27)
Exchange rate movements	50	(7)	5
31 March	**1,271**	**1,251**	**1,123**
Movement in pension liabilities:			
1 April	1,292	1,224	998
Reclassification as held for sale	–	–	(31)
Current service cost	53	74	57
Interest cost	69	61	52
Member cash contributions	13	13	11
Actuarial (gains)/losses	(129)	(39)	164
Benefits paid	(42)	(32)	(27)
Other movements	(6)	4	(8)
Exchange rate movements	60	(13)	8
31 March	**1,310**	**1,292**	**1,224**

An analysis of net assets/(deficits) is provided below for the Group's principal defined benefit pension scheme in the UK and for the Group as a whole.

				UK				Group
	2008 £m	2007 £m	2006 £m	2005 £m	2008 £m	2007 £m	2006 £m	2005 £m
Analysis of net assets/(deficits):								
Total fair value of scheme assets	934	954	835	628	1,271	1,251	1,123	874
Present value of funded scheme liabilities	(902)	(901)	(847)	(619)	(1,217)	(1,194)	(1,128)	(918)
Net assets/(deficits) for funded schemes	**32**	**53**	**(12)**	**9**	**54**	**57**	**(5)**	**(44)**
Present value of unfunded scheme liabilities	–	–	–	–	(93)	(98)	(96)	(80)
Net assets/(deficits)	**32**	**53**	**(12)**	**9**	**(39)**	**(41)**	**(101)**	**(124)**
Net assets/(deficits) are analysed as:								
Assets	32	53	–	9	65	82	19	12
Liabilities	–	–	(12)	–	(104)	(123)	(120)	(136)

It is expected that contributions of £82 million will be paid into the Group's defined benefit retirement schemes during the year ending 31 March 2009.

Actual return on pension assets

	2008 £m	2007 £m	2006 £m
Actual return on pension assets	(87)	99	178
Analysis of pension assets at 31 March is as follows:	%	%	%
Equities	68.5	72.1	71.9
Bonds	17.7	27.5	26.5
Property	0.3	0.4	0.4
Other	13.5	–	1.2
	100.0	**100.0**	**100.0**

The schemes have no direct investments in the Group's equity securities or in property currently used by the Group.

History of experience adjustments

	2008 £m	2007 £m	2006 £m	2005 £m
Experience adjustments on pension liabilities:				
Amount	(5)	(2)	(4)	(60)
Percentage of pension liabilities	–	–	–	6%
Experience adjustments on pension assets:				
Amount	(176)	26	121	24
Percentage of pension assets	(14%)	2%	11%	3%

26. Provisions

	Asset retirement obligations £m	Legal £m	Other provisions £m	Total £m
1 April 2006	148	99	157	404
Exchange movements	(4)	(2)	(6)	(12)
Amounts capitalised in the year	17	–	–	17
Amounts charged to the income statement	–	34	186	220
Utilised in the year – payments	(2)	(11)	(45)	(58)
Amounts released to the income statement	–	(4)	(4)	(8)
31 March 2007	**159**	**116**	**288**	**563**
Exchange movements	27	21	15	63
Arising on acquisition	11	–	2	13
Amounts capitalised in the year	27	–	–	27
Amounts charged to the income statement	–	57	167	224
Utilised in the year – payments	(6)	(5)	(72)	(83)
Amounts released to the income statement	–	(11)	(106)	(117)
Other	(10)	–	(18)	(28)
31 March 2008	**208**	**178**	**276**	**662**

Provisions have been analysed between current and non-current as follows:

	2008 £m	2007 £m
Current liabilities	356	267
Non-current liabilities	306	296
	662	**563**

Asset retirement obligations

In the course of the Group's activities, a number of sites and other assets are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are generally expected to occur at the dates of exit of the assets to which they relate, which are long term in nature.

Legal

The Group is involved in a number of legal and other disputes, including notification of possible claims. The directors of the Company, after taking legal advice, have established provisions after taking into account the facts of each case. The timing of cash outflows associated with legal claims cannot be reasonably determined. For a discussion of certain legal issues potentially affecting the Group, refer to note 32 "Contingent liabilities".

Other provisions

Included within other provisions are amounts provided for property and restructuring costs. The associated cash outflows for restructuring costs are substantially short term in nature. The timing of the cash flows associated with property is dependent upon the remaining term of the associated lease.

27. Trade and other payables

	2008 £m	2007 £m
Included within non-current liabilities:		
Derivative financial instruments	173	156
Other payables	99	67
Accruals and deferred income	373	312
	645	**535**
Included within current liabilities:		
Trade payables	2,963	2,238
Amounts owed to associated undertakings	22	24
Other taxes and social security payable	666	467
Derivative financial instruments	371	63
Other payables	442	480
Accruals and deferred income	7,498	5,502
	11,962	**8,774**

The carrying amounts of trade and other payables approximate their fair value. The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at 31 March.

	2008 £m	2007 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	160	68
Foreign exchange swaps	358	48
	518	**116**
Fair value hedges:		
Interest rate swaps	26	103
	544	**219**

Notes to the Consolidated Financial Statements continued

28. Acquisitions

The aggregate cash consideration in respect of acquisitions during the year ended 31 March 2008 was £6,058 million. After deducting aggregate cash and cash equivalents acquired of £59 million, the net cash outflow related to acquisitions completed in the year ended 31 March 2008 was £5,999 million, of which £5,957 million was paid during the year. The aggregate cash consideration included £5,489 million for Vodafone Essar, £457 million for Tele2 and £112 million for other acquisitions. Total goodwill acquired was £4,316 million and included £3,950 million in relation to Vodafone Essar, £256 million in relation to Tele2 and £110 million in relation to other acquisitions.

Vodafone Essar Limited (formerly Hutchison Essar Limited)

On 8 May 2007, the Group completed the acquisition of 100% of CGP Investments (Holdings) Limited ("CGP"), a company with indirect interests in Vodafone Essar Limited ("Vodafone Essar"), from Hutchison Telecommunications International Limited for cash consideration of US$10.9 billion (£5.5 billion). Following this transaction, the Group has a controlling financial interest in Vodafone Essar.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired:			
Identifiable intangible assets	121	3,068	3,189[1]
Property, plant and equipment	1,215	(155)	1,060
Other investments	199	–	199
Inventory	5	(2)	3
Taxation recoverable	5	–	5
Trade and other receivables	277	13	290
Cash and cash equivalents	51	–	51
Deferred tax asset/(liability)	36	(512)	(476)
Short and long term borrowings[2]	(1,467)	(16)	(1,483)
Provisions	(11)	–	(11)
Trade and other payables	(534)	(35)	(569)
	(103)	**2,361**	**2,258**
Minority interests			(936)
Written put options over minority interests[2]			217
Goodwill			3,950
Total consideration (including £34 million of directly attributable costs)[3]			**5,489**

Notes:
(1) Identifiable intangible assets of £3,189 million consist of licences and spectrum fees of £3,045 million and other intangible assets of £144 million. The weighted average lives of licences and spectrum fees, other intangible assets and total intangibles assets are 11 years, two years and 11 years, respectively.
(2) Included within short term and long term borrowings are liabilities of £217 million related to written put options over minority interests.
(3) After deducting cash and cash equivalents acquired of £51 million, the net cash outflow related to the acquisition was £5,438 million, of which £5,429 million was paid during the 2008 financial year.

The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group's acquisition of CGP. The results of the acquired entity have been consolidated in the income statement from the date of acquisition. From the date of acquisition, the acquired entity contributed a £219 million loss to the profit attributable to equity shareholders of the Group. As a result of the acquisition of Vodafone Essar, the Group disposed of its 5.60% direct shareholding in Bharti Airtel Limited (see note 29).

Tele2

On 3 December 2007, the Group completed the acquisition of 100%[1] of the issued share capital of Tele2 Italia SpA and Tele2 Telecommunications Services SLU (together referred to as "Tele2") from Tele2 AB Group for cash consideration of €635 million (£452 million).[1]

The initial purchase price allocation has been determined to be provisional pending the completion of the final valuation of the fair value of assets acquired.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired:			
Identifiable intangible assets	5	106	111
Property, plant and equipment	115	(11)	104
Trade and other receivables	149	–	149
Cash and cash equivalents	5	–	5
Deferred tax asset/(liability)	36	(39)	(3)
Short and long term borrowings	(6)	–	(6)
Provisions	(1)	(1)	(2)
Trade and other payables	(159)	2	(157)
	144	**57**	**201**
Goodwill			256
Total consideration (including £6 million of directly attributable costs)[1][2]			**457**

Notes:
(1) The Group acquired Tele2 for cash consideration of €747 million. 100% of the issued share capital of Tele2 Italia SpA was acquired through Vodafone Omnitel N.V., a joint venture proportionately consolidated by the Group, resulting in an effective Group voting interest of 76.9% and disclosed total cash consideration of €635 million (£451 million).
(2) After deducting cash and cash equivalents acquired of £5 million, the net cash outflow related to the acquisition was £452 million, of which £451 million was paid during the 2008 financial year.

The goodwill is attributable to the expected profitability of the acquired businesses and the synergies expected to arise after the acquisition. The results of the acquired entities have been consolidated in the income statement from the date of acquisition. The weighted average life of total intangible assets was two years. From the date of acquisition, the acquired entity contributed a £67 million loss to the profit attributable to equity shareholders of the Group.

Pro forma full year information

The following unaudited pro forma summary presents the Group as if CGP and Tele2 had been acquired on 1 April 2007. The impact of other acquisitions on the pro forma amounts disclosed below is not significant. The pro forma amounts include the results of CGP and Tele2, amortisation of the acquired intangible assets recognised on acquisition and the interest expenses on debt issued as a result of the acquisitions. The pro forma amounts do not include any possible synergies from these acquisitions. The pro forma information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

	2008 £m
Revenue	35,931
Profit for the financial year	6,665
Profit attributable to equity shareholders	6,575

	Pence per share
Basic earnings per share	12.40
Diluted earnings per share	12.34

Other

The Group completed a number of smaller acquisitions for aggregate cash consideration of £112 million, gross of £3 million cash and cash equivalents acquired in the 2008 financial year. £77 million of the net cash consideration was paid during the year. The aggregate fair values of goodwill, identifiable assets, and liabilities of the acquired operations were £110 million, £29 million and £27 million, respectively.

29. Disposals and discontinued operations

India – Bharti Airtel Limited

On 9 May 2007 and in conjunction with the acquisition of Vodafone Essar, the Group entered into a share sale and purchase agreement in which a Bharti group company irrevocably agreed to purchase the Group's 5.60% direct shareholding in Bharti Airtel Limited. During the year ended 31 March 2008, the Group received £654 million in cash consideration for 4.99% of such shareholding and recognised a net gain on disposal of £250 million, reported in non-operating income and expense. The Group's remaining 0.61% direct shareholding was transferred in April 2008 for cash consideration of £87 million.

Japan – Vodafone K.K.

On 17 March 2006, the Group announced an agreement to sell its 97.7% holding in Vodafone K.K. to SoftBank. The transaction completed on 27 April 2006, with the Group receiving cash of approximately ¥1.42 trillion (£6.9 billion), including the repayment of intercompany debt of ¥0.16 trillion (£0.8 billion). In addition, the Group received non-cash consideration with a fair value of approximately ¥0.23 trillion (£1.1 billion), comprised of preferred equity and a subordinated loan. SoftBank also assumed debt of approximately ¥0.13 trillion (£0.6 billion). Vodafone K.K. represented a separate geographical area of operation and, on this basis, Vodafone K.K. was treated as a discontinued operation in Vodafone Group Plc's annual report for the year ended 31 March 2006.

Income statement and segment analysis of discontinued operations

	2007 £m	2006 £m
Segment revenue	**520**	**7,268**
Inter-segment revenue	–	(2)
Net revenue	**520**	**7,266**
Operating expenses	(402)	(5,667)
Depreciation and amortisation(1)	–	(1,144)
Impairment loss	–	(4,900)
Operating profit/(loss)	**118**	**(4,445)**
Net financing costs	8	(3)
Profit/(loss) before taxation	**126**	**(4,448)**
Taxation relating to performance of discontinued operations	(15)	7
Loss on disposal(2)	(747)	–
Taxation relating to the classification of the discontinued operations	145	(147)
Loss for the financial year from discontinued operations(3)	**(491)**	**(4,588)**

Notes:
(1) Including gains and losses on disposal of fixed assets.
(2) Includes £794 million of foreign exchange differences transferred to the income statement on disposal.
(3) Amount attributable to equity shareholders for the year to 31 March 2008 was nil (2007: £(494) million; 2006: £(4,598) million).

Loss per share from discontinued operations

	2007 Pence per share	2006 Pence per share
Basic loss per share	(0.90)	(7.35)
Diluted loss per share	(0.90)	(7.35)

Notes to the Consolidated Financial Statements continued

29. Disposals and discontinued operations continued

Cash flows from discontinued operations

	2007 £m	2006 £m
Net cash flows from operating activities	135	1,651
Net cash flows from investing activities	(266)	(939)
Net cash flows from financing activities	(29)	(536)
Net cash flows	**(160)**	**176**
Cash and cash equivalents at the beginning of the financial year	161	4
Exchange loss on cash and cash equivalents	(1)	(19)
Cash and cash equivalents at the end of the financial year	**–**	**161**

Assets and liabilities of discontinued operations

	27 April 2006 £m
Intangible assets	3,943
Property, plant and equipment	4,562
Other investments	29
Cash and cash equivalents	124
Inventory	148
Trade and other receivables	1,147
Deferred tax asset	636
Total assets	**10,589**
Short and long term borrowings	(674)
Trade and other payables[1]	(2,342)
Deferred tax liabilities	(245)
Other liabilities	(40)
Total liabilities	**(3,301)**
Net assets	7,288
Minority interest	(87)
Net assets disposed	**7,201**
Total consideration	7,245
Other effects: foreign exchange recycled to the income statement on disposal	(794)
Other	3
Net loss on disposal	**(747)**

	£m
Net cash inflow arising on disposal:	
Cash consideration	6,141
Cash to settle intercompany debt	793
Cash and cash equivalents disposed	(124)
	6,810
Other	(12)
	6,798

Note:
(1) Includes £793 million of intercompany debt.

Belgium and Switzerland – Belgacom Mobile S.A. and Swisscom Mobile A.G.

During the year ended 31 March 2007, the Group disposed of its 25% interest in Belgacom Mobile S.A. to Belgacom S.A. and its 25% interest in Swisscom Mobile A.G. to Swisscom A.G. These transactions completed on 3 November 2006 and 20 December 2006, respectively. The carrying value of these investments at disposal and the cash effects of the transactions are summarised in the table below:

	Belgacom Mobile £m	Swisscom Mobile £m
Net assets disposed	901	1,664
Total cash consideration	1,343	1,776
Other effects[1]	(1)	(44)
Net gain on disposal[2]	**441**	**68**

Notes:
(1) Other effects include foreign exchange gains and losses transferred to the income statement and professional fees related to the disposal.
(2) Reported in other income and expense in the Consolidated Income Statement.

30. Reconciliation of net cash flows from operating activities

	2008 £m	2007 £m	2006 £m
Profit/(loss) for the financial year from continuing operations	6,756	(4,806)	(17,233)
Loss for the financial year from discontinued operations	–	(491)	(4,588)
Adjustments for[1]:			
Share-based payments	107	93	114
Depreciation and amortisation	5,909	5,111	5,834
Loss on disposal of property, plant and equipment	70	44	88
Share of result in associated undertakings	(2,876)	(2.728)	(2,428)
Impairment losses	–	11,600	28,415
Other income and expense	28	(502)	(15)
Non-operating income and expense	(254)	(4)	2
Investment income	(714)	(789)	(353)
Financing costs	2,014	1,604	1,123
Income tax expense	2,245	2,293	2,520
Loss on disposal of discontinued operations	–	747	–
(Increase)/decrease in inventory	(78)	(23)	23
(Increase)/decrease in trade and other receivables	(378)	(753)	54
Increase/(decrease) in trade and other payables	460	1,175	(33)
Cash generated by operations	**13,289**	**12,571**	**13,523**
Tax paid	(2,815)	(2,243)	(1,682)
Net cash flows from operating activities	**10,474**	**10,328**	**11,841**

Note:
(1) Adjustments include amounts relating to continuing and discontinued operations.

31. Commitments

Operating lease commitments

The Group has entered into commercial leases on certain properties, network infrastructure, motor vehicles and items of equipment. The leases have various terms, escalation clauses, purchase options and renewal rights, none of which are individually significant to the Group.

Future minimum lease payments under non-cancellable operating leases comprise:

	2008 £m	2007 £m
Within one year	837	718
In more than one year but less than two years	606	577
In more than two years but less than three years	475	432
In more than three years but less than four years	415	367
In more than four years but less than five years	356	321
In more than five years	1,752	1,360
	4,441	**3,775**

The total of future minimum sublease payments expected to be received under non-cancellable subleases is £154 million (2007: £107 million).

Capital and other financial commitments

	Company and subsidiaries		Share of joint ventures			Group
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Contracts placed for future capital expenditure not provided in the financial statements[1]	1,477	1,060	143	89	1,620	1,149

Note:
(1) Commitment includes contracts placed for property, plant and equipment and intangible assets.

In December 2007, a consortium comprising Vodafone and the Qatar Foundation for Education, Science and Community Development (the "Qatar Foundation") was named as the successful applicant in the auction to become the second mobile operator in Qatar. Subject to regulatory approvals, the licence is expected to be awarded by 30 June 2008. The licence will be owned by Vodafone Qatar, of which 45% is expected to be owned by the joint venture formed between Vodafone (owning 51%) and the Qatar Foundation (owning 49%), 15% to be owned by Qatari government institutions and the remaining 40% to be made available to Qatari citizens through a public offering expected to be completed in the 2008 calendar year. Following the public offering, the Group expects its effective equity interest in Vodafone Qatar to be 22.95%. The Group also currently expects that Vodafone Qatar will be accounted for as a subsidiary, as Vodafone expects to control management decisions.

By 30 June 2008, Vodafone Qatar expects to pay QAR 4,630 million (£626 million), representing 60% of the cost of the mobile licence, with the balance of the licence cost to be paid following completion of the public offering. The Group could be required to fund up to a maximum of QAR 1,551 million (£210 million) of the total licence cost, with the precise amount dependent on the success of the public offering. The remainder of the licence cost will be funded by the other shareholders in Vodafone Qatar. Services are expected to be launched under the Vodafone brand by the end of the 2009 financial year.

Notes to the Consolidated Financial Statements continued

32. Contingent liabilities

	2008 £m	2007 £m
Performance bonds	111	109
Credit guarantees – third party indebtedness	29	34
Other guarantees and contingent liabilities	372	90

Performance bonds
Performance bonds require the Group to make payments to third parties in the event that the Group does not perform what is expected of it under the terms of any related contracts. Group performance bonds include £26 million (2007: £57 million) in respect of undertakings to roll out 3G networks in Spain.

Credit guarantees – third party indebtedness
Credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the Group's associated undertakings and investments.

Other guarantees and contingent liabilities
Other guarantees principally comprise commitments to the Spanish tax authorities of £197 million (2007: £nil).

The Group also enters into lease arrangements in the normal course of business, which are principally in respect of land, buildings and equipment. Further details on the minimum lease payments due under non-cancellable operating lease arrangements can be found in note 31.

Legal proceedings
The Company and its subsidiaries are currently, and may be from time to time, involved in a number of legal proceedings, including inquiries from or discussions with governmental authorities, that are incidental to their operations. However, save as disclosed below, the Company and its subsidiaries are not involved currently in any legal or arbitration proceedings (including any governmental proceedings which are pending or known to be contemplated) which may have, or have had in the twelve months preceding the date of this report, a significant effect on the financial position or profitability of the Company and its subsidiaries. With the exception of the Vodafone 2 enquiry, due to inherent uncertainties, no accurate quantification of any cost which may arise from any of the legal proceedings outlined below can be made.

The Company is one of a number of co-defendants in four actions filed in 2001 and 2002 in the Superior Court of the District of Columbia in the United States alleging personal injury, including brain cancer, from mobile phone use. The Company is not aware that the health risks alleged in such personal injury claims have been substantiated and is vigorously defending such claims. In August 2007, the Court dismissed all four actions against the Company on the basis of the federal pre-emption doctrine. The plaintiffs have appealed this dismissal.

A subsidiary of the Company, Vodafone 2, is responding to an enquiry ("the Vodafone 2 enquiry") by HMRC with regard to the UK tax treatment of its Luxembourg holding company, Vodafone Investments Luxembourg SARL ("VIL"), under the Controlled Foreign Companies section of the UK's Income and Corporation Taxes Act 1988 ("the CFC Regime") relating to the tax treatment of profits earned by the holding company for the accounting period ended 31 March 2001. Vodafone 2's position is that it is not liable for corporation tax in the UK under the CFC Regime in respect of VIL. Vodafone 2 asserts, inter alia, that the CFC Regime is contrary to EU law and has made an application to the Special Commissioners of HMRC for closure of the Vodafone 2 enquiry. In May 2005, the Special Commissioners referred certain questions relating to the compatibility of the CFC Regime with EU law to the European Court of Justice (the "ECJ") for determination ("the Vodafone 2 reference"). HMRC subsequently appealed against the decision of the Special Commissioners to make the Vodafone 2 reference but its appeal was rejected by both the High Court and Court of Appeal. The Vodafone 2 reference has still to be heard by the ECJ. Vodafone 2's application for closure was stayed pending delivery of the ECJ's judgment.

In September 2006, the ECJ determined in the Cadbury Schweppes case (C-196/04) (the "Cadbury Schweppes Judgment") that the CFC Regime is incompatible with EU law unless it applies only to wholly artificial arrangements intended to escape national tax normally payable ("wholly artificial arrangements"). At a hearing in March 2007, the Special Commissioners heard submissions from Vodafone 2 and HMRC, in light of the Cadbury Schweppes Judgment, as to whether the CFC Regime can be interpreted as applying only to wholly artificial arrangements and whether the Vodafone 2 reference should be maintained or withdrawn by the Special Commissioners. On 26 July 2007, the Special Commissioners handed down their judgment on these questions. The tribunal decided (on the basis of the casting vote of the Presiding Special Commissioner) that the CFC regime can be interpreted as applying only to wholly artificial arrangements and that the Vodafone 2 reference should be withdrawn. Vodafone 2 is appealing these decisions to the High Court and this appeal was heard on 20 to 22 May 2008. The High Court's ruling is expected in the coming months.

The Company has taken provisions, which at 31 March 2008 amounted to approximately £2.2 billion, for the potential UK corporation tax liability and related interest expense that may arise in connection with the Vodafone 2 enquiry. The provisions relate to the accounting period which is the subject of the proceedings described above as well as to accounting periods after 31 March 2001 to date. The provisions at 31 March 2008 reflect the developments during the year.

The Company has been served with a Complaint filed in the Supreme Court of the State of New York by Cem Uzan and others against the Company, Vodafone Telekomunikasyon A.S. ("VTAS"), Vodafone Holding A.S. and others. The plaintiffs make certain allegations in connection with the sale of the assets of the Turkish company Telsim Mobil Telekomunikasyon Hizmetleri A.S. ("Telsim") to the Group's Turkish subsidiary, which acquired the assets from the SDIF, a public agency of the Turkish state, in a public auction in Turkey pursuant to Turkish law in which a number of mobile telecommunications companies participated. The plaintiffs seek an Order requiring the return of the assets of Telsim to them or damages. The Company believes these claims have no merit and will vigorously defend the claims.

On 12 November 2007, the Company became aware of the filing of a purported class action Complaint in the United States District Court for the Southern District of New York by The City of Edinburgh Council on behalf of the Lothian Pension Fund against the Company and certain of the Company's current and former officers and directors for alleged violations of US federal securities laws. The Complaint alleged that the Company's financial statements and certain disclosures between 10 June 2004 and 27 February 2006 were materially false and misleading, among other things, as a result of the Company's alleged failure to report on a timely basis a write-down for the impaired value of Vodafone's German, Italian and Japanese subsidiaries. The Complaint seeks compensatory damages of an unspecified amount and other relief on behalf of a putative class comprised of all persons who purchased publicly traded securities, including ordinary shares and American Depositary Receipts, of the Company between 10 June 2004 and 27 February 2006. The plaintiff subsequently served the Complaint and, on or about 27 March 2008, the plaintiff filed an Amended Complaint, asserting substantially the same claims against the same defendants on behalf of the same putative investor class. The Company believes that the allegations are without merit and intends to defend the claims vigorously.

Vodafone Essar Limited ("VEL") and Vodafone International Holdings B.V. ("VIHBV") each received notices in August 2007 and September 2007, respectively, from the Indian tax authorities alleging potential liability in connection with alleged failure by VIHBV to deduct withholding tax from consideration paid to the Hutchison Telecommunications International Limited group ("HTIL") in respect of HTIL's gain on its disposal to VIHBV of its interests in a wholly-owned subsidiary that indirectly holds interests in VEL. Following the receipt of such notices, VEL and VIHBV each filed writs seeking Orders that their respective notices be quashed and that the tax authorities take no further steps under the notices, inter alia. Initial hearings have been held before the Bombay High Court and in the case of VIHBV, the High Court has admitted the writ for final hearing in June 2008. VEL's case is stayed pending the outcome of this hearing. Vodafone believes that neither it nor any other member of the Group is liable for such withholding tax and intends to defend this position vigorously.

33. Directors and key management compensation

Directors

Aggregate emoluments of the directors of the Company were as follows:

	2008 £m	2007 £m	2006 £m
Salaries and fees	5	5	6
Incentive schemes	4	3	5
Benefits	1	1	2
Other[1]	–	4	–
	10	**13**	**13**

Note:
(1) Other includes the value of the cash allowance taken by some individuals in lieu of pension contributions and payments in respect of loss of office.

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 31 March 2008 by directors who served during the year was £nil (2007: £3 million, 2006: less than £1 million).

Further details of directors' emoluments can be found in "Directors' Remuneration" on pages 71 to 81.

Key management compensation

Aggregate compensation for key management, being the directors and members of the Group Executive Committee, was as follows:

	2008 £m	2007 £m	2006 £m
Short term employee benefits	20	29	26
Post-employment benefits:			
Defined benefit schemes	1	1	2
Defined contribution schemes	1	1	2
Share-based payments	10	6	16
	32	**37**	**46**

34. Related party transactions

The Group's related parties are its joint ventures (see note 13), associated undertakings (see note 14), pension schemes, directors and members of the Executive Committee. Group contributions to pension schemes are disclosed in note 25. Compensation paid to the Company's Board and members of the Executive Committee is disclosed in note 33.

Transactions with joint ventures and associated undertakings

Related party transactions can arise with the Group's joint ventures and associates and primarily comprise fees for the use of Vodafone products and services including, network airtime and access charges, and cash pooling arrangements. Except as disclosed below, no related party transactions have been entered into during the year which might reasonably affect any decisions made by the users of these Consolidated Financial Statements.

	2008 £m	2007 £m	2006 £m
Transactions with associated undertakings:			
Sales of goods and services	165	245	288
Purchase of goods and services	212	295	268
Amounts owed by/(owed to) joint ventures[1]	127	(842)	(378)
Net interest payable to joint ventures[1]	27	20	15

Note:
(1) Amounts arise through Vodafone Italy being part of a Group cash pooling arrangement and represent amounts not eliminated on consolidation. Interest is paid in line with market rates.

Amounts owed by and owed to associated undertakings are disclosed within notes 17 and 27. Dividends received from associated undertakings are disclosed in the consolidated cash flow statement.

Transactions with directors other than compensation

During the three years ended 31 March 2008, and as of 23 May 2008, neither any director nor any other executive officer, nor any associate of any director or any other executive officer, was indebted to the Company.

During the three years ended 31 March 2008, and as of 23 May 2008, the Company has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel (including directors, any other executive officer, senior manager, any spouse or relative of any of the foregoing, or any relative of such spouse), had or was to have a direct or indirect material interest.

Notes to the Consolidated Financial Statements continued

35. Employees

The average employee headcount during the year by nature of activity and by segment is shown below.

	2008 Number	2007 Number	2006 Number
By activity:			
Operations	12,891	12,630	12,541
Selling and distribution	22,063	18,937	17,315
Administration	37,421	34,776	31,816
	72,375	**66,343**	**61,672**
By segment:			
Germany	9,691	10,383	10,124
Italy	6,669	7,030	7,123
Spain	4,057	4,066	4,052
UK	10,367	10,256	10,620
Arcor	3,940	4,038	4,086
Other Europe	8,645	8,797	9,778
Europe	**43,369**	**44,570**	**45,783**
Eastern Europe	10,398	9,194	5,763
Middle East, Africa & Asia	12,622	6,839	4,640
Pacific	3,030	2,791	2,858
EMAPA	**26,050**	**18,824**	**13,261**
Common functions	2,956	2,949	2,628
Total continuing operations	**72,375**	**66,343**	**61,672**
Discontinued operations:			
Japan	–	233	2,733

The cost incurred in respect of these employees (including directors) was(1):

Continuing operations	2008 £m	2007 £m	2006 £m
Wages and salaries	2,175	1,979	1,879
Social security costs	325	300	242
Share-based payments	107	93	109
Other pension costs (note 25)	91	94	80
	2,698	**2,466**	**2,310**

Note:
(1) The cost incurred in respect of employees (including directors) from discontinued operations was £nil (2007: £16 million, 2006: £155 million).

36. Subsequent events

On 16 May 2008, Vodafone acquired 100% of ZYB, a privately-owned company based in Denmark, which operates a social networking and online management tool enabling mobile phone users to back-up and share their handsets' contact and calendar information online, for cash consideration of €32 million (£25 million).

On 19 May 2008, the Group acquired 26.4% of Arcor previously held by minority interests for cash consideration of €474 million (£377 million). Following this transaction, Vodafone owns 100% of Arcor.

37. New accounting standards

The Group has not adopted and does not intend to early adopt the following pronouncements, which have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC"), but have not yet been endorsed for use in the EU.

An amendment to IFRS 2 "Share-based Payment: Vesting Conditions and Cancellations" was issued in January 2008 and will be effective retrospectively for annual periods beginning on or after 1 January 2009. This amendment clarifies that vesting conditions are service conditions and performance conditions only, and as such, any other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group is currently assessing the impact and expected timing of adoption of this amendment on the Group's results and financial position.

IFRS 3 (Revised) "Business Combinations" was issued in January 2008 and will apply to business combinations occurring on or after 1 April 2010. The revised standard introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that a business acquisition occurs and future reported results. Assets and liabilities arising from business combinations before 1 April 2010 will not be restated and thus there will be no effect on the Group's results or financial position on adoption. However, this standard is likely to have a significant impact on the accounting for business acquisitions post adoption.

IAS 1 (Revised) "Presentation of Financial Statements" was issued in September 2007 and will be effective for annual periods beginning on or after 1 January 2009. The revised standard introduces the concept of a statement of comprehensive income, which enables users of the financial statements to analyse changes in a company's equity resulting from transactions with owners separately from non-owner changes. The revised standard provides the option of presenting items of income and expense and components of other comprehensive income either as a single statement of comprehensive income or in two separate statements. The Group does not currently believe the adoption of this revised standard will have a material impact on the consolidated results or financial position of the Group.

IAS 23 (Revised) "Borrowing Costs" was issued in March 2007 and will be effective for annual periods beginning on or after 1 January 2009. It requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of a qualifying asset. The existing option of immediate recognition of those borrowing costs as an expense has been removed. The Group is currently assessing the impact and expected timing of adoption of this standard on the Group's results and financial position.

An amendment to IAS 27 "Consolidated and Separate Financial Statements" was issued in January 2008 and is effective for annual periods beginning on or after 1 July 2009. The amendment requires that when a transaction occurs with non-controlling interests in Group entities that do not result in a change in control, the difference between the consideration paid or received and the recorded non-controlling interest should be recognised in equity. In cases where control is lost, any retained interest should be remeasured to fair value with the difference between fair value and the previous carrying value being recognised immediately in the income statement. Transactions occurring before 1 April 2010 will not be restated and thus there will be no effect on the Group's results or financial position on adoption. However, the Group has historically entered into transactions that are within the scope of this standard and may do so in the future.

"Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation" was issued in February 2008 and is effective for annual periods beginning on or after 1 January 2009. The amendments require entities to classify certain financial instruments as equity if certain specific criteria are met. The Group is currently assessing the impact and expected timing of adoption of this amendment on the Group's results and financial position.

IFRIC 12 "Service Concession Arrangements" was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2008. The interpretation addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements. The Group does not currently believe the adoption of these pronouncements will have a material impact on the consolidated results or financial position of the Group.

IFRIC 13 "Customer Loyalty Programmes" was issued in June 2007 and will be effective for annual periods beginning on or after 1 July 2008. The interpretation addresses how companies that grant their customers loyalty award credits when buying goods or services should account for their obligation to provide free or discounted goods and services if and when the customers redeem the credits. It requires that consideration received be allocated between the award credits and the other components of the sale. The Group is currently assessing the impact and expected timing of adoption of this standard on the Group's results and financial position.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was issued in July 2007 and is effective for annual periods beginning on or after 1 January 2008. The interpretation provides guidance on determining the amount of any post employment benefit surplus that could be recognised as an asset on the balance sheet, how a minimum funding requirement affects that measurement, and when a minimum funding requirement can create an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under IAS 19. The Group will adopt this interpretation with effect from 1 April 2008 and is currently assessing the impact of adoption of this interpretation on the consolidated results and financial position of the Group.

"Improvements to IFRSs" was issued in May 2008 and its requirements are effective over a range of dates, with the earliest effective date being for annual periods beginning on or after 1 January 2009. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project. The Group is currently assessing the impact and expected timing of adoption of these amendments on the Group's results and financial position.

Audit Report on the Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm to the Members of Vodafone Group Plc

We have audited the Consolidated Financial Statements of Vodafone Group Plc which comprise the consolidated balance sheet at 31 March 2008 and 2007, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of recognised income and expense for each of the three years in the period ended 31 March 2008 and the related notes numbered 1 to 37. These Consolidated Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the parent Company Financial Statements of Vodafone Group Plc for the year ended 31 March 2008.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the Consolidated Financial Statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Consolidated Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Consolidated Financial Statements give a true and fair view, whether the Consolidated Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the Consolidated Financial Statements.

In addition, we report to you if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited Consolidated Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Consolidated Financial Statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the standards of the Public Company Accounting Oversight Board (United States). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Consolidated Financial Statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Consolidated Financial Statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Consolidated Financial Statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Consolidated Financial Statements and the part of the directors' remuneration report to be audited.

Opinions

UK opinion

In our opinion:

- the Consolidated Financial Statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Consolidated Financial Statements.

As explained in note 1 to the Consolidated Financial Statements, the Group, in addition to complying with its legal obligation to comply with IFRS as adopted by the European Union, has also complied with IFRS as issued by the International Accounting Standards Board.

In our opinion the Consolidated Financial Statements give a true and fair view, in accordance with IFRS, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended.

US opinion

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Group at 31 March 2008 and 2007 and the consolidated results of its operations and cash flows for each of the three years in the period ended 31 March 2008 in conformity with IFRS as adopted by the European Union and as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Group's internal control over financial reporting as at 31 March 2008, based on the criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our report including our opinions on the effectiveness of the Group's internal control over financial reporting is set out on page 84.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
27 May 2008

Audit Report on the Company Financial Statements

Independent Auditor's Report to the Members of Vodafone Group Plc

We have audited the parent Company Financial Statements of Vodafone Group Plc for the year ended 31 March 2008 which comprise the balance sheet and the related notes 1 to 10. These parent Company Financial Statements have been prepared under the accounting policies set out therein.

We have reported separately on the Consolidated Financial Statements of Vodafone Group Plc for the year ended 31 March 2008 and on the information in the directors' remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent Company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent Company Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company Financial Statements give a true and fair view and whether the parent Company Financial Statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent Company Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the information contained in the Annual Report for the above year as described in the contents section and consider whether it is consistent with the audited parent Company Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company Financial Statements. Our responsibility does not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company Financial Statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent Company Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent Company Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company Financial Statements.

Opinion

In our opinion:

- the parent Company Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008;
- the parent Company Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent Company Financial Statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
27 May 2008

Company Financial Statements of Vodafone Group Plc

at 31 March

	Note	2008 £m	2007 £m
Fixed assets			
Shares in Group undertakings	3	64,922	67,139
Current assets			
Debtors: amounts falling due after more than one year	4	821	227
Debtors: amounts falling due within one year	4	126,099	99,404
		126,920	**99,631**
Creditors: amounts falling due within one year	5	(98,784)	(76,415)
Net current assets		**28,136**	**23,216**
Total assets less current liabilities		**93,058**	**90,355**
Creditors: amounts falling due after more than one year	5	(14,582)	(14,388)
		78,476	**75,967**
Capital and reserves			
Called up share capital	6	4,182	4,172
Share premium account	8	42,934	43,572
Capital redemption reserve	8	10,054	9,132
Capital reserve	8	88	88
Other reserves	8	942	1,026
Own shares held	8	(7,867)	(8,044)
Profit and loss account	8	28,143	26,021
Equity shareholders' funds		**78,476**	**75,967**

The Company Financial Statements were approved by the Board of directors on 27 May 2008 and were signed on its behalf by:

Arun Sarin
Chief Executive

Andy Halford
Chief Financial Officer

The accompanying notes are an integral part of these Financial Statements.

Notes to the Company Financial Statements

1. Basis of preparation

The separate financial statements of the Company are drawn up in accordance with the Companies Act 1985 and UK generally accepted accounting principles ("UK GAAP").

The preparation of Company Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Company Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented in this Annual Report. These separate financial statements are not intended to give a true and fair view of the profit or loss or cash flows of the Company. The Company has not published its individual cash flow statement as its liquidity, solvency and financial adaptability are dependent on the Group rather than its own cash flows.

The Company has taken advantage of the exemption contained in FRS 8 "Related party disclosures" and has not reported transactions with fellow Group undertakings.

The Company has taken advantage of the exemption contained in FRS 29 "Financial Instruments: Disclosures" and has not produced any disclosures required by that standard, as disclosures that comply with FRS 29 are available in the Vodafone Group Plc Annual Report for the year ended 31 March 2008.

2. Significant accounting policies

The Company's significant accounting policies are described below.

Accounting convention

The Company Financial Statements are prepared under the historical cost convention and in accordance with applicable accounting standards of the UK Accounting Standards Board and pronouncements of the Urgent Issues Task Force.

Investments

Shares in Group undertakings are stated at cost less any provision for impairment.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, determined using the weighted average cost method, is included in the net profit or loss for the period.

Foreign currencies

In preparing the Company Financial Statements, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit and loss account for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss account for the period.

Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that exist at the balance sheet date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Company Financial Statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Financial instruments

Financial assets and financial liabilities in respect of financial instruments are recognised on the Company Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Capital market and bank borrowings

Interest-bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception) and are subsequently measured at amortised cost using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The Company designates certain derivatives as hedges of the change of fair value of recognised assets and liabilities ("fair value hedges"). Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

Notes to the Company Financial Statements continued

2. Significant accounting policies continued

Fair value hedges

The Company's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings.

The Company designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the profit and loss account for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. The ineffective portion is recognised immediately in the profit and loss account.

Share-based payments

The Group operates a number of equity settled share based compensation plans for the employees of subsidiary undertakings using the Company's equity instruments. The fair value of the compensation given in respect of these share based compensation plans is recognised as a capital contribution to the Company's subsidiary undertakings over the vesting period. The capital contribution is reduced by any payments received from subsidiary undertakings in respect of these share-based payments.

Dividends paid and received

Dividends paid and received are included in the Company Financial Statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

Pensions

The Company is the sponsoring employer of the Vodafone Group Pension Scheme, a defined benefit pension scheme. The Company is unable to identify its share of the underlying assets and liabilities of the Vodafone Group Pension Scheme on a consistent and reasonable basis. Therefore, the Company has applied the guidance within FRS 17 to account for defined benefit schemes as if they were defined contribution schemes and recognise only the contribution payable each year. The Company had no contributions payable for the years ended 31 March 2008 and 31 March 2007.

3. Fixed assets

Shares in Group undertakings

	£m
Cost:	
1 April 2007	72,322
Additions	24
Capital contributions arising from share-based payments	107
Contributions received in relation to share-based payments	(191)
Disposals	(2,069)
31 March 2008	**70,193**
Amounts provided for:	
1 April 2007	5,183
Amounts provided for during the year	88
31 March 2008	**5,271**
Net book value:	
31 March 2007	**67,139**
31 March 2008	**64,922**

At 31 March 2008, the Company had the following principal subsidiary undertakings:

Name	Principal activity	Country of incorporation	Percentage shareholding
Vodafone European Investments	Holding company	England	100.0
Vodafone Group Services Limited	Global products and services provider	England	100.0

4. Debtors

	2008 £m	2007 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	125,838	99,071
Taxation recoverable	137	137
Other debtors	124	196
	126,099	**99,404**
Amounts falling due after more than one year:		
Deferred taxation	4	3
Other debtors	817	224
	821	**227**

5. Creditors

	2008 £m	2007 £m
Amounts falling due within one year:		
Bank loans and other loans	4,442	3,656
Amounts owed to subsidiary undertakings	93,891	72,568
Group relief payable	42	101
Other creditors	393	82
Accruals and deferred income	16	8
	98,784	**76,415**
Amounts falling due after more than one year:		
Other loans	14,409	14,216
Other creditors	173	172
	14,582	**14,388**

Included in amounts falling due after more than one year are other loans of £8,279 million, which are due in more than five years from 1 April 2008 and are payable otherwise than by instalments. Interest payable on this debt ranges from 3.625% to 7.875%.

6. Share capital

	2008 Number	2008 £m	2007 Number	2007 £m
Authorised:				
Ordinary shares of 11 3/7 US cents each (2007: 11 3/7 US cents)	68,250,000,000	4,875	68,250,000,000	4,875
B shares of 15 pence each	38,563,935,574	5,784	38,563,935,574	5,784
Deferred shares of 15 pence each	28,036,064,426	4,206	28,036,064,426	4,206
Ordinary shares allotted, issued and fully paid[(1)]:				
1 April	58,085,695,298	4,172	66,251,332,784	4,165
Allotted during the year	169,360,427	10	118,241,919	7
Consolidated during the year	–	–	(8,283,879,405)	–
31 March	**58,255,055,725**	**4,182**	**58,085,695,298**	**4,172**
B shares allotted, issued and fully paid[(2)]:				
1 April	132,001,365	20	–	–
Issued during the year	–	–	66,271,035,240	9,941
Redeemed during the year	(44,572,227)	(7)	(38,102,969,449)	(5,715)
Converted to deferred shares and subsequently cancelled during the year	–	–	(28,036,064,426)	(4,206)
31 March	**87,429,138**	**13**	**132,001,365**	**20**

Notes:

(1) At 31 March 2008, the Company held 5,127,457,690 (2007: 5,245,547,674) treasury shares with a nominal value of £368 million (2007: £377 million) and 50,000 (2007: 50,000) 7% cumulative fixed rate shares of £1 each were authorised, allotted, issued and fully paid by the Company.

(2) On 31 July 2006, Vodafone Group Plc undertook a return of capital to shareholders via a B share scheme and associated share consolidation. A total of 66,271,035,240 B shares were issued on that day, and 66,271,035,240 existing ordinary shares of 10 US cents each were consolidated into 57,987,155,835 new ordinary shares of 11 3/7 cents each. B shareholders were given the alternatives of initial redemption or future redemption at 15 pence per share or the payment of an initial dividend of 15 pence per share. The initial redemption took place on 4 August 2006 with future redemption dates on 5 February and 5 August each year until 5 August 2008 when the Company expects to exercise its right to redeem all B shares still in issue at their nominal value of 15 pence. B shareholders that chose future redemption are entitled to receive a continuing non-cumulative dividend of 75 per cent of sterling LIBOR payable semi-annually in arrear until they are redeemed. B shareholders are only entitled to receive notice of (or attend, speak or vote at) any general meeting if the business includes a resolution for the winding up of the Company. If the Company is wound up, the holders of the B shares are entitled, before any payment to the ordinary shareholders, to repayment of the amount paid up on each B share together with any outstanding entitlement to the B share continuing dividend.

By 31 March 2008, total capital of £9,011 million had been returned to shareholders, £5,720 million by way of capital redemption and £3,291 million by way of initial dividend (note 8). The outstanding B share liability at 31 March 2008 has been classified as a financial liability and is disclosed within other creditors falling due within one year (note 5). During the period, a transfer of £7 million (2007: £9,004 million) in respect of the B shares has been made from the profit and loss account reserve (note 8) to the capital redemption reserve (note 8).

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
UK share awards and option scheme awards	152,400,497	9	249
US share awards and option scheme awards	16,959,930	1	24
Total for share awards and option scheme awards	**169,360,427**	**10**	**273**

Notes to the Company Financial Statements continued

7. Share-based payments

The Company currently uses a number of equity settled share plans to grant options and shares to the directors and employees of its subsidiary undertakings, as listed below.

Share option schemes

- Vodafone Group savings related and Sharesave schemes
- Vodafone Group executive schemes
- Vodafone Group 1999 Long Term Stock Incentive Plan and ADSs
- Other share option plans

Share plans

- Share Incentive Plan
- Restricted share plans

At 31 March 2008, the Company had 373 million ordinary share options outstanding (2007: 584 million) and 1 million ADS options outstanding (2007: 3 million).

The Company has made a capital contribution to its subsidiary undertakings in relation to share-based payments. At 31 March 2008, the cumulative capital contribution net of payments received from subsidiary undertakings was £313 million (31 March 2007: £397 million, 1 April 2006: £383 million). During the year ended 31 March 2008, the capital contribution arising from share-based payments was £107 million (2007: £93 million), with payments of £191 million (2007: £79 million) received from subsidiary undertakings.

Full details of share-based payments, share option schemes and share plans are disclosed in note 20 to the Consolidated Financial Statements.

8. Reserves and reconciliation of movements in equity shareholders' funds

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital reserve £m	Other reserves £m	Own shares held £m	Profit and loss account £m	Total equity shareholders' funds £m
1 April 2007	4,172	43,572	9,132	88	1,026	(8,044)	26,021	75,967
Allotments of shares	10	277	–	–	–	–	–	287
Own shares released on vesting of share awards	–	–	–	–	–	177	–	177
Profit for the financial year	–	–	–	–	–	–	5,782	5,782
Dividends	–	–	–	–	–	–	(3,653)	(3,653)
Capital contribution given relating to share-based payments	–	–	–	–	107	–	–	107
Contribution received relating to share-based payments	–	–	–	–	(191)	–	–	(191)
Transfer of B share nominal value issued in respect of own shares deferred and cancelled	–	(915)	915	–	–	–	–	–
B share capital redemption	–	–	7	–	–	–	(7)	–
31 March 2008	**4,182**	**42,934**	**10,054**	**88**	**942**	**(7,867)**	**28,143**	**78,476**

The profit for the financial year dealt with in the accounts of the Company is £5,782 million (2007: £11,126 million). Under English law, the amount available for distribution to shareholders is based upon the profit and loss reserve of the Company and is reduced by the amount of own shares held and is limited by statutory or other restrictions.

The auditor's remuneration for audit services and non-audit services to the Company was less than £1 million (2007: £1 million) and £0.4 million (2007: £0.5 million), respectively.

The directors are remunerated by Vodafone Group Plc for their services to the Group as a whole. No remuneration was paid to them specifically in respect of their services to Vodafone Group Plc for either year. Full details of the directors' remuneration are disclosed in "Directors' Remuneration" on pages 71 to 81.

There were no employees other than directors of the Company throughout the current or the preceding year.

9. Equity dividends

	2008 £m	2007 £m
Declared during the financial year:		
Final dividend for the year ended 31 March 2007: 4.41 pence per share (2006: 3.87 pence per share)	2,331	2,328
Interim dividend for the year ended 31 March 2008: 2.49 pence per share (2007: 2.35 pence per share)	1,322	1,238
	3,653	**3,566**
Proposed after the balance sheet date and not recognised as a liability:		
Final dividend for the year ended 31 March 2008: 5.02 pence per share (2007: 4.41 pence per share)	2,667	2,331

10. Contingent liabilities

	2008 £m	2007 £m
Performance bonds	30	87
Credit guarantees – third party indebtedness	4,208	1,278
Other guarantees and contingent liabilities	255	10

Performance bonds

Performance bonds require the Company to make payments to third parties in the event that the Company or its subsidiary undertakings do not perform what is expected of them under the terms of any related contracts.

Company performance bonds include £26 million (2007: £57 million) in respect of undertakings to roll out third generation networks in Spain.

Credit guarantees – third party indebtedness

Credit guarantees comprise guarantees and indemnities of bank or other facilities.

During the year ended 31 March 2008, a subsidiary of the Company 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 to the Group for US$5 billion or to sell between US$1 billion and US$5 billion worth of Vodafone Essar shares to the Group at an independently appraised fair market value. The Company has guaranteed payment of up to US$5 billion related to these options.

At 31 March 2008, the Company had also guaranteed debt of Vodafone Finance K.K. amounting to £1,303 million (2007: £1,117 million) and issued guarantees in respect of notes issued by Vodafone Americas, Inc. amounting to £163 million (2007: £161 million). The Japanese facility expires by March 2011 and the majority of Vodafone Americas, Inc. bond guarantees expire by July 2008.

Other guarantees and contingent liabilities

Other guarantees principally comprise of a guarantee relating to a bid for a second licence in Qatar of £57 million (2007: nil) and a commitment to the Spanish tax authorities of £197 million (2007: nil).

Legal proceedings

Details regarding certain legal actions which involve the Company are set out in note 32 to the Consolidated Financial Statements.