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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 International Financial Reporting Standards ('IFRS') as adopted for use in the EU;
- state for the Company financial statements whether applicable UK accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 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 International Accounting Standards Board ('IASB') and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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

Disclosure of information to auditors

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by Section 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 Company's budget for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. Further detail is included within liquidity and capital resources on pages 41 to 44 and notes 24 and 25 to the consolidated financial statements which include disclosure in relation to the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Management's report on internal control over financial reporting

As required by section 404 of the Sarbanes-Oxley Act 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 to permit the preparation of financial statements in accordance with IFRS, as adopted by the EU and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorisation of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management has assessed the effectiveness of the internal control over financial reporting at 31 March 2009 based on the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO'). Based on management's assessment, management has concluded that the internal control over financial reporting was effective at 31 March 2009.

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. The Group's proportionate interest in Vodacom's total assets, net assets, revenue and profit for the year is £1,749 million, £591 million, £1,778 million and £198 million, respectively.

Management is not required to evaluate the internal controls of entities accounted for under the equity method. Accordingly, the internal controls of these entities, which contributed a net profit of £4,091 million (2008: £2,876 million) to the profit for the financial year, have not been assessed, except relating to controls over the recording of amounts relating to the investments that are recorded in the Group's consolidated financial statements.

During the period covered by this document, there were no changes in the Company's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over financial reporting.

The Company's internal control over financial reporting, as at 31 March 2009, has been audited by Deloitte LLP, an independent registered public accounting firm, who also audit the Group's consolidated financial statements. Their audit report on internal controls over financial reporting is on page 70.

By Order of the Board

Stephen Scott
Secretary
19 May 2009

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 2009 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. The Group's proportionate interest in Vodacom's total assets, net assets, revenue and profit for the year is £1,749 million, £591 million, £1,778 million and £198 million, respectively. Accordingly, our audit did not include the internal control over financial reporting at Vodacom. Management is not required to evaluate the internal controls of entities accounted for under the equity method. Accordingly, the internal controls of these entities, which contributed a net profit of £4,091 million (2008: £2,876 million) to the profit (2008: profit) for the financial year, have not been assessed, except relating to controls over the recording of amounts relating to the investments that are recorded in the Group's consolidated financial statements.

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 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 2009, 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 2009, 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. Our report dated 19 May 2009 expressed an unqualified opinion on those financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
19 May 2009

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

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.

Impairment testing 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. including management's expectations of:

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

The Group prepares and internally approves formal five year plans for its businesses and uses these as the basis for its impairment reviews. In certain markets which are forecast to grow ahead of the long term growth rate for the market, 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 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 estimated by management.

For 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.

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. Further details are provided in note 10 to the consolidated financial statements.

Revenue recognition and presentation

Arrangements with multiple deliverables

In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate units of accounting and the arrangement consideration is allocated to each unit of accounting based on its relative fair value.

Determining the fair value of each deliverable can require complex estimates due to the nature of the goods and services provided. 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.

Presentation: gross versus net

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.

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 profits, losses and/or cash flows.

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 33 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 33 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.

Goodwill

The amount of goodwill initially recognised as a result of a business combination 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 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.

Finite lived intangible assets

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.

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, where 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.

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 2009, intangible assets, excluding goodwill, amounted to £20,980 million (2008: £18,995 million) and represented 13.7% (2008: 14.9%) 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 12.6% (2008: 13.1%) 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 and residual values 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 and residual values have not resulted in material changes to the Group's depreciation charge.

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 2009 and 2008, 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 2009 and the related notes numbered 1 to 39. 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 2009.

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 2009 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 2009 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 2009 and 2008 and the consolidated results of its operations and cash flows for each of the three years in the period ended 31 March 2009 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 2009, 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 opinion on the effectiveness of the Group's internal control over financial reporting is set out on page 70.

Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
19 May 2009

Consolidated income statement

for the years ended 31 March

	Note	2009 £m	2008 £m	Restated 2007 £m
Revenue	3	**41,017**	**35,478**	**31,104**
Cost of sales		(25,842)	(21,890)	(18,725)
Gross profit		**15,175**	**13,588**	**12,379**
Selling and distribution expenses		(2,738)	(2,511)	(2,136)
Administrative expenses		(4,771)	(3,878)	(3,437)
Share of result in associated undertakings	14	4,091	2,876	2,728
Impairment losses	10	(5,900)	–	(11,600)
Other income and expense	30	–	(28)	502
Operating profit/(loss)	4	**5,857**	**10,047**	**(1,564)**
Non-operating income and expense	30	(44)	254	4
Investment income	5	795	714	789
Financing costs	5	(2,419)	(2,014)	(1,612)
Profit/(loss) before taxation		**4,189**	**9,001**	**(2,383)**
Income tax expense	6	(1,109)	(2,245)	(2,423)
Profit/(loss) for the financial year from continuing operations		**3,080**	**6,756**	**(4,806)**
Loss for the financial year from discontinued operations	30	–	–	(416)
Profit/(loss) for the financial year		**3,080**	**6,756**	**(5,222)**
Attributable to:				
– Equity shareholders	23	3,078	6,660	(5,351)
– Minority interests		2	96	129
		3,080	**6,756**	**(5,222)**
Basic earnings/(loss) per share				
Profit/(loss) from continuing operations	8	5.84p	12.56p	(8.94)p
Loss from discontinued operations	8, 30	–	–	(0.76)p
Profit/(loss) for the financial year	8	**5.84p**	**12.56p**	**(9.70)p**
Diluted earnings/(loss) per share				
Profit/(loss) from continuing operations	8	5.81p	12.50p	(8.94)p
Loss from discontinued operations	8, 30	–	–	(0.76)p
Profit/(loss) for the financial year	8	**5.81p**	**12.50p**	**(9.70)p**

Consolidated statement of recognised income and expense

for the years ended 31 March

	Note	2009 £m	2008 £m	Restated 2007 £m
(Losses)/gains on revaluation of available-for-sale investments, net of tax	22	(2,383)	1,949	2,108
Exchange differences on translation of foreign operations, net of tax	22	12,375	5,537	(3,804)
Net actuarial (losses)/gains on defined benefit pension schemes, net of tax	22	(163)	(37)	50
Revaluation gain	22	68	–	–
Foreign exchange (gains)/losses transferred to the consolidated income statement	22	(3)	(7)	763
Fair value gains transferred to the consolidated income statement	22	–	(570)	–
Other, net of tax	22	(40)	37	–
Net gain/(loss) recognised directly in equity		**9,854**	**6,909**	**(883)**
Profit/(loss) for the financial year		3,080	6,756	(5,222)
Total recognised income and expense relating to the year		**12,934**	**13,665**	**(6,105)**
Attributable to:				
– Equity shareholders		13,037	13,912	(6,210)
– Minority interests		(103)	(247)	105
		12,934	**13,665**	**(6,105)**

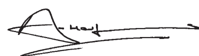
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 March

	Note	2009 £m	2008 £m
Non-current assets			
Goodwill	9	53,958	51,336
Other intangible assets	9	20,980	18,995
Property, plant and equipment	11	19,250	16,735
Investments in associated undertakings	14	34,715	22,545
Other investments	15	7,060	7,367
Deferred tax assets	6	630	436
Post employment benefits	26	8	65
Trade and other receivables	17	3,069	1,067
		139,670	**118,546**
Current assets			
Inventory	16	412	417
Taxation recoverable		77	57
Trade and other receivables	17	7,662	6,551
Cash and cash equivalents	18	4,878	1,699
		13,029	**8,724**
Total assets		**152,699**	**127,270**
Equity			
Called up share capital	19	4,153	4,182
Share premium account	21	43,008	42,934
Own shares held	21	(8,036)	(7,856)
Additional paid-in capital	21	100,239	100,151
Capital redemption reserve	21	10,101	10,054
Accumulated other recognised income and expense	22	20,517	10,558
Retained losses	23	(83,820)	(81,980)
Total equity shareholders' funds		**86,162**	**78,043**
Minority interests		1,787	1,168
Written put options over minority interests		(3,172)	(2,740)
Total minority interests		**(1,385)**	**(1,572)**
Total equity		**84,777**	**76,471**
Non-current liabilities			
Long term borrowings	25	31,749	22,662
Deferred tax liabilities	6	6,642	5,109
Post employment benefits	26	240	104
Provisions	27	533	306
Trade and other payables	28	811	645
		39,975	**28,826**
Current liabilities			
Short term borrowings	25, 35	9,624	4,532
Current taxation liabilities		4,552	5,123
Provisions	27	373	356
Trade and other payables	28	13,398	11,962
		27,947	**21,973**
Total equity and liabilities		**152,699**	**127,270**

The consolidated financial statements were approved by the Board of directors on 19 May 2009 and were signed on its behalf by:



Vittorio Colao
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	2009 £m	2008 £m	2007 £m
Net cash flow from operating activities	30, 31	**12,213**	**10,474**	**10,328**
Cash flows from investing activities				
Purchase of interests in subsidiary undertakings and joint ventures, net of cash acquired		(1,389)	(5,957)	(2,805)
Purchase of intangible assets		(1,764)	(846)	(899)
Purchase of property, plant and equipment		(5,204)	(3,852)	(3,633)
Purchase of investments		(133)	(96)	(172)
Disposal of interests in subsidiary undertakings, net of cash disposed		4	–	6,767
Disposal of interests in associated undertakings		25	–	3,119
Disposal of property, plant and equipment		317	39	34
Disposal of investments		253	785	80
Dividends received from associated undertakings		647	873	791
Dividends received from investments		108	72	57
Interest received		302	438	526
Net cash flow from investing activities	30	**(6,834)**	**(8,544)**	**3,865**
Cash flows from financing activities				
Issue of ordinary share capital and reissue of treasury shares		22	310	193
Net movement in short term borrowings		(25)	(716)	953
Proceeds from issue of long term borrowings		6,181	1,711	5,150
Repayment of borrowings		(2,729)	(3,847)	(1,961)
Purchase of treasury shares		(963)	–	(43)
B share capital redemption		(15)	(7)	(5,713)
B share preference dividends paid		–	–	(3,291)
Equity dividends paid		(4,013)	(3,658)	(3,555)
Dividends paid to minority shareholders in subsidiary undertakings		(162)	(113)	(34)
Amounts received from minority shareholders		618	–	–
Interest paid		(1,470)	(1,545)	(1,051)
Net cash flow from financing activities	30	**(2,556)**	**(7,865)**	**(9,352)**
Net cash flow		**2,823**	**(5,935)**	**4,841**
Cash and cash equivalents at beginning of the financial year	18	1,652	7,458	2,932
Exchange gain/(loss) on cash and cash equivalents		371	129	(315)
Cash and cash equivalents at end of the financial year	18	**4,846**	**1,652**	**7,458**

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of preparation

The consolidated financial statements are prepared in accordance with IFRS as issued by the IASB. The consolidated financial statements are also prepared in accordance with IFRS adopted by the 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 71. 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.

Change in accounting policy

During the year, the Group changed its accounting policy with respect to the acquisition of minority interests in subsidiaries. Results for the years ended 31 March 2005, 2006 and 2007 have been restated. Further details are provided in note 39 to the consolidated financial statements.

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.

Where the Group increases its interest in an entity such that control is achieved, 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.

Acquisition of interests from minority shareholders

Acquisitions of minority interests in subsidiaries are accounted for as transactions between shareholders. There is no remeasurement to fair value of net assets acquired that were previously attributable to minority shareholders.

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.

2. Significant accounting policies continued

Intangible assets

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured.

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.

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.

Finite lived intangible assets

Intangible assets with finite lives are stated at acquisition or development cost, less accumulated amortisation. The amortisation period and method is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Licence and spectrum fees

Amortisation periods for licence and spectrum fees 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 comprises computer software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits 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.

Internally developed software 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.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives from the date the software is available for use.

Other intangible assets

Other intangible assets including brands and customer bases, are recorded at fair value at the date of acquisition. 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.

Estimated useful lives

The estimated useful lives of finite lived intangible assets are as follows:

- Licence and spectrum fees 3 – 25 years
- Computer software 3 – 5 years
- Brands 1 – 10 years
- Customer bases 2 – 7 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 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 GDP growth rate for the country of operation. In such cases, the ten year plan is used until the forecast growth rate trends towards the long term GDP growth rate for the country of operation, up to a maximum of ten years. Long range GDP growth rates for the country of operation 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.

Revenue
Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration received, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data services and information provision, connection fees and equipment sales. Products and services may be sold separately or in bundled packages.

Revenue for access charges, airtime usage and messaging by contract customers is recognised as revenue as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised at the time the services are performed.

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.

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 for device sales is recognised when the device is delivered to the end customer and the sale is considered complete. For device sales made to intermediaries, revenue is recognised if the significant risks associated with the device 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 device to an end customer by the intermediary or the expiry of the right of return.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (1) the deliverable has value to the customer on a stand-alone basis and (2) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value.

Commissions
Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing customers.

For intermediaries who do not purchase products and services from the Group, such cash incentives are accounted for as an expense. Such cash incentives to other intermediaries are also accounted for as an expense if:

- the Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and
- the Group can reliably estimate the fair value of that benefit.

Cash incentives that do not meet these criteria are recognised as a reduction of the related device revenue.

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
The consolidated financial statements are presented in sterling, which is the parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity 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 rates prevailing on the initial transaction dates. Non-monetary items 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.

2. Significant accounting policies continued

Translation differences on non-monetary financial assets, such as investments in equity securities, classified as available for sale are reported as part of the fair value gain or loss and 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. On disposal of a foreign entity, the cumulative amount previously recognised in equity relating to that particular foreign operation is recognised in profit or loss.

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 loss recognised in the consolidated income statement for continuing operations is £131 million (2008: £373 million gain, 2007: £92 million loss). A loss of £794 million was recognised in the 2007 financial year for discontinued operations.

Research expenditure

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

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.

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.

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 as 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 cost 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 issuance 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 remeasured 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, or the Company chooses to end the hedging relationship.

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.

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 (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the 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 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 is equal to the closing price of the Vodafone's shares on the date of grant, adjusted for the present value of future dividend entitlements where appropriate.

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 worldwide 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 arm's length prices.

During the year ended 31 March 2008, the Group early adopted IFRS 8 "Operating Segments". During the year ended 31 March 2009, the Group changed its measure of segment profit from adjusted operating profit to EBITDA. In addition to excluding non-operating income of associates, impairment losses and other income and expense from operating profit, as in the case of adjusted operating profit, EBITDA further excludes the share of results of associates, depreciation, amortisation and gains/losses on the disposal of fixed assets. During the year, the Group changed its organisation structure. The tables below present segment information on the revised basis, with prior years 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	EBITDA £m
31 March 2009							
Germany	7,847		(52)	7,795	(16)	7,779	3,058
Italy	5,547		(36)	5,511	(6)	5,505	2,424
Spain	5,812		(93)	5,719	(4)	5,715	1,897
UK	5,392		(46)	5,346	(10)	5,336	1,219
Other Europe[1]	5,329		(66)	5,263	(5)	5,258	1,824
Europe	**29,927**		**(293)**	**29,634**	**(41)**	**29,593**	**10,422**
Vodacom[2]	1,778		–	1,778	–	1,778	606
Other Africa and Central Europe[3]	3,723		–	3,723	(48)	3,675	1,084
Africa and Central Europe	**5,501**		**–**	**5,501**	**(48)**	**5,453**	**1,690**
India	2,689		(1)	2,688	(19)	2,669	710
Other Asia Pacific and Middle East[4]	3,131		–	3,131	(31)	3,100	1,029
Asia Pacific and Middle East	**5,820**		**(1)**	**5,819**	**(50)**	**5,769**	**1,739**
Common Functions[5]	–	216	–	216	(14)	202	639
Group[6]	**41,248**	**216**	**(294)**	**41,170**	**(153)**	**41,017**	**14,490**
Verizon Wireless[6]	*14,085*						*5,543*
31 March 2008							
Germany	6,866		(51)	6,815	(11)	6,804	2,667
Italy	4,435		(33)	4,402	(6)	4,396	2,158
Spain	5,063		(96)	4,967	(4)	4,963	1,806
UK	5,424		(46)	5,378	(10)	5,368	1,431
Other Europe[1]	4,583		(64)	4,519	(3)	4,516	1,628
Europe	**26,371**		**(290)**	**26,081**	**(34)**	**26,047**	**9,690**
Vodacom[2]	1,609		–	1,609	–	1,609	586
Other Africa and Central Europe[3]	3,337		–	3,337	(35)	3,302	1,083
Africa and Central Europe	**4,946**		**–**	**4,946**	**(35)**	**4,911**	**1,669**
India	1,822		–	1,822	(12)	1,810	598
Other Asia Pacific and Middle East[4]	2,577		–	2,577	(26)	2,551	878
Asia Pacific and Middle East	**4,399**		**–**	**4,399**	**(38)**	**4,361**	**1,476**
Common Functions[5]	–	170	–	170	(11)	159	343
Group[6]	**35,716**	**170**	**(290)**	**35,596**	**(118)**	**35,478**	**13,178**
Verizon Wireless[6]	*10,144*						*3,930*
31 March 2007							
Germany	6,790		(56)	6,734	(9)	6,725	2,696
Italy	4,245		(44)	4,201	(5)	4,196	2,149
Spain	4,500		(106)	4,394	(3)	4,391	1,567
UK	5,124		(54)	5,070	(9)	5,061	1,459
Other Europe[1]	4,275		(82)	4,193	(4)	4,189	1,530
Europe	**24,934**		**(342)**	**24,592**	**(30)**	**24,562**	**9,401**
Vodacom[2]	1,478		–	1,478	–	1,478	532
Other Africa and Central Europe[3]	2,616		–	2,616	(31)	2,585	893
Africa and Central Europe	**4,094**		**–**	**4,094**	**(31)**	**4,063**	**1,425**
India	–		–	–	–	–	–
Other Asia Pacific and Middle East[4]	2,347		–	2,347	(20)	2,327	826
Asia Pacific and Middle East	**2,347**		**–**	**2,347**	**(20)**	**2,327**	**826**
Common Functions[5]	–	168	–	168	(16)	152	308
Group[6]	**31,375**	**168**	**(342)**	**31,201**	**(97)**	**31,104**	**11,960**
Verizon Wireless[6]	*9,387*						*3,614*

Notes:
(1) EBITDA is stated before £520 million (2008: £425 million; 2007: £517 million) representing the Group's share of results in associated undertakings.
(2) EBITDA is stated before £(1) million (2008: £nil; 2007: £nil) representing the Group's share of results in associated undertakings.
(3) EBITDA is stated before £27 million (2008: £nil; 2007: £nil) representing the Group's share of results in associated undertakings.
(4) EBITDA is stated before £4 million (2008: £2 million; 2007: £nil) representing the Group's share of results in associated undertakings.
(5) EBITDA is stated before £(1) million (2008: £2 million; 2007: £1 million) relating to the Group's share of results in associated undertakings.
(6) Values shown for Verizon Wireless are not included in the calculation of Group revenue or EBITDA as Verizon Wireless is an associated undertaking.

A reconciliation of EBITDA 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 74.

	2009 £m	2008 £m	2007 £m
EBITDA	**14,490**	**13,178**	**11,960**
Depreciation and amortisation including loss on disposal of fixed assets	(6,824)	(5,979)	(5,154)
Share of results in associated undertakings	4,091	2,876	2,728
Impairment losses	(5,900)	–	(11,600)
Other items	–	(28)	502
Operating profit/(loss)	**5,857**	**10,047**	**(1,564)**

	Non-current assets[1] £m	Capital expenditure[2] £m	Other expenditure on intangible assets £m	Depreciation and amortisation £m	Impairment loss £m
31 March 2009					
Germany	21,617	750	16	1,318	–
Italy	18,666	521	–	687	–
Spain	13,324	632	–	567	3,400
UK	7,414	446	–	954	–
Other Europe	9,375	511	–	724	–
Europe	**70,396**	**2,860**	**16**	**4,250**	**3,400**
Vodacom	2,287	237	–	231	–
Other Africa and Central Europe	5,700	625	21	830	2,500
Africa and Central Europe	**7,987**	**862**	**21**	**1,061**	**2,500**
India	10,308	1,351	–	746	–
Other Asia Pacific and Middle East	4,687	524	1,101	475	–
Asia Pacific and Middle East	**14,995**	**1,875**	**1,101**	**1,221**	**–**
Common Functions	810	312	–	282	–
Group	**94,188**	**5,909**	**1,138**	**6,814**	**5,900**
31 March 2008					
Germany	19,129	613	14	1,167	–
Italy	16,215	411	1	582	–
Spain	14,589	533	–	500	–
UK	7,930	465	–	973	–
Other Europe	8,303	469	11	616	–
Europe	**66,166**	**2,491**	**26**	**3,838**	**–**
Vodacom	1,676	204	2	219	–
Other Africa and Central Europe	7,075	702	5	694	–
Africa and Central Europe	**8,751**	**906**	**7**	**913**	**–**
India	8,835	1,030	–	562	–
Other Asia Pacific and Middle East	2,597	463	–	389	–
Asia Pacific and Middle East	**11,432**	**1,493**	**–**	**951**	**–**
Common Functions	717	185	8	207	–
Group	**87,066**	**5,075**	**41**	**5,909**	**–**
31 March 2007					
Germany		614	–	1,207	6,700
Italy		421	26	556	4,900
Spain		547	–	449	–
UK		661	–	930	–
Other Europe		489	6	586	–
Europe		**2,732**	**32**	**3,728**	**11,600**
Vodacom		221	–	129	–
Other Africa and Central Europe		484	–	368	–
Africa and Central Europe		**705**	**–**	**497**	**–**
India		111	1	28	–
Other Asia Pacific and Middle East		444	275	290	–
Asia Pacific and Middle East		**555**	**276**	**318**	**–**
Common Functions		216	–	568	–
Group		**4,208**	**308**	**5,111**	**11,600**

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.

4. Operating profit/(loss)

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

	2009 £m	2008 £m	2007 £m
Net foreign exchange losses/(gains)	30	(27)	6
Depreciation of property, plant and equipment (note 11):			
Owned assets	4,025	3,400	2,994
Leased assets	36	27	17
Amortisation of intangible assets (note 9)	2,753	2,482	2,100
Impairment of goodwill (note 10)	5,650	–	11,600
Impairment of licence and spectrum (note 10)	250	–	–
Research and development expenditure	280	234	222
Staff costs (note 36)	3,227	2,698	2,466
Operating lease rentals payable:			
Plant and machinery	68	43	35
Other assets including fixed line rentals	1,331	1,117	984
Loss on disposal of property, plant and equipment	10	70	43
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(273)	(245)	(244)

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

	2009 £m	2008 £m	2007 £m
Audit fees:			
Parent company	1	1	1
Subsidiary undertakings	5	5	4
	6	**6**	**5**
Fees for statutory and regulatory filings[1]	2	1	2
Audit and audit-related fees	**8**	**7**	**7**
Other fees:			
Taxation	1	1	1
Other[2]	–	1	2
	1	**2**	**3**
Total fees	**9**	**9**	**10**

Notes:
(1) Amounts for 2009, 2008 and 2007 include mainly audit fees in relation to Section 404 of the US Sarbanes-Oxley Act of 2002.
(2) The amount for 2007 includes 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.

In addition to the above, the Group's joint ventures and associated undertakings paid fees totalling £3 million (2008: £2 million, 2007: £2 million) and £6 million (2008: £3 million, 2007: £4 million), respectively, to Deloitte LLP and its affiliates during the year. Deloitte 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 55.

5. Investment income and financing costs

	2009 £m	2008 £m	2007 £m
Investment income:			
Available-for-sale investments:			
Dividends received	110	72	57
Other[1]	–	–	86
Loans and receivables at amortised cost[2]	339	451	452
Fair value through the income statement (held for trading):			
Derivatives – foreign exchange contracts	71	125	160
Other[3]	275	66	–
Equity put rights and similar arrangements[4]	–	–	34
	795	**714**	**789**
Financing costs:			
Items in hedge relationships:			
Other loans	782	612	548
Interest rate swaps	(180)	61	(9)
Dividends on redeemable preference shares	53	42	45
Fair value hedging instrument	(1,458)	(635)	42
Fair value of hedged item	1,475	601	(47)
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts	452	347	126
Other loans[5]	440	390	276
Potential interest on settlement of tax issues[6]	(81)	399	406
Equity put rights and similar arrangements[4]	627	143	32
Finance leases	1	7	4
Fair value through the income statement (held for trading):			
Derivatives – forward starting swaps and futures	308	47	71
Other[7]	–	–	118
	2,419	**2,014**	**1,612**
Net financing costs	**1,624**	**1,300**	**823**

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 gains on certain intercompany balances and investments held following the disposal of Vodafone Japan to SoftBank.
(4) 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 44.
(5) Amount for 2009 includes £94 million (2008: £72 million) of foreign exchange losses arising from hedges of a net investment in a foreign operation.
(6) Amount for 2009 includes a reduction of the provision for potential interest on tax issues.
(7) Amount for 2007 includes foreign exchange losses on certain intercompany balances and investments held following the disposal of Vodafone Japan to SoftBank.

6. Taxation

Income tax expense

	2009 £m	2008 £m	2007 £m
United Kingdom corporation tax (income)/expense:			
Current year	(132)	–	–
Adjustments in respect of prior years	(318)	(53)	(30)
	(450)	**(53)**	**(30)**
Overseas current tax expense/(income):			
Current year	2,111	2,539	2,928
Adjustments in respect of prior years	(934)	(293)	215
	1,177	**2,246**	**3,143**
Total current tax expense	**727**	**2,193**	**3,113**
Deferred tax on origination and reversal of temporary differences:			
United Kingdom deferred tax	20	(125)	(49)
Overseas deferred tax	362	177	(641)
Total deferred tax expense/(income)	**382**	**52**	**(690)**
Total income tax expense from continuing operations	**1,109**	**2,245**	**2,423**

Tax charged/(credited) directly to equity

	2009 £m	2008 £m	2007 £m
Current tax charge/(credit)	134	(5)	(2)
Deferred tax (credit)/charge	(64)	(65)	11
Total tax charged/(credited) directly to equity	**70**	**(70)**	**9**

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 28% for 2009 and 30% for 2008 and 2007, 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 26.

	2009 £m	2008 £m	2007 £m
Profit/(loss) before tax on continuing operations as shown in the consolidated income statement	**4,189**	**9,001**	**(2,383)**
Expected income tax expense/(income) on profit from continuing operations at UK statutory tax rate	1,173	2,700	(715)
Effect of taxation of associated undertakings, reported within operating profit	118	134	119
Impairment losses with no tax effect	1,652	–	3,480
Expected income tax expense at UK statutory rate on profit from continuing operations, before impairment losses and taxation of associates	**2,943**	**2,834**	**2,884**
Effect of different statutory tax rates of overseas jurisdictions	382	320	346
Effect of current year changes in statutory tax rates	(31)	66	1
Deferred tax on overseas earnings	(26)	255	(373)
Assets revalued for tax purposes	(155)	(16)	(197)
Effect of previously unrecognised temporary differences including losses	(881)	(833)	(562)
Adjustments in respect of prior years[1]	(1,124)	(254)	145
Expenses not deductible for tax purposes and other items	423	321	577
Exclude taxation of associated undertakings	(422)	(448)	(398)
Income tax expense from continuing operations	**1,109**	**2,245**	**2,423**

Note:
(1) See "Taxation" on page 26.

Deferred tax

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

	2009 £m
1 April 2008	(4,673)
Exchange movements	(1,008)
Charged to the income statement	(382)
Credited directly to equity	64
Reclassification from current tax	16
Merger and acquisition activity	(29)
31 March 2009	**(6,012)**

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

	Amount credited/ (charged) in income statement £m	Gross deferred tax asset £m	Gross deferred tax liability £m	Less amounts unrecognised £m	Net recognised deferred tax asset/ (liability) £m
Accelerated tax depreciation	(330)	765	(2,488)	(52)	(1,775)
Tax losses	(366)	23,538	–	(23,386)	152
Deferred tax on overseas earnings	26	–	(4,052)	–	(4,052)
Other short term timing differences	288	3,927	(2,416)	(1,848)	(337)
31 March 2009	**(382)**	**28,230**	**(8,956)**	**(25,286)**	**(6,012)**

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

	£m
Deferred tax asset	630
Deferred tax liability	(6,642)
31 March 2009	**(6,012)**

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

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)**

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 tax issues, future planning opportunities, corporate acquisitions and disposals, the use of brought forward tax losses and changes in tax legislation and tax rates.

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 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 33 "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.

6. Taxation continued

At 31 March 2009, 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	2	–	343	345
Losses for which no deferred tax is recognised	908	366	81,845	83,119
	910	**366**	**82,188**	**83,464**

Included above are losses amounting to £1,940 million (2008: £1,969 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 £77,780 million (2008: £82,204 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 £46,716 million (2008: £40,181 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. The outcome of the ongoing tax audit 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 £6,535 million increase compared to the position at 31 March 2008 is due to foreign exchange.

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 £63,551 million (2008: £49,000 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

	2009 £m	2008 £m	2007 £m
Declared during the financial year:			
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
Interim dividend for the year ended 31 March 2009: 2.57 pence per share (2008: 2.49 pence per share, 2007: 2.35 pence per share)	1,350	1,322	1,238
	4,017	**3,653**	**3,566**
Proposed after the balance sheet date and not recognised as a liability:			
Final dividend for the year ended 31 March 2009: 5.20 pence per share (2008: 5.02 pence per share, 2007: 4.41 pence per share)	2,731	2,667	2,331

8. Earnings/(loss) per share

	2009 Millions	2008 Millions	Restated 2007 Millions
Weighted average number of shares for basic earnings/(loss) per share	52,737	53,019	55,144
Effect of dilutive potential shares: restricted shares and share options(1)	232	268	–
Weighted average number of shares for diluted earnings/(loss) per share	**52,969**	**53,287**	**55,144**

	£m	£m	£m
Earnings/(loss) for basic and diluted earnings per share:			
Continuing operations	3,078	6,660	(4,932)
Discontinued operations(2)	–	–	(419)
Total	**3,078**	**6,660**	**(5,351)**

Notes:
(1) In the year ended 31 March 2007, 215 million shares have been excluded from the calculation of diluted loss per share as they are not dilutive.
(2) See note 30 for further information on discontinued operations, including the per share effect of discontinued operations.

9. Intangible assets

	Goodwill £m	Licences and spectrum £m	Computer software £m	Other £m	Total £m
Cost:					
1 April 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**
Exchange movements	14,298	2,778	749	153	17,978
Arising on acquisition	613	199	69	130	1,011
Additions	–	1,138	1,144	–	2,282
Disposals	–	(1)	(403)	–	(404)
Transfer to investments in associated undertakings	(9)	(16)	–	–	(25)
31 March 2009	**106,664**	**26,138**	**7,359**	**1,471**	**141,632**
Accumulated impairment losses and amortisation:					
1 April 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**
Exchange movements	6,630	659	569	126	7,984
Amortisation charge for the year	–	1,522	885	346	2,753
Impairment losses	5,650	250	–	–	5,900
Disposals	–	–	(391)	–	(391)
Transfers to investments in associated undertakings	–	(11)	–	–	(11)
31 March 2009	**52,706**	**7,552**	**5,223**	**1,213**	**66,694**
Net book value:					
31 March 2008	**51,336**	**16,908**	**1,640**	**447**	**70,331**
31 March 2009	**53,958**	**18,586**	**2,136**	**258**	**74,938**

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 and other intangible assets, amortisation is included within the cost of sales line within the consolidated income statement. Licences and spectrum with a net book value of £2,765m (2008: £nil) have been pledged as security against borrowings.

The net book value at 31 March 2009 and expiry dates of the most significant licences are as follows:

	Expiry date	2009 £m	2008 £m
Germany	December 2020	5,452	5,089
UK	December 2021	4,246	4,579
Qatar	June 2028	1,482	–
Italy	December 2021	1,240	1,150

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 and licences and spectrum fees are as follows:

Cash generating unit	Reportable segment	2009 £m	2008 £m	2007 £m
Spain	Spain	3,400	–	–
Turkey	Other Africa and Central Europe	2,250	–	–
Ghana	Other Africa and Central Europe	250	–	–
Germany	Germany	–	–	6,700
Italy	Italy	–	–	4,900
		5,900	**–**	**11,600**

Year ended 31 March 2009

The impairment losses were based on value in use calculations. The pre-tax adjusted discount rate used in the most recent value in use in the year ended 31 March 2009 calculation are as follows:

	Pre-tax adjusted discount rate
Spain	10.3%
Turkey[1]	19.5%
Ghana	26.9%

Note:
(1) The pre-tax adjusted discount rate used in the value in use calculation at 30 September 2008 was 18.6%.

Spain

During the year ended 31 March 2009, the goodwill in relation to the Group's operations in Spain was impaired by £3,400 million following a fall in long term cash flow forecasts resulting from the economic downturn.

The pre-tax risk adjusted discount rate used in the previous value in use calculation at 31 January 2008 was 10.6%.

Turkey

During the year ended 31 March 2009, the goodwill and other intangible assets in relation to the Group's operations in Turkey was impaired by £2,250 million. At 30 September 2008, the goodwill was impaired by £1,700 million following adverse movements in the discount rate and adverse performance against previous plans. During the second half of the 2009 financial year, impairment losses of £300 million in relation to goodwill and £250 million in relation to licences and spectrum resulted from adverse changes in both the discount rate and a fall in the long term GDP growth rate. The cash flow projections within the business plans used for impairment testing were substantially unchanged from those used at 30 September 2008.

The pre-tax risk adjusted discount rate used in the previous value in use calculation at 31 January 2008 was 16.2%.

Ghana

During the year ended 31 March 2009, the goodwill in relation to the Group's operations in Ghana was impaired by £250 million following an increase in the discount rate. The cash flow projections within the business plan used for impairment testing was substantially unchanged from the acquisition business case.

Year ended 31 March 2007

Germany

During the year ended 31 March 2007, the goodwill in relation to the Group's mobile operation in Germany was impaired by £6,700 million following an increase in long term interest rates and increased price competition in the German market along with continued regulatory pressures.

The impairment loss was based on a value in use calculation using a pre-tax risk adjusted discount rate at 31 March 2007 of 10.6% (31 January 2008: 10.2%; 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 £4,900 million. During the second half of the 2007 financial year, £3,500 million 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 £1,400 million, following an increase in long term interest rates.

The impairment loss was based on a value in use calculation using a pre-tax risk adjusted discount rate at 31 March 2007 of 11.5% (31 January 2008: 11.5%; 31 January 2007: 11.2%; 30 September 2006: 10.9%; 31 January 2006: 10.1%).

Goodwill

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

	2009 £m	2008 £m
Germany	12,786	10,984
Italy	15,361	13,205
Spain	10,561	12,168
	38,708	**36,357**
Other	15,250	14,979
	53,958	**51,336**

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 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 roll out networks in emerging markets, 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 businesses where five years of management plan data is 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 estimated by management. For businesses where the ten years of management plan data is 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 eight to ten of the management plan.
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, where possible 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.

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 2009

The estimated recoverable amount of the Group's operations in Spain, Turkey and Ghana equalled their respective carrying value and, consequently, any adverse change in key assumption would, in isolation, cause a further impairment loss to be recognised. The estimated recoverable amount of the Group's operations in the UK, Ireland, Romania, Germany and Italy exceeded their carrying value by approximately £900 million, £60 million, £300 million, £9,250 million and £2,200 million respectively. The tables below show the key assumptions used in the value in use calculation and, for the UK, Ireland, Romania, Germany and Italy, 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							
	Spain %	Turkey[1] %	Ghana %	UK %	Ireland %	Romania %	Germany %	Italy %
Pre-tax adjusted discount rate	10.3	19.5	26.9	8.6	10.2	14.8	8.5	11.8
Long term growth rate	1.1	7.5	7.3	1.0	–	1.1	1.1	–
Budgeted EBITDA[2]	(3.9)	22.3	37.2	(2.8)	(3.5)	(3.1)	n/a	2.2
Budgeted capital expenditure[3]	9.1 to 11.8	8.2 to 69.8	7.7 to 91.6	n/a	n/a	n/a	5.5 to 9.7	7.7 to 9.9

Notes:
(1) The assumptions listed in the table were used in the value in use calculation at 31 March 2009. The pre-tax adjusted discount rate, long term growth rate, budgeted EBITDA and budgeted capital expenditure assumptions used in the value in use calculation at 30 September 2008 were 18.6%, 10.0%, 13.1% and 8.2% to 54.7%.
(2) Budgeted EBITDA is expressed as the compound annual growth rates in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.
(3) Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.

	Change required for carrying value to equal the recoverable amount				
	UK pps	Ireland pps	Romania pps	Germany pps	Italy pps
Pre-tax adjusted discount rate	0.9	0.2	2.2	3.3	1.4
Long term growth rate	(1.1)	(0.3)	(3.4)	(3.9)	(1.5)
Budgeted EBITDA[1]	(6.9)	(1.6)	(9.0)	n/a	(9.1)
Budgeted capital expenditure[2]	n/a	n/a	n/a	23.8	8.5

Notes:
(1) Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years of the plans used for impairment testing.
(2) Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years of the plans used for impairment testing.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the aggregate impairment loss recognised in the year ended 31 March 2009:

	Spain		Turkey		Ghana		All other	
	Increase by 2% £bn	Decrease by 2% £bn	Increase by 2% £bn	Decrease by 2% £bn	Increase by 2% £bn	Decrease by 2% £bn	Increase by 2% £bn	Decrease by 2% £bn
Pre-tax adjusted discount rate	(2.1)	3.3	(0.4)	0.6	(0.04)	0.05	(2.1)	–
Long term growth rate	3.4	(1.9)	0.3	(0.2)	0.01	(0.01)	–	(1.5)
Budgeted EBITDA[1]	0.4	(0.3)	0.1	(0.1)	0.02	(0.01)	–	–
Budgeted capital expenditure[2]	(0.4)	0.4	(0.1)	0.1	(0.02)	0.02	–	–

Notes:
(1) Represents the compound annual growth rate for the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.
(2) Represents capital expenditure as a percentage of revenue in the initial ten years for Turkey and Ghana and the initial five years for all other cash generating units of the plans used for impairment testing.

31 March 2008

The estimated recoverable amount of the Group's operations in Germany and Italy exceeded their carrying value by approximately £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 pps	Italy pps
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 plans used for impairment testing.
(2) Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue in the initial five years of the plans used for impairment testing.

11. Property, plant and equipment

	Land and buildings £m	Equipment fixtures and fittings £m	Total £m
Cost:			
1 April 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**
Exchange movements	191	4,775	4,966
Arising on acquisition	15	223	238
Additions	100	4,665	4,765
Disposals	(101)	(1,450)	(1,551)
Transfer to investment in associated undertakings	–	(298)	(298)
Reclassifications	(214)	214	–
31 March 2009	**1,421**	**43,943**	**45,364**
Accumulated depreciation and impairment:			
1 April 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**
Exchange movements	79	2,811	2,890
Charge for the year	91	3,970	4,061
Disposals	(17)	(1,217)	(1,234)
Transfer to investment in associated undertakings	–	(112)	(112)
Reclassifications	(92)	92	–
31 March 2009	**583**	**25,531**	**26,114**
Net book value:			
31 March 2008	**908**	**15,827**	**16,735**
31 March 2009	**838**	**18,412**	**19,250**

The net book value of land and buildings and equipment, fixtures and fittings includes £106 million and £82 million, respectively (2008: £110 million and £51 million) in relation to assets held under finance leases. 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 £44 million and £1,186 million, respectively (2008: £28 million and £1,013 million). Property, plant and equipment with a net book value of £148 million (2008: £1,503 million) has been pledged as security against borrowings.

12. Principal subsidiary undertakings

At 31 March 2009, 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]	Network operator	Germany	100.0
Vodafone Albania Sh.A.	Network operator	Albania	99.9
Vodafone Americas Inc.[3]	Holding company	USA	100.0
Vodafone Czech Republic a.s.	Network operator	Czech Republic	100.0
Vodafone D2 GmbH	Network operator	Germany	100.0
Vodafone Egypt Telecommunications S.A.E.	Network operator	Egypt	54.9
Vodafone España S.A.U.	Network operator	Spain	100.0
Vodafone Essar Limited[4]	Network operator	India	51.6
Vodafone Europe B.V.	Holding company	Netherlands	100.0
Ghana Telecommunications Company Limited	Network operator	Ghana	70.0
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.U.	Holding company	Spain	100.0
Vodafone Hungary Mobile Telecommunications Company Limited	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	Network operator	Ireland	100.0
Vodafone Libertel B.V.	Network operator	Netherlands	100.0
Vodafone Limited	Network operator	England	100.0
Vodafone Malta Limited	Network operator	Malta	100.0
Vodafone Marketing S.a.r.l.	Provider of partner network services	Luxembourg	100.0
Vodafone Australia Limited	Network operator	Australia	100.0
Vodafone New Zealand Limited	Network operator	New Zealand	100.0
Vodafone-Panafon Hellenic Telecommunications Company S.A.	Network operator	Greece	99.9
Vodafone Portugal-Comunicações Pessoais, S.A.[6]	Network operator	Portugal	100.0
Vodafone Qatar Q.S.C.[7]	Network operator	Qatar	38.3
Vodafone Romania S.A.	Network operator	Romania	100.0
Vodafone Telekomunikasyon A.S.	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.
(7) At 31 March 2009, Vodafone and Qatar Foundation LLC – in which the Group has a 51.0% equity interest – owned 75% of the issued and outstanding share capital of Vodafone Qatar Q.S.C., representing 45% of the authorised share capital. On 10 May 2009, the previously unissued authorised share capital was allotted to Qatari citizens by means of a public offering, following which Vodafone and Qatar Foundation LLC owns 45% of Vodafone Qatar Q.S.C.'s issued and outstanding share capital. The Group has rights, both pre and post the public offering, through its shareholding in Vodafone and Qatar Foundation LLC that enable it to control the strategic and operating decisions of Vodafone Qatar Q.S.C.

13. Investments in joint ventures

Principal joint ventures

At 31 March 2009, the Company had the following joint venture undertakings carrying on businesses which affect the profits and assets of the Group. 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	Network infrastructure	India	21.7[2]
Polkomtel S.A.	Network operator	Poland	24.4
Vodacom Group (Pty) Limited	Holding company	South Africa	50.0
Vodafone Fiji Limited	Network operator	Fiji	49.0[3]
Vodafone Omnitel N.V.[4]	Network operator	Netherlands	76.9[5]

Notes:
(1) Rounded to nearest tenth of one percent.
(2) Vodafone Essar, in which the Group has a 51.6% equity interest, owns 42.0% of Indus Towers Limited.
(3) The Group holds substantive participating rights which provide it with a veto over the significant financial and operating policies of Vodafone Fiji Limited and which ensure it is able to exercise joint control over Vodafone Fiji Limited with the majority shareholder.
(4) The principal place of operation of Vodafone Omnitel N.V. is Italy.
(5) 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 table presents, on a condensed basis, the effect on the consolidated financial statements of including joint ventures using proportionate consolidation. The results of Safaricom Limited ('Safaricom') are included until 28 May 2008, at which time its consolidation status changed from joint venture to associated undertaking following completion of the share allocation for the public offering of 25% of Safaricom's shares previously held by the Government of Kenya and termination of the shareholding agreement with the Government of Kenya. The results related to the additional 4.8% stake in Polkomtel acquired in the year are included from 18 December 2008.

	2009 £m	2008 £m	2007 £m
Revenue	**7,737**	**6,448**	**6,232**
Cost of sales	(4,076)	(3,225)	(3,077)
Gross profit	**3,661**	**3,223**	**3,155**
Selling, distribution and administrative expenses	(1,447)	(1,155)	(1,121)
Impairment losses	–	–	(4,900)
Operating profit/(loss)	**2,214**	**2,068**	**(2,866)**
Net financing costs	(170)	(119)	46
Profit/(loss) before tax	**2,044**	**1,949**	**(2,820)**
Income tax expense	(564)	(829)	(614)
Profit/(loss) for the financial year	**1,480**	**1,120**	**(3,434)**

	2009 £m	2008 £m
Non-current assets	22,688	19,102
Current assets	1,148	235
Total assets	**23,836**	**19,337**
Total shareholders' funds	20,079	16,036
Minority interests	20	13
Total equity	**20,099**	**16,049**
Non-current liabilities	865	352
Current liabilities	2,872	2,936
Total liabilities	**3,737**	**3,288**
Total equity and liabilities	**23,836**	**19,337**

14. Investments in associated undertakings

At 31 March 2009, the Company had the following principal associated undertakings carrying on businesses which affect the profits and assets of the Group. 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]	Network operator	USA	45.0
Société Française du Radiotéléphone S.A.	Network operator	France	44.0
Safaricom Limited[3][4][5][6]	Network operator	Kenya	40.0

Notes:
(1) Rounded to nearest tenth of one percent.
(2) Cellco Partnership trades under the name Verizon Wireless.
(3) The Group also holds two non-voting shares.
(4) Following completion of the share allocation for the public offering of 25% of Safaricom's shares previously held by the Government of Kenya on 28 May 2008 and termination of the shareholders' agreement with the Government of Kenya the Group changed the consolidation status of Safaricom from a joint venture to an associated undertaking.
(5) During the year ended 31 March 2009, under an agreement with Mobitelea Ventures Limited, the Group completed the purchase of a 5% indirect equity stake in Safaricom increasing the Group's effective interest in Safaricom to 40%.
(6) At 31 March 2009, the fair value of Safaricom Limited was KES 48 billion (£421 million) based on the closing quoted share price on the Nairobi stock exchange.

The Group's share of the aggregated financial information of equity accounted associated undertakings is set out below. The amounts for the year ended 31 March 2007 include 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 30). The amounts for the year ended 31 March 2009 include the share of results in Safaricom from 28 May 2008, at which time its consolidation status changed from being a joint venture to an associated undertaking.

	2009 £m	2008 £m	2007 £m
Revenue	19,307	13,630	12,919
Share of result in associated undertakings	4,091	2,876	2,728
Share of discontinued operations in associated undertakings	57	–	–

	2009 £m	2008 £m
Non-current assets	50,732	25,951
Current assets	4,641	2,546
Share of total assets	**55,373**	**28,497**
Non-current liabilities	8,668	1,830
Current liabilities	11,394	3,736
Minority interests	596	386
Share of total liabilities and minority interests	**20,658**	**5,952**
Share of equity shareholders' funds in associated undertakings	**34,715**	**22,545**

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.

	2009 £m	2008 £m
Listed securities:		
Equity securities	3,931	4,813
Unlisted securities:		
Equity securities	833	949
Public debt and bonds	20	24
Other debt and bonds	2,094	1,352
Cash held in restricted deposits	182	229
	7,060	**7,367**

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

	2009 £m	2008 £m
Goods held for resale	412	417

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

	2009 £m	2008 £m	2007 £m
1 April	118	100	97
Exchange movements	13	11	(2)
Amounts (credited)/charged to the income statement	(20)	7	5
31 March	**111**	**118**	**100**

Cost of sales includes amounts related to inventory amounting to £4,853 million (2008: £4,320 million; 2007: £3,797 million).

17. Trade and other receivables

	2009 £m	2008 £m
Included within non-current assets:		
Trade receivables	56	49
Other receivables	423	66
Prepayments and accrued income	132	121
Derivative financial instruments	2,458	831
	3,069	**1,067**
Included within current assets:		
Trade receivables	3,751	3,549
Amounts owed by associated undertakings	50	21
Other receivables	744	494
Prepayments and accrued income	2,868	2,426
Derivative financial instruments	249	61
	7,662	**6,551**

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:

	2009 £m	2008 £m	2007 £m
1 April	664	473	431
Exchange movements	101	73	(16)
Amounts charged to administrative expenses	423	293	201
Trade receivables written off	(314)	(175)	(143)
31 March	**874**	**664**	**473**

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

	2009 £m	2008 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	16	70
Foreign exchange swaps	104	42
	120	**112**
Fair value hedges:		
Interest rate swaps	2,587	780
	2,707	**892**

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.

18. Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	811	451
Money market funds	3,419	477
Repurchase agreements	648	478
Commercial paper	–	293
Cash and cash equivalents as presented in the balance sheet	**4,878**	**1,699**
Bank overdrafts	(32)	(47)
Cash and cash equivalents as presented in the cash flow statement	**4,846**	**1,652**

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.

19. Called up share capital

	2009		2008	
	Number	£m	Number	£m
Authorised:				
Ordinary shares of 11 3/7 US cents each	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	58,255,055,725	4,182	58,085,695,298	4,172
Allotted during the year	51,227,991	3	169,360,427	10
Cancelled during the year	(500,000,000)	(32)	–	–
31 March	**57,806,283,716**	**4,153**	**58,255,055,725**	**4,182**
B shares allotted, issued and fully paid[(2)]:				
1 April	87,429,138	13	132,001,365	20
Redeemed during the year	(87,429,138)	(13)	(44,572,227)	(7)
31 March	**–**	**–**	**87,429,138**	**13**

Notes:
(1) At 31 March 2009, the Group held 5,322,411,101 (2008: 5,132,496,335) treasury shares with a nominal value of £382 million (2008: £368 million). The market value of shares held was £6,533 million (2008: £7,745 million). During the year, 41,146,589 (2008: 101,466,161) treasury shares were reissued under Group share option schemes.
(2) On 31 July 2006, the Company 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 redeemed all B shares still in issue at their nominal value of 15 pence. B shareholders that chose future redemption were entitled to receive a continuing non-cumulative dividend of 75 per cent of sterling LIBOR payable semi-annually in arrear until they were redeemed. The continuing B share dividend is shown within financing costs in the income statement.

By 31 March 2009, total capital of £9,026 million had been returned to shareholders, £5,735 million by way of capital redemption and £3,291 million by way of initial dividend (note 21). During the period, a transfer of £15 million (2008: £7 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	49,130,811	3	72
US share awards and option scheme awards	2,097,180	–	5
Total for share awards and option scheme awards	**51,227,991**	**3**	**77**

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 plan

The Vodafone Group 2008 sharesave plan and its predecessor the Vodafone Group 1998 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 plans

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. No share options have been granted to the directors or employees under the Vodafone global incentive plan in the year to 31 March 2009.

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 plans

Share option plans 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 global allshare plan

A significant number of employees received a conditional award of 290 shares (2008: 320) in the Company on 1 July 2008, under the Vodafone Group global allshare 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 were able to defer their 2006 and 2007 annual bonuses 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		
	2009 Millions	2008 Millions	2007 Millions	2009 Millions	2008 Millions	2007 Millions
1 April	1	3	8	373	584	787
Granted during the year	–	–	–	7	46	65
Forfeited during the year	–	–	–	(11)	(30)	(31)
Exercised during the year	–	(1)	(3)	(16)	(204)	(179)
Expired during the year	–	(1)	(2)	(19)	(23)	(58)
31 March	**1**	**1**	**3**	**334**	**373**	**584**
Weighted average exercise price:						
1 April	$18.15	$21.46	$26.53	£1.42	£1.35	£1.32
Granted during the year	–	–	–	£1.21	£1.63	£1.12
Forfeited during the year	–	–	–	£1.47	£1.67	£1.26
Exercised during the year	–	$19.52	$18.50	£1.09	£1.20	£1.05
Expired during the year	–	$28.50	$41.86	£1.55	£1.72	£1.68
31 March	**$15.37**	**$18.15**	**$21.46**	**£1.41**	**£1.42**	**£1.35**

Notes to the consolidated financial statements continued

20. Share-based payments continued

Summary of options outstanding and exercisable at 31 March 2009

	Outstanding shares Millions	Weighted average exercise price	Outstanding Weighted average remaining contractual life Months	Exercisable shares Millions	Weighted average exercise price	Exercisable Weighted average remaining contractual life Months
Vodafone Group savings related and sharesave plan:						
£0.01 – £1.00	9	£0.92	17	–	–	–
£1.01 – £2.00	13	£1.24	37	–	–	–
	22	**£1.11**	**29**	**–**	**–**	**–**
Vodafone Group executive plans:						
£1.01 – £2.00	9	£1.58	28	9	£1.58	28
£2.01 – £3.00	20	£2.76	13	20	£2.76	13
	29	**£2.39**	**18**	**29**	**£2.39**	**18**
Vodafone Group 1999 long term stock incentive plan:						
£0.01 – £1.00	62	£0.90	39	62	£0.90	39
£1.01 – £2.00	219	£1.46	58	148	£1.48	41
	281	**£1.34**	**54**	**210**	**£1.31**	**40**
Other share option plans:						
£1.01 – £2.00	1	£1.14	35	1	£1.14	35
Greater than £3.01	1	£2.47	31	1	£2.47	31
	2	**£1.77**	**33**	**2**	**£1.77**	**33**
Vodafone Group 1999 long term stock incentive plan:						
$10.01 – $30.00	**1**	**$15.37**	**43**	**1**	**$15.05**	**42**

Fair value of options granted

	ADS options		Ordinary share options				
		Other[1]	Board of directors and Executive Committee[1]				Other
	2008	2007	2008	2007	2009	2008	2007
Expected life of option (years)	4-5	5-6	4-5	5-6	3-5	4-5	5-7
Expected share price volatility	25.5-33.5%	27.3-28.3%	25.7-27.7%	24.0-27.7%	30.9-31.0%	25.5-33.5%	25.5-28.3%
Dividend yield	3.8-4.2%	5.1-5.5%	4.0-4.4%	4.8-5.5%	5.04%	3.8-4.2%	5.1-6.1%
Risk free rates	4.4-5.7%	4.8%	5.5%	4.7-4.9%	4.9%	4.4-5.7%	4.6-4.9%
Exercise price[2]	£1.67-1.76	£1.15	£1.68	£1.15-1.36	£1.21	£1.67-1.76	£1.14-1.16

Notes:
(1) There were no options granted in the year ended 31 March 2009.
(2) In the years ended 31 March 2008 and 31 March 2007, there was more than one option grant.

The fair value of options granted 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 as a result the assumptions are disclosed separately.

Share awards

Movements in non-vested shares during the year ended 31 March 2009 are as follows:

	Global allshare plan Millions	Global allshare plan Weighted average fair value at grant date	Other Millions	Other Weighted average fair value at grant date	Total Millions	Total Weighted average fair value at grant date
1 April 2008	34	£1.30	213	£1.16	247	£1.18
Granted	17	£1.32	155	£1.05	172	£1.08
Vested	(16)	£1.04	(58)	£1.15	(74)	£1.13
Forfeited	(3)	£1.38	(22)	£1.07	(25)	£1.10
31 March 2009	**32**	**£1.43**	**288**	**£1.11**	**320**	**£1.15**

Other information

The weighted average grant date fair value of options granted during the 2009 financial year was £0.39 (2008: £0.34, 2007: £0.22).

The total fair value of shares vested during the year ended 31 March 2009 was £84 million (2008: £75 million, 2007: £41 million).

The compensation cost included in the consolidated income statement in respect of share options and share plans for continuing operations was £128 million (2008: £107 million, 2007: £93 million), which is comprised entirely of equity-settled transactions.

The average share price for the year ended 31 March 2009 was 136 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 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**
Issue of new shares	74	–	(70)	–
Own shares released on vesting of share awards	–	59	–	–
Purchase of own shares	–	(1,000)	–	–
Cancellation of own shares held	–	755	–	32
Other receipts from reissue of own shares	–	6	–	–
BEE[1] initial share-based payment charge	–	–	39	–
B share capital redemption	–	–	–	15
Share-based payment charge, inclusive of tax charge of £9 million	–	–	119	–
31 March 2009	**43,008**	**(8,036)**	**100,239**	**10,101**

Note:
(1) BEE refers to the broad based black economic empowerment transaction undertaken by Vodacom in South Africa.

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 2006 (restated)	3,118	(109)	1,044	112	–	4,165
(Losses)/gains arising in the year	(3,802)	65	2,108	–	–	(1,629)
Transfer to the income statement on disposal (restated)	763	–	–	–	–	763
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**
Gains/(losses) arising in the year	12,614	(220)	(2,383)	68	(56)	10,023
Transfer to the income statement on disposal	(3)	–	–	–	–	(3)
Tax effect	(134)	57	–	–	16	(61)
31 March 2009	**18,451**	**(259)**	**2,148**	**180**	**(3)**	**20,517**

23. Movements in retained losses

	2009 £m	2008 £m	Restated 2007 £m
1 April	(81,980)	(85,253)	(67,431)
Profit/(loss) for the financial year	3,078	6,660	(5,351)
Equity dividends (note 7)	(4,017)	(3,653)	(3,566)
Loss on issue of treasury shares	(44)	(60)	(43)
B share capital redemption	(15)	(7)	(5,713)
B share preference dividend	–	–	(3,291)
Cancellation of shares	(755)	–	–
Equity put rights and similar obligations[1]	–	333	142
Transactions with minority shareholders	(87)	–	–
31 March	**(83,820)**	**(81,980)**	**(85,253)**

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.

24. Capital and financial risk management

Capital management

The following table summarises the capital of the Group:

	2009 £m	2008 £m
Cash and cash equivalents	(4,878)	(1,699)
Derivative financial instruments	(2,272)	(348)
Borrowings	41,373	27,194
Net debt	**34,223**	**25,147**
Equity	84,777	76,471
Capital	**119,000**	**101,618**

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 loaned internally or contributed as equity to certain subsidiaries. The Board has approved three internal 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.

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 Board, most recently on 23 September 2008. A treasury risk committee, comprising of the Group's Chief Financial Officer, Group General Counsel and Company Secretary, Corporate Finance Director 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. The Group accounting function, which does not report to the Group Corporate Finance Director, 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 currency and interest rate risk management purposes only, by specialist treasury personnel. In light of the current financial crisis within the banking sector, the Group has reviewed the types of financial risk it faces and continues to monitor these on an ongoing basis. The Group considers that credit risk has increased in the banking sector and has mitigated this risk by the introduction of collateral support agreements for certain counterparties.

Credit risk

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

	2009 £m	2008 £m
Bank deposits	811	451
Repurchase agreements	648	478
Money market fund investments	3,419	477
Commercial paper investments	–	293
Derivative financial instruments	2,707	892
Other investments – debt and bonds	2,114	1,376
Trade receivables	3,807	3,598
	13,506	**7,565**

Money market investments 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 2009:

	2009 £m	2008 £m
Sovereign	544	418
Supranational	104	60
	648	**478**

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 firstly, reference to the long term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's and secondly, as a consequence of collateral support agreements introduced from the fourth quarter of 2008. Under collateral support agreements, the Group's exposure to a counterparty with whom a collateral support agreement is in place is reduced to the extent that the counterparty must post cash collateral when there is value due to the Group under outstanding derivative contracts that exceeds a contractually agreed threshold amount. When value is due to the counterparty, the Group is required to post collateral on identical terms. Such cash collateral is adjusted daily as necessary.

In the event of any default, ownership of the cash collateral would revert to the respective holder at that point. Detailed below is the value of the cash collateral, which is reported within short term borrowings, held by the Group at 31 March 2009:

	2009 £m	2008 £m
Cash collateral	**691**	**–**

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 2009, £1,987 million (2008: £1,546 million) of trade receivables were not yet due for payment. Total trade receivables consisted of £2,798 million (2008: £2,881 million) relating to the Europe region, £561 million (2008: £396 million) relating to the Africa and Central Europe region and £448 million (2008: £321 million) relating to the Asia Pacific and Middle East 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.

	2009 £m	2008 £m
30 days or less	1,430	1,714
Between 31 – 60 days	131	117
Between 61 – 180 days	121	115
Greater than 180 days	138	106
	1,820	**2,052**

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 2009 were £423 million (2008: £293 million, 2007: £201 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 2009 was £2,073 million (2008: £1,346 million).

Liquidity risk

At 31 March 2009, the Group had US$9.1 billion committed undrawn bank facilities and US$15 billion and £5 billion commercial paper programmes, supported by the US$9.1 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.

During the year, US$4.1 billion of the committed facility was extended from a maturity of 24 June 2009 to 28 July 2011. The remaining US$5 billion has a maturity of 22 June 2012. Both facilities have remained undrawn throughout the financial year and since year end and provide liquidity support.

The Group manages liquidity risk on long term borrowings by maintaining a varied maturity profile with a cap on the level of debt maturing in any one calendar year, therefore minimising refinancing risk. Long term borrowings mature between one and 28 years.

Liquidity is reviewed daily on at least a 12 month rolling basis and stress tested on the assumption that all commercial paper outstanding matures and is not reissued. The Group maintains substantial cash and cash equivalents, which at 31 March 2009 amounted to £4,878 million (2008: £1,699 million).

Market risk

Interest rate management

Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in euros, US dollars and sterling are maintained on a floating rate basis, unless the forecast interest charge for the next 12 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 2009, 43% (2008: 77%) of the Group's gross borrowings were fixed for a period of at least one year. For each one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 March 2009 there would be a reduction or increase in profit before tax by approximately £175 million (2008: increase or reduce by £3 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, US dollars and sterling, 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 2009, 117% of net debt was denominated in currencies other than sterling (57% euro, 46% US dollar and 14% other), while 17% 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 £371 million from currency translation differences in the year ended 31 March 2009 (2008: £129 million).

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 44, were granted by a legal entity with a euro functional currency. A 23%, 10% or 15% (2008: 10%, 2% or 1%) change in the ¥/£, ¥/€ or US$/€ exchange rates would have a £164 million, £136 million or £496 million (2008: £47 million, £17 million and £23 million) 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 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. Amounts are calculated by retranslating the operating profit of each entity whose functional currency is either euro or US dollar.

	2009 £m
Euro 12% change – Operating profit	347
US dollar 17% change – Operating profit	632

At 31 March 2008, sensitivity of the Group's operating profit was analysed for euro 6% change and US$ 7% change, representing £357 million and £177 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.

25. Borrowings

Carrying value and fair value information

	2009			2008		
	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	893	5,159	6,052	806	2,669	3,475
Bank overdrafts	32	–	32	47	–	47
Redeemable preference shares	–	1,453	1,453	–	985	985
Commercial paper	2,659	–	2,659	1,443	–	1,443
Bonds	515	8,064	8,579	1,125	4,439	5,564
Other liabilities[1]	1,015	4,122	5,137	306	3,005	3,311
Bonds in fair value hedge relationships	4,510	12,951	17,461	805	11,564	12,369
	9,624	**31,749**	**41,373**	**4,532**	**22,662**	**27,194**

Note:
(1) At 31 March 2009, amount includes £691 million (2008: £nil) in relation to collateral support agreements.

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

	Sterling equivalent nominal value		Fair value		Carrying value	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Financial liabilities measured at amortised cost	5,131	3,731	5,108	3,715	5,114	3,727
Bonds in fair value hedge relationships:	4,320	802	4,397	800	4,510	805
4.25% euro 1,859 million bonds due May 2009	1,720	–	1,722	–	1,780	–
4.75% euro 859 million bond due May 2009	794	–	798	–	831	–
7.75% US dollar 2,582 million bond due February 2010	1,806	–	1,877	–	1,899	–
5.5% euro 400 million bond due July 2008	–	37	–	37	–	39
6.25% sterling 400 million bond due July 2008	–	400	–	400	–	397
6.65% US dollar 500 million bond due May 2008	–	126	–	126	–	130
4.0% euro 300 million bond due January 2009	–	239	–	237	–	239
Short term borrowings	**9,451**	**4,533**	**9,505**	**4,515**	**9,624**	**4,532**

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

	Sterling equivalent nominal value		Fair value		Carrying value	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Financial liabilities measured at amortised cost:						
Bank loans	4,993	2,640	5,159	2,669	5,159	2,669
Redeemable preference shares	1,237	906	1,453	985	1,453	985
Bonds:	6,976	4,368	6,559	4,256	8,064	4,439
Euro floating rate note due February 2010	–	239	–	237	–	240
US dollar floating rate note due June 2011	245	176	227	227	245	176
Euro floating rate note due January 2012	1,203	1,035	1,136	1,007	1,218	1,046
US dollar floating rate note due February 2012	350	252	322	236	350	253
Czech Krona floating rate note due June 2013	18	–	18	–	18	–
Euro floating rate note due September 2013	786	676	714	644	788	679
Euro floating rate note due June 2014	1,157	995	1,029	930	1,158	998
5.125% euro 500 million bond due April 2015	463	398	470	397	495	427
5% euro 750 million bond due June 2018	694	597	699	578	721	620
7.875% US dollar 750 million bond due February 2030[(1)]	525	–	577	–	876	–
6.25% US dollar 495 million bond due November 2032[(1)]	346	–	333	–	485	–
6.15% US dollar 1,700 million bond due February 2037[(1)]	1,189	–	1,034	–	1,710	–
Other liabilities[(2)]	4,314	3,262	4,186	3,044	4,122	3,005
Bonds in fair value hedge relationships:	11,823	10,863	11,982	10,823	12,951	11,564
4.25% euro 1,900 million bond due May 2009	–	1,512	–	1,509	–	1,543
4.75% euro 859 million bond due May 2009	–	683	–	695	–	709
7.75% US dollar 2,725 million bond due February 2010	–	1,372	–	1,466	–	1,492
5.875% euro 1,250 million bond due June 2010	1,157	–	1,195	–	1,258	–
5.5% US dollar 750 million bond due June 2011	525	378	544	386	575	410
5.35% US dollar 500 million bond due February 2012	350	252	357	255	385	271
3.625% euro 750 million bond due November 2012	694	597	689	564	726	584
3.625% euro 250 million bond due November 2012	231	–	230	–	241	–
6.75% Australian dollar 265 million bond due January 2013	128	122	127	121	140	119
5.0% US dollar 1,000 million bond due December 2013	699	503	713	532	786	541
6.875% euro 1,000 million bond due December 2013	925	–	1,005	–	973	–
4.625% sterling 350 million bond due September 2014	350	350	352	319	381	347
4.625% sterling 525 million bond due September 2014	525	–	526	–	519	–
2.15% Japanese yen 3,000 billion bond due April 2015	21	–	22	–	22	–
5.375% US dollar 900 million bond due January 2015	630	453	632	461	711	483
5.0% US dollar 750 million bond due September 2015	525	378	516	419	598	406
6.25% euro 1,250 million bond due January 2016	1,157	–	1,208	–	1,182	–
5.75% US dollar 750 million bond due March 2016	525	378	527	375	614	415
4.75% euro 500 million bond due June 2016	463	398	448	378	512	409
5.625% US dollar 1,300 million bond due February 2017	909	654	904	640	1,070	716
4.625% US dollar 500 million bond due July 2018	350	252	315	227	392	257
8.125% sterling 450 million bond due November 2018	450	–	535	–	483	–
5.375% euro 500 million bond June 2022	463	398	433	374	534	420
5.625% sterling 250 million bond due December 2025	250	250	234	220	287	259
6.6324% euro 50 million bond due December 2028	46	–	46	–	50	–
7.875% US dollar 750 million bond due February 2030[(1)]	–	378	–	409	–	514
5.9% sterling 450 million bond due November 2032	450	450	424	410	512	458
6.25% US dollar 495 million bond due November 2032[(1)]	–	249	–	258	–	275
6.15% US dollar 1,700 million bond due February 2037[(1)]	–	856	–	805	–	936
Long term borrowings	**29,343**	**22,039**	**29,339**	**21,777**	**31,749**	**22,662**

Notes:
(1) During the year ended 31 March 2009, fair value hedge relationships relating to bonds with nominal value US$2,945 million (£2,060 million) were de-designated.
(2) Amount at 31 March 2009 includes £3,606 million (2008: £2,476 million) 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 ZAR6.1 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 ZAR6.4 billion, being the carrying value of the bank loan at 31 March 2009 (2008: ZAR7.5 billion). Bank loans also include INR130 billion of loans held by Vodafone Essar Limited ('VEL') and its subsidiaries (the 'VEL Group'). The VEL Group has a number of security arrangements supporting its secured loan

25. Borrowings continued

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 within the VEL Group 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	Commercial Paper £m	Bonds £m	Other liabilities £m	Loans in fair value hedge relationships £m	Total £m
Within one year	950	127	2,670	787	1,053	5,222	10,809
In one to two years	2,361	97	–	283	3,663	1,808	8,212
In two to three years	665	59	–	2,105	25	1,443	4,297
In three to four years	525	59	–	269	314	1,589	2,756
In four to five years	1,345	59	–	1,064	252	2,118	4,838
In more than five years	342	1,517	–	7,360	71	8,928	18,218
	6,188	**1,918**	**2,670**	**11,868**	**5,378**	**21,108**	**49,130**
Effect of discount/financing rates	(136)	(465)	(11)	(3,289)	(209)	(3,647)	(7,757)
31 March 2009	**6,052**	**1,453**	**2,659**	**8,579**	**5,169**	**17,461**	**41,373**
Within one year	838	43	1,457	1,368	343	1,443	5,492
In one to two years	369	104	–	464	122	4,168	5,227
In two to three years	1,490	77	–	214	2,744	398	4,923
In three to four years	346	43	–	1,671	12	1,016	3,088
In four to five years	142	43	–	139	234	1,082	1,640
In more than five years	423	1,132	–	2,990	163	9,459	14,167
	3,608	**1,442**	**1,457**	**6,846**	**3,618**	**17,566**	**34,537**
Effect of discount/financing rates	(133)	(457)	(14)	(1,282)	(260)	(5,197)	(7,343)
31 March 2008	**3,475**	**985**	**1,443**	**5,564**	**3,358**	**12,369**	**27,194**

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

	2009		2008	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	9,003	9,231	14,931	14,749
In one to two years	592	668	433	644
In two to three years	739	609	378	441
In three to four years	765	603	399	430
In four to five years	743	577	380	406
In more than five years	7,062	5,129	3,662	4,637
	18,904	**16,817**	**20,183**	**21,307**

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

	2009		2008	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Sterling	–	6,039	2,126	8,262
Euro	5,595	13	10,111	–
US dollar	2,527	1,127	2,076	4,992
Japanese yen	214	20	27	15
Other	81	1,285	42	797
	8,417	**8,484**	**14,382**	**14,066**

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The £67 million net receivable (2008: £316 million net payable) in relation to foreign exchange financial instruments in the table above is split £37 million (2008: £358 million) within trade and other payables and £104 million (2008: £42 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:

	2009 £m	2008 £m
Within one year	10	9
In two to five years	42	37
In more than five years	18	24

Interest rate and currency of borrowings

Currency	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings[1] £m	Other borrowings[2] £m
Sterling	2,549	2,549	–	–
Euro	15,126	13,605	1,521	–
US dollar	17,242	10,565	3,071	3,606
Japanese yen	2,660	2,660	–	–
Other	3,796	3,323	473	–
31 March 2009	**41,373**	**32,702**	**5,065**	**3,606**
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**

Notes:
(1) The weighted average interest rate for the Group's euro denominated fixed rate borrowings is 5.1% (2008: 5.1%). The weighted average time for which the rates are fixed is 6.7 years (2008: 8.8 years). The weighted average interest rate for the Group's US dollar denominated fixed rate borrowings is 6.6%. The weighted average time for which the rates are fixed is 25.4 years. The Group had no US dollar fixed rate borrowings in 2008. The weighted average interest rate for the Group's other currency fixed rate borrowings is 10.1%. The weighted average time for which the rates are fixed is 2.5 years. The Group had no other currency fixed rate borrowings in 2008.
(2) Other borrowings of £3,606 million (2008: £2,476 million) are the liabilities arising under put options granted over direct and indirect interests in Vodafone Essar.

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

At 31 March 2009, the Group had entered into foreign exchange contracts to decrease its sterling and other currency borrowings above by amounts equal to £6,039 million and £1,204 million respectively and to increase its euro, US dollar and Japanese yen borrowings above by amounts equal to £5,582 million, £1,400 million and £194 million respectively.

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.

Further protection from euro and Indian rupee interest rate movements on debt is provided by interest rate swaps and cross currency swaps, respectively. At 31 March 2009, the Group had euro denominated interest rate swaps for amounts equal to £4,626 million and Indian rupee denominated cross currency swaps for amounts equal to £125 million. The average effective rate which has been fixed, is 2.99% in relation to euro denominated interest rate swaps and 6.89% in relation to Indian rupee denominated cross currency swaps.

The Group has entered into euro and US dollar denominated interest rate futures. The euro denominated interest rate futures cover the period June 2009 to September 2009, September 2009 to December 2009 and December 2009 to March 2010 for amounts equal to £6,845 million (2008: £5,887 million), £6,061 million (2008: £nil) and £3,931 million (2008: nil), respectively. The average effective rate which has been fixed, is 3.96%. The US dollar denominated interest rate futures cover the period June 2009 to September 2009, September 2009 to December 2009 and December 2009 to March 2010 for amounts equal to £7,003 million (2008: £5,040 million), £7,871 million (2008: £nil) and £9,333 million (2008: £nil), respectively. The average effective rate which has been fixed, is 3.47%.

Borrowing facilities

At 31 March 2009, the Group's most significant committed borrowing facilities comprised two bank facilities of US$4,115 million (£2,878 million) and US$5,025 million (£3,514 million) both expiring between two and five years (2008: two bank facilities of US$6,125 million (£3,083 million) and US$5,200 million (£2,617 million)), a ¥259 billion (£1,820 million, 2008: ¥259 billion (£1,306 million)) term credit facility, which expires between one and two years and two loan facilities of €400 million (£370 million) and €350 million (£324 million) expiring between two and five years and in more than five years, respectively (2008: one loan facility of €400 million (£318 million)). 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 and €350 million loan facilities were fully drawn on 14 February 2007 and 12 August 2008, respectively.

Under the terms and conditions of the US$4,115 million and US$5,025 million bank facilities, lenders have the right, but not the obligation, to cancel their commitment 30 days from the date of notification of a change of control of the Company and have outstanding advances repaid on the last day of the current interest period.

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

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 2009, 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 US$800 million on capital expenditure, the Group will be required to repay the drawn amount of the facility that exceeds 50% of the capital expenditure.

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

In addition to the above, certain of the Group's subsidiaries had committed facilities at 31 March 2009 of £4,725 million (2008: £2,548 million) in aggregate, of which £1,571 million (2008: £473 million) was undrawn. Of the total committed facilities, £675 million (2008: £1,031 million) expires in less than one year, £2,275 million (2008: £743 million) expires between two and five years, and £1,775 million (2008: £774 million) expires in more than five years. The increase in 2009 is predominantly due to additional Vodafone Essar facilities totalling £1,875 million.

Redeemable preference shares

Redeemable preference shares comprise class D and E preferred shares issued by Vodafone Americas, Inc. An annual dividend of US$51.43 per class D and E preferred share is payable quarterly in arrears. The dividend for the year amounted to £51 million (2008: £42 million). The aggregate redemption value of the class D and E preferred shares is US$1.65 billion. The holders of the preferred shares are entitled to vote on the election of directors and upon each other matter coming before any meeting of the shareholders on which the holders of ordinary shares are entitled to vote. Holders are entitled to vote on the basis of twelve votes for each share of class D or E preferred stock held. The maturity date of the 825,000 class D preferred shares is 6 April 2020. The 825,000 class E preferred shares have a maturity date of 1 April 2020. The class D and E preferred shares have a redemption price of US$1,000 per share plus all accrued and unpaid dividends.

26. Post employment benefits

Background

At 31 March 2009, 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, Ghana, 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

	2009 £m	2008 £m	2007 £m
Defined contribution schemes	73	63	32
Defined benefit schemes	40	28	62
Total amount charged to the income statement (note 36)	**113**	**91**	**94**

Defined benefit schemes

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

	2009(1)	2008(1)	2007(1)
Weighted average actuarial assumptions used at 31 March:			
Rate of inflation	2.6%	3.1%	2.7%
Rate of increase in salaries	3.7%	4.3%	4.4%
Rate of increase in pensions in payment and deferred pensions	2.6%	3.1%	2.7%
Discount rate	6.3%	6.1%	5.1%
Expected rates of return:			
Equities	8.4%	8.0%	7.8%
Bonds(2)	5.7%	4.4%	4.8%
Other assets	3.7%	1.3%	5.3%

Notes:
(1) Figures shown represent a weighted average assumption of the individual schemes.
(2) For the year ended 31 March 2009 the expected rate of return for bonds consisted of a 6.1% rate of return for corporate bonds (2008: 4.7%, 2007: 5.1%) and a 4.0% rate of return for government bonds (2008: 3.5%, 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 (2008: 22.0/24.8 years, 2007: 19.4/22.4 years) and a further life expectancy from age 65 for a male/female non-pensioner member currently aged 40 of 23.2/26.0 years (2008: 23.2/26.0 years, 2007: 22.1/25.1 years).

Measurement of the Group's defined benefit retirement obligations are particularly sensitive to changes in certain key assumptions, including the discount rate. An increase or decrease in the discount rate of 0.5% would result in a £119 million decrease or a £128 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:

	2009 £m	2008 £m	2007 £m
Current service cost	46	53	74
Interest cost	83	69	61
Expected return on pension assets	(92)	(89)	(73)
Curtailment	3	(5)	–
Total included within staff costs	**40**	**28**	**62**
Actuarial losses/(gains) recognised in the consolidated SORIE	220	47	(65)
Cumulative actuarial losses recognised in the consolidated SORIE	347	127	80

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:

	2009 £m	2008 £m	2007 £m
Movement in pension assets:			
1 April	1,271	1,251	1,123
Exchange rate movements	50	50	(7)
Expected return on pension assets	92	89	73
Actuarial (losses)/gains	(381)	(176)	26
Employer cash contributions	98	86	55
Member cash contributions	15	13	13
Benefits paid	(45)	(42)	(32)
31 March	**1,100**	**1,271**	**1,251**
Movement in pension liabilities:			
1 April	1,310	1,292	1,224
Exchange rate movements	69	60	(13)
Arising on acquisition	33	–	–
Current service cost	46	53	74
Interest cost	83	69	61
Member cash contributions	15	13	13
Actuarial gains	(161)	(129)	(39)
Benefits paid	(45)	(42)	(32)
Other movements	(18)	(6)	4
31 March	**1,332**	**1,310**	**1,292**

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				
	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Analysis of net assets/(deficits):										
Total fair value of scheme assets	755	934	954	835	628	1,100	1,271	1,251	1,123	874
Present value of funded scheme liabilities	(815)	(902)	(901)	(847)	(619)	(1,196)	(1,217)	(1,194)	(1,128)	(918)
Net (deficit)/assets for funded schemes	**(60)**	**32**	**53**	**(12)**	**9**	**(96)**	**54**	**57**	**(5)**	**(44)**
Present value of unfunded scheme liabilities	(8)	–	–	–	–	(136)	(93)	(98)	(96)	(80)
Net (deficit)/assets	**(68)**	**32**	**53**	**(12)**	**9**	**(232)**	**(39)**	**(41)**	**(101)**	**(124)**
Net assets/(deficit) are analysed as:										
Assets	–	32	53	–	9	8	65	82	19	12
Liabilities	(68)	–	–	(12)	–	(240)	(104)	(123)	(120)	(136)

It is expected that contributions of £88 million will be paid into the Group's defined benefit retirement schemes during the year ending 31 March 2010.

Actual return on pension assets

	2009 £m	2008 £m	2007 £m
Actual return on pension assets	(289)	(87)	99
Analysis of pension assets at 31 March is as follows:	%	%	%
Equities	55.6	68.5	72.1
Bonds	41.9	17.7	27.5
Property	0.4	0.3	0.4
Other	2.1	13.5	–
	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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Experience adjustments on pension liabilities:					
Amount	6	(5)	(2)	(4)	(60)
Percentage of pension liabilities	–	–	–	–	6%
Experience adjustments on pension assets:					
Amount	(381)	(176)	26	121	24
Percentage of pension assets	(35%)	(14%)	2%	11%	3%

27. Provisions

	Asset retirement obligations £m	Other provisions £m	Total £m
1 April 2007	159	404	563
Exchange movements	27	36	63
Arising on acquisition	11	2	13
Amounts capitalised in the year	27	–	27
Amounts charged to the income statement	–	224	224
Utilised in the year – payments	(6)	(77)	(83)
Amounts released to the income statement	–	(117)	(117)
Other	(10)	(18)	(28)
31 March 2008	**208**	**454**	**662**
Exchange movements	34	75	109
Amounts capitalised in the year	111	–	111
Amounts charged to the income statement	–	194	194
Utilised in the year – payments	(4)	(106)	(110)
Amounts released to the income statement	–	(72)	(72)
Other	12	–	12
31 March 2009	**361**	**545**	**906**

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

	2009 £m	2008 £m
Current liabilities	373	356
Non-current liabilities	533	306
	906	**662**

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.

Other provisions

Included within other provisions are provisions for legal and regulatory disputes and amounts provided for property and restructuring costs. 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 33 "Contingent liabilities". 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.

28. Trade and other payables

	2009 £m	2008 £m
Included within non-current liabilities:		
Derivative financial instruments	398	173
Other payables	91	99
Accruals and deferred income	322	373
	811	**645**
Included within current liabilities:		
Trade payables	3,160	2,963
Amounts owed to associated undertakings	18	22
Other taxes and social security payable	762	666
Derivative financial instruments	37	371
Other payables	1,163	442
Accruals and deferred income	8,258	7,498
	13,398	**11,962**

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.

	2009 £m	2008 £m
Included within "Derivative financial instruments":		
Fair value through the income statement (held for trading):		
Interest rate swaps	381	160
Foreign exchange swaps	37	358
	418	**518**
Fair value hedges:		
Interest rate swaps	17	26
	435	**544**

29. Acquisitions

The aggregate cash consideration in respect of purchases of interests in subsidiary undertakings and joint ventures, net of cash acquired, is as follows:

	£m
Cash consideration paid:	
Arcor (26.4%)[1]	366
Ghana Telecommunications (70.0%)	486
Other acquisitions completed during the year	457
Other minority interest acquisitions	38
Acquisitions completed in previous years	24
	1,371
Net overdrafts acquired	18
	1,389

Note:
(1) This acquisition has been accounted for as a transaction between shareholders. Accordingly, the difference between the cash consideration paid and the carrying value of net assets attributable to minority interests has been accounted for as a charge to retained losses.

Total goodwill acquired was £663 million and included £344 million in relation to Ghana Telecommunications and £319 million in relation to other acquisitions completed during the year. In addition, amendments to provisional purchase price allocations on acquisitions completed in previous years resulted in a reduction in goodwill of £50 million.

Ghana Telecommunications Company Limited ('Ghana Telecommunications')

On 17 August 2008, the Group completed the acquisition of 70.0% of Ghana Telecommunications for cash consideration of £486 million, all of which was paid during the year. The initial purchase price allocation has been determined provisionally pending the completion of the final valuation of the fair value of net assets acquired.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired:			
Identifiable intangible assets[1]	–	136	136
Property, plant and equipment	171	–	171
Inventory	10	–	10
Trade and other receivables	25	–	25
Deferred tax liabilities	(8)	(34)	(42)
Trade and other payables	(100)	–	(100)
Other	(33)	–	(33)
Net identifiable assets acquired	**65**	**102**	**167**
Goodwill[2]			344
Total asset acquired			**511**
Minority interests			(25)
Total consideration (including £3 million of directly attributable costs)			**486**

Notes:
(1) Identifiable intangible assets of £136 million consist of licences and spectrum fees of £112 million and other intangible assets of £24 million. The weighted average lives of licences and spectrum fees, other intangible assets and total intangible assets are 11 years, one year and ten years respectively.
(2) The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group's acquisition of Ghana Telecommunications.

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 reduced the profit attributable to equity shareholders of the Group by £389 million.

Pro forma full year information

The following unaudited pro forma summary presents the Group as if Ghana Telecommunications had been acquired on 1 April 2008. The impact of other acquisitions on the pro forma amounts disclosed below is not significant. The pro forma amounts include the results of Ghana Telecommunications, amortisation of the acquired intangible assets recognised on acquisition and the interest expense on the increase in net debt as a result of the acquisitions. The pro forma amounts do not include any possible synergies from the acquisition of Ghana Telecommunications. 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.

	2009 £m
Revenue	41,069
Profit for the financial year	3,052
Profit attributable to equity shareholders	3,050

	Pence
Basic earnings per share	5.78
Diluted earnings per share	5.76

Other

During the 2009 financial year, the Group completed a number of smaller acquisitions for aggregate cash consideration of £475 million, including £18 million net overdrafts acquired, with £457 million of the net cash consideration paid during the year. The aggregate fair values of goodwill, identifiable assets, and liabilities of the acquired operations were £319 million, £378 million and £240 million, respectively.

30. 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.

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.

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

	Restated 2007 £m
Segment revenue	**520**
Inter-segment revenue	–
Net revenue	**520**
Operating expenses	(402)
Depreciation and amortisation[1]	–
Impairment loss	–
Operating profit/(loss)	**118**
Net financing costs	8
Profit/(loss) before taxation	**126**
Taxation relating to performance of discontinued operations	(15)
Loss on disposal[2]	(672)
Taxation relating to the classification of the discontinued operations	145
Loss for the financial year from discontinued operations[3]	**(416)**
Basic loss per share	(0.76)p
Diluted loss per share	(0.76)p

Notes:
(1) Including gains and losses on disposal of fixed assets.
(2) Includes £719 million of foreign exchange differences transferred to the income statement on disposal.
(3) Amount attributable to equity shareholders for the year ended 31 March 2007 was a loss of £419 million.

Cash flows from discontinued operations

	2007 £m
Net cash flow from operating activities	135
Net cash flow from investing activities	(266)
Net cash flow from financing activities	(29)
Net cash flow	**(160)**
Cash and cash equivalents at the beginning of the financial year	161
Exchange loss on cash and cash equivalents	(1)
Cash and cash equivalents at the end of the financial year	**–**

Assets and liabilities of discontinued operations

	Restated 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)
Foreign exchange recycled to the income statement on disposal	719
Other	(3)
Net loss on disposal	**672**

	£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.

31. Reconciliation of net cash flows from operating activities

	2009 £m	2008 £m	Restated 2007 £m
Profit/(loss) for the financial year from continuing operations	3,080	6,756	(4,806)
Loss for the financial year from discontinued operations	–	–	(416)
Adjustments for[1]:			
Share-based payments	128	107	93
Depreciation and amortisation	6,814	5,909	5,111
Loss on disposal of property, plant and equipment	10	70	44
Share of result in associated undertakings	(4,091)	(2,876)	(2,728)
Impairment losses	5,900	–	11,600
Other income and expense	–	28	(502)
Non-operating income and expense	44	(254)	(4)
Investment income	(795)	(714)	(789)
Financing costs	2,419	2,014	1,604
Income tax expense	1,109	2,245	2,293
Loss on disposal of discontinued operations	–	–	672
Decrease/(increase) in inventory	81	(78)	(23)
Decrease/(increase) in trade and other receivables	80	(378)	(753)
(Decrease)/increase in trade and other payables	(145)	460	1,175
Cash generated by operations	**14,634**	**13,289**	**12,571**
Tax paid	(2,421)	(2,815)	(2,243)
Net cash flows from operating activities	**12,213**	**10,474**	**10,328**

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

32. 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:

	2009 £m	2008 £m
Within one year	1,041	837
In more than one year but less than two years	812	606
In more than two years but less than three years	639	475
In more than three years but less than four years	539	415
In more than four years but less than five years	450	356
In more than five years	2,135	1,752
	5,616	**4,441**

The total of future minimum sublease payments expected to be received under non-cancellable subleases is £197 million (2008: £154 million).

Capital and other financial commitments

	Company and subsidiaries		Share of joint ventures		Group	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Contracts placed for future capital expenditure not provided in the financial statements(1)	1,706	1,477	401	143	2,107	1,620

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

33. Contingent liabilities

	2009 £m	2008 £m
Performance bonds	157	111
Credit guarantees – third party indebtedness	61	29
Other guarantees and contingent liabilities	445	372

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.

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 £229 million (2008: £197 million).

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 32.

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 12 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, or timing of such 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.

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 appealed these decisions to the High Court and this appeal was heard in May 2008. The High Court granted Vodafone 2's appeal on 4 July 2008, holding that the CFC regime could not be interpreted consistently with EU law and that, therefore, the Vodafone 2 enquiry should be closed. HMRC has appealed the High Court's findings to the Court of Appeal. The High Court's order requiring HMRC to close the Vodafone 2 enquiry has been stayed pending the outcome of the appeal. In light of the High Court's decision, the Special Commissioners withdrew the Vodafone 2 reference on 17 July 2008. The hearing of the Vodafone 2 appeal was heard on 6 and 7 May 2009. The Company is awaiting the High Court's decision.

The Company has taken provisions, which at 31 March 2009 amounted to approximately £2.3 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 2009 reflect the developments during the year.

The Company has previously 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 made 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 sought an order requiring the return to them of Telsim's assets or else an award of damages. The plaintiffs discontinued the complaint with prejudice in August 2008. The court disposed of the case on 24 October 2008.

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 ('Lothian') 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. Thereafter, an additional plaintiff, a US pension fund that purportedly purchased Vodafone ADRs on the New York Stock Exchange, was added as an additional plaintiff by stipulated order. The Company believes that the allegations are without merit and filed a motion to dismiss the amended complaint on 6 June 2008. By judgment entered on 1 December 2008, the court dismissed the amended complaint for lack of subject matter jurisdiction. The plaintiffs subsequently filed a motion for reconsideration of that dismissal, arguing that the court overlooked the claims of the US pension fund, as to which there had been no subject matter jurisdiction challenge. On 9 April 2009, the court granted that motion to the extent that it sought reopening of the action for the purpose of adjudication of the claims asserted on behalf of the US pension fund, but denied the motion with respect to the dismissal of Lothian's claims. The court ordered the case re-opened pending consideration and order with respect to other arguments of the Company in its motion to dismiss in connection with which the court also indicated it will address any arguments regarding supplemental jurisdiction over Lothian's claims. The Company is awaiting the Court's further consideration and order.

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. Initial hearings have been held before the Bombay High Court and in the case of VIHBV, the High Court heard the writ in June 2008. In December 2008, the High Court dismissed VIHBV's writ. VIHBV subsequently filed a special leave petition to the Supreme Court to appeal the High Court's dismissal of the writ. On 23 January 2009, the Supreme Court referred the question of the tax authority's jurisdiction to seek to pursue tax back to the tax authority for adjudication on the facts with permission granted to VIHBV to appeal that decision back to the High Court should VIHBV disagree with the tax authority's findings. VEL's case continues to be stayed pending the outcome of the VIHBV hearing. VIHBV believes that neither it nor any other member of the Group is liable for such withholding tax and intends to defend this position vigorously.

34. Directors and key management compensation

Directors

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

	2009 £m	2008 £m	2007 £m
Salaries and fees	4	5	5
Incentive schemes	2	4	3
Benefits	–	1	1
Other[1]	1	–	4
	7	**10**	**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 and relocation to the US.

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 31 March 2009 by directors who served during the year was £nil (2008: £nil, 2007: £3 million).

Further details of directors' emoluments can be found in "Directors' remuneration" on pages 57 to 67.

Key management compensation

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

	2009 £m	2008 £m	2007 £m
Short term employee benefits	17	20	29
Post-employment benefits:			
Defined benefit schemes	–	1	1
Defined contribution schemes	1	1	1
Share-based payments	14	10	6
	32	**32**	**37**

35. 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 26. Compensation paid to the Company's Board and members of the Executive Committee is disclosed in note 34.

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.

	2009 £m	2008 £m	2007 £m
Transactions with associated undertakings:			
Sales of goods and services	205	165	245
Purchase of goods and services	223	212	295
Amounts owed by/(owed to) joint ventures[1]	311	127	(842)
Net interest (income receivable from)/expense payable to joint ventures[1]	(18)	27	20

Note:
(1) Amounts arise through Vodafone Italy and, for the year ended 31 March 2009, Indus Towers, 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 28. 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 2009, and as of 18 May 2009, 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 2009, and as of 18 May 2009, 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.

36. Employees

The average employee headcount during the year by nature of activity and by segment is shown below. During the year, the Group changed its organisation structure. The information on employees by segment are presented on the revised basis, with prior years amended to conform to the current year presentation.

	2009 Number	2008 Number	2007 Number
By activity:			
Operations	13,889	12,891	12,630
Selling and distribution	25,174	22,063	18,937
Customer care and administration	40,034	37,421	34,776
	79,097	**72,375**	**66,343**
By segment:			
Germany	13,788	13,631	14,421
Italy	6,247	6,669	7,030
Spain	4,354	4,057	4,066
UK	10,350	10,367	10,256
Other Europe	8,765	8,645	8,797
Europe	**43,504**	**43,369**	**44,570**
Vodacom	3,246	2,751	2,623
Other Africa and Central Europe	13,789	10,925	9,610
Africa and Central Europe	**17,035**	**13,676**	**12,233**
India	8,674	6,323	1,022
Other Asia Pacific and Middle East	6,765	6,051	5,569
Asia Pacific and Middle East	**15,439**	**12,374**	**6,591**
Common Functions	3,119	2,956	2,949
Total continuing operations	**79,097**	**72,375**	**66,343**
Discontinued operations:			
Japan	–	–	233

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

Continuing operations	2009 £m	2008 £m	2007 £m
Wages and salaries	2,607	2,175	1,979
Social security costs	379	325	300
Share-based payments (note 20)	128	107	93
Other pension costs (note 26)	113	91	94
	3,227	**2,698**	**2,466**

Note:
(1) For the year ended 31 March 2007, the cost incurred in respect of employees (including directors) from discontinued operations was £16 million.

37. Subsequent events

Vodacom

On 20 April 2009, the Group acquired an additional 15% stake in Vodacom for cash consideration of ZAR20.6 billion (£1.6 billion). On 18 May 2009, Vodacom became a subsidiary undertaking following the listing of its shares on the Johannesburg Stock Exchange and concurrent termination of the shareholder agreement with Telkom SA Limited, the seller and previous joint venture partner. During the period from 20 April 2009 to 18 May 2009, the Group continued to account for Vodacom as a joint venture, proportionately consolidating 65% of the results of Vodacom.

The Congress of South African Trade Unions ('COSATU') has instituted a court action against the Independent Communications Authority of South Africa ('ICASA') challenging the decision of ICASA not to require Vodacom (Pty) Limited to seek ICASA's approval in respect of the sale of shares in Vodacom by Telkom SA Limited to Vodafone Holdings (SA) (Pty) Limited, the Vodacom listing and other related inter-conditional transactions (the "Transactions") and hence the validity of the Transactions. Vodacom and its subsidiary, Vodacom (Pty) Limited, are named as respondents in that action. Vodacom will oppose this court action.

Vodacom received a letter from ICASA on 15 May 2009 purporting to rescind its previous decision that the Transactions only required notification rather than prior approval from ICASA and stating that a public consultation process will take place. Vodacom continues to believe that only a notification of the Transactions to ICASA was required.

Qatar

On 10 May 2009, Vodafone Qatar completed a public offering of 40% of its authorised share capital, raising QAR 3.4 billion (£0.6 billion). The shares are expected to be listed on the Doha securities market by July 2009.

38. New accounting standards

The Group has not applied 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').

IFRIC 13 "Customer Loyalty Programmes" was issued in June 2007 and is 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 obligations to provide free or discounted goods and services. It requires that consideration received be allocated between the award credits and the other components of the sale. This interpretation will not have a material impact on the Group's results, financial position or cash flows. This interpretation has been endorsed for use in the EU. The Group adopted IFRIC 13 on 1 April 2009.

IAS 23 (Revised) "Borrowing Costs" was issued in March 2007 and is 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 option of immediate recognition of those borrowing costs as an expense has been removed. This standard will not have a material impact on the Group's results, financial position or cash flows. This standard has been endorsed for use in the EU. The Group adopted IAS 23 (Revised) on 1 April 2009.

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. This standard is likely to have a significant impact on the Group's accounting for business acquisitions post adoption. This standard has not yet been endorsed for use in the EU.

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. The Group has historically entered into transactions that are within the scope of this standard and may do so in the future. This amendment has not yet been endorsed by the EU.

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 an entity'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 results, financial position or cash flows. This statement has been endorsed for use in the EU.

IFRIC 18 "Transfers of Assets from Customers" was issued in January 2009 and is effective for transactions occurring on or after 1 July 2009. The interpretation provides guidance on accounting by entities receiving property, plant and equipment (or cash which must be used to construct or acquire property, plant and equipment) which must then be used to either connect the customer to a network and/or provide the customer with ongoing access to a supply of goods or services. The Group is currently assessing the impact of the interpretation on it's results, financial position and cash flows. This interpretation has not yet been endorsed for use in the EU.

"Improvements to IFRSs" was issued in April 2009 and its requirements are effective over a range of dates, with the earliest being for annual periods beginning on or after 1 July 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 of adoption of these improvements on the Group's results, financial position and cash flows. The improvements have not yet been endorsed for use in the EU.

The Group has not adopted the following pronouncements, which have been issued by the IASB or the IFRIC. The Group does not currently believe the adoption of these pronouncements will have a material impact on the consolidated results, financial position or cash flows of the Group. These pronouncements have been endorsed for use in the EU, unless otherwise stated.

- "Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations", effective for annual periods beginning on or after 1 January 2009.
- "Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation", effective for annual periods beginning on or after 1 January 2009.
- "Amendments to IFRS 1, "First-time adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate", effective for annual periods beginning on or after 1 January 2009.
- "Improvements to IFRSs" issued in May 2008 are effective over a range of dates, with the earliest being for annual periods beginning on or after 1 January 2009.
- "Eligible Hedged Items: Amendment to IAS 39 Financial Instruments: Recognition and Measurement" is effective for annual periods beginning on or after 1 July 2009. This amendment has not yet been endorsed for use in the EU.
- IFRS 1 (Revised), "First-time Adoption of International Financial Reporting Standards", effective for periods beginning on or after 1 January 2009. This standard has not yet been endorsed for use in the EU.
- "Improving Disclosures about Financial Instruments: Amendments to IFRS 7 Financial Instruments: Disclosures", effective for annual periods beginning on or after 1 January 2009.
- "Embedded Derivatives: Amendments to IFRIC 9 and IAS 39", effective for annual periods ending on or after 30 June 2009.
- IFRIC 15, "Agreements for the Construction of Real Estate", effective for annual periods beginning on or after 1 January 2009. This interpretation has not yet been endorsed for use in the EU.
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation", effective for annual periods beginning on or after 1 October 2008. This interpretation has not yet been endorsed for use in the EU.
- IFRIC 17, "Distributions of Non-cash Assets to Owners", effective for annual periods beginning on or after 1 July 2009. This interpretation has not yet been endorsed for use in the EU.

39. Change in accounting policy

During the year, the Group changed its accounting policy with respect to the acquisition of minority interests in subsidiaries. The Group now applies the economic entity method, under which such transactions are accounted for as transactions between shareholders and there is no remeasurement to fair value of net assets acquired that were previously attributable to minority shareholders. Prior to this change in policy, the Group applied the parent company method to such transactions, and assets attributable to minority interests immediately prior to the respective acquisition, including goodwill and other acquired intangible assets, were remeasured to fair value at the date of acquisition.

The Group believes the new policy is preferable as it more closely aligns the accounting for these transactions with the treatment of minority interest as a component of equity and will aid comparability.

The impact of this voluntary change in accounting policy on the consolidated financial statements is primarily to reduce goodwill and acquired intangible assets and related income statement amounts arising on such transactions. This change did not result in a material impact on the current year or any years included within these consolidated financial statements. The impact on each line item of the primary financial statements since the Group's adoption of IFRS is shown in the table below:

	As reported			Adjustments			Restated		
	2007 £m	2006 £m	2005 £m	2007 £m	2006 £m	2005 £m	2007 £m	2006 £m	2005 £m
Consolidated income statement									
(Loss)/profit for the financial year from discontinued operations	(491)	(4,588)	1,102	75	1,690	80	(416)	(2,898)	1,182
(Loss)/profit for the financial year	(5,297)	(21,821)	6,518	75	1,690	80	(5,222)	(20,131)	6,598
Attributable to equity shareholders	(5,426)	(21,916)	6,410	75	1,690	80	(5,351)	(20,226)	6,490
Basic (loss)/earnings per share									
(Loss)/profit from discontinued operations	(0.90)p	(7.35)p	1.56p	0.14p	2.70p	0.12p	(0.76)p	(4.65)p	1.68p
(Loss)/profit for the financial year	(9.84)p	(35.01)p	9.68p	0.14p	2.70p	0.12p	(9.70)p	(32.31)p	9.80p
Diluted (loss)/earnings per share									
(Loss)/profit from discontinued operations	(0.90)p	(7.35)p	1.56p	0.14p	2.70p	0.12p	(0.76)p	(4.65)p	1.68p
(Loss)/profit for the financial year	(9.84)p	(35.01)p	9.65p	0.14p	2.70p	0.12p	(9.70)p	(32.31)p	9.77p
Consolidated statement of recognised income and expense									
Foreign exchange gains transferred to the consolidated income statement	838	36	–	(75)	–	–	763	36	–
Net (loss)/gain recognised directly in equity	(808)	2,317	1,515	(75)	–	–	(883)	2,317	1,515
(Loss)/profit for the financial year	(5,297)	(21,821)	6,518	75	1,690	80	(5,222)	(20,131)	6,598
Total recognised income and expense relating to the year	(6,105)	(19,504)	8,033	–	1,690	80	(6,105)	(17,814)	8,113
Attributable to equity shareholders	(6,210)	(19,607)	7,958	–	1,690	80	(6,210)	(17,917)	8,038
Consolidated balance sheet									
Total assets	109,617	126,738	147,197	–	(236)	(1,979)	109,617	126,502	145,218
Total equity	67,293	85,312	113,648	–	–	(1,690)	67,293	85,312	111,958
Total equity shareholders' funds	67,067	85,425	113,800	–	–	(1,690)	67,067	85,425	112,110

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 2009 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 2009 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 2009;
- 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 LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
19 May 2009

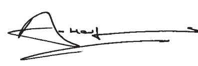
Company financial statements of Vodafone Group Plc

at 31 March

	Note	2009 £m	2008 £m
Fixed assets			
Shares in Group undertakings	3	64,937	64,922
Current assets			
Debtors: amounts falling due after more than one year	4	2,352	821
Debtors: amounts falling due within one year	4	126,334	126,099
Cash at bank and in hand		111	–
		128,797	**126,920**
Creditors: amounts falling due within one year	5	(92,339)	(98,784)
Net current assets		**36,458**	**28,136**
Total assets less current liabilities		**101,395**	**93,058**
Creditors: amounts falling due after more than one year	5	(21,970)	(14,582)
		79,425	**78,476**
Capital and reserves			
Called up share capital	6	4,153	4,182
Share premium account	8	43,008	42,934
Capital redemption reserve	8	10,101	10,054
Capital reserve	8	88	88
Other reserves	8	957	942
Own shares held	8	(8,053)	(7,867)
Profit and loss account	8	29,171	28,143
Equity shareholders' funds		**79,425**	**78,476**

The Company financial statements were approved by the Board of directors on 19 May 2009 and were signed on its behalf by:

Vittorio Colao
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 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 2009.

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

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the Company's functional currency 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 rates prevailing on the initial transaction dates. Non-monetary items 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 issuance 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 remeasured 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, no longer qualifies for hedge accounting or the Company chooses to end the hedging relationship.

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 2009 and 31 March 2008.

3. Fixed assets

Shares in Group undertakings

	£m
Cost:	
1 April 2008	70,193
Capital contributions arising from share-based payments	128
Contributions received in relation to share-based payments	(113)
31 March 2009	**70,208**
Amounts provided for:	
1 April 2008	5,271
Amounts provided for during the year	–
31 March 2009	**5,271**
Net book value:	
31 March 2008	**64,922**
31 March 2009	**64,937**

At 31 March 2009, 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

	2009 £m	2008 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	126,010	125,838
Taxation recoverable	44	137
Other debtors	280	124
	126,334	**126,099**
Amounts falling due after more than one year:		
Deferred taxation	18	4
Other debtors	2,334	817
	2,352	**821**

Notes to the Company financial statements continued

5. Creditors

	2009 £m	2008 £m
Amounts falling due within one year:		
Bank loans and other loans	7,717	4,442
Amounts owed to subsidiary undertakings	84,394	93,891
Group relief payable	–	42
Other creditors	174	393
Accruals and deferred income	54	16
	92,339	**98,784**
Amounts falling due after more than one year:		
Other loans	21,707	14,409
Other creditors	263	173
	21,970	**14,582**

Included in amounts falling due after more than one year are other loans of £13,289 million, which are due in more than five years from 1 April 2009 and are payable otherwise than by instalments. Interest payable on this debt ranges from 2.15% to 8.125%.

6. Share capital

	2009 Number	2009 £m	2008 Number	2008 £m
Authorised:				
Ordinary shares of 11³⁄₇ US cents each	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	58,255,055,725	4,182	58,085,695,298	4,172
Allotted during the year	51,227,991	3	169,360,427	10
Cancelled during the year	(500,000,000)	(32)	–	–
31 March	**57,806,283,716**	**4,153**	**58,255,055,725**	**4,182**
B shares allotted, issued and fully paid[2]:				
1 April	87,429,138	13	132,001,365	20
Redeemed during the year	(87,429,138)	(13)	(44,572,227)	(7)
31 March	**–**	**–**	**87,429,138**	**13**

Notes:
(1) At 31 March 2009, the Company held 5,322,411,101 (2008: 5,127,457,690) treasury shares with a nominal value of £382 million (2008: £368 million) and 50,000 (2008: 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 11³⁄₇ 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 redeemed all B shares still in issue at their nominal value of 15 pence. B shareholders that chose future redemption were entitled to receive a continuing non-cumulative dividend of 75 per cent of sterling LIBOR payable semi-annually in arrear until they were redeemed.

By 31 March 2009, total capital of £9,026 million had been returned to shareholders, £5,735 million by way of capital redemption and £3,291 million by way of initial dividend (note 8). During the period, a transfer of £15 million (2008: £7 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	49,130,811	3	72
US share awards and option scheme awards	2,097,180	–	5
Total for share awards and option scheme awards	**51,227,991**	**3**	**77**

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 plans

- Vodafone Group savings related and sharesave plans
- Vodafone Group executive plans
- 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 2009, the Company had 333 million ordinary share options outstanding (2008: 373 million) and 1 million ADS options outstanding (2008: 1 million).

The Company has made a capital contribution to its subsidiary undertakings in relation to share-based payments. At 31 March 2009, the cumulative capital contribution net of payments received from subsidiary undertakings was £328 million (31 March 2008: £313 million, 1 April 2007: £397 million). During the year ended 31 March 2009, the capital contribution arising from share-based payments was £128 million (2008: £107 million), with payments of £113 million (2008: £191 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 2008	4,182	42,934	10,054	88	942	(7,867)	28,143	78,476
Allotment of shares	3	74	–	–	–	–	–	77
Own shares released on vesting of share awards	–	–	–	–	–	59	–	59
Profit for the financial year	–	–	–	–	–	–	5,853	5,853
Dividends	–	–	–	–	–	–	(4,017)	(4,017)
Capital contribution given relating to share-based payments	–	–	–	–	128	–	–	128
Contribution received relating to share-based payments	–	–	–	–	(113)	–	–	(113)
Purchase of own shares	–	–	–	–	–	(1,000)	–	(1,000)
Cancellation of own shares held	(32)	–	32	–	–	755	(755)	–
B share capital redemption	–	–	15	–	–	–	(15)	–
Other movements	–	–	–	–	–	–	(38)	(38)
31 March 2009	**4,153**	**43,008**	**10,101**	**88**	**957**	**(8,053)**	**29,171**	**79,425**

The profit for the financial year dealt with in the accounts of the Company is £5,853 million (2008: £5,782 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 the year in respect of audit and audit related services was £1.3 million (2008: less than £1 million) and non-audit services £0.2 million (2008: £0.4 million).

The directors are remunerated by the Company 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 57 to 67.

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

9. Equity dividends

	2009 £m	2008 £m
Declared during the financial year:		
Final dividend for the year ended 31 March 2008: 5.02 pence per share (2007: 4.41 pence per share)	2,667	2,331
Interim dividend for the year ended 31 March 2009: 2.57 pence per share (2008: 2.49 pence per share)	1,350	1,322
	4,017	**3,653**
Proposed after the balance sheet date and not recognised as a liability:		
Final dividend for the year ended 31 March 2009: 5.20 pence per share (2008: 5.02 pence per share)	2,731	2,667

10. Contingent liabilities

	2009 £m	2008 £m
Performance bonds	35	30
Credit guarantees – third party indebtedness	5,317	4,208
Other guarantees and contingent liabilities	231	255

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.

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 2009, the Company had also guaranteed debt of Vodafone Finance K.K. amounting to £1,820 million (2008: £1,303 million). This facility expires by March 2011.

Other guarantees and contingent liabilities

Other guarantees principally comprise of a guarantee relating to a commitment to the Spanish tax authorities of £229 million (2008: £197 million).

Legal proceedings

Details regarding certain legal actions which involve the Company are set out in note 33 to the consolidated financial statements.