Key performance indicators

The Board and the Executive Committee use a number of key performance indicators[1] ('KPIs') to monitor Group and regional performance against budgets and forecasts as well as to measure progress against the Group's strategic objectives.

KPI	Purpose of KPI	2009	2008	2007
Free cash flow before licence and spectrum payments[2]	Provides an evaluation of the cash generated by the Group's operations and available for reinvestment, shareholder returns or debt reduction. Also used in determining management's remuneration.	**£5,722m**	£5,580m	£6,343m
Service revenue and related organic growth[2]	Measure of the Group's success in growing ongoing revenue streams. Also used in determining management's remuneration.	**£38,294m** **(0.3)%**	£33,042m 4.3%	£28,871m 4.7%
Data revenue and related organic growth[2]	Data revenue is expected to be a key driver of the future growth of the business.	**£3,046m** **25.9%**	£2,119m 39.0%	£1,405m 30.7%
Capital expenditure	Measure of the Group's investment in capital expenditure to deliver services to customers.	**£5,909m**	£5,075m	£4,208m
EBITDA and related organic growth[2]	Measure used by Group management to monitor performance at a segment level.	**£14,490m** **(3.5)%**	£13,178m 2.6%	£11,960m 0.2%
Customer delight index	Measure of customer satisfaction across the Group's controlled markets and its jointly controlled market in Italy. Also used in determining management's remuneration.	**72.9**	73.1	70.6
Adjusted operating profit and related organic growth[2]	Measure used for the assessment of operating performance, including the results of associated undertakings. Also used in determining management's remuneration.	**£11,757m** **2.0%**	£10,075m 5.7%	£9,531m 4.2%
Proportionate mobile customers[1]	Customers are a key driver of revenue growth in all operating companies in which the Group has an equity interest.	**302.6m**	260.5m	206.4m
Proportionate mobile customer net additions[1]	Measure of the Group's success at attracting new and retaining existing customers.	**33.6m**	39.5m	28.2m
Voice usage (in minutes)	Voice usage is an important driver of revenue growth, especially given continuing price reductions in the competitive markets in which the Group operates.	**548.4bn**	427.9bn	245.0bn

Notes:
(1) Definition of the key terms is provided on page 143.
(2) See 'Non-GAAP information' on page 138 for further details on the use of non-GAAP measures.

This section presents the Group's operating performance, providing commentary on how the revenue and the EBITDA performance of the Group and its operating segments within Europe, Africa and Central Europe, Asia Pacific and Middle East and Verizon Wireless have developed in the last three years.

2009 financial year compared to the 2008 financial year

Group[1]

	Europe £m	Africa and Central Europe £m	Asia Pacific and Middle East £m	Verizon Wireless £m	Common Functions[2] £m	Eliminations £m	2009 £m	2008 £m	% change £	% change Organic
Revenue	29,634	5,501	5,819	–	216	(153)	41,017	35,478	15.6	(0.4)
Service revenue	27,886	5,113	5,434	–	–	(139)	38,294	33,042	15.9	(0.3)
EBITDA[3]	10,422	1,690	1,739	–	639	–	14,490	13,178	10.0	(3.5)
Adjusted operating profit[3]	6,631	652	525	3,542	407	–	11,757	10,075	16.7	2.0
Adjustments for:										
Impairment losses							(5,900)	–		
Other income and expense							–	(28)		
Operating profit							**5,857**	**10,047**		
Non-operating income and expense							(44)	254		
Net financing costs							(1,624)	(1,300)		
Profit before taxation							**4,189**	**9,001**		
Income tax expense							(1,109)	(2,245)		
Profit for the financial year							**3,080**	**6,756**		

Notes:
(1) The Group revised its segment structure during the year. See note 3 to the consolidated financial statements.
(2) Common Functions represents the results of the partner markets and the net result of unallocated central Group costs and recharges to the Group's operations, including royalty fees for use of the Vodafone brand.
(3) See "Non-GAAP information" on page 138.

Revenue

Revenue increased by 15.6%, with favourable exchange rates contributing 13.0 percentage points and the impact of merger and acquisition activity contributing 3.0 percentage points to revenue growth. Pro forma revenue growth, including the acquisition in India and the acquisition of Tele2 in Italy and Spain, was 1.3%.

Revenue in Europe declined by 2.1% on an organic basis, as benefits from new tariffs and promotions and a strong performance in data revenue were more than offset by the impact of the deteriorating European economy on voice and messaging revenue, including from roaming, usage growth, ongoing competitive pricing pressures and lower termination rates.

In Africa and Central Europe, revenue grew by 3.9% on an organic basis, with double digit revenue growth in Vodacom being offset by weakening trends in Turkey and Romania. Benefits from the increase in the average customer base were partially offset by both weaker economic conditions in the more mature markets in Central Europe and the impact of termination rate cuts.

In Asia Pacific and Middle East, revenue grew by 19% on a pro forma basis including India, a result of the rise in the average customer base, although revenue growth has slowed, primarily as a result of stronger competition coupled with maturing market conditions.

Operating profit

EBITDA increased by 10.0% to £14,490 million, with favourable exchange rates contributing 13.4 percentage points and the impact of merger and acquisition activity contributing 0.1 percentage points to EBITDA growth. Including India and Tele2 in Italy and Spain, pro forma EBITDA declined by 3%.

In Europe, EBITDA decreased by 7.0% on an organic basis, with a decline in the EBITDA margin, primarily driven by the downward revenue trend, the growth of lower margin fixed line operations, a brand royalty provision release included in the prior year in Italy and restructuring charges in a number of markets, which more than offset customer and operating cost savings. The European EBITDA margin, including Common Functions, which substantially support our European operations, declined by 1.1 percentage points, driven by an increasing contribution from lower margin fixed broadband.

Africa and Central Europe's EBITDA decreased by 2.4% on an organic basis, with the EBITDA margin decreasing in the majority of markets due to continued network expansion, investment in the turnaround plan in Turkey and increased competition in Romania.

In Asia Pacific and Middle East, EBITDA increased by 6% on a pro forma basis including India, with a decline in the EBITDA margin as licensing costs increased and network expansion continued, primarily in India, but also through the build out in Qatar.

The increase in Common Functions EBITDA in the current year resulted primarily from the inclusion of a brand royalty payment charge in the prior year and increased brand revenue in the current year following agreement of revised terms with Vodafone Italy.

Operating profit decreased due to the growth in adjusted operating profit being more than offset by impairment losses in relation to operations in Spain (£3,400 million), Turkey (£2,250 million) and Ghana (£250 million). Adverse changes in macro economic assumptions generated the £550 million charge recorded in the second half of the financial year in relation to Turkey and all of the charge in relation to Ghana. Adjusted operating profit increased by 16.7%, or 2.0% on an organic basis, with a 16.5 percentage point contribution from favourable exchange rates, whilst the impact of merger and acquisition activity reduced adjusted operating profit growth by 1.8 percentage points.

The share of results in Verizon Wireless, the Group's associated undertaking in the US, increased by 21.6% on an organic basis, primarily due to a focus on the high value contract segment and low customer churn. On 9 January 2009, Verizon Wireless completed its acquisition of Alltel Corp. ('Alltel'), adding 13.2 million customers before required divestitures.

Net financing costs

	2009 £m	2008 £m
Investment income	795	714
Financing costs	(2,419)	(2,014)
Net financing costs	**(1,624)**	**(1,300)**
Analysed as:		
Net financing costs before dividends from investments	(1,480)	(823)
Potential interest charges arising on settlement of outstanding tax issues(1)	81	(399)
Dividends from investments	110	72
Foreign exchange(2)	235	(7)
Changes in fair value of equity put rights and similar arrangements(3)	(570)	(143)
	(1,624)	**(1,300)**

Notes:
(1) Includes release of a £317 million interest accrual relating to a favourable settlement of long standing tax issues. See taxation below.
(2) Comprises foreign exchange differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange differences on financial instruments received as consideration in the disposal of Vodafone Japan to SoftBank in April 2006.
(3) Includes the fair value movement in relation to put rights and similar arrangements held by minority interest holders in certain of the Group's subsidiaries. The valuation of these financial liabilities is inherently unpredictable and changes in the fair value could have a material impact on the future results and financial position of Vodafone. The amount for the year ended 31 March 2008 also includes a charge of £333 million representing the initial fair value of the put options granted over the Essar Group's interest in Vodafone Essar, which was recorded as an expense. Further details of these options are provided on page 44.

Net financing costs before dividends from investments increased by 79.8% to £1,480 million, primarily due to mark-to-market losses in the current year compared with gains in the prior year and unfavourable exchange rate movements impacting the translation into sterling. The interest charge resulting from the 28.2% increase in average net debt was minimised due to changes in the currency mix of debt and significantly lower interest rates for US dollar and euro denominated debt. At 31 March 2009, the provision for potential interest charges arising on settlement of outstanding tax issues was £1,635 million (31 March 2008: £1,577 million).

Taxation

The effective tax rate was 26.5% (2008: 24.9%). This rate was lower than the Group's weighted average statutory tax rate due to the structural benefit from the ongoing enhancement to the Group's internal capital structure and a benefit of £767 million following the resolution of long standing tax issues related to the Group's acquisition and subsequent restructuring of the Mannesmann Group. This was offset by an increase in the rate due to the impact of impairment losses for which no tax benefit is recorded.

Earnings per share

Adjusted earnings per share increased by 37.4% to 17.17 pence for the year ended 31 March 2009, resulting primarily from movements in exchange rates and the benefit from a favourable tax settlement, as discussed to the left. Excluding these factors, adjusted earnings per share rose by around 3%. Basic earnings per share decreased by 53.5% to 5.84 pence, including the impairment losses of £5.9 billion.

	2009 £m	2008 £m
Profit from continuing operations attributable to equity shareholders	**3,078**	**6,660**
Adjustments:		
Impairment losses	5,900	–
Other income and expense(1)	–	28
Non-operating income and expense(2)	44	(254)
Investment income and financing costs(3)	335	150
	6,279	**(76)**
Foreign exchange on tax balances	(155)	–
Tax on the above items	(145)	44
Adjusted profit attributable to equity shareholders	**9,057**	**6,628**
Weighted average number of shares outstanding	Million	Million
Basic	52,737	53,019
Diluted	52,969	53,287

Notes:
(1) The amount for the 2008 financial year represents a pre-tax charge offsetting the tax benefit arising on recognition of a pre-acquisition deferred tax asset.
(2) The amount for the 2009 financial year includes a £39 million adjustment in relation to the broad based black economic empowerment transaction undertaken by Vodacom. The amount for the 2008 financial year includes £250 million representing the profit on disposal of the Group's 5.60% direct investment in Bharti Airtel Limited ('Bharti Airtel').
(3) See notes 2 and 3 in net financing costs.

Europe[1]

	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	Europe £m	% change £	% change Organic
Year ended 31 March 2009									
Revenue	7,847	5,547	5,812	5,392	5,329	(293)	29,634	13.6	(2.1)
Service revenue	7,535	5,347	5,356	4,912	5,029	(293)	27,886	14.1	(1.7)
EBITDA	3,058	2,424	1,897	1,219	1,824	–	10,422	7.6	(7.0)
Adjusted operating profit	1,728	1,734	1,323	235	1,611	–	6,631	6.8	(8.2)
EBITDA margin	39.0%	43.7%	32.6%	22.6%	34.2%		35.2%		
Year ended 31 March 2008									
Revenue	6,866	4,435	5,063	5,424	4,583	(290)	26,081		
Service revenue	6,551	4,273	4,646	4,952	4,295	(287)	24,430		
EBITDA	2,667	2,158	1,806	1,431	1,628	–	9,690		
Adjusted operating profit	1,490	1,573	1,282	431	1,430	–	6,206		
EBITDA margin	38.8%	48.7%	35.7%	26.4%	35.5%		37.2%		

Note:
(1) The Group revised its segment structure during the year. See note 3 to the consolidated financial statements.

Revenue increased by 13.6%, with favourable euro exchange rate movements contributing 14.3 percentage points of growth and mergers and acquisitions activity, primarily Tele2, contributing a further 1.4 percentage point benefit. The organic decline in revenue of 2.1% was a result of a 1.7% decrease in service revenue and a decline in equipment revenue, reflecting lower volumes.

The impact of merger and acquisition activity and foreign exchange movements on revenue, service revenue, EBITDA and adjusted operating profit are shown below:

	Organic growth %	M&A activity pps	Foreign exchange pps	Reported growth %
Revenue – Europe	**(2.1)**	**1.4**	**14.3**	**13.6**
Service revenue				
Germany	(2.5)	(0.1)	17.6	15.0
Italy	1.2	4.7	19.2	25.1
Spain	(4.9)	2.5	17.7	15.3
UK	(1.1)	0.3	–	(0.8)
Other	(1.2)	0.4	17.9	17.1
Europe	**(1.7)**	**1.4**	**14.4**	**14.1**
EBITDA				
Germany	(2.7)	(0.2)	17.6	14.7
Italy	(6.4)	1.2	17.5	12.3
Spain	(10.5)	(0.5)	16.0	5.0
UK	(15.3)	0.5	–	(14.8)
Other	(4.9)	(0.1)	17.0	12.0
Europe	**(7.0)**	**0.2**	**14.4**	**7.6**
Adjusted operating profit				
Germany	(1.2)	(0.4)	17.6	16.0
Italy	(6.5)	(0.5)	17.2	10.2
Spain	(10.6)	(1.9)	15.7	3.2
UK	(47.1)	1.6	–	(45.5)
Other	(5.3)	1.1	16.9	12.7
Europe	**(8.2)**	**(0.3)**	**15.3**	**6.8**

Service revenue declined by 1.7% on an organic basis, reflecting a gradual deterioration over the year and a 3.3% decrease in the fourth quarter, with favourable trends in Italy more than offset by deteriorating trends in other markets, in particular Spain and Greece. The impact of the economic slowdown in Europe on voice and messaging revenue, including from roaming, ongoing competitive pricing pressures and lower termination rates were not fully compensated by increased usage arising from new tariffs and promotions and strong growth in data revenue.

EBITDA increased by 7.6%, with favourable euro exchange rate movements contributing 14.4 percentage points of growth and a 0.2 percentage point benefit from business acquisitions. The EBITDA margin declined 2.0 percentage points year on year, primarily driven by the downward revenue trend, the growth of lower margin fixed line operations, a brand royalty provision release included in the prior year in Italy and restructuring charges in a number of markets, which more than offset customer and operating cost savings.

Germany

The 2.5% organic decline in service revenue was consistent with the prior year, benefiting from higher penetration of the new SuperFlat tariff portfolio. Data revenue growth remained strong, reflecting increased penetration of PC connectivity services in the customer base. Fixed line revenue declined during the year, but grew 2.1% at constant exchange rates in the fourth quarter, as the customer base has now largely migrated to new, lower priced tariffs. The fixed broadband customer base increased by 15.9% during the year to 3.1 million at 31 March 2009, with an additional 154,000 wholesale fixed broadband customers. On 19 May 2008, the Group acquired a 26.4% interest in Arcor, following which the Group owns 100% of Arcor. The integration of the mobile business and the fixed line operations has progressed, with cost savings being realised according to plan.

EBITDA margin remained broadly stable at 39.0%, reflecting an improvement in the mobile margin which was offset by a decline in the fixed line margin, with the former due to a reduction in prepaid subsidies and an increase in the number of SIM only contracts. Operating expenses were also broadly stable with the prior year as a current year restructuring charge of €35 million (£32 million) was more than offset by non-recurring adjustments, including favourable legal settlements.

Italy

Organic service revenue growth was 1.2%, reflecting targeted demand stimulation initiatives, ARPU enhancing initiatives and strong growth in data revenue due to increased penetration of mobile PC connectivity devices, email enabled devices and mobile internet services. Organic fixed line revenue growth was 3.7%, supported by 278,000 fixed broadband customer net additions during the year as well as the benefit from the launch of Vodafone Station during the summer of 2008 and the continued good performance of Tele2.

Operating results continued

EBITDA declined by 6.4% on an organic basis and EBITDA margin declined 5.1 percentage points at constant exchange rates, mainly due to a brand royalty provision release in the prior year. Excluding the impact of the brand royalty provision release and the impact of the acquisition of Tele2, the EBITDA margin was broadly stable, with an improvement in the mobile margin offsetting the increased contribution of lower margin fixed line services.

Spain

Service revenue declined by 4.9% on an organic basis, with an 8.6% decline in the fourth quarter. Negative trends in the economic environment put strong pressure on usage in some customer segments and led to increased involuntary churn. Data revenue growth accelerated during the year, driven primarily by PC connectivity services and an improvement in media content revenue growth following a successful campaign in the fourth quarter. Fixed line revenue continued to grow, supported by the launch of Vodafone Station.

EBITDA decreased by 10.5% on an organic basis, as the decline in service revenue and the dilutive effect of the increased contribution of lower margin fixed line services outweighed benefits from cost cutting initiatives in customer and operating costs.

UK

Service revenue declined by 1.1% on an organic basis, primarily due to a decrease in voice revenue resulting from increased competition in a challenging economic environment, customer optimisation of out of bundle offers and lower roaming revenue. Wholesale revenue increased due to the success of the MVNO business, principally ASDA and Lebara. Data revenue growth was maintained, driven primarily by increased penetration of mobile PC connectivity and mobile internet services. The acquisition of Central Telecom, which provides converged enterprise services, was completed in December 2008.

The 15.3% organic decline in EBITDA, which included the impact of a £30 million VAT refund in the prior year, was primarily due to higher off network usage in messaging services and higher retention costs. The cost of retaining customers increased as a higher proportion of the contract base received upgrades in the current year following the expiration of 18 month contracts, which were introduced in 2006. Operating expenses grew, primarily due to the impact of the sterling/euro exchange rate on euro denominated intercompany charges; otherwise operating expenses were broadly stable year on year.

Other Europe

On an organic basis, service revenue decreased by 1.2% during the year and 5.0% in the fourth quarter, as growth in the Netherlands was more than offset by declines in Greece and Ireland, where the trends have deteriorated throughout the year. The Netherlands benefited from a rise in the customer base and strong growth in visitor revenue. Both Greece and Ireland were impacted by deteriorating market environments, which worsened in the fourth quarter, and substantial price reductions in prepaid tariffs, whilst Greece was also affected by termination rate cuts.

The fall in EBITDA margin of 1.3 percentage points at constant exchange rates was primarily driven by the service revenue decline and restructuring charges recorded in the fourth quarter in most countries.

The share of profit in SFR increased, reflecting the acquisition of Neuf Cegetel and foreign exchange benefits on translation of the results into sterling.

Africa and Central Europe[(1)]

	Vodacom £m	Other[(2)] £m	Africa and Central Europe £m	% change £	% change Organic[(3)]
Year ended 31 March 2009					
Revenue	1,778	3,723	5,501	11.2	3.9
Service revenue	1,548	3,565	5,113	10.7	3.1
EBITDA	606	1,084	1,690	1.3	(2.4)
Adjusted operating profit	373	279	652	(13.3)	(12.9)
EBITDA margin	34.1%	29.1%	30.7%		
Year ended 31 March 2008					
Revenue	1,609	3,337	4,946		
Service revenue	1,398	3,219	4,617		
EBITDA	586	1,083	1,669		
Adjusted operating profit	365	387	752		
EBITDA margin	36.4%	32.5%	33.7%		

Notes:
(1) The Group revised its segment structure during the year. See note 3 to the consolidated financial statements.
(2) On 1 October 2007, Romania rebased all of its tariffs and changed its functional currency from US dollars to euros. In calculating all constant exchange rate and organic metrics which include Romania, previous US dollar amounts have been translated into euros at the 1 October 2007 US$/euro exchange rate.

Revenue increased by 11.2%, including the contribution of favourable exchange rate movements and the impact of merger and acquisition activity. Organic revenue growth was 3.9%, as sustained growth in Vodacom was offset by weakening trends in Turkey and Romania. Service revenue growth was 3.1% on an organic basis, reflecting the 9.9% increase in the average customer base, partially offset by an impact from termination rate cuts of around three percentage points.

EBITDA increased by 1.3%, with the contribution of favourable exchange rate movements partially offset by merger and acquisition activity. EBITDA decreased by 2.4% on an organic basis, with the EBITDA margin decreasing in the majority of markets, reflecting the continued network expansion, investment in the turnaround plan in Turkey and increased competition in Romania.

The impact of merger and acquisition activity and foreign exchange movements on revenue, service revenue, EBITDA and adjusted operating profit are shown below:

	Organic growth %	M&A activity pps	Foreign exchange pps	Reported growth %
Revenue				
Africa and Central Europe	**3.9**	**(0.7)**	**8.0**	**11.2**
Service revenue				
Vodacom	13.8	2.1	(5.2)	10.7
Other	(0.9)	(1.5)	13.1	10.7
Africa and Central Europe	**3.1**	**(0.6)**	**8.2**	**10.7**
EBITDA				
Vodacom	7.3	0.5	(4.4)	3.4
Other	(7.0)	(5.9)	13.0	0.1
Africa and Central Europe	**(2.4)**	**(4.0)**	**7.7**	**1.3**
Adjusted operating profit				
Vodacom	6.3	0.3	(4.4)	2.2
Other	(27.5)	(10.5)	10.1	(27.9)
Africa and Central Europe	**(12.9)**	**(5.6)**	**5.2**	**(13.3)**

Vodacom

Service revenue grew by 13.8% on an organic basis, as strong growth in Vodacom's average customer base continued, increasing by 11.2%, which took the closing customer base to 39.6 million on a 100% basis. Revenue growth was driven by the prepaid voice market and data services. Voice usage per customer in the prepaid market, which represents the majority of the customer base, grew as the higher usage driven by revised tariffs in South Africa was offset by the dilutive effect of the increased customer base in both Tanzania and Mozambique, which both have lower

than average ARPU. Data revenue grew by 59.7% at constant exchange rates, as the higher revenue base partially offset the benefit from increased penetration of mobile PC connectivity devices, with the absence of fixed line alternatives making mobile data a popular offering. Relatively low contract voice revenue growth resulted from reduced out of bundle usage as customers cut back on spending due to economic conditions. Equipment revenue was adversely impacted by consumer preference for lower value handsets. Trading conditions in the Democratic Republic of Congo ('DRC') have worsened significantly due to the impact of lower commodity prices on mining which is central to the DRC's economy.

Organic EBITDA growth was 7.3%, despite lower margins, as the growth in revenue more than offset the increasing cost base, which benefited from stable customer costs as a percentage of revenue as the South African market matures. The cost base was adversely impacted by an increase in operating expenses due to continued expansion, investment in enterprise services, Black Economic Empowerment share charges and high wage inflation.

On 30 December 2008, Vodacom acquired the carrier services and business network solutions subsidiaries ('Gateway') from Gateway Telecommunications SA (Pty) Ltd. Gateway provides services in more than 40 countries in Africa. On 20 April 2009, the Group acquired an additional 15.0% stake in Vodacom and on 18 May 2009, Vodacom became a subsidiary undertaking following the termination of the shareholder agreement with Telkom SA Limited, the seller and previous joint venture partner.

Other Africa and Central Europe

Service revenue declined by 0.9% on an organic basis, due to the performance in Turkey combined with the impact of deteriorating economic conditions across Central Europe, most notably in Romania in the fourth quarter. At constant exchange rates, service revenue in Turkey decreased by 7.6%, with an 18.4% fall in the fourth quarter. Termination rate cuts adversely impacted revenue by 6.9% and revenue was further depressed by a higher rate of churn and a decline in prepaid ARPU due to intense competition in the market. Consumer confidence in Turkey fell with the deterioration in the macroeconomic environment, impacting revenue. Competition also intensified, with the launch of mobile number portability in November 2008 leading to aggressive acquisition and pricing campaigns, especially in the fourth quarter of the year. Mobile ARPU fell in the second half of the year but stabilised in the fourth quarter following successful promotions. In Romania, service revenue grew by 1.1% at constant exchange rates, but deteriorated during the year, with a 10.3% decline in the fourth quarter at constant exchange rates. The market continues to mature, with the decline in ARPU resulting from local currency devaluation against the euro – whilst tariffs are quoted in euros household incomes are earned in local currency – in addition to market led price reductions impacting performance in the fourth quarter in particular. These effects were partially offset by data revenue growth following successful data promotions and flexible access offers, which led to a rise in the number of mobile PC connectivity devices.

On an organic basis, EBITDA decreased by 7.0%, with the EBITDA margin also declining due to the fall in revenue and investment in the turnaround plan in Turkey. EBITDA in Turkey declined by 37.3% at constant exchange rates, as a result of the decline in revenue and increased operating expenses, reflecting higher marketing costs, higher technology costs due to expansion of the network and organisational restructuring as part of the turnaround plan. In Romania, EBITDA decreased by 4.0% at constant exchange rates, as aggressive market competition and higher gross customer additions led to the rise in the cost of acquiring and retaining customers.

In May 2008, the Group changed the consolidation status of Safaricom from a joint venture to an associated undertaking, following completion of the share allocation for the public offering of 25.0% of Safaricom's shares previously held by the Government of Kenya and termination of the shareholders' agreement with the Government of Kenya. In August 2008, the Group acquired 70.0% of Ghana Telecommunications Company Limited, which offers both mobile and fixed services. The Group also increased its stake in Polkomtel from 19.6% to 24.4% in December 2008.

Asia Pacific and Middle East[1]

	India £m	Other £m	Eliminations £m	Asia Pacific and Middle East £m	% change £	% change Organic
Year ended 31 March 2009						
Revenue	2,689	3,131	(1)	5,819	32.3	9.3
Service revenue	2,604	2,831	(1)	5,434	32.5	8.5
EBITDA	710	1,029	–	1,739	17.8	7.3
Adjusted operating profit	(37)	562	–	525	(0.9)	6.6
EBITDA margin	26.4%	32.9%		29.9%		
Year ended 31 March 2008						
Revenue	1,822	2,577	–	4,399		
Service revenue	1,753	2,348	–	4,101		
EBITDA	598	878	–	1,476		
Adjusted operating profit	35	495	–	530		
EBITDA margin	32.8%	34.1%		33.6%		

Note:
(1) The Group revised its segment structure during the year. See note 3 to the consolidated financial statements.

Revenue increased by 32.3%, including the contribution from favourable exchange rate movements in addition to the benefit from acquisitions, primarily in India. Revenue growth on a pro forma basis was 19%, reflecting the growth in India, Egypt and Australia. On an organic basis, service revenue increased by 8.5%, primarily as a result of the 27.3% organic rise in the average customer base, although revenue growth has slowed as a result of stronger competition coupled with maturing market conditions.

EBITDA grew by 17.8%, with favourable exchange rate movements and the positive impact of acquisitions contributing to the growth. On a pro forma basis including India, EBITDA increased by 6%. The decline in the EBITDA margin resulted from positive performances in India and Egypt being mitigated by a decline in Australia.

The impact of merger and acquisition activity and foreign exchange movements on revenue, service revenue, EBITDA and adjusted operating profit are shown below:

	Organic growth %	M&A activity pps	Foreign exchange pps	Reported growth %
Revenue				
Asia Pacific and Middle East	**9.3**	**13.3**	**9.7**	**32.3**
Service revenue				
India	–	42.5	6.0	48.5
Other	8.5	0.3	11.8	20.6
Asia Pacific and Middle East	**8.5**	**14.2**	**9.8**	**32.5**
EBITDA				
India	–	14.1	4.6	18.7
Other	7.3	(3.4)	13.3	17.2
Asia Pacific and Middle East	**7.3**	**0.6**	**9.9**	**17.8**
Adjusted operating profit				
India	–	(100+)	(12.6)	(100+)
Other	6.6	(6.8)	14.0	13.8
Asia Pacific and Middle East	**6.6**	**(19.7)**	**12.2**	**(0.9)**

India

Revenue grew by 33% on a pro forma basis, with growth in the fourth quarter of 27.7% at constant exchange rates. Growth in the fourth quarter remained stable in comparison to the third quarter as the eight percentage point benefit of the new revenue stream from the network sharing joint venture, Indus Towers, which launched during the first half of the year, offset the slowing underlying growth rate. Visitor revenue increased, albeit at a lower rate, due to the impact of economic pressures as people travel less. Lower effective rates per minute reflecting price reductions earlier in the year, coupled with the continued market shift to lifetime validity prepaid offerings, led to a reduction in customer churn. The lower effective rate and a slight fall in usage per customer were mitigated by net customer additions, which averaged 2.1 million per month, and the launch of services in seven new circles, bringing the closing customer base to 68.8 million. Customer penetration in the Indian mobile market reached 34% at 31 March 2009.

EBITDA grew by 5% on a pro forma basis. Customer costs as a percentage of revenue decreased, benefiting from economies of scale. Licensing costs increased as discounts received from the regulator in some service areas were terminated. Network expansion continued, with an average of 2,600 base stations constructed per month, primarily in the new circles. Site sharing increased and Indus Towers steadily increased its operations throughout the rest of the year, with 95,000 sites under its management at the end of March 2009.

Other Asia Pacific and Middle East

The organic increase in service revenue of 8.5% was attributable to performances in Egypt and Australia. In Egypt, service revenue grew by 11.9% at constant exchange rates, as growth in the customer base and increased usage per customer were partially offset by a decline in the effective rate per minute as a result of the introduction of new tariffs in addition to lower termination rates and a fall in both visitor revenue and the enterprise segment revenue as people travelled less. Service revenue in Australia increased by 6.1% on an organic basis, due to an increase in the average customer base and good data revenue growth, especially in mobile broadband services. These were partially offset by lower ARPU, reflecting strong competition, which led to a lower revenue growth rate in the fourth quarter. In New Zealand, service revenue grew by 4.9% at constant exchange rates, a result of an increase in the fixed broadband customer base and growth in data services, the latter following increased penetration of mobile PC connectivity devices. These benefits were partially offset by the competitive and recessionary trends in the market.

EBITDA grew organically by 7.3%, with a decline in the EBITDA margin, as the increase in Egypt was offset by the decline in Australia. Egypt's EBITDA grew by 15.9% at constant exchange rates in proportion to revenue, with a slight increase in margin, despite the inclusion of 3G licensing fees for the full year in comparison to only part of the prior year. In Australia, EBITDA decreased by 17.6% on an organic basis, primarily due to a loss provision related to a prepaid recharge vendor and an increased focus on contract customers resulting in higher customer costs.

In February 2009, the Group and Hutchison Telecommunications (Australia) Limited agreed to merge their Australian operations to form a 50:50 joint venture. The transaction is expected to complete in the first half of the 2010 financial year. Following completion, the joint venture will be proportionately consolidated.

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.

Verizon Wireless

	2009	2008	% change	
	£m	£m	£	Organic
Revenue	14,085	10,144	38.9	10.4
Service revenue	12,862	9,246	39.1	10.5
EBITDA	5,543	3,930	41.0	13.0
Interest	(217)	(102)	100+	
Tax[1]	(198)	(166)	19.3	
Minority interest	(78)	(56)	39.3	
Discontinued operations	57	–	–	
Group share of result in Verizon Wireless	3,542	2,447	44.7	21.6

Note:
(1) The Group's share of the tax attributable to Verizon Wireless relates only to the corporate entities held by the Verizon Wireless partnership and certain state taxes which are levied on the partnership. The tax attributable to the Group's share of the partnership's pre-tax profit is included within the Group tax charge.

Verizon Wireless, the Group's associated undertaking in the US, achieved 5.6 million net customer additions in a market where penetration reached an estimated 92% at 31 March 2009. The increased closing customer base of 86.6 million was achieved through continued strong organic growth, the acquisitions of Rural Cellular Corporation and Alltel, combined with concentration on the high value contract segment and market leading customer loyalty as evidenced by low customer churn.

Service revenue growth was 10.5% on an organic basis, driven by the expanding customer base and robust messaging and data ARPU. Messaging and data revenue continued to increase strongly, predominantly as a result of growth in data card, email and messaging services. Verizon Wireless continued to extend the reach of its 3G network, which now covers more than 280 million people after the Alltel acquisition.

Verizon Wireless improved its EBITDA margin to 39.4% through efficiencies in operating expenses partly offset by a higher level of customer acquisition and retention costs, driven by increased demand for high end data devices such as the BlackBerry Storm.

Verizon Wireless completed the acquisition of Rural Cellular Corporation in the first half of the financial year, adding 0.7 million customers. On 9 January 2009, Verizon Wireless completed its acquisition of Alltel, purchasing Alltel's equity and acquiring and repaying Alltel's debt with Verizon Wireless and Alltel cash as well as the proceeds from capital market transactions. The Alltel acquisition added 13.2 million customers before required divestitures. Verizon Wireless expects to realise synergies with a net present value, after integration costs, of more than US$9 billion, driven by aggregate capital and operating expense savings. Increased debt in relation to the acquisition of Alltel led to a £150 million interest charge for the quarter ended 31 March 2009.

As part of regulatory approval for the Alltel acquisition, Verizon Wireless is required to divest overlapping properties in 105 markets, corresponding to 2.2 million customers. On 8 May 2009, Verizon Wireless announced an agreement with AT&T, which will acquire the network assets and mobile licences of 79 of these markets, corresponding to 1.5 million of these customers, for $2.35 billion.

2008 financial year compared to the 2007 financial year

Group[(1)(2)]

	Europe £m	Africa and Central Europe £m	Asia Pacific and Middle East £m	Verizon Wireless £m	Common Functions[(3)] £m	Eliminations £m	2008 £m	2007 £m	% change £	% change Organic
Revenue	26,081	4,946	4,399	–	170	(118)	35,478	31,104	14.1	4.2
Service revenue	24,430	4,617	4,101	–	–	(106)	33,042	28,871	14.4	4.3
EBITDA	9,690	1,669	1,476	–	343	–	13,178	11,960	10.2	2.6
Adjusted operating profit	6,206	752	530	2,447	140	–	10,075	9,531	5.7	5.7
Adjustments for:										
Impairment losses							–	(11,600)		
Other income and expense							(28)	502		
Non-operating income of associates							–	3		
Operating profit/(loss)							**10,047**	**(1,564)**		
Non-operating income and expense							254	4		
Net financing costs							(1,300)	(823)		
Profit/(loss) before taxation							**9,001**	**(2,383)**		
Income tax expense							(2,245)	(2,423)		
Profit/(loss) for the financial year from continuing operations							**6,756**	**(4,806)**		

Notes:
(1) The Group revised its segment structure during the year. See note 3 to the consolidated financial statements.
(2) During the 2009 financial year, the Group revised its analysis of revenue and costs. Visitor revenue and revenue from MVNOs are now reported in the line 'other service revenue', rather than within each of the lines for voice, messaging and data revenue. In the revised presentation of costs: direct costs include amounts previously reported as interconnect costs and other direct costs, except for expenses related to ongoing commission; customer costs include amounts previously reported within acquisition costs and retention costs, as well as expenses related to ongoing commissions, marketing, customer care and sales and distribution; and operating expenses are now comprised primarily of network and IT related expenditure, support costs from HR and finance and certain intercompany items. The following analysis reflects this change.
(3) Common Functions represents the results of the partner markets and the net result of unallocated central Group costs and recharges to the Group's operations, including royalty fees for use of the Vodafone brand.

Revenue

Revenue increased by 14.1% to £35,478 million for the year ended 31 March 2008, with organic growth of 4.2%. The impact of acquisitions and disposals was 6.5 percentage points, primarily from acquisitions of subsidiaries in India in May 2007 and Turkey in May 2006 as well as the acquisition of Tele2's fixed line communication and broadband operations in Italy and Spain in December 2007. Favourable exchange rate movements increased revenue by 3.4 percentage points, principally due to the 4.2% change in the average euro/£ exchange rate, as 60% of the Group's revenue for the 2008 financial year was denominated in euro.

Revenue grew in the Europe, Africa and Central Europe and Asia Pacific and Middle East regions by 6.1%, 20.8% and 87.4%, respectively, with growth in the Asia Pacific and Middle East region benefiting from an 81.9 percentage point impact from acquisitions and disposals. On an organic basis, Europe recorded growth of 2.0%, Africa and Central Europe delivered an increase of 13.6%, while Asia Pacific and Middle East grew by 15.9%.

Organic revenue growth was driven by the higher customer base and successful usage stimulation initiatives, partially offset by ongoing price reductions and the impact of regulatory driven reductions. Growth in data revenue was particularly strong, up 39.0% on an organic basis to £2,119 million, reflecting increased penetration of mobile PC connectivity devices and improved service offerings.

Operating profit/(loss)

Operating profit increased to £10,047 million for the year ended 31 March 2008 from a loss of £1,564 million for the year ended 31 March 2007. The loss in the 2007 financial year was mainly the result of the £11,600 million of impairment charges that occurred in the year, compared with none in the 2008 financial year.

EBITDA increased to £13,178 million, with growth of 10.2%, or 2.6% on an organic basis. The net impact of acquisitions and disposals reduced reported growth by 4.5 percentage points. The net impact of foreign exchange rates increased EBITDA by 3.1 percentage points, as the impact of the 4.2% increase in the average euro/£ exchange rate was partially offset by the 5.7% and 7.2% decreases in the average US$/£ and ZAR/£ exchange rates, respectively.

On an organic basis, EBITDA increased by 15.6% in Africa and Central Europe, driven largely by a higher customer base and the resulting increase in service revenue. In Asia Pacific and Middle East, EBITDA increased by 14.3% on an organic basis, with the majority of the increase attributable to performances in Egypt and Australia. Europe's EBITDA declined by 0.1% on an organic basis compared to the 2007 financial year, resulting from the continued challenges of highly penetrated markets, regulatory activity and price reductions.

In Europe, EBITDA was stated after a £115 million benefit from the release of a provision following a revised agreement in Italy relating to the use of the Vodafone brand and related trademarks, which is offset in Common Functions, and was also impacted by higher direct costs, customer costs and the impact of the Group's increasing focus on fixed line services, including the acquisition of Tele2 in Italy and Spain.

In the Africa and Central Europe and the Asia Pacific and Middle East regions, EBITDA was impacted by the investment in growing the customer base and the impact of the acquisitions in Turkey and India, respectively. Both India and Turkey generated lower operating profits than regional averages, partially as a result of the investment in rebranding the businesses to Vodafone, increasing the customer base and improving network quality in Turkey.

The Group's share of results from associates grew by 5.5%, or 15.1% on an organic basis. The organic growth was partially offset by a 5.5 percentage point impact from the disposal of the Group's interests in Belgacom Mobile S.A. and Swisscom Mobile A.G. during the 2007 financial year and a 4.1 percentage point impact from unfavourable exchange rate movements. The organic growth was driven by 24.8% growth in Verizon Wireless.

Other income and expense for the year ended 31 March 2007 included the gains on disposal of Belgacom S.A. and Swisscom Mobile A.G., amounting to £441 million and £68 million, respectively.

Operating results continued

Net financing costs

	2008 £m	2007 £m
Investment income	714	789
Financing costs	(2,014)	(1,612)
Net financing costs	**(1,300)**	**(823)**
Analysed as:		
Net financing costs before dividends from investments	(823)	(435)
Potential interest charges arising on settlement of outstanding tax issues	(399)	(406)
Dividends from investments	72	57
Foreign exchange[1]	(7)	(41)
Changes in fair value of equity put rights and similar arrangements[2]	(143)	2
	(1,300)	**(823)**

Notes:
(1) Comprises foreign exchange differences reflected in the consolidated income statement in relation to certain intercompany balances and the foreign exchange differences on financial instruments received as consideration in the disposal of Vodafone Japan to SoftBank.
(2) Includes the fair value movement in relation to put rights and similar arrangements held by minority interest holders in certain of the Group's subsidiaries. The valuation of these financial liabilities is inherently unpredictable and changes in the fair value could have a material impact on the future results and financial position of Vodafone. Also includes a charge of £333 million representing the initial fair value of the put options granted over the Essar Group's interest in Vodafone Essar, which has been recorded as an expense. Further details of these options are provided on page 44.

Net financing costs before dividends from investments increased by 89.2% to £823 million due to increased financing costs, reflecting higher average debt and effective interest rates. After taking account of hedging activities, the net financing costs before dividends from investments are substantially denominated in euro. At 31 March 2008, the provision for potential interest charges arising on settlement of outstanding tax issues was £1,577 million (2007: £1,213 million).

Taxation

The effective tax rate was 24.9% (2007: 26.3% exclusive of impairment losses). The rate was lower than the Group's weighted average statutory tax rate due to the structural benefit from the ongoing enhancement of the Group's internal capital structure and the resolution of historic issues with tax authorities. The 2008 financial year tax rate benefits from the cessation of provisioning for UK Controlled Foreign Company ('CFC') risk as highlighted in the 2007 financial year. The 2007 financial year additionally benefited from one-off additional tax deductions in Italy and favourable tax settlements in that year.

The 2007 effective tax rate including impairment losses was (101.7)%. The negative tax rate arose from no tax benefit being recorded for the impairment losses of £11,600 million.

Earnings/(loss) per share

Adjusted earnings per share increased by 11.0% from 11.26 pence to 12.50 pence for the year to 31 March 2008, primarily due to increased adjusted operating profit and the lower weighted average number of shares following the share consolidation which occurred in July 2006. Basic earnings per share from continuing operations were 12.56 pence compared to a basic loss per share from continuing operations of 8.94 pence for the year to 31 March 2007.

	2008 £m	2007 £m
Profit/(loss) from continuing operations attributable to equity shareholders	**6,660**	**(4,932)**
Adjustments:		
Impairment losses	–	11,600
Other income and expense[1]	28	(502)
Share of associated undertakings' non-operating income and expense	–	(3)
Non-operating income and expense[2]	(254)	(4)
Investment income and financing costs[3]	150	39
	(76)	**11,130**
Tax on the above items	44	13
Adjusted profit from continuing operations attributable to equity shareholders	**6,628**	**6,211**
Weighted average number of shares outstanding	Million	Million
Basic	53,019	55,144
Diluted[4]	53,287	55,144

Notes:
(1) The amount for the 2008 financial year represents a pre-tax charge offsetting the tax benefit arising on recognition of a pre-acquisition deferred tax asset.
(2) The amount for the 2008 financial year includes £250 million representing the profit on disposal of the Group's 5.60% direct investment in Bharti Airtel.
(3) See notes 1 and 2 in net financing costs.
(4) 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.

Europe[1]

	Germany £m	Italy £m	Spain £m	UK £m	Other £m	Eliminations £m	Europe £m	% change £	% change Organic
Year ended 31 March 2008									
Revenue	6,866	4,435	5,063	5,424	4,583	(290)	26,081	6.1	2.0
Service revenue	6,551	4,273	4,646	4,952	4,295	(287)	24,430	6.3	2.1
EBITDA	2,667	2,158	1,806	1,431	1,628	–	9,690	3.1	(0.1)
Adjusted operating profit	1,490	1,573	1,282	431	1,430	–	6,206	0.8	(1.5)
EBITDA margin	38.8%	48.7%	35.7%	26.4%	35.5%		37.2%		
Year ended 31 March 2007									
Revenue	6,790	4,245	4,500	5,124	4,275	(342)	24,592		
Service revenue	6,481	4,083	4,062	4,681	4,018	(338)	22,987		
EBITDA	2,696	2,149	1,567	1,459	1,530	–	9,401		
Adjusted operating profit	1,525	1,575	1,100	511	1,448	–	6,159		
EBITDA margin	39.7%	50.6%	34.8%	28.5%	35.8%		38.2%		

Note:
(1) The Group revised its segment structure during the year. See note 3 to the consolidated financial statements.

The Group's strategy in the Europe region continued to drive additional usage and revenue from core mobile voice and messaging services and reduce the cost base in an intensely competitive environment where unit price declines are typical each year. The 2008 financial year saw a strong focus on stimulating additional usage by offering innovative tariffs, larger minute bundles, targeted promotions and focusing on prepaid to contract migration. Data revenue growth was strong throughout the region, mainly due to the higher take up of mobile PC connectivity devices. The Group's ability to provide total communications services was enhanced through the acquisition of Tele2's fixed line communication and broadband services in Italy and Spain in the second half of the year.

Revenue growth of 6.1% was achieved for the year ended 31 March 2008, comprising 2.0% organic growth, a 0.7 percentage point benefit from the inclusion of acquired businesses, primarily Tele2, and 3.4 percentage points from favourable movements in exchange rates, largely due to the strengthening of the euro against sterling.

The impact of merger and acquisition activity and exchange rate movements on revenue, service revenue, EBITDA and adjusted operating profit are shown below:

	Organic growth %	M&A activity pps	Foreign exchange pps	Reported growth %
Revenue – Europe	**2.0**	**0.7**	**3.4**	**6.1**
Service revenue				
Germany	(2.9)	–	4.0	1.1
Italy	(2.0)	2.6	4.1	4.7
Spain	8.1	1.6	4.7	14.4
UK	5.8	–	–	5.8
Other	2.4	0.3	4.2	6.9
Europe	**2.1**	**0.8**	**3.4**	**6.3**
EBITDA				
Germany	(5.0)	–	3.9	(1.1)
Italy	(3.2)	(0.2)	3.8	0.4
Spain	11.1	(0.4)	4.6	15.3
UK	(1.9)	–	–	(1.9)
Other	2.9	(0.3)	3.8	6.4
Europe	**(0.1)**	**(0.2)**	**3.4**	**3.1**
Adjusted operating profit				
Germany	(6.0)	–	3.7	(2.3)
Italy	(1.4)	(2.4)	3.7	(0.1)
Spain	14.4	(2.2)	4.3	16.5
UK	(15.7)	–	–	(15.7)
Other	(4.2)	(0.5)	3.5	(1.2)
Europe	**(1.5)**	**(1.1)**	**3.4**	**0.8**

Service revenue grew by 6.3%, or by 2.1% on an organic basis, with strong growth in data revenue being the main driver of organic growth. Revenue was also positively impacted by the 9.3% rise in the total registered mobile customer base to 110.6 million at 31 March 2008. These factors more than offset the negative effects of termination rate cuts, the cancellation of top up fees on prepaid cards in Italy resulting from new regulation issued in March 2007 and the Group's ongoing reduction of European roaming rates. Business segment service revenue, which represents 28% of European service revenue, grew by approximately 5% on an organic basis, driven by a 21% growth in the average business customer base, including strong growth in closing handheld business devices and mobile PC connectivity devices.

EBITDA increased by 3.1% for the year ended 31 March 2008, with a decline of 0.1% on an organic basis, and the difference primarily due to favourable exchange rate movements. EBITDA included the benefit from the release of a provision following a revised agreement in Italy related to the use of the Vodafone brand and related trademarks, which is offset in Common Functions. EBITDA was also impacted by higher customer and direct costs and the impact of the Group's increased focus on fixed line services, including the acquisition of Tele2 in Italy and Spain.

Germany

Service revenue remained stable, or declined by 2.9% at constant exchange rates, mainly due to a 7.8% decrease at constant exchange rates in voice revenue resulting from a reduction in termination rates, the full year impact of significant tariff cuts introduced in the second half of the 2007 financial year and reduced roaming rates. This was partially offset by the 34.4% growth in outgoing voice minutes, driven by a 9.1% increase in the average customer base and higher usage per customer. Messaging revenue fell by 9.0% at constant exchange rates, due to lower usage by prepaid customers and new tariffs with inclusive messages sent within the Vodafone network, which stimulated an 8.8% growth in volumes, but was more than offset by the resulting lower rate per message. These falls were partially offset by the 35.8% growth at constant exchange rates in data revenue, largely due to a 71.9% increase in the combined number of registered mobile PC connectivity devices and handheld business devices, particularly in the business segment, as well as increased Vodafone HappyLive! bundle penetration in the consumer segment. During the year, the fixed broadband customer base increased by 0.5 million to 2.6 million at 31 March 2008.

EBITDA fell by 1.1%, or 5.0% at constant exchange rates, primarily due to the reduction in voice revenue. Total costs decreased at constant exchange rates, mainly as a result of a 3.6% decrease at constant exchange rates in direct costs resulting from termination rate cuts as well as fewer handset sales to third party distributors and lower content costs than in the 2007 financial year, offset by higher access line fees from the expanding customer base. Operating expenses fell by 9.2% at constant exchange rates, reflecting targeted cost saving initiatives, despite the growing customer base. Customer costs rose by 5.0% at constant exchange rates, due to a higher volume of gross additions and a higher cost per upgrade from an increased focus on higher value customers.

Operating results continued

Italy

Service revenue increased by 0.6%, as a 7.4% fall in voice revenue was offset by 17.3% and 39.8% increases in messaging and data revenue, respectively, all at constant exchange rates, as well as the contribution from the Tele2 acquisition in the second half of the year. On an organic basis, service revenue fell by 2.0%. The regulatory cancellation of top up fees and reduction in termination rates led to the fall in voice revenue but were partially mitigated by a 21.5% rise in outgoing voice usage, benefiting from a 23.2% increase in average consumer and business contract customers, successful promotions and initiatives driving usage within the Vodafone network, and elasticity arising from the top up fee removal. The success of targeted promotions and tariff options contributed to the 31.8% growth in messaging volumes, while the increase in data revenue was driven by the 108.0% growth in registered mobile PC connectivity devices.

EBITDA increased by 0.4%, but decreased by 3.2% on an organic basis, primarily as a result of the fall in voice revenue due to the regulatory cancellation of top up fees. Direct costs decreased by 0.3% on an organic basis, reflecting the growth in outgoing voice minute volumes, offset by a higher proportion of calls and messages to Vodafone customers and lower prepaid airtime commissions. Customer costs rose by 13.7% on an organic basis due to the investment in the business and higher value consumer contract segments. Operating expenses fell on an organic basis by 19.7% as a result of the release of the provision for brand royalty payments following agreement of revised terms.

Spain

Spain delivered service revenue growth of 9.7%, with 6.7% growth in voice revenue and 31.1% growth in data revenue, all at constant exchange rates, as well as the contribution from the Tele2 acquisition in the second half of the year. Organic growth in service revenue was 8.1%, with lower organic growth of 5.8% in the second half of the year resulting from a slowing average customer base growth rate in an increasingly competitive market. Outgoing voice and messaging revenue benefited from the 9.1% growth in the average customer base and an increase in usage and volumes of 14.1% and 12.7%, respectively, driven by various usage stimulation initiatives. A 101.1% increase in registered mobile PC connectivity devices led to the increase in data revenue.

Spain generated growth of 15.3% in EBITDA, or 11.1% on an organic basis, due to the increase in service revenue, partially offset by a 4.5% rise in organic customer costs driven by the higher volume of upgrades and cost per contract upgrade as well as a reduction in gross additions. The proportion of contract customers within the total closing customer base increased by 3.2 percentage points to 58.0%. Direct costs increased by 5.6% on an organic basis as the benefit from termination rate cuts was more than offset by the higher volumes of outgoing voice minutes. Operating expenses increased by 0.4% on an organic basis but fell as a percentage of service revenue as a result of good cost control.

UK

The UK recorded service revenue growth of 5.8%, with an 8.9% increase in the average customer base, following the success of the new tariff initiatives introduced in September 2006. Sustained market performance and increased penetration of 18 month contracts, which led to lower contract churn for the year, contributed to the growth in the customer base. Voice revenue remained stable as the lower prices were offset by a 16.6% increase in total usage. Messaging revenue increased by 21.7% following a 36.7% rise in usage, driven by the higher take up of messaging bundles. Growth of 28.5% was achieved in data revenue due to improved service offerings for business customers and the benefit of higher registered mobile PC connectivity devices.

Although service revenue grew by 5.8%, EBITDA fell by 1.9% as a result of the rise in total costs, partially offset by a £30 million VAT refund. Direct costs increased by 12.4% due to the 20.0% growth in outgoing mobile minutes, reflecting growth in the customer base and larger bundled offers and cost of sales associated with the growing managed solutions business and investment in content based data services. The UK business continued to invest in acquiring new customers in a highly competitive market, leading to a 6.3% increase in customer costs. Operating expenses increased by 8.5%, although remained stable as a percentage of service revenue, with the increase due to a rise in commercial operating costs in support of sales channels and customer care activities and a £35 million charge for the restructuring programmes announced in March 2008.

Other Europe

Other Europe had service revenue growth of 6.9%, or 2.4% on an organic basis, with strong organic growth in data revenue of 41.3%. Portugal and the Netherlands delivered service revenue growth of 7.2% and 9.0%, respectively, at constant exchange rates, as both benefited from strong customer growth. These were mostly offset by a 6.2% decline in service revenue in Greece at constant exchange rates, which arose from the impact of termination rate cuts in June 2007 and the cessation of a national roaming agreement in April 2007.

In Other Europe, EBITDA grew by 6.4%, or 2.9% on an organic basis, largely driven by the 3.0% rise in revenue at constant exchange rates, but offset by increased customer costs. The growth in EBITDA was primarily driven by increases in Portugal and the Netherlands of 12.3% and 7.9%, respectively, at constant exchange rates, resulting from the growth in service revenue, as well as good cost control in Portugal. These were partially offset by the 4.4% fall at constant exchange rates in Greece, where results were affected by a decline in service revenue, increased retention and marketing costs and a regulatory fine.

Africa and Central Europe[1]

	Vodacom £m	Other[2] £m	Africa and Central Europe £m	% change £	% change Organic[2]
Year ended 31 March 2008					
Revenue	1,609	3,337	4,946	20.8	13.6
Service revenue	1,398	3,219	4,617	21.0	13.2
EBITDA	586	1,083	1,669	17.1	15.6
Adjusted operating profit	365	387	752	33.1	18.0
EBITDA margin	36.4%	32.5%	33.7%		
Year ended 31 March 2007					
Revenue	1,478	2,616	4,094		
Service revenue	1,287	2,528	3,815		
EBITDA	532	893	1,425		
Adjusted operating profit	327	238	565		
EBITDA margin	36.0%	34.1%	34.8%		

Notes:
(1) The Group revised its segment structure during the year. See note 3 to the consolidated financial statements.
(2) On 1 October 2007, Romania rebased all of its tariffs and changed its functional currency from US dollars to euros. In calculating all constant exchange rate and organic metrics which include Romania, previous US dollar amounts have been translated into euros at the 1 October 2007 US$/euro exchange rate.

Vodafone has continued to execute on its strategy to deliver strong growth in emerging markets during the 2008 financial year, with good performances in Turkey, acquired in May 2006, and Romania. The Group began to differentiate itself in its emerging markets, with initiatives such as the Vodafone M-PESA/Vodafone Money Transfer service.

Revenue growth for the year ended 31 March 2008 was 20.8% for the region, or 13.6% on an organic basis, with the key driver of organic growth being the increase in service revenue of 21.0%, or 13.2% on an organic basis.

EBITDA increased by 17.1% for the year ended 31 March 2008, or 15.6% on an organic basis, due to strong performances in Vodacom and Romania.

The impact of merger and acquisition activity and foreign exchange movements on revenue, service revenue, EBITDA and adjusted operating profit are shown below:

	Organic growth %	M&A activity pps	Foreign exchange pps	Reported growth %
Revenue				
Africa and Central Europe	**13.6**	**6.0**	**1.2**	**20.8**
Service revenue				
Vodacom	16.5	–	(7.9)	8.6
Other	11.2	9.5	6.6	27.3
Africa and Central Europe	**13.2**	**6.2**	**1.6**	**21.0**
EBITDA				
Vodacom	18.3	–	(7.9)	10.4
Other	13.9	3.6	3.6	21.1
Africa and Central Europe	**15.6**	**2.1**	**(0.6)**	**17.1**
Adjusted operating profit				
Vodacom	19.1	–	(7.5)	11.6
Other	17.0	52.7	(7.1)	62.6
Africa and Central Europe	**18.0**	**22.6**	**(7.5)**	**33.1**

On an organic basis, voice revenue grew by 12.0% and messaging revenue and data revenue rose by 6.6% and 103.9%, respectively, as a result of the 22.4% organic increase in the average customer base.

Vodacom

Vodacom's service revenue increased by 8.6%, or 16.5% at constant exchange rates, which was achieved largely through average customer growth of 23.1%. The customer base was impacted by a change in the prepaid disconnection policy, which resulted in 1.45 million disconnections in September 2007 and a higher ongoing disconnection rate. Vodacom's data revenue growth remained very strong, driven by a rapid rise in mobile PC connectivity devices.

Vodacom's EBITDA rose by 10.4%, or 18.3% at constant exchange rates. The main cost drivers were operating expenses, which increased by 19.3% at constant exchange rates, and direct costs which grew by 17.1% at constant exchange rates, primarily as a result of increased prepaid airtime commission following the growth of the business. Growth at constant exchange rates was in excess of reported growth as Vodacom's reported performance in the 2008 financial year was impacted by the negative effect of exchange rates arising on the translation of its results into sterling.

Other Africa and Central Europe

Service revenue increased by 27.3%, by 11.2% on an organic basis, driven by performances in Turkey and Romania.

At constant exchange rates, Turkey delivered revenue growth of 24%, assuming the Group owned the business for the whole of both periods, with 25.2% growth in the average customer base compared to the 2007 financial year. While growth rates remained high, they slowed in the last quarter of the year, but remained consistent with the overall growth rate for the market. In order to maintain momentum in an increasingly competitive environment, the business concentrated on targeted promotional offers and focused on developing distribution, as well as continued investment in the brand and completing the planned improvements to network coverage. The revenue performance year on year was principally as a result of the increase in voice revenue driven by the rise in average customers, but also benefited from the growth in messaging revenue, resulting from higher volumes.

In Romania, service revenue increased by 15.0%, or 19.6% at constant exchange rates, driven by an 18.3% rise in the average customer base following the impact of initiatives focusing on business and contract customers, as well as growth in roaming revenue and a strong performance in data revenue following successful promotions and a growing base of mobile data customers. However, service revenue growth slowed in the last quarter, when compared to the same quarter in the 2007 financial year, in line with lower average customer growth, which was in turn driven by increased competition in the market, with five mobile operators competing for market share.

EBITDA grew by 21.1%, or by 13.9% on an organic basis, with the main drivers of growth being Turkey and Romania.

Turkey generated strong growth in EBITDA, assuming the Group owned the business for the whole of both periods, driven by the increase in revenue. The closing customer base grew by 21.8% following additional investment in customer acquisition activities, with the new connections in the year driving the higher customer costs. Direct costs were up, mainly due to ongoing regulatory fees, which equate to 15% of revenue. Operating expenses remained constant as a percentage of service revenue but increased following continued investment in the brand and network in line with the acquisition plan.

Romania's EBITDA grew by 15.8%, or 20.9% at constant exchange rates, with increases in costs being mitigated by service revenue performance. Direct costs grew, reflecting the 18.3% rise in the average customer base. As a percentage of service revenue, customer costs increased as a result of the increased competition for customers. Increases in the number of direct sales and distribution employees, following the market trend towards direct distribution channels, led to a 6.6% increase in operating expenses, or 11.0% at constant exchange rates.

Asia Pacific and Middle East[1]

	India £m	Other £m	Asia Pacific and Middle East £m	% change £	% change Organic
Year ended 31 March 2008					
Revenue	1,822	2,577	4,399	87.4	15.9
Service revenue	1,753	2,348	4,101	90.4	16.2
EBITDA	598	878	1,476	78.7	14.3
Adjusted operating profit	35	495	530	12.3	8.1
EBITDA margin	32.8%	34.1%	33.6%		
Year ended 31 March 2007					
Revenue	–	2,347	2,347		
Service revenue	–	2,154	2,154		
EBITDA	–	826	826		
Adjusted operating profit	–	472	472		
EBITDA margin	–	35.2%	35.2%		

Note:
(1) The Group revised its segment structure during the year. See note 3 to the consolidated financial statements.

Vodafone continued to execute on its strategy to deliver strong growth in emerging markets during the 2008 financial year, with the acquisition of Vodafone Essar (formerly Hutchison Essar) in India and with strong performance in Egypt. The Group began to differentiate itself in emerging markets, with initiatives such as the introduction of Vodafone branded handsets.

On 8 May 2007, the Group continued to successfully increase its portfolio in emerging markets by acquiring companies with interests in Vodafone Essar, a leading operator in the fast growing Indian mobile market, following which the Group controls Vodafone Essar. The business was rebranded to Vodafone in September 2007.

In conjunction with the Vodafone Essar acquisition, the Group signed a memorandum of understanding with Bharti Airtel, the Group's former joint venture in India, on infrastructure sharing and granted an option to a Bharti group company to buy its 5.60% direct interest in Bharti Airtel, which was exercised on 9 May 2007.

Revenue growth for the year ended 31 March 2008 was 87.4% for the region, or 15.9% on an organic basis, with the key driver for organic growth being the increase in service revenue of 90.4%, or 16.2% on an organic basis.

EBITDA increased by 78.7% for the year ended 31 March 2008, or 14.3% on an organic basis, due to performances in Egypt and Australia.

Operating results continued

The impact of merger and acquisition activity and foreign exchange movements on revenue, service revenue, EBITDA and adjusted operating profit are shown below:

	Organic growth %	M&A activity pps	Foreign exchange pps	Reported growth %
Revenue				
Asia Pacific and Middle East	**15.9**	**81.9**	**(10.4)**	**87.4**
Service revenue				
India	–	–	–	–
Other	16.2	–	(7.2)	9.0
Asia Pacific and Middle East	**16.2**	**86.6**	**(12.4)**	**90.4**
EBITDA				
India	–	–	–	–
Other	14.3	–	(8.1)	6.2
Asia Pacific and Middle East	**14.3**	**77.6**	**(13.2)**	**78.7**
Adjusted operating profit				
India	–	–	–	–
Other	8.1	–	(3.4)	4.7
Asia Pacific and Middle East	**8.1**	**7.6**	**(3.4)**	**12.3**

India

At constant exchange rates, Vodafone Essar performed well since acquisition, with growth in revenue of 55% assuming the Group owned the business for the whole of both periods. Since acquisition, there were 16.4 million net customer additions, bringing the total customer base to 44.1 million at 31 March 2008. Penetration in mobile telephony increased following falling prices of both handsets and tariffs and network coverage increases. The market remains competitive and prepaid offerings are moving to lifetime validity products, which allow the customer to stay connected to the network without requiring any top ups. Revenue continued to grow as the customer base increased, particularly in outgoing voice as service offerings drove greater usage.

The Indian mobile market continued to grow, with penetration reaching 23% by the end of March 2008. Vodafone Essar, which successfully adopted the Vodafone brand in September 2007, continued to perform well, with EBITDA slightly ahead of expectations held at the time of the completion of the acquisition. This was partially due to the Group's rapid network expansion in this market together with improvements in operating expense efficiency, particularly in customer care. The outsourcing of the IT function was implemented during January 2008 and is expected to lead to the faster roll out of more varied services to customers, while delivering greater cost efficiencies.

Other Asia Pacific and Middle East

Service revenue increased by 9.0%, by 16.2% on an organic basis, driven by performances in Egypt and Australia.

In Egypt, service revenue growth was 31.2% at constant exchange rates, benefiting from a 52.7% increase in the average customer base and an increase in voice revenue, with the fall in the effective rate per minute being offset by a 60.1% increase in usage. The success of recent prepaid customer offerings, such as the Vodafone Family tariff, contributed to the 45.8% growth in closing customers compared to the 2007 financial year.

In Australia, service revenue grew by 7.5% at constant exchange rates, which was achieved despite the sharp regulatory driven decline in termination rates during the year. Revenue growth in Australia reflected an 8.0% increase in the average customer base and the mix of higher value contract customers. New Zealand also saw strong growth in service revenue, which increased by 20.0%, or by 10.1% at constant exchange rates, driven primarily by a 16.7% increase in the average contract customer base and strong growth in data and fixed line revenue.

EBITDA grew by 6.2%, or by 14.3% on an organic basis, with the main drivers of growth being Egypt and Australia.

In Egypt, EBITDA increased by 20.6% at constant exchange rates. Direct costs grew due to prepaid airtime commission increases and 3G licence costs. Within operating expenses, staff investment programmes, higher publicity costs and leased line costs increased during the year, although operating expenses remained stable as a percentage of service revenue.

The favourable performance in Australia was a result of the higher contract customer base, achieved through expansion of retail distribution, with higher contract revenue offsetting the increase in customer costs.

Verizon Wireless

	2008 £m	2007 £m	% change £	% change $
Revenue	10,144	9,387	8.1	14.5
Service revenue	9,246	8,507	8.7	15.2
EBITDA	3,930	3,614	8.7	15.3
Interest	(102)	(179)	(43.0)	
Tax[1]	(166)	(125)	32.8	
Minority interest	(56)	(61)	(8.2)	
Group's share of result in Verizon Wireless	2,447	2,077	17.8	24.8

Note:
(1) The Group's share of the tax attributable to Verizon Wireless relates only to the corporate entities held by the Verizon Wireless partnership and certain state taxes which are levied on the partnership.

Verizon Wireless increased its closing customer base by 10.6% in the year ended 31 March 2008, adding 6.5 million net additions to reach a total customer base of 67.2 million. The performance was particularly robust in the higher value contract segment and was achieved in a market where the estimated mobile penetration reached 88% at 31 March 2008.

The strong customer growth was achieved through a combination of higher gross additions and Verizon Wireless' strong customer loyalty, with the latter evidenced through continuing low levels of churn. The 12.3% growth in the average mobile customer base combined with a 2.7% increase in ARPU resulted in a 15.2% increase in service revenue. ARPU growth was achieved through the continued success of non-voice services, driven predominantly by data cards, wireless email and messaging services. Verizon Wireless' operating profit was impacted by efficiencies in other direct costs and operating expenses, partly offset by a higher level of customer acquisition and retention costs.

During the 2008 financial year, Verizon Wireless consolidated its spectrum position through the Federal Communications Commission's Auction 73, winning the auction for a nationwide spectrum footprint plus licences for individual markets for US$9.4 billion, which was fully funded by debt. This spectrum depth will allow Verizon Wireless to continue to grow revenue, to preserve its reputation as the nation's most reliable wireless network, and to continue to lead in data services to satisfy the next wave of services and consumer electronics devices.

The Group's share of the tax attributable to Verizon Wireless for the year ended 31 March 2008 relates only to the corporate entities held by the Verizon Wireless partnership. The tax attributable to the Group's share of the partnership's pre-tax profit is included within the Group tax charge.

Outlook

2010 financial year

	Adjusted operating profit £bn	Free cash flow[1] £bn
2009 performance	11.8	5.7[1]
2010 outlook[2][3]	**11.0 to 11.8**	**6.0 to 6.5**

Notes:
(1) Excludes spectrum and licence payments but includes payments in respect of long standing tax issues. The amount for the 2009 financial year is stated after £0.3 billion of tax payments, including associated interest, in respect of a number of long standing tax issues.
(2) Includes assumptions of average foreign exchange rates for the 2010 financial year of approximately £1:€1.12 (2009: 1.20) and £1:US$1.50 (2009: 1.72). A substantial majority of the Group's adjusted operating profit and free cash flow is denominated in currencies other than sterling, the Group's reporting currency. A 1% change in the euro to sterling exchange rate would impact adjusted operating profit by approximately £70 million.
(3) The outlook does not include the impact of reorganisation costs arising from the Alltel acquisition by Verizon Wireless but includes the impact of the Group's acquisition of a further 15.0% stake in Vodacom and the consolidation of that entity from 18 May 2009.

In Europe and Central Europe, recent significant declines in GDP and continued competitive intensity will make operating conditions challenging in the 2010 financial year. In these markets, the Group expects that voice and messaging revenue trends will continue as a result of ongoing pricing pressures and slowing usage growth. However, further growth in data revenue is expected. In Turkey, the Group expects that the 2010 financial year will be challenging. Revenue growth in other emerging markets, in particular India and Africa, is expected to continue as the Group drives penetration in these markets. The Group expects another year of good performance at Verizon Wireless.

Adjusted operating profit is expected to be in the range £11.0 billion to £11.8 billion, with benefits from the improved foreign exchange environment being offset by weaker trends in trading. The wider outlook range for adjusted operating profit is consistent with the uncertain economic environment. Performance will be determined by actual economic trends, the Group's speed in closing performance gaps which exist in certain markets and the extent to which the Group decides to reinvest part of its cost savings into total communications growth opportunities. Underlying EBITDA margins in the 2010 financial year, before the impact of acquisitions and disposals, foreign exchange and business mix, are expected to decline by a similar amount to the 2009 financial year, reflecting the benefit of the acceleration of the Group's cost savings programme in a weaker revenue environment. Overall Group EBITDA margin is expected to decline at a slightly slower rate. Total depreciation and amortisation charges are expected to be around £8.5 billion, higher than in the 2009 financial year as the result of the acquisition of a further stake in Vodacom and the consolidation of that entity from 18 May 2009, capital expenditure in India and the impact of foreign exchange rates.

Free cash flow before licence and spectrum payments is expected to be in the range £6.0 billion to £6.5 billion, ahead of the Group's medium term target to deliver between £5.0 and £6.0 billion annual free cash flow. Capitalised fixed asset additions are expected to be at a similar level to the 2009 financial year after adjusting for the impact of foreign exchange. European capital intensity will be around 10% of revenue and the Group expects to continue to invest in India.

The Group continues to make significant cash payments for tax and associated interest in respect of long standing tax issues. The Group does not expect resolution of the application of UK Controlled Foreign Company legislation to the Group in the near term.

The adjusted tax rate percentage is expected to be in the mid 20s for the 2010 financial year, driven by reducing rates of corporate taxation in certain countries where the Group operates, with the Group targeting a similar level in the medium term.

2009 financial year

	Revenue £bn	Adjusted operating profit £bn	Capitalised fixed asset additions £bn	Free cash flow[1] £bn
Outlook – May 2008[2]	39.8 to 40.7	11.0 to 11.5	5.3 to 5.8	5.1 to 5.6
Operational	(1.0)	(0.4)	(0.2)	0.1
Acquisitions	0.2	–	0.1	(0.1)
Foreign exchange	0.3	0.4	–	0.1
Outlook – November 2008[3]	38.8 to 39.7	11.0 to 11.5	5.2 to 5.7	5.2 to 5.7
Foreign exchange	1.8	0.5	0.3	0.3
Outlook – February 2009[4]	40.6 to 41.5	11.5 to 12.0	5.5 to 6.0	5.5 to 6.0
2009 performance	**41.0**	**11.8**	**5.9**	**5.7**

Notes:
(1) Before licence and spectrum payments.
(2) The Group's outlook from May 2008 reflected expectations for average foreign exchange rates for the 2009 financial year of approximately £1:€1.30 and £1:US$1.96.
(3) The Group's outlook, as updated in November 2008, reflected the impact of the Group's acquisition of stakes in Ghana, Qatar and Poland and by SFR of Neuf Cegetel and updated expectations for average foreign exchange rates for the 2009 financial year of approximately £1:€1.26 and £1:US$1.80.
(4) The Group's outlook, as updated in February 2009, reflected updated expectations for average foreign exchange rates for the 2009 financial year of approximately £1:€1.20 and £1:US$1.72.

Principal risk factors and uncertainties

The following discussion of principal risk factors and uncertainties identifies the most significant risks that may adversely affect the Group's business, operations, liquidity, financial position or future performance. This section should be carefully read in conjunction with the "Forward-looking statements" on page 142 of this document.

Adverse macro economic conditions in the markets in which the Group operates could impact the Group's results of operations.

Adverse macro economic conditions and further deterioration in the global economic environment, such as a deepening recession or further economic slowdown in the markets in which the Group operates, may lead to a reduction in the level of demand from the Group's customers for existing and new products and services. In difficult economic conditions, consumers may seek to reduce discretionary spending by reducing their use of the Group's products and services, including data services, or by switching to lower-cost alternatives offered by the Group's competitors. Similarly, under these conditions the enterprise customers that the Group serves may delay purchasing decisions, delay full implementation of service offerings or reduce their use of the Group's services. In addition, adverse economic conditions may lead to an increased number of the Group's consumer and enterprise customers that are unable to pay for existing or additional services. If these events were to occur, it could have a material adverse effect on the Group's results of operations.

The continued volatility of worldwide financial markets may make it more difficult for the Group to raise capital externally, which could have a negative impact on the Group's access to finance.

The Group's key sources of liquidity in the foreseeable future are likely to be cash generated from operations and borrowings through long term and short term issuances in the capital markets as well as committed bank facilities. Due to the recent volatility experienced in capital and credit markets around the world, new issuances of debt securities may experience decreased demand. Adverse changes in credit markets or Vodafone's credit ratings could increase the cost of borrowing and banks may be unwilling to renew credit facilities on existing terms. Any of these factors could have a negative impact on the Group's access to finance.

Regulatory decisions and changes in the regulatory environment could adversely affect the Group's business.

As the Group has ventures in a large number of geographic areas, it must comply with an extensive range of requirements that regulate and supervise the licensing, construction and operation of its telecommunications networks and services. In particular, there are agencies which regulate and supervise the allocation of frequency spectrum and which monitor and enforce regulation and competition laws which apply to the mobile telecommunications industry. Decisions by regulators regarding the granting, amendment or renewal of licences, to the Group or to third parties, could adversely affect the Group's future operations in these geographic areas. The Group cannot provide any assurances that governments in the countries in which it operates will not issue telecommunications licences to new operators whose services will compete with it. In addition, other changes in the regulatory environment concerning the use of mobile phones may lead to a reduction in the usage of mobile phones or otherwise adversely affect the Group. Additionally, decisions by regulators and new legislation, such as those relating to international roaming charges and call termination rates, could affect the pricing for, or adversely affect the revenue from, the services the Group offers. Further details on the regulatory framework in certain countries and regions in which the Group operates, and on regulatory proceedings can be found in "Regulation" on page 135.

Increased competition may reduce market share and revenue.

The Group faces intensifying competition and its ability to compete effectively will depend on, among other things, network quality, capacity and coverage, the pricing of services and equipment, the quality of customer service, development of new and enhanced products and services, the reach and quality of sales and distribution channels and capital resources. Competition could lead to a reduction in the rate at which the Group adds new customers, a decrease in the size of the Group's market share and a decline in the Group's ARPU as customers choose to receive telecommunications services, or other competing services, from other providers. Examples include, but are not limited to, competition from internet based services and MVNOs.

The focus of competition in many of the Group's markets continues to shift from customer acquisition to customer retention as the market for mobile telecommunications has become increasingly penetrated. Customer deactivations are measured by the Group's churn rate. There can be no assurance that the Group will not experience increases in churn rates, particularly as competition intensifies. An increase in churn rates could adversely affect profitability because the Group would experience lower revenue and additional selling costs to replace customers or recapture lost revenue.

Increased competition has also led to declines in the prices the Group charges for its mobile services and is expected to lead to further price declines in the future. Competition could also lead to an increase in the level at which the Group must provide subsidies for handsets. Additionally, the Group could face increased competition should there be an award of additional licences in jurisdictions in which a member of the Group already has a licence.

Delays in the development of handsets and network compatibility and components may hinder the deployment of new technologies.

The Group's operations depend in part upon the successful deployment of continuously evolving telecommunications technologies. The Group uses technologies from a number of vendors and makes significant capital expenditures in connection with the deployment of such technologies. There can be no assurance that common standards and specifications will be achieved, that there will be inter-operability across Group and other networks, that technologies will be developed according to anticipated schedules, that they will perform according to expectations or that they will achieve commercial acceptance. The introduction of software and other network components may also be delayed. The failure of vendor performance or technology performance to meet the Group's expectations or the failure of a technology to achieve commercial acceptance could result in additional capital expenditures by the Group or a reduction in profitability.

The Group may experience a decline in revenue or profitability notwithstanding its efforts to increase revenue from the introduction of new services.

As part of its strategy, the Group will continue to offer new services to its existing customers and seek to increase non-voice service revenue as a percentage of total service revenue. However, the Group may not be able to introduce these new services commercially, or may experience significant delays due to problems such as the availability of new mobile handsets, higher than anticipated prices of new handsets or availability of new content services. In addition, even if these services are introduced in accordance with expected time schedules, there is no assurance that revenue from such services will increase ARPU or maintain profit margins.

Expected benefits from cost reduction initiatives may not be realised.

The Group has entered into several cost reduction initiatives principally relating to network sharing, the outsourcing of IT application, development and maintenance, data centre consolidation, supply chain management and a business transformation programme to implement a single, integrated operating model using one ERP system. However, there is no assurance that the full extent of the anticipated benefits will be realised in the timeline envisaged.

Changes in assumptions underlying the carrying value of certain Group assets could result in impairment.

Vodafone completes a review of the carrying value of its assets annually, or more frequently where the circumstances require, to assess whether those carrying values can be supported by the net present value of future cash flows derived from such assets. This review examines the continued appropriateness of the assumptions in respect of highly uncertain matters upon which the carrying values of certain of the Group's assets are based. This includes an assessment of discount rates and long term growth rates, future technological developments and timing and quantum of future capital expenditure, as well as several factors which may affect revenue and

profitability identified within other risk factors in this section such as intensifying competition, pricing pressures, regulatory changes and the timing for introducing new products or services. Due to the Group's substantial carrying value of goodwill under International Financial Reporting Standards, the revision of any of these assumptions to reflect current or anticipated changes in operations or the financial condition of the Group could lead to an impairment in the carrying value of certain assets in the Group. While impairment does not impact reported cash flows, it does result in a non-cash charge in the consolidated income statement and thus no assurance can be given that any future impairments would not affect the Company's reported distributable reserves and therefore its ability to make distributions to its shareholders or repurchase its shares. See "Critical accounting estimates" on page 71.

The Group's geographic expansion may increase exposure to unpredictable economic, political and legal risks.

Political, economic and legal systems in emerging markets historically are less predictable than in countries with more developed institutional structures. As the Group increasingly enters into emerging markets, the value of the Group's investments may be adversely affected by political, economic and legal developments which are beyond the Group's control.

Expected benefits from acquisitions may not be realised.

The Group has made significant acquisitions, which are expected to deliver benefits resulting from the anticipated growth potential of the relevant markets. However, there is no assurance as to the successful integration of companies acquired by the Group or the extent to which the anticipated benefits resulting from the acquisitions will be achieved.

The Company's strategic objectives may be impeded by the fact that it does not have a controlling interest in some of its ventures.

Some of the Group's interests in mobile licences are held through entities in which it is a significant, but not a controlling owner. Under the governing documents for some of these partnerships and corporations, certain key matters such as the approval of business plans and decisions as to the timing and amount of cash distributions require the consent of the partners. In others, these matters may be approved without the Company's consent. The Company may enter into similar arrangements as it participates in ventures formed to pursue additional opportunities. Although the Group has not been materially constrained by the nature of its mobile ownership interests, no assurance can be given that its partners will not exercise their power of veto or their controlling influence in any of the Group's ventures in a way that will hinder the Group's corporate objectives and reduce any anticipated cost savings or revenue enhancement resulting from these ventures.

Expected benefits from investment in networks, licences and new technology may not be realised.

The Group has made substantial investments in the acquisition of licences and in its mobile networks, including the roll out of 3G networks. The Group expects to continue to make significant investments in its mobile networks due to increased usage and the need to offer new services and greater functionality afforded by new or evolving telecommunications technologies. Accordingly, the rate of the Group's capital expenditures in future years could remain high or exceed that which it has experienced to date.

There can be no assurance that the introduction of new services will proceed according to anticipated schedules or that the level of demand for new services will justify the cost of setting up and providing new services. Failure or a delay in the completion of networks and the launch of new services, or increases in the associated costs, could have a material adverse effect on the Group's operations.

The Group's business and its ability to retain customers and attract new customers may be impaired by actual or perceived health risks associated with the transmission of radio waves from mobile telephones, transmitters and associated equipment.

Concerns have been expressed in some countries where the Group operates that the electromagnetic signals emitted by mobile telephone handsets and base stations may pose health risks at exposure levels below existing guideline levels and may interfere with the operation of electronic equipment. In addition, as described under the heading "Legal proceedings" in note 33 to the consolidated financial statements, several mobile industry participants, including the Company and Verizon Wireless, have had lawsuits filed against them alleging various health consequences as a result of mobile phone usage, including brain cancer. While the Company is not aware that such health risks have been substantiated, there can be no assurance that the actual, or perceived, risks associated with radio wave transmission will not impair its ability to retain customers and attract new customers, reduce mobile telecommunications usage or result in further litigation. In such event, because of the Group's strategic focus on mobile telecommunications, its business and results of operations may be more adversely affected than those of other companies in the telecommunications sector.

The Group's business would be adversely affected by the non-supply of equipment and support services by a major supplier.

Companies within the Group source network infrastructure and other equipment, as well as network-related and other significant support services, from third party suppliers. The withdrawal or removal from the market of one or more of these major third party suppliers could adversely affect the Group's operations and could result in additional capital or operational expenditures by the Group.

Financial position and resources

Consolidated balance sheet

	2009 £m	2008 £m
Non-current assets		
Intangible assets	74,938	70,331
Property, plant and equipment	19,250	16,735
Investments in associated undertakings	34,715	22,545
Other non-current assets	10,767	8,935
	139,670	**118,546**
Current assets	13,029	8,724
Total assets	**152,699**	**127,270**
Total equity shareholders' funds	86,162	78,043
Total minority interests	(1,385)	(1,572)
Total equity	**84,777**	**76,471**
Liabilities		
Borrowings		
Long term	31,749	22,662
Short term	9,624	4,532
Taxation liabilities		
Deferred tax liabilities	6,642	5,109
Current taxation liabilities	4,552	5,123
Other non-current liabilities	1,584	1,055
Other current liabilities	13,771	12,318
Total liabilities	**67,922**	**50,799**
Total equity and liabilities	**152,699**	**127,270**

Non-current assets

Intangible assets

At 31 March 2009, the Group's intangible assets were £74.9 billion, with goodwill comprising the largest element at £54.0 billion (2008: £51.3 billion). The increase in intangible assets was primarily as a result of £10.0 billion of favourable exchange rate movements and £2.3 billion of additions, partially offset by amortisation of £2.8 billion and an impairment charge of £5.9 billion. Refer to note 10 to the consolidated financial statements for further information on the impairment charge.

Property, plant and equipment

Property, plant and equipment increased from £16.7 billion at 31 March 2008 to £19.3 billion at 31 March 2009, predominantly as a result of £4.8 billion of additions and £2.1 billion of favourable foreign exchange movements, which more than offset the £4.1 billion of depreciation charges and a £0.3 billion reduction due to disposals.

Investments in associated undertakings

The Group's investments in associated undertakings increased from £22.5 billion at 31 March 2008 to £34.7 billion at 31 March 2009, mainly as a result of favourable foreign exchange movements of £8.7 billion. The Group's share of the results of its associated undertakings, after deductions of interest, tax and minority interest, contributed a further £4.1 billion to the increase, mainly arising from the Group's investment in Verizon Wireless, and was partially offset by £0.8 billion of dividends received.

Other non-current assets

Other non-current assets mainly relate to other investments held by the Group, which totalled £7.1 billion at 31 March 2009 compared to £7.4 billion at 31 March 2008, primarily as a result of a decrease in the listed share price of China Mobile, which was largely offset by foreign exchange rate movements. The movement in other non-current assets primarily represents a £1.6 billion increase in the revaluation of financial instruments.

Current assets

Current assets increased to £13.0 billion at 31 March 2009 from £8.7 billion at 31 March 2008, mainly as a result of the increased holdings due to funding requirements in relation to the completion of the Vodacom transaction and in anticipation of bond redemptions occurring in May 2009.

Total equity shareholders' funds

Total equity shareholders' funds increased from £78.0 billion at 31 March 2008 to £86.2 billion at 31 March 2009. The increase comprises primarily the profit for the year of £3.1 billion and a £12.6 billion benefit from the impact of favourable exchange rate movements less equity dividends of £4.0 billion.

Borrowings

Long term borrowings and short term borrowings increased to £41.4 billion at 31 March 2009 from £27.2 billion at 31 March 2008, mainly as a result of foreign exchange movements and new bond issues.

Taxation liabilities

The deferred tax liability increased from £5.1 billion at 31 March 2008 to £6.6 billion at 31 March 2009, which arose mainly from the impact of foreign exchange movements.

Other current liabilities

The increase in other current liabilities from £12.3 billion at 31 March 2008 to £13.8 billion at 31 March 2009 was primarily to due foreign exchange differences arising on translation of liabilities in foreign subsidiaries and joint ventures. Group trade payables at 31 March 2009 were equivalent to 38 days (2008: 37 days) outstanding, calculated by reference to the amount owed to suppliers as a proportion of the amounts invoiced by suppliers during the year.

Contractual obligations and contingencies

A summary of the Group's principal contractual financial obligations is shown below. Further details on the items included can be found in the notes to the consolidated financial statements. Details of the Group's contingent liabilities are included in note 33 to the consolidated financial statements.

	Payments due by period £m				
Contractual obligations[1]	Total	<1 year	1-3 years	3-5 years	>5 years
Borrowings[2]	49,130	10,809	12,509	7,594	18,218
Operating lease commitments[3]	5,616	1,041	1,451	989	2,135
Capital commitments[3][4]	2,107	1,874	153	69	11
Purchase commitments	2,518	1,616	524	283	95
Total contractual cash obligations[1]	**59,371**	**15,340**	**14,637**	**8,935**	**20,459**

Notes:
(1) The above table of contractual obligations excludes commitments in respect of options over interests in Group businesses held by minority shareholders (see "Option agreements and similar arrangements") and obligations to pay dividends to minority shareholders (see "Dividends from associated undertakings and to minority shareholders"). The table excludes current and deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 6 and 26 to the consolidated financial statements, respectively.
(2) See note 25 to the consolidated financial statements.
(3) See note 32 to the consolidated financial statements.
(4) Primarily related to network infrastructure.

Equity dividends

The table below sets out the amounts of interim, final and total cash dividends paid or, in the case of the final dividend for the 2009 financial year, proposed, in respect of each financial year.

	Pence per ordinary share		
Year ended 31 March	Interim	Final	Total
2005	1.91	2.16	4.07
2006	2.20	3.87	6.07
2007	2.35	4.41	6.76
2008	2.49	5.02	7.51
2009	2.57	5.20[1]	7.77

Note:
(1) The final dividend for the year ended 31 March 2009 was proposed on 19 May 2009 and is payable on 7 August 2009 to holders of record as of 5 June 2009. For American Depositary Share ('ADS') holders, the dividend will be payable in US dollars under the terms of the ADS depositary agreement.

The Company provides returns to shareholders through dividends. The Company has historically paid dividends semi-annually, with a regular interim dividend in respect of the first six months of the financial year payable in February and a final dividend payable in August. The directors expect that the Company will continue to pay dividends semi-annually. In November 2008, the directors announced an interim dividend of 2.57 pence per share, representing a 3.2% increase over last year's interim dividend.

In considering the level of dividends, the Board takes account of the outlook for earnings growth, operating cash flow generation, capital expenditure requirements, acquisitions and divestments, together with the amount of debt and share purchases.

In November 2008, the Board reviewed the previous dividend policy in the light of recent foreign exchange rate volatility, the impact of amortisation of acquired intangible assets and the current economic environment, following which it adopted a progressive policy, where dividend growth reflects the underlying trading and cash performance of the Group.

Accordingly, the directors announced a proposed final dividend of 5.20 pence per share, representing a 3.6% increase over last year's final dividend.

Liquidity and capital resources

The major sources of Group liquidity for the 2009 and 2008 financial years were cash generated from operations, dividends from associated undertakings, and borrowings through short term and long term issuances in the capital markets. The Group does not use off-balance sheet special purpose entities as a source of liquidity or for other financing purposes.

The Group's key sources of liquidity for the foreseeable future are likely to be cash generated from operations and borrowings through long term and short term issuances in the capital markets, as well as committed bank facilities.

The Group's liquidity and working capital may be affected by a material decrease in cash flow due to factors such as reduced operating cash flow resulting from further possible business disposals, increased competition, litigation, timing of tax payments and the resolution of outstanding tax issues, regulatory rulings, delays in the development of new services and networks, licence and spectrum payments, inability to receive expected revenue from the introduction of new services, reduced dividends from associates and investments or increased dividend payments to minority shareholders. Please see the section titled "Principal risk factors and uncertainties", on pages 38 and 39. In particular, the Group continues to expect significant cash tax payments and associated interest payments in relation to long standing tax issues.

The Group is also party to a number of agreements that may result in a cash outflow in future periods. These agreements are discussed further in "Option agreements and similar arrangements" at the end of this section.

Wherever possible, surplus funds in the Group (except in Egypt and India) are transferred to the centralised treasury department through repayment of borrowings, deposits, investments, share purchases and dividends. These are then loaned internally or contributed as equity to fund Group operations, used to retire external debt, invested externally or used to pay external dividends.

Cash flows

Free cash flow before licence and spectrum payments increased by 2.5% to £5,722 million, despite a deferral of a US$250 million gross tax distribution from Verizon Wireless to April 2009, as the increased cash generated by operations more than offset higher capital expenditure, and taxation payments were lower than in the prior year. Free cash flow was lower resulting from a £647 million payment representing 60% of the licence in Qatar, of which £530 million was funded by Vodafone Qatar's other shareholders.

Cash generated by operations increased by £1,345 million to £14,634 million, with approximately 72% generated in the Europe region. Capital expenditure before licence and spectrum payments increased by £1,575 million, primarily due to network expansion in India and Turkey and in Europe due to accelerated investment in broadband and higher speed capability on the Group's networks to deliver an improved customer experience. Increased capital expenditure in emerging markets is increasingly being funded through cash generated by operations.

Payments for taxation decreased by £394 million, primarily due to lower settlements, a lower weighted average statutory tax rate and structural benefits following enhancements to the Group's internal capital structure.

Dividends received from associated undertakings and investments fell by 20.1% to £755 million, in line with expectations following acquisitions in Verizon Wireless and SFR. Together with Verizon Communications Inc., the Group agreed to delay a US$250 million gross tax distribution to April 2009. Both shareholders benefited by enabling Verizon Wireless to minimise arrangement and duration fees applicable to the bridge facility drawn to acquire Alltel. In addition, dividends from SFR were lower, in line with expectations, following the agreement after SFR's acquisition of Neuf Cegetel that SFR would partially fund debt repayments by a reduction in dividends between 2009 and 2011 inclusive.

Net interest payments increased by 5.5% to £1,168 million, primarily due to unfavourable exchange rate movements impacting the translation of interest payments into sterling. The interest payments resulting from the 28.2% increase in average net debt at month end accounting dates was minimised due to changes in the Group's currency mix of net debt and significantly lower interest rates for debt denominated in US dollars.

	2009 £m	2008 £m	%
Cash generated by operations	**14,634**	**13,289**	**10.1**
Purchase of intangible fixed assets	(1,764)	(846)	
Purchase of property, plant and equipment	(5,204)	(3,852)	
Disposal of property, plant and equipment	317	39	
Operating free cash flow	**7,983**	**8,630**	**(7.5)**
Taxation	(2,421)	(2,815)	
Dividends from associated undertakings and investments[1]	755	945	
Dividends paid to minority shareholders in subsidiary undertakings	(162)	(113)	
Interest received	302	438	
Interest paid	(1,470)	(1,545)	
Free cash flow	**4,987**	**5,540**	**(10.0)**
Licence and spectrum payments[2]	735	40	
Free cash flow before licence and spectrum payments	**5,722**	**5,580**	**2.5**
Acquisitions and disposals[3]	(1,330)	(6,541)	
Amounts received from minority shareholders[4]	618	–	
Put options over minority interests	(4)	(2,521)	
Equity dividends paid	(4,013)	(3,658)	
Purchase of treasury shares	(963)	–	
Foreign exchange and other	(8,371)	(2,918)	
Net debt increase	**(9,076)**	**(10,098)**	
Opening net debt	(25,147)	(15,049)	
Closing net debt	**(34,223)**	**(25,147)**	**36.1**

Notes:
(1) Year ended 31 March 2009 includes £303 million (2008: £450 million) from the Group's interest in SFR and £333 million (2008: £414 million) from the Group's interest in Verizon Wireless.
(2) Year ended 31 March 2009 includes £647 million in relation to Vodafone Qatar.
(3) Year ended 31 March 2009 includes net cash and cash equivalents paid of £1,240 million (2008: £5,268 million) and assumed debt of £78 million (2008: £1,273 million), excluding liabilities related to put options over minority interests which are shown separately. It also includes a £12 million increase in net debt in relation to the change in consolidation status of Safaricom from a joint venture to an associate.
(4) Year ended 31 March 2009 includes £591 million in relation to Vodafone Qatar.

Dividends from associated undertakings and to minority shareholders

Dividends from the Group's associated undertakings are generally paid at the discretion of the Board of directors or shareholders of the individual operating and holding companies and Vodafone has no rights to receive dividends, except where specified within certain of the companies' shareholders' agreements, such as with

SFR, the Group's associated undertaking in France. Similarly, the Group does not have existing obligations under shareholders' agreements to pay dividends to minority interest partners of Group subsidiaries or joint ventures, except as specified below. Included in the dividends received from associated undertakings and investments is an amount of £333 million (2008: £414 million) received from Verizon Wireless. Until April 2005, Verizon Wireless' distributions were determined by the terms of the partnership agreement distribution policy and comprised income distributions and tax distributions. Since April 2005, tax distributions have continued. Current projections forecast that tax distributions will not be sufficient to cover the US tax liabilities arising from the Group's partnership interest in Verizon Wireless until 2015. However, the tax distributions are expected to be sufficient to cover the net tax liabilities of the Group's US holding company.

Following the announcement of Verizon Wireless' acquisition of Alltel, certain additional tax distributions were agreed. Under the terms of the partnership agreement, the Verizon Wireless board has no obligation to effect additional distributions above the level of the tax distributions. However, the Verizon Wireless board has agreed that it will review distributions from Verizon Wireless on an annual basis. When considering whether distributions will be made each year, the Verizon Wireless board will take into account its debt position, the relationship between debt levels and maturities and overall market conditions in the context of the five year business plan. It is expected that Verizon Wireless' free cash flow will be deployed in servicing and reducing debt for the foreseeable future. Together with Verizon Communications Inc., the Group agreed to delay a US$250 million gross tax distribution to April 2009. Both shareholders benefited by enabling Verizon Wireless to minimise arrangement and duration fees applicable to the bridge facility drawn to acquire Alltel.

During the year ended 31 March 2009, cash dividends totalling £303 million (2008: £450 million) were received from SFR in accordance with the shareholders' agreement. Following SFR's purchase of Neuf Cegetel, it was agreed that SFR would partially fund debt repayments by a reduction in dividends between 2009 and 2011, inclusive. The amount of dividends received fell by 32.7% from the prior year, which is in line with this agreement.

Verizon Communications Inc. has an indirect 23.1% shareholding in Vodafone Italy and, under the shareholders' agreement, the shareholders have agreed to take steps to cause Vodafone Italy to pay dividends at least annually, provided that such dividends will not impair the financial condition or prospects of Vodafone Italy including, without limitation, its credit standing. During the 2009 financial year, Vodafone Italy paid a dividend net of withholding tax of €424.1 million to Verizon Communications Inc., which was declared in the previous financial year. On 27 April 2009, Vodafone Italy declared and paid a dividend of €1.3 billion, of which €0.3 billion was received by Verizon Communications Inc. net of withholding tax.

The Vodafone Essar shareholders' agreement provides for the payment of dividends to minority partners under certain circumstances but not before May 2011.

Acquisitions and disposals

The Group invested a net £1,240 million[1] in acquisition and disposal activities, including the purchase and disposal of investments, in the year ended 31 March 2009. An analysis of the significant transactions in the 2009 financial year, including changes to the Group's effective shareholding, is shown in the table below. Further details of the acquisitions are provided in note 29 to the consolidated financial statements.

	£m
Arcor (26.4%)[2]	366
Ghana Telecommunications (70.0%)	486
Polkomtel (4.8%)	171
Gateway Communications (50%)[3]	185
Other net acquisitions and disposals, including investments	32
Total	**1,240**

Notes:
(1) Amounts are shown net of cash and cash equivalents acquired or disposed.
(2) 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.
(3) Acquisition undertaken by Vodacom, which at 31 March 2009 was 50% owned by the Group.

On 19 May 2008, the Group acquired 26.4% of Arcor previously held by minority interests for cash consideration of €460 million (£366 million). Following the transaction, Vodafone owns 100.0% of Arcor.

On 17 August 2008, the Group completed the acquisition of 70.0% of Ghana Telecommunications Company Limited ('Ghana Telecommunications'), a leading telecommunications operator in Ghana, from the Government of Ghana for cash consideration of US$900 million (£486 million).

On 18 December 2008, the Group completed the acquisition of an additional 4.8% stake in Polkomtel S.A. for net cash consideration of €186 million (£171 million). The acquisition increased Vodafone's stake in Polkomtel S.A. from 19.6% to 24.4%.

On 30 December 2008, Vodacom acquired the carrier services and business network solutions subsidiaries ('Gateway') of Gateway Telecommunications SA (Pty) Ltd. Gateway provides services in more than 40 countries in Africa.

Treasury shares

The Companies Act 1985 permits companies to purchase their own shares out of distributable reserves and to hold shares with a nominal value not to exceed 10% of the nominal value of their issued share capital in treasury. If shares in excess of this limit are purchased they must be cancelled. While held in treasury, no voting rights or pre-emption rights accrue and no dividends are paid in respect of treasury shares. Treasury shares may be sold for cash, transferred (in certain circumstances) for the purposes of an employee share scheme, or cancelled. If treasury shares are sold, such sales are deemed to be a new issue of shares and will accordingly count towards the 5% of share capital which the Company is permitted to issue on a non pre-emptive basis in any one year as approved by its shareholders at the AGM. The proceeds of any sale of treasury shares up to the amount of the original purchase price, calculated on a weighted average price method, is attributed to distributable profits which would not occur in the case of the sale of non-treasury shares. Any excess above the original purchase price must be transferred to the share premium account.

The Board considered the market reaction to the Group's interim management statement, issued on 22 July 2008, and introduced a £1 billion share repurchase programme. This programme was completed on 18 September 2008. Details of shares purchased are shown below:

Date of share purchase	Total number of shares purchased '000	Average price paid per share inclusive of transaction costs Pence	Total number of shares purchased under share repurchase programme[1] '000	Maximum value of shares that may yet be purchased under the programme[1] £m
July 2008	161,364	133.16	161,364	785
August 2008	265,170	138.78	426,534	417
September 2008	309,566	134.71	736,100	–
Total	**736,100**	**135.84**	**736,100**	**–**

Note:
(1) No shares were purchased outside of the publicly announced share purchase programmes.

Shares purchased are held in treasury in accordance with section 162 of the Companies Act 1985. The movement in treasury shares during the financial year is shown below:

	Number Million	£m
1 April 2008	5,133	7,856
Reissue of shares	(43)	(59)
Purchase of shares	736	1,000
Cancelled shares	(500)	(755)
Other receipts	(4)	(6)
31 March 2009	**5,322**	**8,036**

Funding

The Group has maintained a robust liquidity position despite challenging conditions within the credit markets, thereby enabling the Group to service shareholder returns, debt and expansion through capital investment. This position has been achieved through continued delivery of strong operating cash flows, effective management of working capital, issuances on short term and long term debt markets and non-recourse borrowing assumed in respect of the emerging market business. It has not been necessary for the Group to draw down on its committed bank facilities during the year.

Net debt

The Group's consolidated net debt position at 31 March was as follows:

	2009 £m	2008 £m
Cash and cash equivalents (as presented in the consolidated balance sheet)	**4,878**	**1,699**
Short term borrowings:		
Bonds	(5,025)	(1,930)
Commercial paper[1]	(2,659)	(1,443)
Bank loans	(893)	(806)
Other short term borrowings[2]	(1,047)	(353)
	(9,624)	**(4,532)**
Long term borrowings:		
Put options over minority interest	(3,606)	(2,625)
Bonds, loans and other long term borrowings[3]	(28,143)	(20,037)
	(31,749)	**(22,662)**
Trade and other receivables[4]	2,707	892
Trade and other payables[4]	(435)	(544)
Net debt	**(34,223)**	**(25,147)**

Notes:
(1) At 31 March 2009, US$1,412 million was drawn under the US commercial paper programme and amounts of €1,340 million, £357 million and US$108 million were drawn under the euro commercial paper programme.
(2) At 31 March 2009, amount includes £691 million in relation to collateral support agreements.
(3) At 31 March 2009, £5,159 million related to drawn facilities, including £1,821 million for a JPY term loan and £1,930 million for loans within the Indian corporate structure.
(4) Represents mark-to-market adjustments on derivative financial instruments which are included as a component of trade and other receivables and trade and other payables.

At 31 March 2009, the Group had £4,878 million of cash and cash equivalents, with the increase since 31 March 2008 being due to funding requirements in relation to the completion of the Vodacom transaction and in anticipation of bond redemptions occurring in May 2009. Cash and cash equivalents are held in accordance with the Group treasury policy.

The Group holds its cash and liquid investments in accordance with the counterparty and settlement risk limits of the Board approved treasury policy. The main forms of liquid investments at 31 March 2009 were money market funds, commercial paper and bank deposits.

Net debt increased to £34,223 million, from £25,147 million at 31 March 2008, as the impact of business acquisitions and disposals, movements in the liability related to written put options and equity dividend payments were partially offset by free cash flow. The impact of foreign exchange rates increased net debt by £7,613 million, as approximately 57% of net debt is denominated in euro and the euro/sterling exchange rate increased by 16.3% during the 2009 financial year. Net debt represented approximately 53.1% of the Group's market capitalisation at 31 March 2009 compared with 31% at 31 March 2008. Average net debt at month end accounting dates over the 12 month period ended 31 March 2009 was £28,462 million and ranged between £23,339 million and £34,281 million during the year.

The cash received from collateral support agreements mainly reflects the value of the Group's interest rate swap portfolio, which is substantially net present value positive. See note 24 to the consolidated financial statements for further details on these agreements.

Credit ratings

Consistent with the development of its strategy, the Group targets, on average, a low single A long term credit rating. As of 18 May 2009, the credit ratings were as follows:

Rating Agency	Rating date	Type of debt	Rating	Outlook
Standard & Poor's	30 May 2006	Short term	A-2	Stable
	30 May 2006	Long term	A-	Stable
Moody's	30 May 2006	Short term	P-2	Stable
	16 May 2007	Long term	Baa1	Stable
Fitch Ratings	30 May 2006	Short term	F2	Stable
	30 May 2006	Long term	A-	Stable

The Group's credit ratings enable it to have access to a wide range of debt finance, including commercial paper, bonds and committed bank facilities. Credit ratings are not a recommendation to purchase, hold or sell securities, in as much as ratings do not comment on market price or suitability for a particular investor, and are subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently.

Commercial paper programmes

The Group currently has US and euro commercial paper programmes of US$15 billion and £5 billion, respectively, which are available to be used to meet short term liquidity requirements. At 31 March 2009, amounts external to the Group of €1,340 million (£1,239 million), £357 million and US$108 million (£76 million) were drawn under the euro commercial paper programme and US$1,412 million (£987 million) was drawn down under the US commercial paper programme, with such funds being provided by counterparties external to the Group. At 31 March 2008, there were no drawings under the US commercial paper programme and €1,705 million (£1,357 million), £81 million and £5 million equivalent of other currencies were drawn under the euro commercial paper programme. The commercial paper facilities were supported by US$9.1 billion (£6.4 billion) of committed bank facilities (see "Committed facilities" on page 44), comprised of a US$4.1 billion revolving credit facility that matures on 28 July 2011 and a US$5 billion revolving credit facility that matures on 22 June 2012. At 31 March 2009 and 31 March 2008, no amounts had been drawn under either bank facility.

Bonds

The Group has a €30 billion euro medium term note programme and a US shelf programme, which are used to meet medium to long term funding requirements. At 31 March 2009, the total amounts in issue under these programmes split by currency were US$12.8 billion, £2 billion, €13.6 billion and £0.2 billion sterling equivalent of other currencies.

In the year to 31 March 2009, bonds with a nominal value equivalent of £4.9 billion, at the relevant 31 March 2009 exchange rates, were issued under the US shelf and the euro medium term note programme. The bonds issued during the year were:

Date of bond issue	Maturity of bond	Nominal amount Million	Sterling equivalent Million
April 2008	April 2015	JPY3,000	21
May 2008	November 2012	€250	231
June 2008	June 2013	CZK534	18
June 2008	June 2010	€1,250	1,157
Oct/Nov 2008[1]	Sept to Nov 2009	€250	232
November 2008	November 2018	£450	450
December 2008	December 2028	€186	172
December 2008	December 2013	€1,000	925
December 2008	September 2014	£100	100
January 2009	September 2014	£100	100
January 2009	January 2016	€1,250	1,157
February 2009	September 2014	£325	325

Note:
(1) Multiple bonds issued at various dates.

At 31 March 2009, the Group had bonds outstanding with a nominal value of £23,754 million (2008: £17,143 million). On 1 April 2009, the Group issued €250 million of 3.625% bonds, maturing in November 2012.

Financial position and resources continued

Committed facilities

The following table summarises the committed bank facilities available to the Group at 31 March 2009.

Committed bank facilities	Amounts drawn
29 July 2008	
US$4.1 billion revolving credit facility, maturing 28 July 2011	No drawings have been made against this facility. The facility supports the Group's commercial paper programmes and may be used for general corporate purposes, including acquisitions.
24 June 2005	
US$5 billion revolving credit facility, maturing 22 June 2012	No drawings have been made against this facility. The facility supports the Group's commercial paper programmes and may be used for general corporate purposes, including acquisitions.
21 December 2005	
¥258.5 billion term credit facility, maturing 16 March 2011, entered into by Vodafone Finance K.K. and guaranteed by the Company	The facility was drawn down in full on 21 December 2005. The facility is available for general corporate purposes, although amounts drawn must be on-lent to the Company.
16 November 2006	
€0.4 billion loan facility, maturing 14 February 2014	The facility was drawn down in full on 14 February 2007. The facility is available for financing capital expenditure in the Group's Turkish operating company.
28 July 2008	
€0.4 billion loan facility, maturing 12 August 2015	The facility was drawn down in full on 12 August 2008. The facility is available for financing the roll out of a converged fixed mobile broadband telecommunications network in Italy.

Under the terms and conditions of the US$9.1 billion committed bank facilities, lenders have the right, but not the obligation, to cancel their commitments and have outstanding advances repaid no sooner than 30 days after notification of a change of control of the Company. This is in addition to the rights of lenders to cancel their commitment if the Company has committed an event of default; however, it should be noted that a material adverse change clause does not apply.

The facility agreements provide for certain structural changes that do not affect the obligations of the Company to be specifically excluded from the definition of a change of control.

Substantially the same terms and conditions apply in the case of Vodafone Finance K.K.'s ¥258.5 billion term credit facility, although the change of control provision is applicable to any guarantor of borrowings under the term credit facility. Additionally, the facility agreement requires Vodafone Finance K.K. to maintain a positive tangible net worth at the end of each financial year. As of 31 March 2009, the Company was the sole guarantor.

The terms and conditions of the €0.4 billion loan facility maturing on 14 February 2014 are similar to those of the US$9.1 billion committed bank facilities, with the addition that, should the Group's Turkish operating company spend less than the equivalent of €0.8 billion 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 €0.4 billion loan facility maturing 12 August 2015 are similar to those of the US$9.1 billion committed bank facilities, with the addition that, should the Group's Italian operating company spend less than the equivalent of €1.5 billion on capital expenditure, the Group will be required to repay the drawn amount of the facility that exceeds 18% of the capital expenditure.

Furthermore, two of the Group's subsidiary undertakings are funded by external facilities which are non-recourse to any member of the Group other than the borrower, due to the level of country risk involved. These facilities may only be used to fund their operations. At 31 March 2009, Vodafone India had facilities of INR 274.4 billion (£3.8 billion), of which INR 172.7 billion (£2.4 billion) is drawn. Vodafone Egypt has a partly drawn EGP 2.6 billion (£327 million) syndicated bank facility of EGP 4.0 billion (£497 million) that matures in March 2014.

In aggregate, the Group has committed facilities of approximately £13,631 million, of which £7,963 million was undrawn and £5,668 million was drawn at 31 March 2009.

The Group believes that it has sufficient funding for its expected working capital requirements for at least the next 12 months. Further details regarding the maturity, currency and interest rates of the Group's gross borrowings at 31 March 2009 are included in note 25 to the consolidated financial statements.

Financial assets and liabilities

Analyses of financial assets and liabilities, including the maturity profile of debt, currency and interest rate structure, are included in notes 18 and 25 to the consolidated financial statements. Details of the Group's treasury management and policies are included within note 24 to the consolidated financial statements.

Option agreements and similar arrangements

Potential cash outflows

In respect of the Group's interest in the Verizon Wireless partnership, an option granted to Price Communications, Inc. by Verizon Communications Inc. was exercised on 15 August 2006. Under the option agreement, Price Communications, Inc. exchanged its preferred limited partnership interest in Verizon Wireless of the East LP for 29.5 million shares of common stock in Verizon Communications Inc. Verizon Communications Inc. has the right, but not the obligation, to contribute the preferred interest to the Verizon Wireless partnership, diluting the Group's interest. However, the Group also has the right to contribute further capital to the Verizon Wireless partnership in order to maintain its percentage partnership interest. Such amount, if contributed, would be US$0.9 billion.

As part of the Vodafone Essar acquisition, the Group acquired less than 50% equity interests 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. The Group was granted call options to acquire 100% of the shares in two companies which together indirectly own the remaining shares of TII for, if the market equity of Vodafone Essar at the time of exercise is less than US$25 billion, an aggregate price of US$431 million plus interest or, if the market equity value of Vodafone Essar at the time of exercise is greater than US$25 billion, the fair market value of the shares as agreed between the parties. The Group also has an option to acquire 100% of the shares in a third company which owns the remaining shares in Omega. In conjunction with the receipt of these options, the Group also granted a put option to each of the shareholders of these companies with identical pricing which, if exercised, would require Vodafone to purchase 100% of the equity in the respective company. These options can only be exercised in accordance with Indian law prevailing at the time of exercise.

The Group 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.

Off-balance sheet arrangements

The Group does not have any material off-balance sheet arrangements, as defined in item 5.E.2. of the SEC's Form 20-F. Please refer to notes 32 and 33 to the consolidated financial statements for a discussion of the Group's commitments and contingent liabilities.

Quantitative and qualitative disclosures about market risk

A discussion of the Group's financial risk management objectives and policies and the exposure of the Group to liquidity, market and credit risk is included within note 24 to the consolidated financial statements.

Corporate responsibility

"Being a responsible business" is one of Vodafone's enduring goals, recognising that responsible behaviour underpins the value of the brand. The Group's approach to Corporate Responsibility ('CR') is to engage with stakeholders to understand their expectations on the issues most important to them and respond with appropriate targets, programmes and reports on progress.

More detail on CR performance for the year ended 31 March 2009 will be available in the Vodafone 2009 CR report and at www.vodafone.com/responsibility.

During the year, Vodafone's 2008 CR report won three Corporate Register Reporting Awards for the best report, relevance and materiality and credibility through assurance. Vodafone is included in the FTSE4Good and Dow Jones Sustainability Index and rated first in the Global AccountAbility Rating, published by Fortune.

Strategy

A broad range of stakeholders is increasingly interested in how Vodafone manages CR issues. For example, the Group's licences to operate are granted by governments that frequently seek evidence of responsible business practices and in many markets consumers are becoming more concerned about CR issues, such as climate change, content standards and mobile phones, masts and health.

CR is relevant across all aspects of Vodafone's activities and therefore the Group seeks to integrate its CR approach into all key business processes. The CR strategy, which addresses CR issues material to the Group, has the following main strands:

- to capture the potential of mobile communications to bring socio-economic value in both emerging economies and developed markets, through broadening access to communications to all sections of society;
- to deliver against stakeholder expectations on the key areas of climate change, a safe and responsible internet experience and sustainable products and services; and
- to ensure Vodafone's business practices are implemented responsibly across the Group, underpinned by Vodafone's values and business principles.

Key CR strategic objectives

Core initiative: Access to communications		
Safe and responsible internet experience	Climate change	Sustainable products and services
Supported by responsible business practices		
Underpinned by values, principles and behaviours		

CR governance

The Group's main focus is on implementing its CR programme across local operating companies. For the purposes of this section of the annual report, "operating companies" refers to the Group's operating subsidiaries and the Group's joint venture in Italy. For the first time, it includes information on India but, given the scale of operations and the challenges of bringing India in line with the Group's CR practices, which may take some time, the CR information and data disclosed for India is preliminary. The newly acquired businesses in Ghana and Qatar are excluded and it is intended to include them in reporting for the 2010 financial year. The Group recognises that it has influence with joint ventures, associates, investments, partner networks and outsourcing partners. In the 2009 financial year, the Group reviewed its role in promoting CR with these partners and the result of this analysis is available at www.vodafone.com/responsibility.

Vodafone's approach to CR is underpinned by its business principles which cover, amongst other things, the environment, employees, individual conduct, community and society. The business principles are available at www.vodafone.com/responsibility/businessprinciples and are communicated to employees in a number of ways, including induction processes, websites and face to face meetings.

The Executive Committee receives regular information on CR and, for the last six years, the Board has had an annual presentation on CR. A CR management structure is established in each local operating company, with each one having a representative on its management board with responsibility for CR. CR performance is closely monitored and reported at most local operating company boards on a regular basis. CR is also integrated into Vodafone's risk management processes such as the formal annual confirmation provided by each local operating company detailing the operation of their controls system.

These processes are supported by stakeholder engagement, which helps to ensure Vodafone is aware of the issues relevant to the business and to provide a clear understanding of expectations of performance. Stakeholder consultations take place with customers, investors, employees, suppliers, the communities where the Group operates and where networks are based, governments, regulators and non-governmental organisations. Established in 2007, the Vodafone Corporate Responsibility Expert Advisory Panel comprises opinion leaders who are experts on CR issues important to Vodafone. The Panel met twice during the 2009 financial year and discussed the results of research on the socio-economic impact of mobile communications in India, climate change, the limits of Vodafone's responsibility and embedding business principles into company culture. In addition, the Group has continued to hold formal stakeholder engagement events, this year focused on climate change and mobile advertising. The Group has also published a CR dialogue on waste.

Vodafone's CR programme and selected performance information, as reported in the Group's 2009 CR report, will be independently assured by KPMG using the International Standard on Assurance Engagements ('ISAE 3000'). The assurance process assesses Vodafone's adherence to the AccountAbility1000 Principles Standard ('AA1000APS') addressing inclusiveness, materiality and responsiveness, and the reliability of selected performance information. KPMG's assurance statement outlining the specific assurance scope, which excludes India, procedures and assurance opinion will be published in the Group's 2009 CR report.

For the 2009 financial year, the Group's CR reporting comprises online information on CR programmes and a performance report. Thirteen operating companies have at some time produced their own CR reports.

Performance in the 2009 financial year

Access to communications

Access to communications offers a significant opportunity for Vodafone to make a strong contribution to society, with a considerable body of research showing that mobile communications has the potential to change people's lives for the better, by promoting economic and social development.

Emerging markets

In January 2009, Vodafone published research on the socio-economic impact of mobile phones in India. The report found that the GDP of Indian states with higher mobile penetration can be expected to grow faster than states with lower mobile penetration at a rate of approximately 1.2% per 10% of penetration. Vodafone's Social Investment Fund was set up in 2007 to promote the development of products with high social value that may not otherwise be seen as commercially attractive. Since the fund was established, eight initiatives have been supported across the Vodafone footprint in areas such as mobile health, mobile transactions, and entrepreneur and small and medium enterprise development.

Vodafone also continued to focus on mobile payment services and own branded handsets for emerging markets:

- In the 2009 financial year, 10.7 million Vodafone branded handsets were sold in 29 markets. Approximately 70% of these handsets cost less than US$50.
- The Vodafone Money Transfer service is now live in three markets, Kenya, Tanzania and Afghanistan, with over six million subscribers using it to do simple financial transactions. This includes person-to-person money transfer, salary disbursement and bill payment. Vodafone has created a dedicated business unit to progress the extension of these services to additional markets and new partners.

Accessibility

In the 2009 financial year, Vodafone conducted a review of the market for accessible products across the European Union ('EU') and surveyed its local operating companies' initiatives. The review resulted in a revised strategy to provide more effective targeted support for customers in three key segments identified as areas where Vodafone can have an important impact: blind or visually impaired, deaf or hard of hearing and the elderly or those with special healthcare needs.

Vodafone Spain has launched Vodafone Speak, which is subsequently going to be trialled in other countries. This text-to-speech software, enabling blind and visually impaired customers to use text messages, is an updated version of Mobile Speak, which is currently available in nine of Vodafone's operating companies. Vodafone Speak is easier to use than its predecessor and can be downloaded and installed free via SMS text message. Other products also being trialled by Vodafone Spain include T-loop headsets, mobile video for deaf signing and mobile GPS navigation systems for people who are blind or visually impaired.

Safe and responsible internet experience

Vodafone's reputation depends on earning and maintaining the trust of its customers. The way the Group deals with certain key consumer issues directly impacts trust in Vodafone. These include responsible delivery of age sensitive content and services, mobile advertising and protecting customers' privacy.

Responsible delivery of content and services

Over the past year, Vodafone has been increasingly involved in industry work in this area. Having implemented age-restricted content controls in all markets where such content is provided, the Group's focus moved towards ensuring a safe and responsible internet experience when using new media applications. These areas have particular relevance to the mobile communications sector and have formed a key part of Vodafone's activities during the 2009 financial year:

- Vodafone has incorporated the Safer Social Networking Principles for the EU, published in February 2009, into its own best practice guidelines for social networking and other user interactive services.
- Together with other industry partners, the Group was instrumental in developing the teach today website (www.teachtoday.eu), providing advice for teachers and students to help create a safer online environment for children and young people. Vodafone has also developed a dedicated website for parents, covering all aspects of today's technology, including mobile phones, to help them prevent its misuse.
- All of Vodafone's operating companies within the EU have signed up to national codes of conduct and are implementing the EU safer mobile framework at national level.

Consumer privacy and freedom of expression

Vodafone knows that its users increasingly wish to exercise control over how their personal information is made available and recognises the need to ensure that internet commerce over mobile and new business models such as advertising, gains the trust of both consumers and regulators. This is why the Group seeks to ensure that its products and services are designed from the outset to address privacy risks and concerns, particularly those associated with social networking and media, as well as location-enabled applications and services.

The Group now provides mobile advertising services in 18 markets and it has continued to adopt a cautious approach to ensure these benefits are balanced with respect for the customers' privacy. Vodafone has sponsored, and actively participated in, a multi-stakeholder initiative exploring solutions to achieve robust and trusted methods of establishing consumer consent for online services. The Group also took an active role in the GSM Association's mobile media metrics programme to create a measurement process for mobile browsing that is designed to protect the privacy of mobile users whilst providing rich statistical planning information for the media and advertising communities.

The Group continued to engage on the issues of privacy and freedom of expression in the human rights context throughout the financial year. This included participation in the initiative that was launched in December 2008 as the Global Network Initiative ('GNI'). Vodafone has not signed the GNI principles but is currently engaging other companies with substantial telecommunications businesses, building on the progress made to date, to develop a more appropriate, sector specific response to these issues.

Climate change

Vodafone recognises climate change as one of the most significant challenges facing society. The Group's climate change strategy has two key elements, focusing on limiting its own emissions and developing products and services to reduce the emissions of its customers.

Last year, the Group announced that by 2020 it will reduce its carbon dioxide ('CO_2') emissions by 50% against the 2007 financial year baseline of 1.18 million tonnes. This baseline includes all operating companies within the Group throughout the 2007 financial year. The primary strategy to achieve the 50% reduction is through direct reduction in CO_2 emissions. This is to be achieved through the evolution of network technology, investment in energy efficiency and by making greater use of renewably generated electricity. Energy use associated with the operation of the network accounts for around 80% of the Group's CO_2 emissions. In the 2009 financial year, the total energy use of the Group's baseline operations increased by 2.3% to 2,863 GWh. This increase is due to growth in the Group's network energy consumption. As network technology evolves and is consolidated, the energy efficiency of the Group's network is projected to improve. The total CO_2 emissions of these operating companies decreased by 7.4%, to 1.19 million tonnes of CO_2. The carbon intensity of the Group's energy consumption has decreased due to the increased use of green tariff energy generated from renewable sources and the decrease in carbon intensity of grid electricity across many of the Group's operating markets. For more detailed analysis of the Group's carbon reporting please refer to www.vodafone.com/responsibility.

The Group is trialling the use of onsite micro-renewable generation with the objective of reducing diesel consumption in remote sites where there may be no access to the electricity grid. These are the sites with the greatest financial return on renewable investment.

Vodafone has developed climate change strategies for those operating companies which have joined the Group since the 50 % target was set. Vodafone Turkey has put in place a local climate change strategy, which includes investment in more efficient air-conditioning and direct energy metering of network sites. The scale of the Group's operations in India represents the largest contribution towards the Group's overall CO_2 emissions. A climate change strategy has been developed initially focusing on improving the quality of data to support setting a target for India, which balances the need to constrain emissions with the demand for access to communications which empowers economic development. The instability and limited coverage of the national electricity grid requires diesel generation on the majority of sites and Vodafone is undertaking micro-renewable trials at a number of locations.

In the 2009 financial year, the total CO_2 emissions of all Vodafone operating companies, including the Group's operations in Turkey but excluding India, were 1.31 million tonnes. The estimated CO_2 emissions of Vodafone's operations in India were 1.90 million tonnes. This includes emissions from the network sites managed by Vodafone and the network sites managed by Vodafone's joint venture, Indus Towers.

Sustainable products and services

The information and communications technology ('ICT') industry's role in the transformation to a low carbon economy was considered in the "Smart 2020" report commissioned by the industry group the Global eSustainability Initiative (see www.smart2020.org). The report calculated the potential emissions saving from ICT applications at 7.8 billion tonnes of CO_2 in 2020, representing 15% of total global emissions. Applications for mobile communications include the enabling of more efficient logistics processes, the implementation of smart grids and remote energy monitoring and substitution of travel through teleconferencing and remote working. Vodafone is focusing on developing products and services that will enable customers to reduce their emissions. For example, Vodafone has signed up to the GSM Association's initiative to standardise mobile phone chargers and reduce their energy consumption.

Vodafone continues to address the reuse and recycling of handsets, accessories and network equipment. The Group has worked with suppliers to ensure substances prohibited by the Restriction of Hazardous Substances Directive are phased out. The Group complies with the EU's Waste Electronic and Electrical Equipment Directive through its handset recycling programmes in all operating companies where it applies. During the 2009 financial year, 1.82 million phones were collected for reuse and recycling through collection programmes in 16 local operating companies, exceeding the target of 1.5 million. 4,860 tonnes of network equipment waste was generated in all operating companies, excluding India, with 97% of this sent for reuse or recycling, exceeding the Group's target of 95%.

Responsible business practices

Mobile phones, masts and health

Vodafone recognises that there is public concern about the safety of radio frequency ('RF') fields from mobile phones and base stations. The Group contributes to the funding of independent scientific research to resolve scientific uncertainty in areas prioritised by the World Health Organisation ('WHO'). In 2006, the WHO identified the following three main areas for additional research: long term (more than 10 years) exposure to low-level RF fields, possible health effects of mobile device use in children and dosimetry (the way levels of RF absorbed are calculated). There is comprehensive access to relevant peer review and published scientific research reviews available at www.vodafone.com/responsibility/mpmh.

Vodafone requires manufacturers of the mobile devices it sells to test for specific absorption rate compliance with standards set by the International Commission on Non-Ionizing Radiation Protection. Testing is carried out for use both against the ear and against, or near, the body. Vodafone has been actively engaged with the International Electrotechnical Commission Standards Organisation in developing a new global protocol for testing phones for use against, or near, the body. This new standard, which better reflects customers' use of mobile devices, was approved by a national committee vote in March 2009.

Vodafone continues to engage closely with local communities as part of the planning process for new masts. Fifteen operating companies undertake independent RF field monitoring as part of an ongoing programme of community engagement. The Group's long term programme of engagement, with a range of stakeholders, aims to reduce levels of concern amongst the public and to demonstrate that Vodafone is acting responsibly. In surveys of external stakeholder opinion conducted annually over the last three years, an average of 78% of respondents regarded Vodafone as acting responsibly regarding mobile phones, masts and health.

Responsible network deployment

Vodafone's mobile communication services rely on a network of radio base stations that transmit and receive calls. Vodafone recognises that network deployment can cause concern to communities, usually about the visual impact of base stations or health issues concerning RF fields. During the year, the Group continued to track compliance with its policy on responsible network deployment and with national industry codes of best practice on network deployment. The Group has started to audit first tier contractors to gain assurance of their adherence to Vodafone's responsible network deployment policy. A significant number of local operating companies have already conducted site audits of their contractors and the overall aim is to extend this programme across Vodafone's footprint, including beyond first tier contractors. However, the changing nature of Vodafone's contractors' footprint poses a challenge to achieving this rapidly.

The Group also further developed its internal procedures leading to network optimisation. By cooperating with other mobile communications operators to share sites, the Group is reducing the total number of base stations required. This lowers costs, enables faster network deployment and reduces the environmental footprint of the network without loss of quality or coverage. The Group is now conducting network sharing in all but one of its controlled markets.

Vodafone aims to comply with local planning regulations but is sometimes found to be in breach. This is normally related to conflicting local, regional or national planning regulations. During the 2009 financial year, excluding India, Vodafone was found in breach of planning regulations relating to 492 of its 105,164 mast sitings. Fines levied by regulatory bodies or courts in relation to offences under environmental law or regulations were approximately £135,000.

Supply chain

During the 2009 financial year, Vodafone continued to implement its code of ethical purchasing, which sets out environmental and labour standards for suppliers. During the 2009 financial year:

- 65 strategic global suppliers have been assessed using the Group's supplier evaluation scorecard in which CR accounts for 10% of the total. The scorecard evaluates the supplier's CR management systems, public reporting and approach to managing their suppliers. Over the last three years, a total of 535 suppliers have been evaluated using the scorecard.
- 18 site evaluations of high risk suppliers have been completed.
- 82% of local strategic and preferred suppliers, excluding India, responded to a request for more information on the policies and programmes they have in place to meet the requirements of Vodafone's code of ethical purchasing.

The Group participated in the Carbon Disclosure Project supply chain initiative to help increase its understanding of the risks and opportunities that climate change presents to the supply chain and has added climate change requirements into the Group's supplier evaluation scorecard.

Social investment

The Vodafone Foundation and its network of 22 local operating company and associate foundations have continued to implement a global social investment programme. During the 2009 financial year, the Company made a charitable grant of £24.0 million to The Vodafone Foundation. The majority of The Vodafone Foundation funds are distributed in grants through operating company foundations to a variety of local charitable organisations meeting the needs of the communities in which they operate.

The Vodafone Foundation made additional grants to charitable partners engaged in a variety of global projects. Its areas of focus are: sport and music as a means of benefiting some of the most disadvantaged young people and their communities, and disaster relief and preparedness. In addition, operating companies donated a further £18.0 million to their foundations and a further £2.9 million directly to a variety of causes. Total donations for the year ended 31 March 2009 were £48.2 million and included donations of £3.3 million towards foundation operating costs.

Key performance indicators[(1)]

KPI	2009	2008[(2)]	2007[(3)]
Vodafone Group excluding operations in India			
Energy use (GWh) (direct and indirect)	3,124	2,996	2,690
Carbon dioxide emissions (millions of tonnes)	1.31	1.37[(4)]	1.18[(4)]
Percentage of energy sourced from renewables	19	18	17
Estimate for operations in India[(4)]			
Energy use (GWh) (direct and indirect)[(5)]	2,049	–	–
Carbon dioxide emissions (millions of tonnes)[(5)]	1.90	–	–
Number of phones collected for reuse and recycling (millions)	1.82	1.33	1.03
Network equipment waste generated excluding operations in India (tonnes)	4,860	4,287[(4)]	9,960
Percentage of network equipment waste sent for reuse or recycling excluding operations in India	97	96	97

Notes:
(1) These performance indicators were calculated using actual or estimated data collected by the Group's mobile operating companies. The data is sourced from invoices, purchasing requisitions, direct data measurement and estimations, where required. The carbon dioxide emissions figures are calculated using the kWh/CO_2 conversion factor for the electricity provided by the national grid, suppliers or the International Energy Agency and for other energy sources in each operating company. The Group's joint venture in Italy is included in all years.
(2) The data for the 2008 financial year excludes operations in India and Tele2 in Italy and Spain.
(3) The data for the 2007 financial year excludes the newly acquired operations in Turkey and the operations in Japan that were sold during the 2007 financial year.
(4) Amounts related to the 2007 and 2008 financial years have been amended. Refer to the online CR report for further information.
(5) The data includes the network sites managed by Vodafone and the network sites managed by Vodafone's joint venture, Indus Towers.