VODAFONE GROUP PUBLIC LTD CO
Form 20-F
June 14, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: March 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from:_____to_____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report:_____

Commission file number: 1-10086

VODAFONE GROUP PUBLIC LIMITED COMPANY

(formerly VODAFONE AIRTOUCH PUBLIC LIMITED COMPANY)
(Exact name of Registrant as specified in its charter)

England
(Jurisdiction of incorporation or organization)

Vodafone House, The Connection, Newbury, Berkshire RG14 2FN, England
(Address of principal executive offices)

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

Title of each class	**Name of each exchange on which registered**
See Schedule A	See Schedule A

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

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

Ordinary Shares of 11 3/7 US cents each	52,835,077,347
7% Cumulative Fixed Rate Shares of £1 each	50,000

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

Yes No

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

Yes No

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

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statements item the registrant has elected to follow:

Item 17 Item 18

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

Yes No

SCHEDULE A

Title of each class	**Name of each exchange on which registered**
Ordinary shares of 11 3/7 US cents each	New York Stock Exchange*
American Depositary Shares (evidenced by American Depositary Receipts) each representing ten ordinary shares	New York Stock Exchange
Floating rate notes due June 2007	New York Stock Exchange
4.161% due November 2007	New York Stock Exchange
Floating rate notes due December 2007	New York Stock Exchange
3.95% due January 2008	New York Stock Exchange
Floating rate notes due June 2011	New York Stock Exchange

5.5% due June 2011	New York Stock Exchange
5.35% due Feb 2012	New York Stock Exchange
Floating rate notes due Feb 2012	New York Stock Exchange
5% due December 2013	New York Stock Exchange
5.375% due January 2015	New York Stock Exchange
5% due September 2015	New York Stock Exchange
5.75% March 2016	New York Stock Exchange
5.625% due Feb 2017	New York Stock Exchange
4.625% due July 2018	New York Stock Exchange
6.25% due November 2032	New York Stock Exchange
6.15% due Feb 2037	New York Stock Exchange

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

Delivering on our strategic objectives

Vodafone Group Plc
Annual Report on Form 20-F
For the year ended 31 March 2007

Our goal is to be the communications leader in an increasingly connected world

This constitutes the Annual Report on Form 20-F (the "20-F") of Vodafone Group Plc (the "Company") in accordance with the requirements of the US Securities and Exchange Commission (the "SEC") and is dated 14 June 2007. This document contains certain information set out within the Company's Annual Report in accordance with International Financial Reporting Standards ("IFRS") and with those parts of the UK Companies Act 1985 applicable to companies reporting under IFRS, dated 29 May 2007, as updated or supplemented at the time of filing of the 20-F with the SEC, which may be later amended if necessary. References to IFRS refer to IFRS as issued by the IASB and IFRS as adopted for use in the European Union ("EU"). The content of the Group's website (www.vodafone.com) should not be considered to form part of this Annual Report or the Company's Annual Report on Form 20-F.

The terms "Vodafone", the "Group", "we", "our" and "us" refer to the Company and, as applicable, its subsidiary undertakings and/or its interests in joint ventures and associated undertakings.

In the discussion of the Group's reported financial position and results for the year ended 31 March 2007, information in addition to that contained within the Consolidated Financial Statements is presented on the basis that it provides readers with additional financial information regularly reviewed by management. This information is provided to assist investor assessment of the Group's performance from period to period. However, the additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Definitions of the

In presenting and discussing the Group's reported financial position, operating results and cash flows, certain information is derived from amounts calculated in accordance with IFRS but this information is not itself an expressly permitted GAAP measure. Such non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure. An explanation as to the use of these measures and reconciliations to their nearest equivalent GAAP measures can be found on pages 62 to 63.

The Report of the Directors, incorporating the Business Review, covers pages 4 to 88 of this Annual Report. This Annual Report contains forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and business management and strategy, plans and objectives for the Group. For further details, please see "Performance – Cautionary Statement Regarding Forward-Looking Statements" and "Performance – Risk Factors, Seasonality and Outlook" for a discussion of the risks associated with these statements.

Vodafone, the Vodafone logos, Vodafone live!, Vodafone Mobile Connect, Vodafone Wireless Office, Vodafone Passport, Vodafone At Home, Vodafone Office, Vodafone Applications Service, Vodafone Business Email, Vodafone Travel Promise, Vodafone Push Email, Vodafone Consumer Push Email and Vodafone ßetavine are trademarks of the Vodafone Group. Other product and company names mentioned herein may be the trademarks of their respective owners.

terms presented are shown on page 159.

Highlights for the Year

Key highlights:

- The Group has delivered against its financial and operating targets and made good progress on executing against its five strategic objectives
- Voice and data usage growth offset competitive and regulatory pressures in Europe
- Continued strong performance in emerging markets, with the recent acquisition in India significantly increasing Vodafone's presence in high growth markets
- The Group remains confident of delivering its stated capital and operating expenditure targets in Europe in the 2008 financial year, with core cost reduction initiatives well on track

Financial performance from continuing operations:

- Group revenue of £31.1 billion
- Basic loss per share was 8.94 pence, with loss before taxation for the year of £2.4 billion, after impairment losses of £11.6 billion
- Free cash flow of £6.1 billion and net cash inflow from operating activities of £10.2 billion, after net taxation paid of £2.2 billion

Increasing returns to shareholders:

- Total dividends per share increased by 11.4%, to 6.76 pence, with a final dividend per share of 4.41 pence, giving a dividend pay out ratio of 60% and a total pay out of £3.6 billion for the financial year
- In recognition of the earnings dilution arising from the Hutchison Essar transaction, the Board is targeting modest increases in dividend per share in the near term until the payout ratio returns to 60% in accordance with current policy

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Financial Highlights

The selected financial data set out on the following pages is derived from the Consolidated Financial Statements of the Company on pages 92 to 142 and as such should be read in conjunction with them. Certain trends within the financial data presented below have been impacted by business acquisitions and disposals, the most significant of which are described in Business Business Overview How We Developed. The Consolidated Financial

Statements are prepared in accordance with IFRS, on the basis set out in note 1 to the Consolidated Financial Statements, which differ in certain significant respects from US GAAP. For further details, see note 38 to the Consolidated Financial Statements. Solely for convenience, amounts represented below in dollars have been translated at $1.9685: £1, the Noon Buying Rate on 30 March 2007.

	At/year ended 31 March			
	2007 $m	**2007 £m**	2006 £m	2005 £m
IFRS				
Consolidated Income Statement Data				
Revenue	**61,228**	**31,104**	29,350	26,678
Operating (loss)/profit	**(3,079)**	**(1,564)**	(14,084)	7,878
Adjusted operating profit (Non-GAAP measure)[1]	**18,762**	**9,531**	9,399	8,353
(Loss)/profit before taxation	**(4,691)**	**(2,383)**	(14,853)	7,285
(Loss)/profit for the financial year from continuing operations	**(9,461)**	**(4,806)**	(17,233)	5,416
(Loss)/profit for the financial year	**(10,427)**	**(5,297)**	(21,821)	6,518
Consolidated Cash Flow Data[2]				
Net cash flows from operating activities	**20,065**	**10,193**	10,190	9,240
Net cash flows from investing activities	**8,132**	**4,131**	(6,654)	(4,122)
Net cash flows from financing activities	**(18,352)**	**(9,323)**	(4,540)	(7,242)
Free cash flow (Non-GAAP measure)[1]	**12,061**	**6,127**	6,418	6,592
Consolidated Balance Sheet Data				
Total assets	**215,780**	**109,617**	126,738	147,197
Total equity	**132,466**	**67,293**	85,312	113,648
Total equity shareholders funds	**132,021**	**67,067**	85,425	113,800
Total liabilities	**83,314**	**42,324**	41,426	33,549
Earnings Per Share (EPS)[3]				
Weighted average number of shares (millions)				
Basic	**55,144**	**55,144**	62,607	66,196
Diluted	**55,144**	**55,144**	62,607	66,427
Basic (loss)/earnings per ordinary share				
(Loss)/profit from continuing operations	**(17.60)¢**	**(8.94)p**	(27.66)p	8.12p
(Loss)/profit for the financial year	**(19.37)¢**	**(9.84)p**	(35.01)p	9.68p
Diluted (loss)/earnings per ordinary share				
(Loss)/profit from continuing operations	**(17.60)¢**	**(8.94)p**	(27.66)p	8.09p
(Loss)/profit for the financial year	**(19.37)¢**	**(9.84)p**	(35.01)p	9.65p
Basic (loss)/earnings per ADS				

(Loss)/profit from continuing operations	**(176.0)¢**	**(89.4)p**	(276.6)p	81.2p
(Loss)/profit for the financial year	**(193.7)¢**	**(98.4)p**	(350.1)p	96.8p
Diluted (loss)/earnings per ADS				
(Loss)/profit from continuing operations	**(176.0)¢**	**(89.4)p**	(276.6)p	80.9p
(Loss)/profit for the financial year	**(193.7)¢**	**(98.4)p**	(350.1)p	96.5p

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	At/year ended 31 March					
	2007 $m	**2007 £m**	2006 £m	2005 £m	2004 £m	2003 £m
US GAAP						
Consolidated Income Statement Data						
Revenue	**49,919**	**25,359**	23,756	21,370	19,637	15,487
Net loss[4]	**(8,514)**	**(4,325)**	(13,270)	(13,752)	(8,105)	(9,072)
Consolidated Balance Sheet Data						
Shareholders equity	**139,923**	**71,081**	86,984	107,295	129,141	140,580
Earnings per share (EPS)[3]						
Weighted average number of shares basic and diluted (millions)	**55,144**	**55,144**	62,607	66,196	68,096	68,155
Basic and diluted loss per ordinary share	**(15.43)¢**	**(7.84)p**	(21.20)p	(20.77)p	(11.90)p	(13.31)p
Basic and diluted loss per ADS	**(154.3)¢**	**(78.4)p**	(212.0)p	(207.7)p	(119.0)p	(133.1)p
Cash Dividends[3][5]						
Amount per ordinary share	**13.31¢**	**6.76p**	6.07p	4.07p	2.0315p	1.6929p
Amount per ADS	**133.1¢**	**67.6p**	60.7p	40.7p	20.315p	16.929p
Other Data						
IFRS						
Ratio of earnings to fixed charges[6]				7.0		
Deficit	**(8,640)**	**(4,389)**	(16,520)			
US GAAP						
Ratio of earnings to fixed charges[6]						
Deficit[7]	**(13,319)**	**(6,766)**	(13,875)	(9,756)	(9,059)	(8,436)

Notes:

(1) Refer to Performance Non-GAAP Information on page 62 for a reconciliation of this non-GAAP measure to the most comparable GAAP measure and a discussion of this measure.

(2) Amounts reported refer to continuing operations.

(3) See note 8 to the Consolidated Financial Statements, (Loss)/earnings per share. Earnings per American Depository Share (ADS) is calculated by multiplying earnings per ordinary share by ten, the number of ordinary shares per ADS. Dividend per ADS is calculated on the same basis.

(4) 2005 net loss includes the cumulative effect of accounting changes related to intangible assets and post employment benefits that increase net loss by £6,372 million or 9.63p per ordinary share.

(5) The final dividend for the year ended 31 March 2007 was proposed by the directors on 29 May 2007.

(6) For the purposes of calculating these ratios, earnings consist of profit before tax adjusted for fixed charges, dividend income from associated undertakings, share of profits and losses from associated undertakings and profits and losses on ordinary activities before taxation from discontinued operations. Fixed charges comprise one-third of payments under operating leases, representing the estimated interest element of these payments, interest payable and similar charges and preferred share dividends.

(7) The deficits for the 2003 and 2004 financial years are presented on the same basis as the Form 20-F for the year ended 31 March 2004. These deficits have not been restated for the effect of discontinued operations, because the UK GAAP information, which forms the basis of the US GAAP information presented, has not been restated. Even if any such adjustments were made, it is expected that the ratio of earnings to fixed charges would still show a deficit.

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Chairman's Statement

Reaching the 200 million proportionate customer milestone has been a tremendous achievement for your Company and now we are on the edge of a further revolution as we enter the era of broadband and internet communications.

Dividend per share

2006	**2007**	
6.07p	**6.76p**	**11.4%**

It was an honour to become your Chairman at the AGM in July 2006. I joined Vodafone from the world of banking, whose history and institutions run back over many centuries. The mobile telephone industry is very much younger and even in the last twenty years has seen dramatic changes which have transformed the face of telecommunications and society. When Vodafone first started to operate more than 20 years ago, the telecommunications industry was dominated by fixed line companies. A one hour local phone call within the UK cost £4.56; today, the same call on the Vodafone network could cost as little as 21 pence.

With the unprecedented growth of mobile communications since the mid 1980s, the effects on other sectors, the wider economy and society as a whole have been far reaching. Changes in communications have underpinned the development of the whole IT industry, helped economic growth, particularly in developing markets, and enabled families, friends and communities to communicate across countries and time zones.

Mobile telephones have been of enormous benefit to society and, as a market leader, Vodafone has played a major role. Reaching the 200 million proportionate customer milestone in this financial year has been a tremendous achievement for your Company and now we are on the edge of a further revolution as we enter the era of wireless broadband and internet communications.

There are currently around three billion mobile customers globally. At the moment, the majority are in the western world. We believe we will see 70% of the growth in customers in the next five years coming from emerging markets. The challenges we face in these markets are very different from the challenges we face in our European and mature markets. We will continue to expand in markets where mobile handsets are not widely dispersed and where there is rising GNP per capita. This is why we have acquired the business of Hutchison Essar in India, to deliver a major presence in a market with penetration of around 14%, which we believe will become larger than the European Union within a reasonable time frame.

The challenge in Europe, where the markets are mature and penetration is, in many cases, over 100%, is quite different and we need to find more efficiencies through initiatives such as network sharing to improve our productivity and developing other services beyond voice to help us grow new revenue.

Across the world, governments and regulators see our industry in very different ways, from being a source of tax revenue through to being an important part of the social and economic infrastructure of the country. The impact of regulation on our business can be significant, as we have seen during the year with the government intervention on our tariffs in Italy and at a European level on roaming.

The Vodafone brand is enormously well known and highly regarded across the globe. It was recently rated the most powerful UK brand by the leading research company Millward Brown, and number 22 in the world.

Your Board takes the management of Vodafone's reputation very seriously, together with our commitments in corporate responsibility. We have set out clearly in a separate report what we have achieved in this area. We are particularly proud of our global handset recycling initiative and our ongoing programme on energy efficiency in our networks.

The Board is very conscious of the concerns which are expressed about possible health issues in relation to mobile phones. As a responsible company, we fund and support independent research into this important area and our policy is to be completely transparent in relation to this issue, which your Board reviews on a regular basis.

On the Board, there have been a number of changes since the AGM in 2006. We said farewell to Thomas Geitner as an executive director and we thank him for all he has done for the business and wish him well in the future. Alec Broers retires from the Board at this year's AGM and we are grateful for his significant contribution, including his chairmanship of the Vodafone Group Foundation, over his nine years as a non-executive director. We welcomed back Vittorio Colao as Deputy Chief Executive and Chief Executive of our European region. We have appointed three new non-executive directors, Alan Jebson, Nick Land and Simon Murray. We need non-executive directors who are equipped with the skill set to understand the rapidly changing markets in terms of consumer taste, technology and the emerging markets in which we operate. Future appointments will ensure that we have the right balance of skills and experience. During the year we also completed an independent Board evaluation by MWM Consulting to ensure the highest standards of corporate governance.

Your Board looks at any acquisition in a disciplined way and our decision to acquire Hutchison Essar was completed within the financial criteria we have set ourselves. We also take decisions to sell businesses or minority shareholdings where better value for shareholders is more likely to arise from reinvestment elsewhere or by returning the funds through dividends or buybacks. During the year, we sold our interests in Belgium and Switzerland for this reason.

We are confident about Vodafone's future and your Board has proposed a final dividend of 4.41 pence per share, bringing total dividends for the year to 6.76 pence per share, up 11.4% on last year, and representing a payout ratio of 60% of adjusted earnings per share. We continue to look for sources of profitable growth within highly penetrated markets. We have a particularly strong position in the business sector which we intend to develop further. We also plan to grow services beyond core voice and messaging and continue to search for new sources of revenue which are closely related to our customer's needs.

The mobile phone is an enormously versatile device and one of the features of the last 20 years has been the new uses to which the phone can be adapted, including data services, entertainment, advertising, internet portals and, most recently, financial payments.

In my first months as Chairman, I have spent time in and around the Group meeting customers, suppliers, business partners, other stakeholders and my new colleagues in our offices, retail stores, call centres and canteens. I have also visited seven of our international operations. I have been enormously impressed by the talented people at all levels within Vodafone and I am fortunate to be involved with such a young and dynamic business.

Your Board wants to pay tribute to all our 66,000 people and to thank them on your behalf for all they do to help Vodafone progress in a rapidly changing business environment. We, as a Board, look forward to your continuing support as we address the challenges ahead.

Sir John Bond

Chairman

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Group at a Glance

Vodafone is a world leader in providing voice and data communications services for both consumer and enterprise customers, with a significant presence in Europe, the Middle East, Africa, Asia, Pacific and the United States. The Group is structured into two regions to address the different business challenges inherent in them.

Europe

Markets

Germany
Italy
Spain
UK
Albania
Greece
Ireland
Malta
Netherlands
Portugal

Key Focus

Revenue stimulation and cost reduction

Key market data[2]

Average mobile customer penetration

>100%

Mobile share of total minutes

33%

Contribution to Group revenue 79%

Contribution to Group adjusted operating profit 59%

EMAPA[1]

Markets

Czech Rep.
Hungary
Poland
Romania
Turkey
Egypt
Kenya
South Africa
Australia
New Zealand
Fiji
India
USA
France
China

Key Focus

Deliver strong growth in emerging markets

Key market data(2)

Average mobile customer penetration

27%

Notes:
(1) Eastern Europe, Middle East & Africa, Asia Pacific and affiliates (associated undertakings and investments).
(2) Industry analyst information: "Total minutes" is for mobile and fixed line operators. Market penetration data for EMAPA excludes USA, France and China.

Contribution to Group revenue 21%

Contribution to Group adjusted operating profit 39%

(3) Excludes non-operating income and expense of associates, impairment losses and other income expense.

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Chief Executive□s Review

We updated our strategy in 2006 and have made good progress executing each strategic objective throughout the year. We have met or exceeded our stated financial expectations for the year in all areas and your business is well positioned for the future.

Our strategic objectives

- Revenue stimulation and cost reduction in Europe
- Innovate and deliver on our customers□ total communications needs
- Deliver strong growth in emerging markets
- Actively manage our portfolio to maximise returns
- Align capital structure and shareholder returns policy to strategy

The past 12 months have been an important period for Vodafone. We updated our strategy in 2006 to address changing customer needs, the availability of new technologies, a growing demand for broadband services and the greater growth potential of emerging markets. This new strategy is positioning us well as competition and regulatory pressures increase and our customers have greater choice in communications.

Operationally, we have grown new revenue streams across the Group and implemented numerous programmes to significantly reduce our cost base. Our emerging markets assets have continued to show strong growth and our recent acquisition in India significantly increases our presence in high growth markets. Our customer franchise was further strengthened both through organic growth and acquisition and now exceeds 206 million proportionate customers.

We have met or exceeded our stated financial expectations for the year in all areas. Robust cash generation continues to support returns to our shareholders, with dividends per share increasing by 11.4% to 6.76 pence per share, representing a payout of 60% of our adjusted earnings per share.

We have made good progress executing our updated strategy throughout the year and we are now beginning to realise some positive early results. We will remain focused on executing our strategic objectives in the year ahead and believe your business is well positioned to be the leader in the communications industry.

Financial review

Statutory revenue increased by 6% to £31.1 billion, with organic revenue growth of 4.3%. The Europe region, where competitive and regulatory pressure is most intense, delivered organic revenue growth of 1.4%. Continued strong progress in Spain, which delivered another year of double digit revenue growth, offset year on year declines in Germany and Italy. The market environment is challenging for all operators in Europe. However, we have outperformed our principal competitors in Germany and Spain on revenue and EBITDA growth, and have delivered a similar performance to our principal competitor in Italy. In the UK, we revised our tariffs mid-way through

□We have launched innovative offerings and are lowering our cost structure to position us well for the future□

the year to improve our competitiveness and share of market growth. Our EMAPA region produced strong growth, with organic revenue up 21.1% and strong performances in many emerging markets.

While overall voice revenue remains under pressure, messaging and, in particular data revenue, continue to show strong organic growth of 7% and 31% respectively. Data revenue reached £1.4 billion, primarily from business services and the continued growth in the take up of 3G devices in our customer base, which doubled to 15.9 million.

Our focus on profitable growth delivered a 4.2% organic increase in adjusted operating profit, with 1.4% growth in total. Strong performances in the US, Spain and a number of emerging markets offset declines in our other major European markets.

We invested £4.2 billion in capital expenditure during the year and have now achieved the core level of 3G and HSDPA coverage across our European networks necessary for the wider uptake of high speed data services. Free cash flow generation remained strong at £6.1 billion, although lower than last year, primarily due to higher tax payments as expected.

We now have an unrivalled global customer reach, with over 206 million proportionate customers across 25 countries, adding over 35 million customers during the year. We completed the sale of our operation in Japan in April 2006 and of our minority interests in Belgium and Switzerland later in the year. In May 2006, we completed the acquisition of the assets of Telsim in Turkey and more recently gained a controlling position in a leading Indian operator.

Delivering on our strategy

In May 2006, we introduced five new strategic objectives to ensure our continued success. Our focus on executing this strategy throughout the year has generated positive results across a number of areas.

Revenue stimulation and cost reduction in Europe

In Europe, our focus is to drive additional usage and revenue from core mobile voice and messaging services and to reduce our cost base. Central to stimulating revenue is driving mobile usage through larger minute bundles, innovative tariffs, prepaid to contract migrations and targeted promotions. We are also focused on leveraging our market leading position in the business segment, which represents 25% of our service revenue in Europe. New tariff options, such as free weekends, have been launched in the UK and Germany that stimulated usage and in Italy we ran successful voice and messaging promotions during the year that increased revenue per customer. We also continued to perform well in Spain, driving an increase in total voice minutes of around 30%. However, pricing pressure is expected to remain strong in the year ahead and improving price elasticity is core to our revenue stimulation objective in Europe.

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Over 11 million customers now benefit from lower roaming pricing through Vodafone Passport and our European customers are now benefiting from our commitment to reduce roaming prices by 40% compared to summer 2005. We expect roaming revenues to be lower year on year in 2008 due to the combined effect of Vodafone's own initiatives and direct regulatory intervention.

During the year, we began implementing the core cost reduction programmes we developed last year. We have successfully outsourced IT application development and maintenance and we are well on track to deliver expected unit cost savings of approximately 25% to 30% within two to four years. We have also made faster than expected progress on data centre consolidation, with anticipated savings of 25% to 30% in one to two years. Centralisation of our network supply chain management was also completed in April 2007 and is expected to reduce costs by around £250 million within one year.

In addition, we are seeking to reduce the longer term cost of ownership of our networks through network sharing arrangements and have announced initiatives in Spain and the UK.

While many of these cost initiatives are multi-year programmes that are expected to deliver significant benefits over time, we are focused on realising some early savings in the year ahead and, for Europe and common functions, continue to target a 10% mobile capital expenditure to revenue ratio next year, with broadly stable mobile operating expenses compared to the 2006 financial year.

Innovate and deliver on our customers' total communications needs

There are several key initiatives underway in this area and we expect these to begin to become more significant to the Group towards the end of next year.

As part of our drive to substitute fixed line usage with mobile, we have launched several fixed location pricing plans offering customers fixed line prices when they call from within or around their home or office. These offerings target fixed to mobile substitution from home and office environments and are proving popular with customers. Vodafone At Home and Vodafone Office are currently available in seven markets for consumers and twelve markets for businesses, with over three million and over two million customers respectively.

Complementary to our high speed mobile broadband (HSDPA) offerings, Vodafone is now offering fixed broadband services (DSL) in five markets. With the exception of Arcor, our fixed line business in Germany, the provision of these services to date has been on a resale basis. We will continue to develop our approach for the provision and roll out of DSL services on a market by market basis and in some cases may complement our resale approach by building or acquiring our own infrastructure where the returns justify the investment.

We are also developing products and services to integrate the mobile and PC environments by enhancing our Vodafone live! service and forming partnerships with leading internet players. In the coming months, our customers will be able to experience PC to mobile instant messaging with Yahoo! and Microsoft, search with Google, auctions via eBay, videos through YouTube and social networking with MySpace, all via their mobile.

Mobile advertising is also a potentially significant future revenue stream for our business. We have signed agreements with Yahoo! in the UK and leading providers in Germany and Italy to enter into this new business through banner and content based advertising.

Deliver strong growth in emerging markets

Our focus is to build on our strong track record of creating value in emerging markets. We have delivered further strong growth in our existing operations in Egypt, Romania and South Africa. Our recent acquisition in Turkey has performed ahead of our business plan at the time of the acquisition, with strong revenue growth and better than expected profitability.

The acquisition of interests in Hutchison Essar accelerates Vodafone's move to a controlling position in a leading operator in India and significantly increases our presence in emerging markets. With market penetration of around 14% and with a population of over 1.1 billion, India provides a very significant opportunity for future growth. We look forward to bringing Vodafone's products, services and brand to the Indian market.

Actively manage our portfolio to maximise returns

Our strategy is to invest only where we can generate superior returns for our shareholders. We look to invest in markets that offer a strong local position, with a focus on specific regions, with any transactions subject to strict financial investment criteria.

'India exposes us to one of the fastest growing communications markets in the world'

In line with this strategy, we executed a number of transactions during the year. We sold our non-controlling interests in Belgium and Switzerland at attractive valuations, with cash proceeds of £1.3 billion and £1.8 billion respectively. More recently, we increased our emerging markets presence with an additional 4.8% interest in Vodafone Egypt and gained control in India for £5.5 billion in May 2007.

We remain committed to our investment in Verizon Wireless in the US which continues to deliver strong performances on all key metrics, with record customer growth, due in part to a market leading low churn rate, and continued success in driving the uptake of non-voice services.

Align capital structure and shareholder returns policy to strategy

In May 2006, we outlined a new capital structure and returns policy consistent with the operational strategy of the business, resulting in a targeted annual 60% payout of adjusted earnings per share in the form of dividends.

We also moved to a higher level of gearing and, having returned over £19 billion to shareholders excluding dividends in the two previous financial years, including a £9 billion one-off return in August 2006, we have no current plans for further share purchases or one-time returns. The Board remains committed to its existing policy of distributing 60% of adjusted earnings per share by way of dividend. However, in recognition of the earnings dilution arising from the Hutchison Essar acquisition, it has decided that it will target modest increases in dividend per share in the near term until the payout ratio returns to 60%.

Prospects for the year ahead

Our focus in the year ahead will be on improving price elasticity in Europe, achieving more savings from our cost reduction programmes, delivering on our total communications strategy and beginning to realise the very significant growth opportunity in India.

We expect market conditions to remain challenging for the year ahead in Europe, notwithstanding continued positive trends in data revenue and voice usage. Overall growth prospects for the EMAPA region remain strong due to increasing market penetration and they are further enhanced by the recent acquisition in India.

Against this background, Group revenue is expected to be in the range of £33.3 billion to £34.1 billion, with adjusted operating profit in the range of £9.3 billion to £9.8 billion. Capital expenditure on fixed assets is anticipated to be in the range of £4.7 billion to £5.1 billion, including in excess of £1.0 billion in India. Free cash flow is expected to be £4.0 billion to £4.5 billion, after taking into account £0.6 billion of payments related to long standing tax issues, a net cash outflow of £0.8 billion in respect of India and a £0.5 billion outflow from items rolling over from 2007.

We have completed the first year under our new strategy and I am excited by the start we have made. We have made good progress towards fulfilling our total communications vision and this is a journey that we are all looking forward to taking at Vodafone.

We are well placed to continue executing our strategy in the year ahead, to deliver the core benefits of mobility to our customers and to generate superior returns for our shareholders.

Arun sarin
Chief Executive

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Delivering on Our Strategic Objectives

Revenue stimulation and cost reduction in Europe

The Group's strategy is to drive additional usage and revenue from core mobile voice and messaging services, which represents around 80% of revenue in Europe today, and to reduce its cost base.

Today, around one third of voice traffic is carried over mobile networks, with Vodafone's customers only using their mobiles for approximately 140 minutes on average per month. This provides a significant opportunity to drive greater voice usage onto mobile.

The Group has launched a number of initiatives to achieve this through larger minute bundles, innovative tariffs, prepaid to contract migrations and targeted promotions, with a key focus also on leveraging Vodafone's market leading presence across Europe in the business segment, which represents around 25% of service revenue. Vodafone's unique presence also allows it to offer Pan-European products and services such as Vodafone Passport for roaming customers. Whilst usage growth in the year was strong, pricing pressure continues to be high and the Group's key focus is to improve the overall price elasticity of its offerings in the market place.

The Group has established several core cost reduction programmes, leveraging the benefits of its local and regional scale. Key initiatives have focused on the outsourcing and centralisation of certain activities, as well as network sharing arrangements with other operators.

Summer promotions driving usage in Italy

Over 3 million customers benefited from successful summer promotions in Italy which stimulated voice and messaging usage and revenue. For a monthly fee and per call set up charge, customers were able to make calls and send messages for free to other Vodafone customers. Customers in the voice promotion generated 22% more ARPU than before and 9% more in the messaging promotion.

Innovate and deliver on our customers' total communications needs

The communications environment is constantly evolving and Vodafone is at the forefront of this change. Customers are increasingly looking for one supplier to address all their needs, whether that is for mobile or fixed services.

The Group is increasingly targeting its propositions on replacing traditional fixed line providers in the home or office, as Vodafone is already delivering broadband and data services to customers and, together with industry leading partners, will shortly be driving new revenue streams from opening up the internet to the mobile and from mobile advertising.

In total, the Group expects its total communications initiatives to represent approximately 20% of

well as developing new and innovative ways for customers to enjoy the benefits of mobility.

Group revenue in three years' time, increasing from approximately 10% for the 2007 financial year.

Deliver strong growth in emerging markets

The Group's focus is to build on its strong track record of creating value in emerging markets where average market penetration is relatively low, offering significant customer and revenue growth potential.

In the last 12 months, Vodafone has gained control of businesses in Turkey, with a population of 70 million, and in India, with a population of 1.1 billion, adding to the Group's existing emerging market presence in parts of the Middle East, Africa and Eastern Europe.

During the 2007 financial year, the Group saw strong performances in Egypt, Romania and South Africa, with Turkey performing ahead of the business plan at the time of the acquisition.

As a result of the Group's increased presence in emerging markets, the proportion of Group EBITDA from the EMAPA region is expected to increase from 19% this year to around 33% in five years' time.

Vodafone will continue to seek selective opportunities to increase its emerging markets footprint as well as taking opportunities to increase its stakes in existing markets, with a view to gaining control over time.

Romania: Market leader for business services

Vodafone extended its leadership in the business segment in Romania during the year, with 38% growth in business customers giving a market share of 42%. Key to success has been its integrated mobile and fixed communications solution which delivered over 50% revenue growth in the year and now represents one third of business revenues.

EMAPA region – annual growth for 2007	Reported	Organic
Closing customers	**55%**	**27%**
Revenue	**41%**	**21%**

Where applicable, growth percentages are stated on local currency and are calculated by applying the Group's current equity interest to the whole of the 2007 and 2006 financial years.

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Innovative tariffs delivering market leading performance in Spain

The Vitamina tariff in Spain offers a single, any network, any time price for prepaid and contract customers, together with attractive add-on options, such as talking for 60 minutes but only paying for one and half price SMS, that target different customer needs. Over 50% of the Vodafone Spain customer base is now on a Vitamina tariff, driving an increase in voice usage of around 30% and 13% growth in revenue in local currency.

Market leader in business services in the UK

Vodafone is the clear market leader for business services in the UK, increasing its market share during the year by around 4 percentage points to 46%. Key success factors have been customer focused propositions, in particular tariffs for small and medium sized businesses, as well as mobile data products such as 3G broadband USB modems and mobile connect data cards (where Vodafone has 55% market share), and mobile email solutions such as BlackBerry® from Vodafone.

Vodafone Passport

Over 11 million customers now benefit from lower roaming pricing through Vodafone Passport since it was first launched in 2005, helping Vodafone to reduce the average cost of voice roaming in Europe for its customers by 40% compared to summer 2005. Around 50% of all roaming minutes in Europe are now on Vodafone Passport.

Cost reduction

Network sharing with other operators is generally intended to reduce the number of base stations that each operator owns and maintains whilst retaining an independent high quality service to customers. Sharing arrangements have been announced for rural areas in Spain and a memorandum of understanding has been agreed to share across the UK. These activities are expected to lead to savings in operating expenses and capital expenditure over time, as well as reducing Vodafone□s impact on the environment.

Outsourcing

Vodafone can realise the benefits of outsourcing certain functions, such as IT applications, to industry leading partners for a lower cost than keeping the operations within the Group.

Purchasing

Vodafone has centralised the bulk purchasing of handsets and key network components for many years to generate purchasing efficiencies. More recently, the Group extended this activity by centralising all purchasing activities for its networks, IT and service platforms to realise further savings.

The internet on your mobile

The internet is becoming increasingly important for customers, with rising numbers of users and increasing amount and frequency of use. Customers spend a significant proportion of their time communicating online, either through traditional email and instant messaging or through partnered with some of the most significant internet companies to mobilise their services in a way that is seamless to customers.

Driving usage in the home

The Vodafone Zuhause range of products in Germany offers a competitively priced alternative to fixed line pricing by recognising

Delivering DSL

Arcor is the leading alternative fixed line provider in Germany, with 2.1 million DSL customers and revenue growth of 10% for the year. Arcor is also enabling Vodafone Germany to offer DSL services to its mobile customers as well as providing a centre of excellence for DSL for the Group.

the relatively new phenomena of social networking and file sharing.

Part of the Group's total communications strategy is to develop products and services that enable customers to use the internet on their mobiles in much the same way as they use it on their PC. In order to do this, the Group has

when a customer is within the home zone area. Vodafone Zuhause customers have reached 2.4 million, with significant increases in household usage and improvements in customer spend per household.

Egypt: Improved customer value with Super Dardasha

Lower prepaid prices in Egypt with the Super Dardasha tariff launched in July 2006 has led to a significant increase in the number of prepaid customers and their usage, driving a 25% rise in prepaid ARPU this year and 85% growth in prepaid revenue. 75% of prepaid customers are now on the Super Dardasha tariff.

Turkey: Successful rebranding to Vodafone

The transition to the Vodafone brand was successfully completed ahead of plan in Turkey in March 2007, after a period of necessary investment in the network and customer services following completion of the acquisition in May 2006.

South Africa: Driving growth in non-voice revenue

Non-voice revenue increased by 33% this year, driven by both messaging and data services, and now represents over 8% of service revenue. Increasing 3G and HSDPA network coverage is enabling a wider data offering to customers, such as the Vodafone Mobile Connect card and the Vodafone Mobile Connect USB modem, and delivering a fast and reliable mobile alternative to fixed-line connectivity in South Africa where fixed line services are available to only 10% of the population.

India

Vodafone has gained control of a leading operator in the attractive and fast growing Indian mobile market, with already over 27 million customers and nationwide market share of around 16%. In a market of 1.1 billion people and mobile penetration of only around 14%, the opportunity for future growth is significant.

Revenue growth

Romania	**28%**
Egypt	**41%**
Turkey	**37%**
South Africa	**22%**
India	**>50%**

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Business Overview

Who We Are

Vodafone is a world leader in providing voice and data communications services for both consumer and enterprise customers, with a significant presence in Europe, the Middle East, Africa, Asia, Pacific and the United States. The Group is structured into two regions to address the different business challenges inherent in them.

At 31 March 2007, based on the registered customers of mobile communications ventures in which it had equity interests at that date, the Group had approximately 206.4 million proportionate customers.

The Company has equity interests in 25 countries, through its subsidiary undertakings, joint ventures, associated undertakings and investments. Partner Market arrangements extend the Group□s footprint to a further 38 countries.

The table on page 13 sets out a summary of the Group□s worldwide mobile operations at 31 March 2007 and venture customer growth, being growth based on 100% of the operations customer base, in the year then ended (the □2007 financial year□).

Through its mobile businesses, the Group provides a wide range of mobile communications services, including voice, text messages (□SMS□), picture messages (□MMS□) and other data services, and is continually developing and enhancing service offerings, particularly through third generation (□3G□) mobile technology which has been deployed in the majority of the Group□s operations. Services are provided to both consumers and corporate customers, through a variety of both prepaid and contract tariff arrangements.

The Group□s mobile services are currently offered over a Global System for Mobile Communications (□GSM□) network, on which a General Packet Radio Service (□GPRS□) is also provided and, in certain operations, over a Wideband Code Division Multiple Access (□W-CDMA□) 3G network. Where 3G licences have been issued, the Group has secured such licences in jurisdictions in which it operates through its subsidiary undertakings. Vodafone offered 3G services in 14 of its controlled operations at 31 March 2007.

In line with the Group□s strategy, the Group is increasingly focusing on developing total communications solutions for customers, making use of the evolving technological changes which provide a far greater choice in services, whilst maintaining a mobile centric approach, focusing on the core benefits to customers of mobility and personalisation. As part of these offerings, the Group now offers fixed broadband connectivity as part of the total communications solution in a number of markets in which it operates.

The Group has a controlling interest in a fixed line telecommunications service provider in Germany, with fixed line services in other markets typically provided using wholesale relationships with infrastructure providers.

During the year the Group was ranked number one in the 2006 Global Accountability Rating, which measures how companies have built responsible business practices, emphasising Vodafone's commitment to Corporate and Social Responsibility.

The Company's ordinary shares are listed on the London Stock Exchange and the Company's ADSs are listed on the New York Stock Exchange ('NYSE'). The Company had a total market capitalisation of approximately £80 billion at 25 May 2007, making it the third largest company in the Financial Times Stock Exchange 100 ('FTSE 100') index and the twenty second largest company in the world based on market capitalisation at that date.

Where We Operate

The Group is managed and organised through two geographic regions – Europe and EMAPA (Eastern Europe, Middle East, Africa and Asia, Pacific and Affiliates) – with the objective of aligning operations with the Group's strategy and focusing the Group's businesses according to different market and customer requirements.

In addition, there are a number of central functions, which are referred to as Common Functions, which provide services to the Group's operations and allow the Group to leverage its scale and scope and manage risk effectively.

Europe

Europe includes the Group's principal mobile subsidiaries, located in Germany, Spain and the UK, its joint venture in Italy, as well as the Group's 73.7% controlling interest in a fixed line telecommunications business in Germany. Other businesses in the European region comprise the Group's other subsidiaries in this geographic area, being Albania, Greece, Ireland, Malta, Netherlands and Portugal.

The Group's mobile subsidiaries in Europe and joint venture in Italy operate under the brand name 'Vodafone'. The Group's fixed line subsidiary operates as Arcor. Arcor is the second largest fixed line telecommunications provider in Germany and offers its customers a range of services for voice and data transfer, based on its own Germany-wide networks, with a focus on direct access based broadband and internet protocol enabled virtual private network ('IP-VPN') products.

The mobile market share of the Group's operators in its principal markets, based on publicly available information, is estimated as follows:

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EMAPA

The EMAPA region covers Eastern Europe, Middle East, Africa and Asia, Pacific and Affiliates, and includes the Group's subsidiary operations in the Czech Republic, Hungary, Romania, Turkey, Egypt, Australia and New Zealand, joint ventures in Poland, Kenya, South Africa and Fiji, associated undertakings in France and the US and the Group's investments in China and India.

The Group's subsidiaries in EMAPA operate under the 'Vodafone' brand. The joint ventures, associated undertakings and investments operate under the following brands: China – China Mobile; Fiji – Vodafone; France – SFR and Neuf Cegetel; India – Airtel; Kenya – Safaricom; Poland – Plus GSM; South Africa – Vodacom; US – Verizon Wireless.

On 8 May 2007, the Group completed its acquisition of a controlling interest in Hutchison Essar Limited ('Hutchison Essar'), a mobile telecommunications operator in the Indian market, which operates under the 'Hutch' brand.

EMAPA's results include the results from non-mobile telecommunications businesses. The Group has a 17.91% indirect ownership in Neuf Cegetel, the leading alternative operator for fixed telecommunication services in France, offering a wide range of fixed line services to residential and business customers as well as special corporate services ranging from internet and customer relations management to internet and intranet hosting services. The Group also has a direct and indirect interest constituting in aggregate a 9.99% ownership in Bharti Airtel, an Indian based mobile and fixed line telecommunications operation with three strategic business units, mobile services, broadband and telephone services and enterprise services. In conjunction with the acquisition of Hutchison Essar Limited, a Bharti Group entity agreed on 9 May 2007 to acquire 5.60% of Bharti Airtel from the Group. Following the completion of this sale, the Group will continue to hold an indirect stake of 4.39% in Bharti Airtel.

The mobile market share of the Group's operators in its most significant EMAPA markets, based on publicly available information, is estimated as follows:

Customer market share (%)
At 31 December 2006

Competition

The Group faces significant competition in each of its geographic markets. It is subject to indirect competition from providers of other communications services in the domestic markets in which it operates in addition to direct competition from existing mobile communications network operators and mobile virtual network operators ('MVNOs') who do not operate a mobile telecommunications network. There are also new types of competitors, such as fixed line operators offering combined fixed and mobile service offerings, and internet based companies extending their services to include telecommunications. Competitive pressures impact the level of customer churn, which the Group seeks to manage by a continued focus on tariffs and customer acquisition and retention initiatives.

The Group expects that competition will continue from existing operators as well as from a number of new market entrants, including those arising following the award of new 3G licences and MVNOs. The scope of this increased competition, and the impact on the results of operations, is discussed further in 'Performance – Risk Factors, Seasonality and Outlook'.

Many of Vodafone's key markets are highly penetrated, some with penetration rates of over 100% due to a number of customers owning more than one subscriber identity module ('SIM'), which is, broadly, the Group's basis for defining a mobile customer. The penetration rates for the Group's operations in its principal markets, based on publicly available information, is estimated as follows:

Estimated penetration – Europe (%)
At 31 December 2006
Estimated penetration – EMAPA (%)
At 31 December 2006

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Business Overview
continued

Partner Markets

Partner Markets are operations in which the Group has entered into a partnership agreement with a local mobile operator, enabling a range of Vodafone's global products and services to be marketed in that operator's territory. Under the terms of these Partner Market agreements, the Group and its partners co-operate in the development and marketing of certain services, often under dual brand logos. The Group's Partner Market strategy enables the Group to implement its global services in new territories, extend its brand reach into new markets and create additional revenue without the need for equity investment.

Similar arrangements also exist with a number of the Group's joint ventures, associated undertakings and investments.

The results of Partner Markets are included within Common Functions. Partnership agreements in place as at 31 March 2007, excluding those with the Group's joint ventures, associated undertakings and investments, are as follows:

Country	Operator	Country	Operator
Argentina	CTI Móvil(1)	Iceland	Vodafone
Austria	A1	Indonesia	XL
Bahrain	MTC-Vodafone (Bahrain)	Jersey	Jersey Airtel
		Kuwait	MTC-Vodafone
Belgium	Proximus	Latvia	BITE Latvija
Bermuda	Digicel	Lithuania	Bité
Brazil	Claro(1)	Luxembourg	LUXGSM
Bulgaria	Mobiltel	Malaysia	Celcom
Caribbean(2)	Digicel	Mexico	Telcel(1)
Chile	Claro(1)	Nicaragua	Claro(1)
Colombia	Comcel(1)	Norway	TDC Song
Croatia	VIPnet	Paraguay	CTI Móvil Paraguay(1)
Cyprus	Cytamobile-Vodafone	Peru	Claro Peru(1)
Denmark	TDC Mobil	Samoa	Digicel
Ecuador	Porta(1)	Singapore	Mobile One
El Salvador	Claro(1)	Solvenia	Si.mobile-vodafone
Estonia	Elisa	Sri Lanka	Dialog
Finland	Elisa	Sweden	Telenor
Guatemala	Claro(1)	Switzerland	Swisscom
Honduras	Claro(1)	Uruguay	CTI Móvil Uruguay(1)
Hong Kong	SmarTone-Vodafone		

Notes:
(1) Partnership through America Móvil.
(2) This includes the following countries: Anguilla, Antigua and Barbuda, Aruba, Barbados, Bonaire, Curacao, the Cayman Islands, Dominica, French West Indies, Grenada, Jamaica, Haiti, St Lucia, St Kitts and Nevis, St Vincent, Trinidad and Tobago, Turks and Caicos and British Guyana.

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Summary of Group mobile communications businesses at 31 March 2007

A summary of the Group□s businesses and significant mobile operators in each of Vodafone□s markets at 31 March 2007 is provided in the following table. Arcor□s principal competitor in the German fixed line market is T-Com.

Country by region	Percentage ownership [1]	Venture customers[2] (□000)	Venture customer growth (%)[3]	Registered proportionate customers (□000)	Controlled and jointly controlled customers (□000)	Registered prepaid (%)[4]	Names of other significant mobile operators[5]
EUROPE							
Germany	100.0	30,818	5.6	30,818	30,818	54.4	e-Plus, O_2 , T-Mobile
Italy	76.9	27,366	13.8	21,034	21,034	92.0	TIM, Wind, 3
Spain	100.0	14,893	10.1	14,893	14,893	45.2	Orange, Telefónica Móviles, Yoigo
UK	100.0	17,411	6.8	17,411	17,411	60.7	Orange, O_2 , T-Mobile, 3, Virgin Mobile
Other Europe							
Albania	99.9	956	23.7	955	956	96.6	AMC
Greece	99.9	5,057	12.9	5,051	5,057	69.2	Cosmote, Q-Telecom, TIM
Ireland	100.0	2,177	4.9	2,177	2,177	73.3	Meteor, O_2 , 3
Malta	100.0	186	6.4	186	186	89.6	Go Mobile
Netherlands	100.0	3,880	(0.8)	3,880	3,880	45.3	KPN Mobile, Orange, T-Mobile, Telfort[6]
Portugal	100.0	4,751	11.1	4,751	4,751	79.0	Optimus(7), TMN(7)
Other Europe total		**17,007**	**8.4**	**17,000**	**17,007**	**68.8**	
Europe total		**107,495**	**8.8**	**101,156**	**101,163**	**66.0**	
EMAPA							
Eastern Europe							
Czech Republic	100.0	2,475	11.8	2,475	2,475	47.5	T-Mobile, Telefonica O_2
Hungary	100.0	2,163	4.8	2,163	2,163	61.1	Pannon GSM, T-Mobile
Poland	19.6	12,661	29.5	2,483	2,483	59.8	Orange, ERA
Romania	100.0	7,954	24.6	7,954	7,954	66.2	Orange, Cosmote, Zapp
Turkey	100.0	13,900	□	13,900	13,900	90.1	Turkcell, Avea

Eastern Europe total		39,153	91.6	28,975	28,975	71.2	
Middle East, Africa, Asia							
Egypt	54.9	9,652	45.9	5,299	9,652	93.8	MobiNil(8)
Kenya	35.0	6,082	54.2	2,129	2,433	98.5	Celtel(9)
South Africa(10)	50.0	30,149	28.2	13,835(11)	15,075	89.4	Cell C, MTN, Celtel, DRC
Middle East, Africa, Asia total		45,883	34.6	21,263	27,160	91.5	
Pacific							
Australia	100.0	3,367	6.0	3,367	3,367	73.6	Optus, Telstra, 3
Fiji	49.0	285	38.2	139	139	95.3	
New Zealand	100.0	2,244	8.5	2,244	2,244	75.8	Telecom New Zealand
Pacific total		5,896	8.2	5,750	5,750	75.4	
Associates and investments							
US	45.0	60,716	14.5	27,322			National operators(12): Cingular, Sprint Nextel, T-Mobile
China	3.3	316,120	21.3	10,337			China Netcom, China Telecom, China Unicom
France	44.0	17,881	3.5	7,876			Bouygues Telecom, Orange
India(13)	9.99	37,141	89.7	3,714			Hutch, Idea, BSNL/MTNL, Reliance Infocom, Tata Teleservices
Associates and investments total		431,858	20.2	49,249			
EMAPA total		**522,790**	**24.7**	**105,237**	**61,885**	**81.7**	
Group total		**630,285**	**21.7**	**206,393**	**163,048**	**73.2**	

Notes:

(1) All ownership percentages are stated as at 31 March 2007 and exclude options, warrants or other rights or obligations of the Group to increase or decrease ownership in any venture as detailed in Performance Financial Position and Resources. Ownership interests have been rounded to the nearest tenth of one percent, with the exception of India which has been rounded down to the nearest hundredth of one percent.

(2) See page 159 for a definition of a customer.
(3) Venture customer growth is for the year to 31 March 2007 and is calculated based on 100% of the businesses customer base.
(4) Prepaid customer percentages are calculated on a venture basis at 31 March 2007.
(5) Includes significant MVNOs which do not operate a mobile telecommunications network.
(6) Telfort was acquired by KPN Mobile during the 2006 financial year but continues to operate its own network.
(7) The competition authority released a draft decision during the year indicating that it will not oppose the potential merger of Optimus and TMN.
(8) The Egyptian Government awarded a third licence during the year. Etisalat launched commercial services on 1 May 2007.
(9) The Kenyan Government has awarded a third licence but the operator has not yet commenced service.
(10) Customers in South Africa refers to the Group's interests in Vodacom Group (Pty) Limited and includes customers in South Africa, the Democratic Republic of Congo, Lesotho, Mozambique and Tanzania.
(11) The Group's proportionate customer base in South Africa has been adjusted for its proportionate ownership of their customer base across all their network interests of approximately 91.8% at 31 March 2007.
(12) This is not a full list of US network operators. In the United States, in addition to the national operators shown, there are several regional and numerous local operators.
(13) The Group does not have any jointly controlled customers in India following the change in consolidation status of Bharti Airtel from a joint venture to an investment on 11 February 2007.

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Business Overview
continued

What We Offer Our Customers

Vodafone offers a wide variety of products and services to its customers. Traditionally, this has been through the provision of voice services allowing customers to make and receive calls whilst at home and abroad. Messaging services are also offered which allow customers to send and receive SMS and MMS messages and, more recently, email and instant messaging services have been provided in a number of the Group's operations.

Various data services are now provided in many of the Group's operations, allowing customers to access internet services, watch mobile TV and download games, ringtones, music and other content onto their mobile phones, while Vodafone Mobile Connect data cards allow people to access the internet, corporate intranets and their emails whilst on the move using their notebooks. During the current financial year, the Group has been executing on its total communications strategy through fixed location based services, enhanced mobile data and internet services, and DSL offerings.

Voice services

Voice services continue to make up the largest portion of the Group's revenue. The Group has undertaken a wide range of activities to stimulate growth in voice usage in the past year. These activities range from improvements of basic tariff designs to launching differentiated voice offerings such as Vodafone At Home, which is described in more detail below.

Voice minutes usage growth for the Group's principal mobile markets[1]

Note:
(1) Total statutory voice minutes per year for Germany, Italy, Spain and UK.

A continuing increase in the level of competition and further pressure on voice prices in the Western European markets have challenged the Group to be innovative in ways to deliver more value for money to customers. By introducing voice offerings that enable customers to significantly increase their usage whilst only having to commit to a small incremental fee, the Group has strengthened the role of the mobile as a primary method of telecommunication.

Customers now have more freedom to use their mobile in ways that offer them more value depending on their particular communication needs. Differentiated, targeted tariffs launched in local markets include offers such as closed user group calling for business customers and designated free numbers or family offers for consumer customers. The launch of new, low-end contract offers has unlocked increased voice usage through lower rates per minute.

In emerging markets the Group has seen the positive development of voice usage, which is partly driven by economic growth and is partly the result of providing mobile communication to a wider population through improved entry level offers. The majority of the Group's customers in these regions use prepaid services. In order to deliver more value to customers, the Group has offered different promotions that reward frequent or high credit top-ups. In emerging markets with limited fixed infrastructure, mobile phones are often the only telecommunications option. Here the Group seeks to continue to improve its service offerings, making services more broadly available and encouraging greater use.

Fixed location based services

The Group is delivering on customers' total communications needs and driving greater voice usage through offering integrated communications services.

Vodafone At Home

Vodafone At Home comprises a range of offers designed to introduce Vodafone into the household as a total communications provider. Vodafone At Home voice propositions offer customers the opportunity to satisfy their communication needs through one operator and with a single device.

Vodafone At Home voice offerings include zonal tariff and fixed line telephony and had 3.25 million customers as at 31 March 2007. With a zonal tariff the customer can make calls from a defined Vodafone At Home geographical area to fixed line numbers and, depending on the offer, other destinations (for example on Vodafone mobile networks), at rates similar to fixed line providers. In addition, the customers obtain a fixed line number to enable them to receive incoming calls when within the Vodafone At Home geographical area. At 31 March 2007, zonal tariffs had been launched in five markets Germany, Italy, France, Hungary and Portugal.

Fixed line telephony offers a customer traditional fixed line calls via public switched telephone networks (PSTN). At 31 March 2007, this offer had been launched in two markets; in the UK as part of the DSL offering and in New Zealand.

Vodafone Office

Vodafone Office is the umbrella name for a series of products and services designed to meet all our business customers communications needs.

Vodafone Wireless Office provides companies the opportunity to reduce their number of fixed desk phones, facilitating the transfer of voice minutes from the fixed to the mobile network. The solution includes a closed user group tariff, allowing employees to call each other for a flat monthly fee. In three markets, Germany, Spain and Portugal, the offer has been expanded to include location-based office-zone charging, giving preferential rates when calling from an office location. Additionally, in these markets, geographic numbers have been introduced, enabling further fixed mobile substitution.

At 31 March 2007, Vodafone Wireless Office was available in 14 markets and had over two million customers.

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Voice roaming

When travelling abroad, roaming allows mobile phone users to make and receive calls using a mobile network in the country they are visiting. The Group continued to expand its roaming coverage and services during the 2007 financial year. The focus was to provide reduced, clearer and easier to understand prices to our customers under the Vodafone Travel Promise roaming campaign launched in May 2005.

On 8 May 2006, the Group announced that by April 2007, when compared to the period from June to August 2005, average European roaming voice cost for Vodafone customers would be cut by at least 40%. This has been achieved and is expected to benefit over 30 million Vodafone customers who roam every year.

During the year, commercial management of wholesale roaming relationships with the Group's main roaming partners has resulted in a number of important wholesale discount agreements. These provide cost structures that support the development of our retail propositions, promote the mutual development of roaming services with our Partner Markets and deliver significant cost savings as well as securing revenue from the customers of Partner Market networks using Vodafone's networks. The cost per minute to Vodafone is now 45 eurocents or lower for more than 90% of Vodafone's European traffic.

Managed roaming is also now operating in 13 markets. This network technology automatically directs Vodafone customers to the Vodafone networks or networks of Partner Markets, delivering a strong Vodafone customer experience and allowing the Group to benefit from an improved cost structure.

Vodafone Passport

The success of Vodafone Passport continued throughout the year and, at 31 March 2007, the service had attracted 12.7 million customers across 17 markets.

Vodafone Passport enables customers to 'take their home tariff abroad', offering greater price transparency and certainty to customers when using roaming services abroad. Whilst abroad, customers can make calls using their domestic tariff, in some cases including free minute bundles, and receive calls at no charge – for a one-off connection fee per call.

Customer usage patterns continue to show that, on average, Vodafone Passport customers both talk more and pay less per call when abroad.

Messaging services

All of the Group's mobile operations offer messaging services, which allow customers to send and receive messages using mobile handsets and various other devices. Messaging usage grew 34.0% in the year to 31 March 2007 and was driven by increased customer activity, due to the network effect of a larger user community, and a shift from price per message to bundled fees, a fixed price for a specified number of messages. MMS, which offers customers the ability to send and receive multiple media, such as pictures, music, sound, video and text, to and from other compatible devices is also available in all Group mobile operations. MMS has enjoyed strong revenue growth in the 2007 financial year across the Group through improved handset camera capabilities.

SMS usage growth for the Group's principal mobile markets[(1)]

Note:
(1) Total SMSs (billions) sent per year for Germany, Italy, Spain and UK.

Data services

The Group offers a number of products and services to enhance customers' access to data services, including Vodafone live! for consumers, as well as a suite of products for business users consisting of Vodafone Mobile Connect data cards, internet based email solutions and Vodafone Office.

Vodafone live!

Vodafone live!, the Group's content and internet services proposition, has been launched in four additional markets since 31 March 2006, Czech Republic, Romania, Turkey and Bulgaria, bringing the total number of countries in which Vodafone live! is offered to 28.

Vodafone has continued to develop the Vodafone live! offering by improving the handset user experience, making it faster and easier to find content and lowering barriers to regular use through more transparent and better value tariffs. The design of the Vodafone live! portal, through which customers can access a range of online services including games, ringtones, news, sports and information, is being continually enhanced to provide richer content and to make it easier for customers to find and purchase content.

During the 2007 financial year, 18 new 2.5G phones were added to the Vodafone live! portfolio, with a sustained emphasis on exclusive and customised devices.

Vodafone live! with 3G

Vodafone live! with 3G is now available in 21 markets, including launches in Hungary, Malta, Romania and Bulgaria in the 2007 financial year. This enhanced version of the proposition delivers all the content and portal services of 2.5G, with richer media services, such as music on demand and mobile TV, enabled by the faster network capabilities of 3G.

In addition, 18 of these markets with Vodafone live! with 3G have now deployed the even faster capabilities of 3G Broadband/HSDPA. At 31 March 2007, there were 15.9 million devices registered on the controlled and jointly controlled networks capable of accessing the Vodafone live! with 3G portal.

During the 2007 financial year, 30 new 3G phones were added to the Vodafone live! portfolio. The latest 3G devices are now similar in design to 2.5G handsets and have improved battery performance, thereby overcoming barriers that were experienced by earlier phone generations. Supported by significantly lowered entry level pricing and exclusive devices from all major vendors, about 30% of Vodafone live! gross additions in Europe are now connected on 3G devices.

Vodafone has continued to improve offerings available by developing further insights into customer needs around TV, music and mobile internet. For example, an improved user interface has been developed for the Mobile TV service, delivering improved channel switching and navigation. This was first deployed in Vodafone Germany in October 2006 and is being rolled out to other Vodafone networks. Vodafone Italy launched Vodafone's first mobile broadcast TV service using DVB-H technology and spectrum in December 2006. Vodafone is continuing to work with major international and national media brands to grow the existing market through breadth of appeal and prove the concepts of future revenue streams such as video on demand, interactivity and advertising-funding. Key partners include Time Warner, News Corp, NBC, Universal and Sony. Content from all of these companies complements national content brands.

The Vodafone live! with 3G service also supports full track music downloads, which allow customers to use their phone to listen to music, choosing from a catalogue of more than 750,000 music tracks. Vodafone has secured music from some of the world's greatest artists through agreements with Sony BMG Music Entertainment, EMI, Universal Music, Warner Music and other independent record labels. Key ease of use improvements during this financial year included artist and title search and artist's pages, enabling full tracks, ringtones, video clips and other related items to be found together.

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Following on from the mobile internet search deal signed with Google in February 2006, Vodafone announced in February 2007 a number of important collaborations to bring the benefits of key internet brands to the mobile. The collaboration with eBay, MySpace and Google Maps will enable integrated applications on to customers phones for an easy and secure user experience. An agreement with YouTube will also allow customers to view a daily selection of new videos, forward links of their favourites, search across multiple categories and upload their own videos from their mobiles.

In addition, Vodafone is supporting customers access to their internet messaging services via their mobiles with the introduction of Vodafone Consumer Push Email. This service was first made commercially available in Portugal in March 2007. The service offers customers easy mobile access to their email accounts held in both global, such as Microsoft MSN and AOL, and local email providers.

In February 2007, Vodafone announced an agreement with Yahoo! and Microsoft to provide direct access to their instant messaging services from the mobile and the PC.

Vodafone Mobile Connect

The Vodafone Mobile Connect data card provides simple and secure access to existing business systems such as email, corporate applications, company intranets and the internet for customers on the move, and is available through a selection of distribution channels. The Vodafone Mobile Connect data card based on 2.5G technology is available in eight markets, with 33 markets now offering the service on 3G technology. Additionally, the Vodafone Mobile Connect 3G broadband data card offers enhanced download speeds of up to 3.6 Mbps by utilising HSDPA technology and has been launched in 26 markets.

Vodafone has also entered into exclusive partnerships with Acer, Dell, HP and Lenovo across multiple markets. These companies launched a range of builtin 3G broadband connectivity notebooks (with a Vodafone SIM built-in at point of manufacture) supporting HSDPA technology. Additionally, Vodafone launched the Mobile Connect USB Modem, an innovative, compact and easy to use plug and play device. Vodafone also released an updated version of its Vodafone Mobile Connect software that supports the Microsoft Vista operating system. These products provide greater choice and connectivity options to our customers for high speed mobile working. At 31 March 2007, there were 1.5 million registered Vodafone Mobile Connect data cards in the Group s controlled and jointly controlled markets.

Mobile applications

In addition to the wireless enablement of notebook computers, there is an increasing demand for handheld solutions that allow real-time access to email, calendar, contact and other applications.

Vodafone Business Email, Windows Mobile Email and BlackBerry from Vodafone provide business customers, ranging from small start-up companies to multinational corporates, with wireless access to their enterprise and internet based email solutions. Vodafone Business Email and BlackBerry from Vodafone offerings are now available in 36 markets and at 31 March 2007 were supported by 25 global devices and a variety of local devices in the controlled and jointly controlled markets.

There were one million Vodafone email customers in the Group s controlled and jointly controlled markets as at 31 March 2007.

Data roaming

Vodafone has continued to improve the simplicity, price predictability and value for money offered to data services customers. For Vodafone Mobile Connect 3G broadband data card users, Vodafone complemented the monthly roaming bundle launched in 2005 with a daily roaming tariff appealing to less-frequent international travellers. At 31 March 2007, this tariff was available in three controlled markets. On 14 March 2007, Vodafone announced that the daily tariff would be reduced by over 50% by July 2007.

Vodafone has successfully implemented data wholesale tariff structures with more than 15 Partner Market networks, enabling the launch of new data roaming propositions. Vodafone also announced on 14 March 2007 that it would make lower data roaming wholesale rates available to all other European operators on a reciprocal basis.

DSL and other services

In May 2006, Vodafone announced its intention to enter the fixed broadband space in order to provide customers with data solutions to meet their total communication needs. DSL offered as part of the Vodafone At Home package is now available in five markets, Germany, Italy, UK, Malta and New Zealand, with further markets intended to be launched throughout 2007. Current DSL offers are provided by Arcor (Germany) and ihug (New Zealand), as well as in partnership with BT (UK), Fastweb (Italy) and Melita (Malta).

Vodafone Office also includes fixed data DSL offerings. At 31 March 2007, DSL was available to business customers in five markets UK, Spain, Netherlands, Portugal and Egypt.

With the launch of the Vodafone Applications Service in the UK and Spain, Vodafone has also taken a further step towards making mobile applications accessible to businesses of all sizes. This service quickly and efficiently connects existing business applications to mobile handsets, allowing users to access and exchange information when out of the office.

The Group has been extending its business model to generate revenue from mobile advertising by partnering with advertising specialists in individual markets. An agreement with Yahoo! has been operational since March 2007 in the UK.

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Summary of Group products and services

The following table summarises the availability of the Group's most significant products and services as at 31 March 2007 in the markets in which they are available.

	Vodafone live!	Vodafone live! with 3G	Vodafone Mobile Connect GPRS data card	Vodafone Mobile Connect 3G/GPRS data card	BlackBerry from Vodafone Vodafone Push Email	Vodafone Wireless Office	Vodafone Passport	Vodafone Consumer Push Email	Vodafone At Home (Zonal)	Vodafone AT Home (fixed line telephony)	Vodafone At Home (DSL)
Subsidiaries											
Germany	•	•			•	•	•	•		•	•
Spain	•	•			•	•	•	•			
UK	•	•			•	•	•	•			•
Albania				•		•		•			
Australia	•	•			•	•	•				
Czech	•			•							
Egypt	•			•		•	•				
Greece	•	•			•	•	•	•			
Hungary	•	•			•	•	•	•		•	
Ireland	•	•			•	•	•	•			
Malta	•	•			•	•		•			•
Netherlands	•	•			•	•	•	•			
New Zealand	•	•			•	•	•				•
Portugal	•	•			•	•	•	•	•	•	
Romania	•	•			•	•		•			
Turkey	•										
Joint Ventures											
Fiji				•		•					
Italy	•	•			•	•	•	•		•	•
South Africa	•	•			•	•		•			
Subtotal	17	14	4	14	17	12	13	1	4	2	5
Associate											
France	•	•	•	•	•	•	•			•	
Partner Markets											
Austria	•	•			•	•					
Bahrain					•	•					
Belgium	•	•			•	•		•			
Bulgaria	•	•			•	•					
Croatia	•	•			•	•					
Cyprus	•				•						
Denmark					•	•					
Estonia					•	•	•				
Finland					•	•					
Hong Kong					•	•					
Iceland	•			•		•		•			
Indonesia						•					
Kuwait				•							
Latvia					•						
Lithuania					•						

Luxembourg	•			•	•						
Malaysia				•	•						
Norway				•							
Singapore				•	•						
Slovenia	•		•		•						
Sri Lanka					•						
Sweden	•	•		•	•		•				
Switzerland	•	•		•	•						
Total	28	21	8	33	36	14	17	1	5	2	5

Key:
- • Available throughout the 2007 financial year
- • Launched in the 2007 financial year

How We Deliver Our Services

Products and services are available directly to both consumer and business customers in the majority of markets under the Vodafone brand. In the 2007 financial year, the Group continued to focus on social products with the establishment of a new social investment fund, which has been formed to provide resources for initiatives that can demonstrate high social values.

Distribution

The Group distributes its products and services through a wide variety of direct and indirect channels, with different approaches used in the consumer and business sectors. Main developments in distribution are within the area of IT resellers, distributors and MVNOs.

Over 1,100 stores are directly owned and managed by Vodafone, with an additional 5,500 Vodafone branded stores. In addition, local websites offer products and services online, local sales forces are in place to discuss terms with business customers and call centres are available to support customers.

The extent of indirect distribution varies between markets but may include using third party service providers, independent dealers, distributors and retailers.

Vodafone's engagement with IT resellers and distributors continued to grow throughout the 2007 financial year. The partner marketing programme has attracted over 5,000 resellers across eight countries, providing sales support and training. This engagement with the IT channel enables Vodafone to sell to small and medium enterprises as well as providing a key platform to support the sales of the built-in 3G broadband connectivity notebooks from our PC partners, including Acer, Dell, HP and Lenovo.

The last few years have seen the growth of MVNOs who buy access to existing networks and re-sell that access to customers under a different brand name and proposition. Where appropriate, Vodafone seeks to enter mutually profitable relationships with MVNO partners as an additional route to market.

Vodafone Global Enterprise

Vodafone's Global Enterprise unit, previously the multinational corporate business unit, is now entering its third year of operation and continues to build its capability, providing global enterprises with consistent levels of service, support and commercial terms worldwide. Vodafone has enjoyed continued success with these customers and delivered strong growth in this segment.

During the last year, this business unit has developed a number of services and solutions specifically for global enterprises. The device portfolio offers a consistent range of mobile devices at different price points across multiple markets. Mobile Spend Management is an analysis and reporting tool which allows global administrators to track and control their mobile communications spend. The master services agreement has been simplified and is now available across 12 countries.

To ensure the Group is best placed to continually meet the needs of this customer segment, Vodafone has brought full ownership and control for the management of these customers to the business unit.

Handsets

Vodafone pushed 3G into the mass market with the support of one exclusive mobile phone per high value brand supplier: the Nokia 6234, Samsung ZV40, SEMC V630i and Motorola V1100 in the consumer segment and the Palm Treo 750v for the business market. Approximately one third of the Vodafone live! sales volume was driven by devices that are exclusively available through Vodafone.

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The launch of the Vodafone McLaren Mercedes F1 team was supported with three special edition Vodafone McLaren branded phones.

Vodafone is also leading the way into 3G broadband, with six HSDPA handsets launched. 3G Broadband PC connectivity was supported by a full range of data card products and by 3G modules that embed 3G connectivity in the laptops of several leading Original Equipment Manufacturers.

In October 2006, the VF 710, the first own branded 3G consumer phone, was launched in all European markets and since then over half a million units have been sold.

Vodafone has also announced several collaboration and partnership agreements with the objective to consolidate the software platforms for mobile devices around three major platforms Nokia S60, Microsoft Windows Mobile and a new Linux platform that is anticipated to be developed through the LiMo Foundation with NTT DoCoMo, Motorola, NEC, Panasonic, Samsung and Vodafone as founding members. This strategic programme is expected to deliver long term cost savings and improve the time to market for new service innovations to be integrated on a mobile device.

Marketing and brand

Brand and customer communications

Vodafone has continued to focus on delivering a superior, consistent and differentiated customer experience through its brand and communications activities. The Vodafone operating companies in Romania and Turkey migrated to a single Vodafone brand during the year, and Iceland was the first franchise partner market to move to a single Vodafone brand.

Vodafones brand purpose of 'helping our customers make the most of their time' has been embedded in the organisation via the ongoing brand engagement programme which brings the brand to life for Vodafone employees, ensuring that they can do the same for customers. Externally, the brand idea has been introduced to customers through the launch of the Make the Most of Now communications campaign in all 18 of Vodafones branded markets.

Sponsorships

Vodafones global sponsorship strategy has evolved in the past year to better support the changing needs of consumers and the competitive business environment. The majority of global sponsorship investment continues to focus on Formula 1 and football because these sports are best positioned to meet Vodafones specific business needs.

In July 2006, Vodafone's three year sponsorship of the UEFA Champions League commenced. This sponsorship enables Vodafone to build a credible association with the world's most popular sport in a manner which is relevant to the business and brand objectives.

In January 2007, Vodafone became the title partner of the Vodafone McLaren Mercedes Formula 1 team. Vodafone will be able to use the partnership to deliver opportunities which will engage customers and project a consistent brand positioning to a global audience.

Globally, Vodafones sponsorships build brand awareness, differentiate Vodafone from the competition and deliver revenue, driving opportunities through both business and consumer channels. The Groups individual operating countries benefit from a variety of marketing propositions which are delivered through all aspects of their marketing mix.

Music continues to play an important role in our business. Many of the local Vodafone operating companies already deliver highly successful music sponsorships.

Customer strategy and management

Vodafone continues to use a customer management system called customer delight to measure customer satisfaction in the Group s controlled markets at a local and global level. This is a proprietary diagnostic system which tracks customer satisfaction across all the points of interaction with Vodafone and identifies the drivers of customer delight and their relative impact. This information is used to identify any areas for improvement and highlight which areas to focus on.

Social products

Vodafone has continued making mobile services more accessible to people with special communication needs and has undertaken significant research to better understand the levels of exclusion relating to use of mobile technology, which is helping to inform relevant areas of the business.

One of the initiatives that has benefited from the social investment fund is M-PESA, an innovative mobile micro-finance service now on trial in Kenya. This service, run in conjunction with a local bank and Vodafone s Kenyan joint venture, Safaricom, enables customers to move money in and out of accounts, between other customers and to withdraw cash, all using secure mobile messaging. For further information on this see the Governance Corporate Responsibility and Environmental Issues section on pages 75 to 77.

Content standards

Vodafone has continued the rollout of the off-net content filter. The access control programme demonstrates Vodafone's commitment to deliver content responsibly and provides the capability for parents to restrict access to content that may be inappropriate for younger users. Ensuring that the mobile needs of parents and their children are satisfied will remain a priority during the 2008 financial year.

As new media channels evolve, a number of Vodafone initiatives are designed to ensure protection for our customers from inappropriate content, contact and commercialism. These include providing supporting guidelines around the marketing of content to customers, social networking/Web 2.0 services, mobile advertising and the continued development of parental controls requirements to meet new technological requirements.

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Our Technology and Resources

Vodafone's key technologies and resources encompass the telecommunication licences it holds, the related mobile network infrastructure and the approximately 66,000 people Vodafone employs worldwide. These key technologies and resources enable the Group to operate mobile networks in 21 controlled and jointly controlled markets around the world.

Licences

The Group is dependent on the licences it holds to operate mobile telecommunications services. Further detail on the issue and regulation of licences can be found in 'Business – Regulation'. The table below summarises the significant licences held by the Group's mobile operating subsidiaries and the Group's joint venture in Italy at 31 March 2007.

Country by region	Licence type[1]	Licence expiry date	Date of commencement of commercial service
Europe			
Germany	2G 3G	December 2009[2] December 2020	June 1992 February 2004
Italy	2G 3G	January 2015 December 2021	December 1995 February 2004
Spain	2G 3G	July 2023[3] April 2020	October 1995 February 2004
UK	2G 3G	See note[4] December 2021	December 1991 February 2004
Albania	2G	June 2016	August 2001
Greece	2G 3G	September 2012 August 2021	July 1993 July 2004
Ireland	2G 3G	May 2011[5] October 2022	March 1993 May 2003
Malta	2G 3G	September 2010 August 2020	July 1997 August 2006
Netherlands	2G 3G	March 2013 December 2016	September 1995 February 2004
Portugal	2G 3G	October 2021 January 2016	October 1992 February 2004[6]
EMAPA			
Australia	2G 3G	See note[7] October 2017	September 1993 October 2005

Czech Republic	2G 3G	January 2021 February 2025	March 2000 See note[8]
Egypt	2G 3G	January 2022[9] January 2022	November 1998 May 2007
Hungary	2G 3G	July 2014[10] December 2019	November 1999 December 2005
New Zealand	2G 3G	See note[11] March 2021[11]	July 1993 August 2005
Romania	2G 3G	December 2011 March 2020	April 1997 April 2005
Turkey	2G	April 2023	April 1998

Notes:
(1) All 2G networks are of a GSM/GPRS network type. All 3G networks are of a W-CDMA network type.
(2) On 15 May 2007, the Group secured a seven year extension of its GSM licence in Germany to December 2016.
(3) Date relates to 1800MHz spectrum licence. Vodafone Spain also has a separate 900MHz spectrum licence which expires in February 2020.
(4) Indefinite licence with a one year notice of revocation.
(5) Date refers to 900MHz licence. Vodafone Ireland also has a separate 1800MHz spectrum licence which expires in December 2015.
(6) Portugal launched the Vodafone Mobile Connect 3G/GPRS data card in February 2004 and the launch of 3G voice services took place in May 2005.
(7) Refers to a 900MHz spectrum rolling five year licence. Various licences are held for 1800MHz licences, which are issued by specific regional regulators. The earliest expires in June 2013 and the latest in March 2015.
(8) Launch date to be determined.
(9) Egypt extended its 2G licence for a further nine years in January 2007.
(10) There is an option to extend this licence for seven years.
(11) Vodafone New Zealand owns three GSM 900 licences (2x21MHz) and one GSM1800 licence (2x15MHz). The GSM900 licences expire in November 2011, July 2012 and September 2021. The GSM1800 licence expires in March 2022.

Mobile network infrastructure

Network infrastructure is fundamental to the Group being able to provide mobile services. The mobile network enables the Group's customers to place and receive voice calls and allows the Group to provide other services, such as text messaging.

When a voice call or data transmission is made on a mobile device, voice or data is sent from the device and transmitted by low powered radio signals to the nearest base station, which in turn is connected to the Group's network. Each base station provides coverage over a given geographic area, often referred to as a cell. Cells can be as small as an individual building or as large as 20 miles across. Each cell is equipped with its own radio transmitter and receiver antenna. This network of cells provides, within certain limitations, coverage over the service area. When a customer using a mobile device approaches the boundary of one cell, the mobile network senses that the signal is becoming weak and automatically hands over the call to the transmission unit in the next cell into which the device is moving.

If the voice call or data transmission is intended for delivery to another device which is not on the Vodafone network, the information is delivered through a public or private fixed line telephone network or the internet.

In a second generation ('2G') network, each cell contains a base station using a number of radio frequencies or channels. A group of base stations is connected to a base station controller, which in turn is connected to a mobile switching centre and then via a gateway support node for access to a fixed line network or the internet.

In a 3G network, voice or data traffic is passed through a node B, being similar to a base station in a 2G network, to a radio network controller which is then connected to a mobile switching centre, similar to a 2G network.

Base stations and node Bs form a critical element of a mobile network and an insufficient number of base stations can result in loss of service for customers. In addition, the correct deployment of the right base stations is instrumental in achieving the network quality and coverage that are crucial to customer satisfaction.

2G

Vodafone operates 2G networks in all its mobile operating subsidiaries, through GSM networks, offering customers services such as voice, text messaging and basic data services. In addition, all of the Group□s controlled networks operate GPRS, often referred to as 2.5G. GPRS allows mobile devices to be used for sending and receiving data over an internet protocol (□IP□) based network, enabling wireless access to data networks like the internet.

The GPRS data service offering includes internet and e-mail access, allowing the customer to be always connected at download speeds slightly below a dial-up modem. Vodafone also offers a great variety of services on its Vodafone live! portal, such as picture and video messaging, download of ringtones, news and many other services.

3G

Vodafone□s 3G networks, operating the W-CDMA standard, provide customers with mobile broadband data access allowing data download speeds of up to 384 kilobits per second (□kbps□), which is up to seven times faster than a dial-up modem. Vodafone has expanded its service offering on 3G networks with high speed internet and e-mail access, video telephony, full track music downloads, mobile TV and other data services, in addition to existing voice and data services.

The Group has secured 3G licences in all jurisdictions in which it operates through its subsidiary undertakings and in which such licences have been awarded to date, as well as in Italy through its joint venture. Vodafone expects to participate in additional 3G licence allocation procedures in other jurisdictions in which it operates where this is commercially viable. No assurances can be given that the Group will be successful in obtaining any 3G licences for which it intends to apply or bid.

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Roll out of the 3G network infrastructure has continued throughout the 2007 financial year across the Group's mobile operations, including approximately £625 million expenditure on 3G network infrastructure. By the end of March 2007, over 41,000 node B's were in operation in the Group's controlled operations and the Group's joint venture in Italy. In many of the Group's markets, Vodafone has achieved the leading position on 3G coverage and quality of service.

High Speed Downlink Packet Access ('HSDPA')

HSDPA is a wireless technology enabling data transmission speeds of up to 3.6 megabits per second in the first phase. It allows increased mobile data traffic, and improves the customer experience through the availability of enhanced mobile broadband services and significantly shorter download times.

In later phases, peak speeds up to 7.2Mbps will be available in hotspots first, with up to 14.4 Mbps achievable with later releases. This is expected to provide customers with faster access speeds than experienced on existing 3G networks. The performance figures quoted are theoretical peak rates deliverable by the technology in ideal radio conditions with no customer contention for resources.

HSDPA is enabled through the deployment of new software in the 3G radio network and expanding the processing capabilities of the node B. Significant performance benefits are achieved by using mechanisms that use the radio interface more effectively and are further adapted to 'bursty' packet based data traffic using IP. Vodafone Mobile Connect data cards which support HSDPA are available commercially, and compatible Vodafone live! handsets were launched in the summer of 2006.

HSDPA was launched commercially in many of the major mobile markets of the Group during the 2007 financial year. All markets are considering upgrades to serve higher bandwidths for customers as each market situation justifies.

While HSDPA focuses on downlink (network to mobile), Vodafone is also improving the data speeds in the uplink (mobile to network) to achieve speeds of up to 384kbps. HSUPA (High Speed Uplink Packet Access) is expected to further enhance the uplink speed beyond 1 megabit per second.

Employees

Vodafone employs approximately 66,000 people worldwide, with a goal to recruit, develop and retain the most talented, motivated people that are well aligned with the Vodafone brand essence. The Company aims to do this by providing a productive, safe working environment, treating people with respect and offering attractive performance based incentives and opportunities. Training and development programmes help employees to develop their skills and experience and to reach their full potential, benefiting themselves and the Company.

Employee involvement

The Board's aim is to ensure that employees understand the Group's strategic goals and the mutual obligations of working in a high performing, values-based organisation.

Vodafone's values continue to provide a common way of behaving and are implicit in all that the Group does for and with its shareholders, customers and employees. During the year, Vodafone has built further on its employee engagement initiative through embedding the Vodafone brand, 'Red, Rock Solid, Restless,' into the business through all of its people practices. This has been supported by the development of a Vodafone People Strategy that provides a common goal for the experience all employees receive when joining and working for Vodafone.

The employer brand programme continues to deliver the desired change in culture of the Group to one that inspires the behaviour of employees in their interactions with customers and other stakeholders. Employee engagement with the brand is measured through a survey tool, with October 2006 results demonstrating 79% awareness of the brand's importance to Vodafone's success.

The Board places a high priority on effective employee communications to create a dialogue with the Group's employees. In addition to the more traditional channels, the Group increasingly uses its own products and services, such as SMS and audio based messaging, and this year has seen the use of Vodafone TV for broader communications, including financial results and product launch communications to employees, with very positive feedback.

The Chief Executive and other members of the executive management team continue to host the 'Talkabout' programme, which aims to visit each of the Group's local operating companies every year. In the 'Talkabout' sessions, the executive team use the opportunity to discuss the Group's strategic goals with as wide an audience of Vodafone employees as possible, listening to their views and talking about the issues that matter most to them, as well as exchanging ideas about how Vodafone can serve its customers.

Vodafone's success is driven by the passion and effort of the Group's employees. In return, Vodafone values employees' opinions on improving the performance of the Group. Within European subsidiaries, employee representatives meet annually with members of the executive management team in the Vodafone European Employee Consultative Council to discuss the performance and prospects of the Group and significant trans-national issues.

In October 2007, Vodafone plans to carry out its third global all employee opinion survey. In addition, the Group now conducts half yearly interim surveys on a representative sample of employees across its organisation to continue to track employee engagement on a more regular basis.

In 2006, the Group conducted two interim surveys in April and October covering all operating companies. The results showed that employees continue to be highly engaged with Vodafone. In particular, the results showed that employees now have a greater understanding of what is expected of them and receive better coaching support to improve their performance. Again, the overwhelming majority of employees are proud to work for Vodafone, understand the importance of Vodafone's values, know the results expected of them in their jobs and have a good understanding of Vodafone's strategic goals and priorities.

Vodafone is focused on continually improving and, as a result, continues to focus on some previously identified areas that need to be addressed through co-ordinated global and local action:

- To improve the Group's understanding of the underlying customer focus issues in each market and identify improvements in the service offered. Meeting customers' requirements remains at the heart of the business and will continue to differentiate Vodafone from our competition; and

- To continue to develop practical global frameworks and guidelines to help employees effectively manage change within the business.

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In addition, Vodafone has added another specific area of focus this year:

- To create an environment where people are attracted to work for Vodafone and are truly engaged to grow and deliver their best efforts. This goal is supported by the rollout of the Vodafone People Strategy. During the 2008 financial year the Vodafone People Strategy will be communicated to all employees, with the ultimate goal that employee engagement levels will be in the top quartile in every market in which the Group operates.

Employment policies

The Group's employment policies are consistent with the principles of the United Nations Universal Declaration of Human Rights and the International Labour Organisation Core Conventions and are developed to reflect local legal, cultural and employment requirements. High standards are maintained wherever the Group operates, as Vodafone aims to ensure that the Group is recognised as an employer of choice. Employees at all levels and in all companies are encouraged to make the greatest possible contribution to the Group's success. The Group considers its employee relations to be good.

Equal opportunities

Vodafone does not condone unfair treatment of any kind and operates an equal opportunities policy for all aspects of employment and advancement, regardless of race, nationality, sex, age, marital status, disability or religious or political belief. In practice, this means that the Group is able to select the best people available for positions on the basis of merit and capability, making the most effective use of the talents and experience of people in the business and providing them with the opportunity to develop and realise their potential.

The disabled

Vodafone is conscious of the difficulties experienced by people with disabilities. Every effort is made to ensure ready access to the Group's facilities and services and a range of products has been developed for people with special needs. In addition, disabled people are assured of full and fair consideration for all vacancies for which they offer themselves as suitable candidates and efforts are made to meet their special needs, particularly in relation to access and mobility. Where possible, modifications to workplaces are made to provide access and, therefore, job opportunities for the disabled. Every effort is made to continue the employment of people who become disabled via the provision of additional facilities, job design and the provision of appropriate training.

Health, safety and wellbeing

The health, safety and wellbeing of the Group's customers, employees and others who could be affected by its activities are of paramount importance to Vodafone and the Group applies rigorous standards to all its operations.

The health and safety management in each operating company is audited annually and the results are submitted in a report for discussion by the Board. The Group's annual global health and safety audit has been recently upgraded in line with the new health and safety management system. This online system provides improved detailed assessment and management reporting. The system, which includes global policies, standards and best practice samples, provides easy to access guidance and supports governance requirements, particularly for Vodafone businesses in developing markets.

The Vodafone People Strategy includes health, safety and wellbeing as a central part, with employee wellbeing a major focus as the business moves forward. The 2008 financial year will see Vodafone health, safety and wellbeing professionals focusing on three key initiatives to support this strategy: implementation of employee wellbeing initiatives, emphasis on communication and implementation of updated mobile phone and driving policy requirements and the continued development of group standards for the selection and evaluation of appropriately trained and qualified contractors and service providers.

Supply chain management

Handsets, network equipment, marketing and IT services account for the majority of Vodafone's purchases, with the bulk of these purchases from global suppliers. The Group's Global Supply Chain Management ('GSCM') team is responsible for managing most of the Group's relationships with these suppliers.

The ongoing transformation of the supply chain organisation under one leadership and global material strategies has enabled savings across all operating companies. This is supported by a uniform savings methodology applied across all operating companies. Enablers such as eAuctions and seamless B2B applications form a vital part in leveraging the Group's scale further.

Vodafone's eSourcing programme continues to drive and create significant benefits for the entire organisation. Amongst its successes in the 2007 financial year, the programme has established world class benchmark prices in hardware procurement.

GSCM continues to implement best practices across the Group's mobile operations with the aim of harmonising business processes, which will bring the benefits of further reducing procurement costs and reducing time to market.

Global suppliers are required to comply with the Group's Code of Ethical Purchasing which sets out the labour and environmental standards the Group expects suppliers to meet. The Code is based on the Group's values and international standards, including the Universal Declaration of Human Rights and the International Labour Organisation Conventions on Labour Standards. GSCM has implemented a consistent supplier performance management process that ensures that key suppliers are evaluated across six areas, covering aspects of financial stability, technological and commercial criteria, delivery and quality management requirements and corporate responsibility.

Consistent with GSCM's pro-active approach to strategic sourcing, Vodafone launched the China Sourcing Centre based in Beijing in March 2007, which will act as the GSCM competency centre for low cost sourcing and emerging suppliers.

It is the Group's policy to agree terms of transactions, including payment terms, with suppliers and it is the Group's normal practice that payment is made accordingly. The number of days outstanding between receipt of invoices and date of payment, calculated by reference to the amount owed to suppliers at the year end as a proportion of the amounts invoiced by suppliers during the year, was 34 days (2006: 36 days) in aggregate for the Group.

Research and Development ('R&D')

The Group R&D function comprises an international and multicultural team for applied research in mobile and internet communications and their applications. The majority of the work of the Group's R&D function is undertaken through the Group's research centres, located in Newbury, Maastricht, Munich, California and Madrid, and in an associate centre in Paris belonging to Vodafone's associated undertaking in France, SFR. In the 2007 financial year, the R&D centre in Milan was re-absorbed into the Italian operation and ceased to engage in research and development for the Group.

Governance is provided by the Group R&D Board, which is chaired by the Group R&D Director and consists of the chief technology officers from six of the operating subsidiaries in Europe, the heads of Business Strategy and Global Terminals and a representative from EMAPA.

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Business Overview
continued

Group R&D works beyond the traditional established markets of Vodafone in search of technology based business opportunities. It delivers a systematic programme of demand inspired research and development in wireless and internet communications that is positioned between basic research and commercial product development. It directs Vodafone's work with technical standards bodies and its intellectual property activities.

Typically, Group R&D works on developments that are expected to be introduced into the business in three to five years' time. This horizon covers some significant business developments that can already be anticipated for example, the transition of traditional telecommunications protocols to the internet protocol, the emergence of the internet as a personal communications platform and the introduction of wireless technology beyond our current generation including disruptive radio technologies for mobilising the internet.

The emphasis of the Group R&D work programme is on providing technology analysis and a vision that can contribute directly to business decisions, enabling new applications of mobile communications, using new technology for new services and research for improving operational efficiency and quality of the Group's networks. This is done by pioneering the adoption of new technologies, business opportunities and innovations through technology analysis, trials, invention and prototypes; by making Vodafone aware of market opportunities or threats posed by new technologies and business models, and helping the Company to exploit or resist them; by providing technology leadership by working with the industry to define and standardise the technology Vodafone uses; and by securing intellectual property and greater technology ownership for the Company.

The work of Group R&D is delivered through a portfolio of programmes and cross industry activities with a substantial number of trials, demonstrations and prototypes. All work is set in a business and social context. There is growing emphasis on work that secures intellectual property rights or can otherwise lead to Vodafone having stronger influence on the technology it will deploy in the future. In addition, Group R&D provides leadership for funding research into health and safety aspects of mobile communications and technical leadership for the Group's spectrum strategy.

The main themes currently being researched are mobile technologies beyond the current generation, the internet as a communications platform, mobile TV and media and service enabler technology like near field communications. A number of significant wireless technology trials are underway and several internet based services have been prototyped and demonstrated within the Vodafone community. Application of mobile communications to intelligent transport systems and the digital home are also being researched.

Much of the work of Group R&D is done in collaboration with others, both within the Group and externally. The Group has established R&D collaboration with all of its traditional suppliers and is now extending this to other companies in the communications, media and internet industries. There is a programme of work with academic institutions, which includes student placements in Vodafone laboratories during summer vacations, and the Group is developing new ways in which to use the internet as a platform for research and innovation at the forefront of this is Vodafone ßetavine, a research space on the internet. There is also a programme to capture innovation from start-up companies, particularly those based in Silicon Valley, USA, and many of those companies were introduced to the Vodafone Executive Committee and operating company CEOs at a specially hosted event in September 2006. Group R&D also continues to develop relationships with a number of universities. These relationships include sponsoring research students, collaboration in European research activities, funding specialised research centres and working with Vodafone funded chairs and research publications. This year, Group R&D again hosted an academic conference where it brought together its academic partners to consolidate its academic research programme.

The R&D programme provides the Group with long term technical policy, strategy and leadership, as well as providing technical underpinning for the Group's public policies and government relations, and is shared with all subsidiaries of the Company and Group functions. They are able to influence the programme through working relationships that are designed to allow delivery of the results of the programme directly into the business units where they are needed.

How We Developed

The Company was incorporated under English law in 1984 and through a series of business transactions, including the merger with AirTouch Communications, Inc. in 1999 and the acquisition of Mannesmann AG in 2000, has become a world leader in providing voice and data communications for both consumer and enterprise customers.

The Group has continued to execute on its strategy of actively managing its portfolio to maximise returns, with recent acquisitions in the high growth markets of Romania, the Czech Republic, Turkey and India.

Vodafone began in July 1984 when it was incorporated as Racal Strategic Radio Limited (registered number 1833679). After various name changes, 20% of Racal Telecom Plc capital was offered to the public in October 1988. The Company was fully demerged from Racal Electronics Plc and became an independent company in September 1991, at which time it changed its name to Vodafone Group Plc.

Between 1991 and 2004 the Group entered into various transactions which consolidated the Group's position in the United Kingdom and enhanced its international presence. The most significant of these transactions were as follows:

- The merger with AirTouch Communications, Inc. ("AirTouch"), which completed on 30 June 1999. The Company changed its name to Vodafone AirTouch Plc in June 1999. The company reverted to its former name, Vodafone Group Plc, on 28 July 2000.

- The acquisition of Mannesmann AG ("Mannesmann"), which completed on 12 April 2000. Through this transaction the Group acquired subsidiaries in two of Europe's most important markets, Germany and Italy, and increased the Group's indirect holding in SFR, a French mobile telecommunications operator.

- Over a period from June 1999 to October 2001 the Group acquired an effective interest of 69.76% in J-Phone Co. Limited. During the 2004 financial year, after various name changes and business transactions, the Group held a 69.7% interest in Vodafone K.K. and a 66.7% interest in Vodafone Holdings K.K.

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Summary of transactions since 31 March 2004

- 25 May 2004 – Japan: Increased effective stake in Vodafone K.K. to 98.2% and stake in Vodafone Holdings K.K. to 96.1% for £2.4 billion.
- 1 October 2004 – Japan: Merger of Vodafone K.K. and Vodafone Holdings K.K. completed. The Group's stake in the merged company was 97.7%.
- 12 January 2005 – Hungary: Vodafone Hungary became a wholly owned subsidiary of the Group following various transactions throughout the 2005 financial year.
- 26 January 2005 – Egypt: Disposed of 16.9% of Vodafone Egypt reducing the Group's effective interest to 50.1%.
- 11 May 2005 – France: The Group's effective shareholding in Neuf Cegetel became 12.4% after a transaction completed by the Group's associated undertaking SFR.
- 31 May 2005 – Czech Republic and Romania: 79.0% of the share capital of MobiFon S.A. ("MobiFon") in Romania, and 99.9% of the share capital of Oskar Mobil a.s. ("Oskar") in the Czech Republic were acquired for $3.5 billion (£1.9 billion). In addition, the Group assumed approximately $1.0 billion (£0.6 billion) of net debt.
- 18 November 2005 – India: Acquired a 5.61% interest in Bharti and on 22 December 2005 acquired a further 4.39% interest in Bharti. Total consideration for the combined 10.0% stake was Rs. 67 billion (£858 million).
- 5 January 2006 – Sweden: Sold Vodafone Sweden for €970 million (£660 million).
- 20 April 2006 – South Africa: Increased stake in Vodacom Group (Pty) Limited ("Vodacom") by 15.0% to 50.0% for a consideration of ZAR15.8 billion (£1.5 billion).
- 27 April 2006 – Japan: Disposed of 97.7% stake in Vodafone Japan for ¥1.42 trillion (£6.9 billion) including the repayment of intercompany debt of ¥0.16 (£0.8 billion) to SoftBank. The Group also received non-cash consideration with a fair value of approximately ¥0.23 trillion (£1.1 billion), comprised of preferred equity and a subordinated loan. SoftBank also assumed debt of approximately ¥0.13 trillion (£0.6 billion).
- 24 May 2006 – Turkey: Telsim Mobil Telekomunikasyon ("Telsim") was acquired for $4.67 billion (£2.6 billion).
- 29 June 2006 – Greece: Since Vodafone Greece announced a public offer for all remaining shares not held by the Group on 1 December 2003, the Group increased its effective interest in Vodafone Greece to 99.8% at 31 March 2006. Between 1 and 29 June 2006, the Group acquired a further 0.1% interest in Vodafone Greece through private transactions at a price equal to the price paid in the public offer, leading to an interest of 99.9%.
- 3 November 2006 – Belgium: Disposed of 25% interest in Belgacom Mobile SA for €2.0 billion (£1.3 billion).
- 25 November 2006 – Netherlands: Group's shareholdings increased to 100.0% following a compulsory acquisition of outstanding shares.
- 3 December 2006 – Egypt: Acquired an additional 4.8% stake in Vodafone Egypt bringing the Group's interest to 54.9%.
- 20 December 2006 – Switzerland: Disposed of 25% interest in Swisscom Mobile AG for CHF4.25 billion (£1.8 billion).
- 8 May 2007 – India: Acquired companies with interests in Hutchison Essar for $10.9 billion (£5.5 billion), following which the Group controls Hutchison Essar (see note 35 to the Consolidated Financial Statements).
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9 May 2007 □ India: A Bharti group company irrevocably agreed to purchase the Group□s 5.60% direct shareholding in Bharti Airtel (see note 35 to the Consolidated Financial Statements).

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Regulation

The Group's operating companies are generally subject to regulation governing the operation of their business activities. Such regulation typically takes the form of industry-specific law and regulation covering telecommunications services and general competition (anti-trust) law applicable to all activities. Some regulation implements commitments made by Governments under the Basic Telecommunications Accord of the World Trade Organisation to facilitate market entry and establish regulatory frameworks.

The following section describes the regulatory framework and the key regulatory developments in the EU and selected countries in which the Group has significant interests. Many of the regulatory developments reported in the following section involve ongoing proceedings or consideration of potential proceedings that have not reached a conclusion. Accordingly, the Group is unable to attach a specific level of financial risk to the Group's performance from such matters.

European Union

Although all Member States of the EU ("Member States") have now implemented the EU Regulatory Framework for the communications sector ("the EU Framework"), which was adopted in 2002, there remain both ongoing and new infringement proceedings against a number of Member States for late or inadequate implementation.

The EU Framework consists of four principal Directives outlining matters such as the objectives to be pursued by national regulatory authorities ("NRAs"), the way in which telecommunications operators are to be licensed, measures to be taken to protect consumers and ensure universal provision of certain telecommunications services and the terms and basis upon which operators interconnect and provide access to each other.

The EU Framework seeks to align the techniques for defining where sector specific regulation may be applied, and the threshold for when such regulation can be applied, with those already employed in EU competition law. It is also intended to ensure consistency of approach amongst NRAs within the Member States. All NRAs are required to take utmost account of a list of markets which are specified by the European Commission (the "Commission") in a Recommendation when deciding which markets to investigate. The first such Recommendation was published by the Commission in February 2003 and includes markets at a wholesale level for "voice call termination on individual mobile networks" (the "call termination market"), the "wholesale national market for international roaming" (the "roaming market") and the wholesale market for "access and call origination" (the "access market") on public mobile networks (together the "relevant markets"). NRAs may, with the Commission's consent, also propose markets not included in the Recommendation.

The Commission is currently reviewing the Framework and the Recommendation ("the review") and a revised list of markets is expected to come into force during 2007. This review may lead to an increase or a decrease in the number and scope of markets subject to sector specific regulation. Changes to the Recommendation are expected to become effective in late 2007 or early 2008, while any changes to the EU Framework would become effective following their transposition into national law from around 2010 onwards. The Commission currently proposes changes to the way spectrum is managed in Europe to increase flexibility, a change to the institutional framework aimed at greater consistency and harmonisation

and the inclusion of functional separation as a possible regulatory remedy. The impact of the review will depend on the changes actually adopted by the EU, the manner in which revised directives are subsequently implemented in Member States and how the revised regulatory framework will be applied by the respective NRAs.

Under the EU Framework, regulation can only be applied to undertakings with significant market power ("SMP"), either individually or collectively, in the relevant markets, subject to the Commission's consent. SMP under the EU Framework accords with the concept of "dominance" under existing EU competition law. For individual dominance, this generally implies a market share of at least 40%, although other factors may also be taken into consideration. The Commission published SMP Guidelines in July 2002, which set out principles for use by NRAs in the analysis of markets to determine if undertakings have SMP under the EU Framework.

Spectrum

In February 2007, the Commission published a Communication on its plans to introduce greater flexibility in the use of spectrum in selected bands, including 2G and 3G bands, through the use of Decisions agreed with the Radio Spectrum Committee (an EU level committee comprising the Commission and Member States). These reforms are expected to take place in advance of the review, which is proposing full service and technology neutrality as the general principle in spectrum management, spectrum trading and greater coordination among Member States. The first proposed measure is a replacement of the GSM Directive by a decision to allow the deployment of UMTS services using 900 MHz and 1800 MHz spectrum.

The Commission and the RSPG (□Radio Spectrum Policy Group□) are analysing the various options for the use of the spectrum that will be released after the analogue broadcasting switch-off, the so called □digital dividend□. The Commission has sent a mandate to the European Conference of Postal and Telecommunications Administrations (□CEPT□) to verify the technical feasibility of using part of the digital dividend for mobile services.

International Roaming

In February 2006, the Commission proposed new legislation by way of a regulation (the □roaming regulation□) under Article 95 of the EU Treaty (which would have immediate effect) to reduce what it considers to be excessive prices charged by mobile network operators for international roaming services. These proposals have been amended and adopted by the European Parliament and by the European Council on 7 June 2007 and will come into force on 30 June 2007. The regulation requires mobile operators to offer, within 1 month of the regulation coming into force, a □Euro-tariff□ under which the cost of making calls within the EU is capped at 49 eurocents per minute and the cost of receiving calls within the EU is capped at 24 eurocents per minute. Customers who have not otherwise already opted for another roaming tariff (such as Vodafone Passport) must be automatically opted onto the Euro-tariff within three months of the regulation coming into force. The regulation also requires that wholesale roaming charges within the EU are capped at an average rate of 30 eurocents per minute within 2 months of the regulation coming into force and that operators provide certain tariff transparency services to customers when they roam. The level of the retail and wholesale caps will fall further 12 and 24 months following the application of the regulation. The roaming regulation will terminate after 3 years.

Anti-trust proceedings in relation to international roaming continue. In July 2004, the Commission issued a statement of objections, a document detailing its proposed findings following its investigation into the UK market for wholesale international roaming and, in January 2005, the Commission issued a statement of objections following its investigation of the German market. In both cases the statement of objections was addressed to both the national mobile operating subsidiaries and to the Company and, in both

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cases, Vodafone has responded in writing and in oral proceedings to both statements of objections, as subsequently amended.

The Commission's proposed findings are that Vodafone has monopoly power over its wholesale customers in both the UK and Germany. Vodafone UK and Vodafone Germany are alleged to have engaged in excessive or unfair pricing. The Commission alleges that the abuse occurred from 1997 to at least September 2003 in the UK and from 2000 to December 2003 in Germany. In the event the Commission finds that there has been a breach of competition law, it may impose a fine on any addressee who had committed the breach.

Separately, the roaming market is one of the relevant markets in the Recommendation. In view of the proposed roaming regulation the Commission has proposed that this market be removed from the list during the review.

Regulation in Vodafone's Markets

Europe

Germany

Vodafone Germany has been found to have SMP in the call termination market and the NRA has set Vodafone's termination rate at 8.79 eurocents per minute. In April 2007, an administrative court ruled that the NRA decision is invalid insofar as it provides for ex ante regulation as a consequence of the SMP decision. This decision is under appeal.

The NRA has recently notified to the European Commission its findings that no operator had SMP in the access market.

The NRA has concluded that it will harmonise the expiry of all 2G licences in 2016 and on 15 May 2007 extended Vodafone's licence accordingly. The NRA is also consulting on proposals to licence spectrum at 2.6 GHz ('the 3G extension band') and unused spectrum at 1.8 GHz and 2 GHz ('core 3G band') during 2008.

In May 2007, the Commission issued a reasoned opinion, which was the second stage of infringement proceedings against Germany. This opinion alleged that new provisions in German law could grant Deutsche Telekom an exemption from regulation, in spite of a finding that it had a dominant position in the fixed broadband market.

Italy

The NRA has concluded that all mobile network operators have SMP in the call termination market and has imposed obligations on Vodafone Italy, including price controls, and the NRA foresees further reductions on both 1 July 2007 and 1 July 2008 of 13% below the retail price index from the rate of 11.20 eurocents currently charged. The NRA has also decided to impose a cost orientation obligation to a competitor, Hutchison Italy, but is still considering at what level and over what time period.

The NRA concluded its review of the access market in February 2006 and found that no operator had SMP but has said it will keep the market under review and has indicated that it will commence a further market review. In addition, the NRA sought to find SMP in the market for wholesale access to premium rate and non-geographic services but subsequently withdrew this proposal. In March 2005, the National Competition Authority ('NCA') in Italy conducted unannounced inspections of the offices of mobile network operators in Italy, including Vodafone Italy, seeking evidence of collusion following complaints by resellers and potential MVNOs about alleged anticompetitive conduct. Vodafone Italy submitted undertakings to the NCA in 2007 which have been accepted by the NCA, resolving the issues for Vodafone without further action. The proceeding is still continuing against TIM and Wind and a final decision is expected before August 2007.

A new law announced in January 2007 has prohibited the application of fees or other charges in addition to airtime for prepaid services and has also introduced transparency measures to enable consumers to terminate

subscription contracts without penalties.

Spain

In 2006, the Spanish NRA found all mobile network operators to have SMP in the call termination market and imposed obligations including non discrimination, cost orientation and accounting separation on Vodafone Spain. Vodafone Spain expects to reduce rates from 10.48 eurocents to 7 eurocents in six monthly reductions up to April 2009.

In February 2006, the NRA found that all three mobile network operators held a position of joint SMP in the access markets. This decision was reviewed by the European Commission and the NRA was allowed to proceed. The NRA has the power to impose wholesale network access terms facilitating the entry of firms including MVNOs, although it has not done so to date. Vodafone has appealed against the decision of the NRA to find Vodafone as holding SMP in the Spanish courts and has appealed the decision of the European Commission to allow the NRA to proceed to the Court of First Instance at Luxembourg.

United Kingdom

The NRA found that all mobile network operators have SMP in the call termination market in respect of calls conveyed over both 2G and 3G networks. Vodafone□s average termination rate is set at 5.7p per minute for the financial year ending 31 March 2008. Rates then decline by 3.2% below the retail price index in the 2009 financial year and 2.5% below the retail price index in the 2010 and 2011 financial years. The NRA is considering a modification to the charge controls on mobile termination rates to remove the effect of number portability on effective termination rates.

The NRA is currently investigating a complaint from BT plc about the level of Vodafone□s termination rates from September 2004.

The NRA is assessing whether to liberalise the use of 2G spectrum. The NRA is proposing to auction the so called 3G extension bands during 2008 and to auction the spectrum released by digital switchover in the second half of 2008.

Albania

In March 2006, the NRA issued for consultation to the operators its analysis of the mobile market in Albania, where the NRA proposed to designate the mobile network operators, including Vodafone Albania, as having SMP in two markets: the call termination market and □the market of mobile services to end users□. As a result, the NRA proposes obligations of transparency, non-discrimination and access obligations. The NRA may also impose retail price controls.

Vodafone Albania has submitted its comments and objections on the NRA□s market analysis. In April 2007, the NRA decided to extend Vodafone Albania□s SMP status to October 2007. Vodafone Albania is evaluating the decision. In addition, the Competition Authority commenced an investigation and has reached the preliminary conclusion that during the period from 2000 to 2005 Vodafone Albania was dominant in the mobile market and abused the dominant position by charging unfair and/or excessive prices. Vodafone Albania will respond in a hearing set for June 2007. In the event the decision is confirmed, Vodafone Albania faces the risk of a fine.

Greece

The NRA has found all firms to have SMP in the call termination market. Vodafone Greece will reduce its rate from 11.74 eurocents to 10.71 eurocents in June 2007.

In March 2006, the three largest mobile network operators were found by the NRA to have colluded in the setting of retail SMS prices and were fined

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Regulation
continued

€1 million each. Vodafone Greece has filed an administrative appeal and a hearing has been held.

In January 2007, Vodafone Greece was fined €76 million by the Administrative Authority for Secrecy of Communications (€ADAE€) having been made aware of a security issue in its network. Software foreign to the network and capable of intercepting calls had been installed without Vodafone€s knowledge in the network software created, supported and maintained by an external supplier. The foreign software was removed without delay and the Greek authorities were promptly informed. Vodafone Greece has paid the fine but is appealing against the decision. Due to the interception incident, the NRA has required Vodafone Greece to give its views on any breach of the Greek electronic communications legislation, including breach of privacy and secrecy of communication.

Ireland
In its review of the call termination market, the NRA has found that all mobile network operators have SMP. The NRA has imposed obligations of cost orientation and non-discrimination on all operators and obligations of accounting separation and transparency on Vodafone and O_2. Vodafone Ireland has agreed to reduce its rates by 11% below the retail price index per annum for the 24 months commencing January 2006.

The NRA is conducting a second review of the access market. The previous joint SMP designation of Vodafone and O_2 was annulled on appeal.

The fixed incumbent, eircom, which also owns Meteor, Ireland€s third largest mobile operator, was awarded the fourth 3G licence in March 2007.

Malta
In the call termination market, the NRA has found both mobile network operators as having SMP and has imposed obligations on Vodafone Malta of cost orientation, non-discrimination, accounting separation and transparency. Vodafone Malta reduced its mobile termination rates from 4.65 Maltese cents per minute in January 2006 to 4.39 Maltese cents and will further reduce the rates to 4.13 Maltese cents in January 2008. The NRA has found Vodafone and Go Mobile, the two Maltese mobile network operators, as having joint SMP in the access market and proposes to impose an obligation to offer cost based access to MVNOs.

The Netherlands
The NRA had proposed that all operators have SMP and proposed remedies of cost orientation, non-discrimination and transparency. The NRA€s proposal was appealed and its proposal was rejected by the court. The NRA is currently rerunning its review of the call termination market and proposes that Vodafone Netherlands reduce its rates to €0.07 by 1 July 2009 from €0.11 currently with the cuts phased over two years from 1 July 2007.

In March 2007, the Government decided to extend the 2G 900 MHz licences which expire in 2010. The Vodafone Netherlands licence will be extended for three years at a total price of €36.5 million, to be paid in yearly instalments from March 2010.

The deadline to comply with 3G licence coverage obligations has been postponed from January 2007 to September 2007. A consultation is expected before then on the interpretation of the roll-out obligations.

The Ministry is consulting on proposals to licence 3G extension band spectrum at 2.6 GHz.

Portugal
Following its review of the call termination market, the NRA found all three mobile network operators as having SMP and has imposed obligations on Vodafone Portugal including cost orientation, non-discrimination, accounting separation and transparency. In October 2006, Vodafone Portugal reduced its mobile termination rates in the final step of the regulated glidepath to 11 eurocents.

The NRA's analysis of the access market is expected to take place in 2007.

Vodafone Portugal has had its 2G licence renewed for a period of 15 years from October 2006 with terms which remain essentially unchanged from those which previously applied.

In October 2006, the NRA approved a change to the terms of Vodafone Portugal's licence to allow the provision of the Vodafone Casa service.

EMAPA

Australia

Vodafone Australia's appeal of the NCA's decision requiring Vodafone Australia's mobile termination rates to fall from 21 Australian cents per minute to 12 Australian cents per minute for the period 2005 to 2007 was rejected by the Australian Competition Tribunal. The NRA is now in the process of setting rates for the period July 2007 to June 2009.

Czech Republic

In February 2005, Vodafone Czech Republic was awarded a 3G licence. The EU investigated a complaint but concluded in December 2006 that the award did not breach EU competition law.

In its review of the call termination market, the NRA has proposed that all mobile network operators have SMP and has imposed obligations of cost orientation, non-discrimination, accounting separation and transparency. Vodafone Czech Republic complied with a requirement to reduce its call termination rates from July 2006 by 4% from CZK 3.11 per minute to CZK 2.99 per minute. In its review of the access market, the NRA found that no mobile network operator had SMP.

Egypt

In July 2006, the Government awarded a third mobile licence to Etisalat, which enables both 2G and 3G services, and awarded a 3G mobile licence to Vodafone Egypt in January 2007. Mobile number portability and national roaming are expected to be implemented in Egypt in 2007 and are the subject of continuing discussions with the NRA.

Fiji

During 2006, the Fijian Government proceeded with proposals to remove exclusive rights and began a process of consultation with Vodafone Fiji regarding potential compensation for the loss of exclusivity. In December 2006, the Government was removed and the interim Government is considering how best to proceed with telecommunications reform.

Hungary

In its second review of the call termination market, the NRA has proposed that all mobile network operators have SMP and has imposed obligations of cost orientation, non-discrimination, accounting separation and transparency. Vodafone Hungary had appealed similar findings following the first review. In May 2005, Vodafone Hungary complied with a requirement following the first review to reduce its call termination rates by 16%. Subsequently the NRA has required Vodafone to reduce its rates in a series of steps to 16.84 HUF by 1 January 2009. Vodafone Hungary has appealed these decisions.

India

In April 2007, the Department of Telecommunications ("DoT") completed the tender process to issue subsidies from the universal service fund for provision of infrastructure and mobile services in specified rural and remote areas.

In April 2007, the NRA also submitted Recommendations on Infrastructure Sharing to the DoT, which recommended that licensees be permitted to commercially agree "active" infrastructure sharing arrangements. This would include Node Bs, Radio Access Networks, and backhaul between Base Transceiver Stations and the Base Station Controller, but not spectrum. The DoT is considering the NRA's Recommendations.

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From 1 April 2007, a new Access Deficit Charge (□ADC□) regime became effective, which will result in a 38% reduction of the total ADC paid by operators in the 2008 financial year. It is proposed that the ADC be removed by the 2009 financial year.

In February 2007, the NRA set price controls on national roaming retail tariffs, which will result in up to 56% reduction of tariffs. In December 2006, the DoT rejected the NRA□s recommendation that mobile number portability should be implemented.

The DoT is expected to announce its plans to allocate and license 3G and WiMAX spectrum in 2007.

Kenya

In May 2007, a Communications Amendment Bill was submitted to Parliament which if passed would result in significant changes to the regulatory environment.

In February 2007, the NRA reduced Safaricom□s and Celtel□s mobile call termination rates from Ksh 8.12 per minute to Ksh 6.28 per minute from 1 March 2007. This followed a previous reduction of Safaricom□s mobile call termination rate from Ksh 10 per minute in October 2006. The NRA undertook to carry out a review at the end of 2007 before introducing new interconnection rates for January 2008. The NRA also imposed a Ksh 30 per minute retail price cap that will be imposed on mobile off-net voice calls from 1 July 2007.

In September 2006, Safaricom obtained a one year 3G trial licence.

New Zealand

The NRA released a report proposing regulation of mobile termination rates for fixed to mobile calls, including a rate reduction of 44% from 27 New Zealand cents per minute to 15 New Zealand cents per minute and reducing further to 12 New Zealand cents per minute by the 2011 financial year. These proposals were submitted to the Minister for approval, who requested the NRA to reconsider them. The NRA did so and published a further position in which its key findings remain essentially unchanged. These were resubmitted to the Minister for reconsideration in the context of new offers by the two mobile operators to reduce mobile termination rates voluntarily and, where relevant, to pass through savings from reduced rates to end users of fixed to mobile calling. The Minister decided to reject the NRA decision in favour of the industry solution. The NRA is also investigating regulation of national roaming and co-location and Vodafone has tabled an undertaking for these services. Following feedback from the NRA, Vodafone has tabled a revised undertaking which will be taken into account by the NRA in producing its draft report.

During 2006, Vodafone New Zealand was successful in obtaining a determination from the NRA in support of local interconnection services with the fixed incumbent, Telecom New Zealand. Local and mobile number portability was introduced on 1 April 2007.

The Government has determined the process for the renewal of 900 MHz 2G licences which expire in the 2012 financial year, ensuring that a quarter of the spectrum passes into the hands of a new entrant. Although currently used for 2G services this spectrum may be used for the provision of UMTS services. The price to Vodafone for renewal of the remaining spectrum is yet to be determined.

During 2006, the Government intervened to regulate local loop unbundling and the operational separation of Telecom New Zealand.

Poland

The NRA, in its review of the call termination market, has found that all mobile network operators (including Vodafone□s joint venture, Polkomtel) have SMP and it has imposed obligations of cost orientation, transparency and non-discrimination. In April 2007, the NRA issued a decision in which it proposes to require Polkomtel to reduce its

termination rate to 0.40 PLN in

May 2007 and to further reduce it in three annual steps to 0.2162 PLN by May 2010.

Romania

The NRA in Romania is implementing market reviews as required by the EU Framework following Romania□s entry to the EU in January 2007.

In its review of the call termination market, the NRA has proposed that all mobile network operators have SMP and has imposed obligations of cost orientation, non-discrimination and accounting separation. In September 2006, the NRA reduced termination rates to 7.21 eurocents. In January 2008, rates are to reduce to 6.40 eurocents and in January 2009 to 5.03 eurocents. Vodafone Romania has appealed this decision.

Regulations mandating the introduction of number portability were adopted in March 2007.

The Romanian Competition Authority is investigating the termination rates charged by Vodafone Romania to international carriers. If Vodafone Romania is found to have infringed the competition law, it could be subject to a fine.

South Africa

The Electronic Communications Act became effective in July 2006, replacing previous telecommunications and broadcasting legislation. The Act introduces a new licence regime, which all existing licences are required to be converted prior to July 2007 but, to date, the NRA has not issued the process by which this would occur.

An Information Communication Technologies Black Economic Empowerment Sector Code (the □Sector Code□) is expected to be finalised in 2007. The Sector Code will set targets to evaluate a company□s contribution to Broad-Based Black Economic Empowerment, under which is the Government policy to increase economic empowerment of historically disadvantaged individuals in South Africa.

Separately, in January 2007, the NRA issued proposals to declare Vodacom, MTN and Cell C as having SMP in the wholesale mobile call termination market and the imposition of regulation, including LRIC-based (Long Run Average Incremental Cost) price controls, on Vodacom and MTN. A final decision is expected before the end of 2007.

In May 2006, the Government submitted the Regulation of Interception of Communications and Provision of Communication-related Information Amendment Bill (□Bill□) to Parliament. The Bill requires mobile operators to register all existing pre-pay subscribers within 12 months and that all subscribers not registered by this date must be disconnected. Vodacom and other mobile operators have been engaged with the Government, law enforcement agencies and Parliament to extend the registration period and agree the information to be registered. The Bill is expected to be finalised by July 2007.

Mobile number portability was implemented in November 2006.

Turkey

The Turkish Government is considering enacting a new Communications Law as part of a broader harmonisation of domestic law and regulation with the EU Framework.

The NRA determined as of January 2006 that all three operators were dominant in relation to mobile termination on their own networks. In June and July 2006, the NRA determined historic interconnection disputes between Telsim and Turk Telecom and Telsim and Avea. The NRA also announced on 2 June 2006 forward-looking interconnection □reference rates□, which it proposes as a reference point for resolving any further interconnection disputes between operators. These rates were YTL 0.152 for Vodafone Turkey, YTL 0.14 for Turkcell and YTL 0.175 for Avea. Vodafone Turkey has appealed these decisions and has agreed rates with Turkcell for

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Regulation
continued

three years which are significantly higher than the NRA's proposals. For Vodafone Turkey, rates of YTL 0.1737 for the 2007 financial year, YTL 0.165 for the 2008 financial year and YTL 0.16 for the 2009 financial year were agreed and, for Turkcell, a rate of YTL 0.16 until the 2009 financial year was agreed. The NRA announced further rates which it intends to apply from 1 March 2007, being YTL 0.145 for Vodafone Turkey, YTL 0.136 for Turkcell and YTL 0.167 for Avea.

The Turkish Government has stopped the conduct of an auction of 3G mobile licences, originally intended for 25 May 2007.

US

The Federal Communications Commission ("FCC"), the United States' NRA, commenced a Notice of Inquiry in 2004 into the level of termination rates charged by foreign mobile network operators to US international operators. The FCC sought inputs on the status of foreign mobile termination rates, including actions taken to date by foreign regulators to address the issue. This proceeding remains pending.

China

The timing and terms of 3G licence awards, and related changes to the telecommunications regulatory framework, are currently under review by the Chinese Government.

France

In its review of the call termination market, the NRA concluded that all mobile network operators have SMP and imposed obligations of cost orientation, non-discrimination, accounting separation and transparency. It has set a price cap for Vodafone's associated undertaking, SFR, of 7.5 eurocents per minute from 1 January 2007.

The NRA has found all mobile network operators to have SMP in a new market, the market for wholesale SMS termination, and has imposed a price cap for wholesale termination of no greater than 3 eurocents per minute for SFR and Orange and 3.5 eurocents for Bouygues.

In March 2007, the Minister responsible for electronic communications launched a call for tenders for a fourth 3G licence. The deadline for applications is 31 July 2007. The fourth licence will contain a right for the licensee to request some 2G spectrum. This could have an impact on the timing of refarming as current 2G spectrum assignments may need to be revised.

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Performance Introduction

The following discussion is based on the Consolidated Financial Statements included elsewhere in this Annual Report.

The Consolidated Financial Statements are prepared in accordance with IFRS as issued by the IASB and as adopted for use in the EU. IFRS as issued by the IASB and IFRS as adopted for use in the EU differ in certain significant respects from US GAAP. Reconciliations of the material differences in the IFRS Consolidated Financial Statements to US GAAP are disclosed in note 38 to the Consolidated Financial Statements.

The Group faces a number of significant risks that may impact on its future performance and activities. Please see "Performance – Risk Factors, Seasonality and Outlook".

Foreign Currency Translation

The Company publishes its Consolidated Financial Statements in pounds sterling. However, the majority of the Company's subsidiaries, joint ventures and associated undertakings report their revenue, costs, assets and liabilities in currencies other than pounds sterling and the Company translates the revenue, costs, assets and liabilities of those subsidiaries, joint ventures and associated undertakings into pounds sterling when preparing its Consolidated Financial Statements. Consequently, fluctuations in the value of pounds sterling versus other currencies could materially affect the amount of these items in the Consolidated Financial Statements, even if their value has not changed in their original currency.

The following table sets out the pounds sterling exchange rates of the other principal currencies of the Group, being: "euros", "€" or "eurocents", the currency of the EU Member States which have adopted the euro as their currency, and "US dollars", "$", "cents" or "¢", the currency of the United States.

	At / year ended 31 March		Change
Currency (=£1)	2007	2006	%
Average:			
Euro	1.48	1.47	0.7
US dollar	1.89	1.79	5.6
At 31 March:			
Euro	1.47	1.43	2.8
US dollar	1.97	1.74	13.2

Merely for convenience, this Annual Report contains translations of certain pounds sterling amounts into US dollars at specified rates. These translations should not be construed as representations that the pounds sterling amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated or at any other rate. Unless otherwise indicated, the translations of pounds sterling into US dollars have been made at $1.9685 per £1.00, the Noon Buying Rate in the City of New York for cable transfers in sterling amounts as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on 30 March 2007. The Noon Buying Rate on 25 May 2007 was $1.9845 per £1.00.

The following table sets out, for the periods and dates indicated, the period end, average, high and low Noon Buying Rates for pounds sterling expressed in US dollars per £1.00, to two decimal places.

Years ended 31 March	Period end	Average	High	Low
2002	1.42	1.43	1.48	1.37
2003	1.58	1.54	1.65	1.43
2004	1.84	1.69	1.90	1.55
2005	1.89	1.85	1.96	1.75
2006	1.74	1.79	1.92	1.71
2007	**1.97**	**1.89**	**1.98**	**1.74**

Month	High	Low
November 2006	1.9693	1.8883
December 2006	1.9794	1.9458

January 2007	1.9847	1.9305
February 2007	1.9699	1.9443
March 2007	1.9694	1.9235
April 2007	2.0061	1.9608
May 2007[(1)]	1.9993	1.9695

Note:
(1) In respect of May 2007, for the period from 1 May to 25 May 2007, inclusive.

Inflation

Inflation has not had a significant effect on the Group's results of operations and financial condition during the three years ended 31 March 2007.

Presentation of Information

In the discussion of the Group's reported financial position and results, information in addition to that contained within the Consolidated Financial Statements is presented. Refer to page 159 for definition of terms.

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Critical Accounting Estimates

The Group prepares its Consolidated Financial Statements in accordance with IFRS, the application of which often requires judgements to be made by management when formulating the Group's financial position and results. Under IFRS, the directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows. The Group also prepares a reconciliation of the Group's revenue, net profit or loss and shareholders' equity between IFRS and US GAAP.

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

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each below. Where it is considered that the Group's US GAAP accounting policies differ materially from the IFRS accounting policy, a separate explanation is provided.

The discussion below should also be read in conjunction with the Group's disclosure of significant IFRS accounting policies, which is provided in note 2 to the Consolidated Financial Statements, 'Significant accounting policies' and with the 'US GAAP information' provided in note 38 to the Consolidated Financial Statements.

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

Impairment Reviews

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

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Group management currently undertakes an annual impairment test covering goodwill and other indefinite lived assets and also reviews finite lived assets and investments in associated undertakings at least annually to consider whether a full impairment review is required. In the year to 31 March 2007, the Group has recognised impairment losses amounting to £11,600 million relating to the Group's operations in Germany and Italy.

US GAAP

Under US GAAP, the requirements for testing the recoverability of intangible assets and property, plant and equipment differ from IFRS. US GAAP requires the carrying value of such assets with finite lives to be compared to undiscounted future cash flows over the remaining useful life of the primary asset of the asset group being tested for impairment, to determine if the asset or asset group is recoverable. If the carrying value exceeds the undiscounted cash flows, the carrying value is not recoverable and the asset or asset group is written down to the net present value of future cash flows derived in a manner similar to IFRS.

For purposes of goodwill impairment testing under US GAAP, the fair value of a reporting unit including goodwill is compared to its carrying value. If the fair value of a reporting unit is lower than its carrying value, the fair value of the goodwill within that reporting unit is compared with its respective carrying value, with any excess carrying value written off as an impairment. The fair value of the goodwill is the difference between the fair

value of the reporting unit and the fair value of the net assets of the reporting unit.

The carrying value of the Group's mobile operations in Germany at 31 January 2007, the date of the Group's annual impairment test, was more than £25 billion, significantly in excess of its fair value, estimated using discounted

cash flows. However, in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, no impairment has been recognised as the estimated undiscounted cash flows are in excess of the carrying value. At 31 January 2007, a 16.0% reduction in the undiscounted cash flows would eliminate this excess and result in a material impairment loss under US GAAP. Any impairment loss would be measured by comparing the carrying value of the Groups mobile operations in Germany with its respective fair value, estimated using discounted cash flows.

Assumptions

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

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

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

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

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

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

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

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

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

The Groups review includes the key assumptions related to sensitivity in the cash flow projections.

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The following changes to the assumptions used in the impairment review would have (increased)/decreased the combined impairment loss recognised in the year ended 31 March 2007 in respect of the Group's mobile operations in Germany and Italy:

	Increase by 1/2% £bn	Decrease by 1/2% £bn
Discount rate	(1.4)	1.5
Budgeted EBITDA(1)	0.8	(0.8)
Capital expenditure(2)	(0.1)	0.1
Long term growth rate	1.7	(1.5)

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

These assumption changes in isolation would not have resulted in an impairment loss in any other of the Group's continuing operations.

US GAAP

Under US GAAP, the assumptions and estimates involved in reviewing for impairment are similar to IFRS, with the exception of the requirement to determine the primary asset of an asset group. For asset groups represented by the Group's operating companies, the primary asset is determined as the 3G licence, except for operating companies where no 3G licence has been acquired, in which case the 2G licence is the primary asset. If the primary asset of the Group's mobile operations in Germany were the 2G rather than the 3G licence, the carrying value would exceed the undiscounted cash flows and result in a significant impairment loss.

Business Combinations

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

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

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

IFRS

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

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

US GAAP

For acquisitions prior to 29 September 2004, the key difference from IFRS was that for the acquisition of mobile network businesses, the excess of purchase price over the fair value of the identifiable assets and liabilities

acquired other than licences (the residual) was allocated to licences, as opposed to goodwill. However, subsequent to this date and due to the prohibition of this method of accounting following the issuance of EITF Topic D-108, licences are valued using a direct valuation approach, with the residual being allocated to goodwill. For acquisitions preceding this date, the residual has been and will continue to be allocated to goodwill.

Intangible Assets, Excluding Goodwill

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

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

At 31 March 2007, intangible assets, excluding goodwill, amounted to £15,705 million (2006: £16,512 million) and represented 14.3% (2006: 13.0%) of the Group s total assets.

Estimation of useful life

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

Licences and spectrum fees

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

Customer bases

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

Capitalised software

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

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

Property, Plant and Equipment

Property, plant and equipment also represent a significant proportion of the asset base of the Group, being 12.3% (2006: 10.8%) of the Group s total assets. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group s financial position and performance.

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Critical Accounting Estimates
continued

Estimation of useful life

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

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

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

Cost capitalisation

Cost includes the total purchase price and labour costs associated with the Group's own employees to the extent that they are directly attributable to construction costs, or where they comprise a proportion of a department directly engaged in the purchase or installation of a fixed asset. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. For the year ended 31 March 2007, internal costs capitalised represented approximately 6% (2006: 7%) of expenditure on property, plant and equipment and computer software and approximately 1% (2006: 1%) of total operating expenses.

Taxation

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

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

Significant items on which the Group has exercised accounting judgement include a provision in respect of an enquiry from UK HM Revenue and Customs with regard to the Controlled Foreign Companies tax legislation (see note 6 to the Consolidated Financial Statements), legal proceedings to recover VAT in relation to 3G licence fees (see page 53) and potential tax losses in respect of a write down in the value of investments in Germany (see note 6 to the Consolidated Financial Statements). The amounts recognised in the Consolidated Financial Statements in respect of each matter are derived from the Group's best estimation and judgement, as described above. However, the inherent uncertainty regarding the outcome of these items means eventual resolution could differ from the accounting estimates and therefore impact the Group's results and cash flows.

Recognition of deferred tax assets

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

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

Revenue Recognition and Presentation

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

Arrangements with multiple deliverables

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

Deferral period

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

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

Presentation

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

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

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

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Key Performance Indicators

The Board and the Executive Committee monitor the Group's progress against its strategic objectives and the financial performance of the Group's operations on a regular basis. Performance is assessed against the strategy, budgets and forecasts using financial and non-financial measures.

The following section details the most significant Key Performance Indicators ('KPIs') used by the Group, describing their purpose, the basis of calculation and the source of the underlying data. Definitions of the key terms are provided on page 159.

Financial

The Group uses the following primary measures to assess the performance of the Group and its individual businesses. A number of these measures at a Group level are presented on an organic basis, which provides an assessment of underlying growth excluding the effect of business acquisitions and disposals and changes in exchange rates. Financial measures presented on an organic basis are non-GAAP financial measures. For more information on these measures and the basis of calculation of organic growth see 'Performance – Non-GAAP Information' on page 62.

Revenue

Revenue and its growth for the Group, and its regions, covering the 2007, 2006 and 2005 financial years, is reviewed in 'Performance – Operating Results' on pages 34 to 51.

Revenue and revenue growth are used for internal performance analysis and by investors to assess progress against outlook statements provided externally by the Group.

Adjusted operating profit

Adjusted operating profit is used by the Group for internal performance analysis as it represents the underlying operating profitability of the Group's businesses. The measure is presented both for the Group and its regions, covering the 2007, 2006 and 2005 financial years, in 'Performance – Operating Results' on pages 34 to 51. The basis of calculation, along with an analysis of why the Group believes it is a useful measure, is provided in the section titled 'Performance – Non-GAAP Information' on page 62.

Free cash flow

Free cash flow provides an evaluation of the Group's liquidity and the cash generated by the Group's operations. The calculation of free cash flow, along with an analysis of why the Group believes it is a useful measure, is provided in the section titled 'Performance – Non-GAAP Information' on page 62. The Group has provided an outlook for free cash flow in the 2008 financial year on page 60.

Operational

Certain operational measures relating to customers and revenue for the Group and its regions, covering the 2007, 2006 and 2005 financial years, are provided in 'Performance – Operating Results' on pages 34 to 51, with the exception of customer delight. These measures are commonly used in the mobile communications industry.

Customers

The Group highly values its customers and strives to delight them. As a result, customer based KPIs are important measures for internal performance analysis. Management also believes that some of these measures provide useful information for investors regarding the success of the Group's customer acquisition and retention activities. For customer numbers and churn, the data used to calculate the KPIs is derived from the customer relationship management systems of each of the Group's operations.

Customer numbers

The Group prepares customer numbers on a venture, proportionate and controlled or jointly controlled basis for its mobile operations. A summary of the customer numbers on all bases is presented in Business Overview Where We Operate on page 13.

Churn

Churn represents the disconnection rate of customers in each of the Groups mobile operations. It is calculated as the total gross customer disconnections in the period divided by the average total customers in the period. Churn rates stated in this Annual Report are calculated for the entire financial year.

Customer delight

The Group uses a proprietary customer delight system to track customer satisfaction across its controlled markets and jointly controlled market in Italy. More information on the benefits of the system are provided in Business Overview How We Deliver Our Services on page 17.

Customer delight is measured by an index based on the results of surveys performed by an external research company which cover all aspects of service provided by Vodafone and incorporates the results of the relative satisfaction of the competitors customers. An overall index for the Group is calculated by weighting the results for each of the Groups operations based on service revenue.

Increased customer expectations are putting a downward pressure on customer satisfaction for the Group and many of its competitors. Despite this trend, the Group outperformed its target for customer delight in the 2007 financial year and the index was broadly stable compared to the previous financial year.

Revenue based measures

Management believes that revenue based measures provide useful information for investors regarding trends in customer revenue derived from mobile communications services and the extent to which customers use mobile services.

The data used to calculate these KPIs is derived from a number of sources. Financial information, such as service revenue, is extracted from the Groups financial systems, whilst operational information, including customer and usage metrics, is derived from the customer relationship management and billing systems of each of the Groups operations.

Average revenue per user (ARPU)

ARPU represents the average revenue by customers over a period and is calculated as service revenue, being total revenue excluding equipment revenue and connection fees, divided by the weighted average number of customers during the period. ARPU disclosed in this Annual Report is presented on a monthly basis and represents the total ARPU for the financial year divided by twelve.

Voice usage

Voice usage is the total number of minutes of voice use on the Groups mobile networks, including calls made by the Groups customers, often referred to as outgoing usage, and calls received by the Groups customers, often referred to as incoming usage.

Messaging and data revenue

Messaging and data revenue represent the non-voice element of service revenue. In recent years, these revenues have grown at a faster rate than voice revenue as customers increasingly use these services and new products and services have been launched. As competition has intensified in many of the markets in which the Group operates and penetration rates have increased, the ability of the Group to grow messaging and data revenue has become an increasingly important factor, internally and for investors.

Costs

Europe targets

The Group has set targets in respect of revenue market share, operating expenses and capitalised fixed asset additions. Progress against the revenue market share target is measured by tracking performance in Germany,

Italy, Spain and the UK against their principal competitors. The operating expense and capitalised fixed asset additions targets relate to the Europe region and common functions in aggregate. These targets are discussed in more detail on pages 38 to 39.

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Operating Results

This section presents detail of the Group's operating performance for the 2007 financial year versus the 2006 financial year and for the 2006 financial year versus the 2005 financial year, providing understanding of how the revenue and the adjusted operating profit performance of the Group and its operating segments within the Europe and EMAPA regions have developed in the last three years.

During the year ended 31 March 2007, the Group changed the organisational structure of its operations. The following results are presented for continuing operations in accordance with the new organisational structure. Europe includes the results of the Group's mobile operations in Western Europe and its fixed line business in Germany, while EMAPA includes the Group's operations in Eastern Europe, the Middle East, Africa and Asia and the Pacific area and the Group's associates and investments.

2007 Financial Year Compared to the 2006 Financial Year

Group

	Europe[1] £m	EMAPA £m	Common Functions £m	Eliminations £m	Group 2007 £m	Group 2006 £m	% change £	% change Organic
Voice revenue	17,357	5,089		(70)	22,376	21,405		
Messaging revenue[2]	2,925	667		(5)	3,587	3,289		
Data revenue[2]	1,300	138		(10)	1,428	1,098		
Fixed line operators and DSL revenue	1,397	75			1,472	1,290		
Other service revenue	8				8			
Total service revenue	**22,987**	**5,969**		**(85)**	**28,871**	27,082	**6.6**	**4.7**
Acquisition revenue	1,004	381			1,385	1,295		
Retention revenue	354	21			375	448		
Other revenue	247	70	168	(12)	473	525		
Total revenue	**24,592**	**6,441**	**168**	**(97)**	**31,104**	29,350	**6.0**	**4.3**
Interconnect costs	(3,668)	(1,045)		85	(4,628)	(4,463)		
Other direct costs	(1,914)	(784)	(66)	3	(2,761)	(2,096)		
Acquisition costs	(2,604)	(677)			(3,281)	(2,968)		
Retention costs	(1,543)	(212)			(1,755)	(1,891)		
Operating expenses	(5,462)	(1,472)	206	9	(6,719)	(6,166)		
Acquired intangibles amortisation	(22)	(392)			(414)	(157)		
Purchased licence amortisation	(849)	(43)			(892)	(947)		
Depreciation and other amortisation	(2,888)	(779)	(181)		(3,848)	(3,674)		
Share of result in associates	5	2,719	1		2,725	2,411		
Adjusted operating profit	**5,647**	**3,756**	**128**		**9,531**	9,399	**1.4**	**4.2**
Adjustments for:								
Non-operating income of associates		3			3	17		

□ Impairment losses	(11,600)	□	□	□	(11,600)	(23,515)
□ Other income and expense	1	508	(7)	□	502	15
Operating loss	**(5,952)**	**4,267**	**121**	□	**(1,564)**	(14,084)
Non-operating income and expense					4	(2)
Investment income					756	353
Financing costs					(1,579)	(1,120)
Loss before taxation					**(2,383)**	(14,853)
Income tax expense					(2,423)	(2,380)
Loss for the financial year from continuing operations					**(4,806)**	(17,233)
Loss for the financial year from discontinued operations					(491)	(4,588)
Loss for the financial year					**(5,297)**	(21,821)

Notes:
(1) Within the Europe region, certain revenue and costs relating to Arcor have been reclassified. All prior periods have been adjusted accordingly. The reclassification had no effect on total revenue, EBITDA or adjusted operating profit.
(2) Certain revenue relating to content delivered by SMS and MMS has been reclassified from messaging revenue to data revenue to provide a fairer presentation of messaging and data revenue.

Revenue

Revenue increased by 6.0% to £31,104 million in the year to 31 March 2007, with organic growth of 4.3%. The net impact of acquisitions and disposals contributed 3.3 percentage points to revenue growth, offset by unfavourable movements in exchange rates of 1.6 percentage points, with both effects arising principally in the EMAPA region.

The Europe region recorded organic revenue growth of 1.4%, whilst the EMAPA region delivered organic revenue growth of 21.1%. As a result, the EMAPA region accounted for more than 70% of the organic growth in Group revenue. Strong performances were recorded in Spain and a number of the Group□s emerging markets.

An increase in the average mobile customer base and usage stimulation initiatives resulted in organic revenue growth of 2.5% and 7.0% in voice and messaging revenue, respectively. Data revenue is an increasingly important component of Group revenue, with organic growth of 30.7%, driven by increasing penetration from 3G devices and growth in revenue from business services.

The Europe region and common functions contributed 79% of Group revenue, of which approximately 63% was euro denominated, with the remaining 16% being denominated in sterling. The remaining 21% was generated in the EMAPA region where no single currency was individually significant.

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Operating result

Adjusted operating profit increased by 1.4% to £9,531 million, with organic growth of 4.2%. The net impact of acquisitions and disposals and unfavourable exchange rate movements reduced reported growth by 0.3 percentage points and 2.5 percentage points, respectively, with both effects arising principally in the EMAPA region. The Europe region declined 4.7% on an organic basis, whilst the EMAPA region recorded organic growth of 24.3%. Strong performances were delivered in Spain, the US and a number of emerging markets.

Adjusted operating profit is stated after charges in relation to regulatory fines in Greece of £53 million and restructuring costs within common functions, Vodafone Germany, Vodafone UK and Other Europe of £79 million. The EMAPA region accounted for all of the Group's reported and organic growth in adjusted operating profit.

Adjusted operating profit for the 2007 financial year was principally denominated in euro (55%), US dollar (22%) and sterling (5%), with the remaining 18% being denominated in other currencies.

The acquisitions and stake increases led to the rise in acquired intangible asset amortisation, and these acquisitions, combined with the continued expansion of network infrastructure in the region, resulted in higher depreciation charges.

The Group's share of results from associates increased by 13.0%, mainly due to Verizon Wireless which reported record growth in net additions and increased ARPU. The growth in Verizon Wireless was offset by a reduction in the Group's share of results from its other associated undertakings, which fell due to the disposals of Belgacom Mobile S.A. and Swisscom Mobile A.G. as well as the impact of reductions in termination rates and intense competition experienced by SFR in France.

Statutory operating loss was £1,564 million compared with a loss of £14,084 million in the previous financial year following lower impairment charges. In the year ended 31 March 2007, the Group recorded an impairment charge of £11,600 million (2006: £23,515 million) in relation to the carrying value of goodwill in the Group's operations in Germany (£6,700 million) and Italy (£4,900 million). The impairment in Germany resulted from an increase in long term interest rates, which led to higher discount rates, along with increased price competition and continued regulatory pressures in the German market. The impairment in Italy resulted from an increase in long term interest rates and the estimated impact of legislation cancelling the fixed fees for the top up of prepaid cards and the related competitive response in the Italian market. The increase in interest rates accounted for £3,700 million of the reduction in value during the year.

Certain of the Group's cost reduction and revenue stimulation initiatives are managed centrally within common functions. Consequently, operating and capital expenses are incurred centrally and recharged to the relevant countries, primarily in Europe. This typically results in higher operating expenses with a corresponding reduction in depreciation for the countries concerned.

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

Investment income and financing costs

	2007 £m	2006 £m	Change %
Net financing costs before dividends from investments[1]	**(435)**	(318)	36.8
Potential interest charges arising on settlement of outstanding tax issues	**(406)**	(329)	23.4
Changes in the fair value of equity put rights and similar arrangements	**2**	(161)	101.2

Dividends from investments	**57**	41	39.0
Foreign exchange[2]	**(41)**		
Net financing costs	**(823)**	(767)	7.3

Notes:
(1) Includes a one off gain of £86 million related to the Group renegotiating its investments in SoftBank
(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, which completed in April 2006

Net financing costs before dividends from investments increased by 36.8% to £435 million as increased financing costs, reflecting higher average debt and interest rates, and losses on mark to market adjustments on financial instruments more than offset higher investment income resulting from new investments in SoftBank, which arose on the sale of Vodafone Japan during the year, including an £86 million gain related to the renegotiation of these investments. At 31 March 2007, the provision for potential interest charges arising on settlement of outstanding tax issues was £1,213 million.

Taxation

The effective tax rate, exclusive of impairment losses, is 26.3% (2006: 27.5%), which is lower than the Group's weighted average tax rate due to the resolution of a number of historic tax issues with tax authorities and additional tax deductions in Italy. The prior year benefited from the tax treatment of a share repurchase in Vodafone Italy and favourable tax settlements.

A significant event in the year was a European Court decision in respect of the UK Controlled Foreign Company ("CFC") legislation, following which Vodafone has not accrued any additional provision in respect of the application of UK CFC legislation to the Group.

The effective tax rate including impairment losses is (101.7)% compared to (16.0)% for the prior year. The negative tax rates arise from no tax benefit being recorded for the impairment losses of £11,600m (2006: £23,515m).

Basic loss per share

Basic loss per share from continuing operations decreased from 27.66 pence to a loss per share of 8.94 pence for the current year. The basic loss per share is after a charge of 21.04 pence per share (2006: 37.56 pence per share) in relation to an impairment of the carrying value of goodwill.

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Europe

	Germany £m	Italy £m	Spain £m	UK £m	Arcor £m	Other £m	Eliminations £m	Europe £m	% change £	% change Organic
Year ended 31 March 2007										
Voice revenue	3,995	3,329	3,435	3,621	–	3,320	(343)	17,357	(2.6)	
Messaging revenue	746	563	380	760	–	501	(25)	2,925	3.1	
Data revenue	413	189	247	295	–	194	(38)	1,300	27.1	
Fixed line operator and DSL revenue	1	–	–	–	1,419	3	(26)	1,397	9.9	
Other service revenue	1	2	–	5	–	–	–	8		
Total service revenue	**5,156**	**4,083**	**4,062**	**4,681**	**1,419**	**4,018**	**(432)**	**22,987**	**0.1**	**2.0**
Acquisition revenue	172	124	307	274	22	108	(3)	1,004	(1.4)	
Retention revenue	40	36	124	52	–	102	–	354	(18.4)	
Other revenue	75	2	7	117	–	47	(1)	247	(23.8)	
Total revenue	**5,443**	**4,245**	**4,500**	**5,124**	**1,441**	**4,275**	**(436)**	**24,592**	**(0.6)**	**1.4**
Interconnect costs	(645)	(628)	(675)	(1,001)	(338)	(813)	432	(3,668)	(1.9)	
Other direct costs	(332)	(242)	(352)	(452)	(262)	(275)	1	(1,914)	14.9	
Acquisition costs	(560)	(249)	(642)	(677)	(178)	(301)	3	(2,604)	4.1	
Retention costs	(351)	(107)	(398)	(372)	–	(315)	–	(1,543)	(11.9)	
Operating expenses	(1,126)	(870)	(866)	(1,163)	(396)	(1,041)	–	(5,462)	4.2	
Acquired intangibles amortisation	–	–	–	(11)	–	(11)	–	(22)		
Purchased licence amortisation	(340)	(75)	(37)	(333)	–	(64)	–	(849)		
Depreciation and other amortisation	(735)	(499)	(430)	(604)	(96)	(524)	–	(2,888)		
Share of result in	–	–	–	–	–	5	–	5		

associates										
Adjusted operating profit	**1,354**	**1,575**	**1,100**	**511**	**171**	**936**		**5,647**	**(5.1)**	**(4.7)**
Year ended 31 March 2006										
Voice revenue	4,304	3,472	3,093	3,642	–	3,672	(356)	17,827		
Messaging revenue	815	526	328	674	–	507	(14)	2,836		
Data revenue	275	172	194	252	–	170	(40)	1,023		
Fixed line operator and DSL revenue	–	–	–	–	1,305	–	(34)	1,271		
Total service revenue	5,394	4,170	3,615	4,568	1,305	4,349	(444)	22,957		
Acquisition revenue	185	94	269	285	15	170	–	1,018		
Retention revenue	61	84	105	60	–	124	–	434		
Other revenue	114	15	6	135	–	54	–	324		
Total revenue	5,754	4,363	3,995	5,048	1,320	4,697	(444)	24,733		
Interconnect costs	(732)	(681)	(634)	(862)	(368)	(906)	444	(3,739)		
Other direct costs	(281)	(241)	(329)	(355)	(187)	(273)	–	(1,666)		
Acquisition costs	(551)	(172)	(543)	(665)	(147)	(423)	–	(2,501)		
Retention costs	(410)	(177)	(354)	(455)	–	(356)	–	(1,752)		
Operating expenses	(1,077)	(822)	(762)	(1,088)	(390)	(1,104)	–	(5,243)		
Acquired intangibles amortisation	–	–	–	–	–	(2)	–	(2)		
Purchased licence amortisation	(342)	(74)	(69)	(333)	–	(66)	–	(884)		
Depreciation and other amortisation	(865)	(524)	(336)	(592)	(89)	(594)	–	(3,000)		
Share of result in associates	–	–	–	–	–	5	–	5		
Adjusted operating profit	1,496	1,672	968	698	139	978	–	5,951		
	%	%	%	%	%	%				

Change at constant exchange rates						
Voice revenue	(6.7)	(3.6)	11.8	(0.6)	–	(9.2)
Messaging revenue	(7.8)	7.6	16.8	12.8	–	(0.6)
Data revenue	51.2	10.8	27.5	17.1	–	15.1
Fixed line operator and DSL revenue	–	–	–	–	9.5	–
Total service revenue	(3.9)	(1.5)	13.1	2.5	9.5	(7.2)
Acquisition revenue	(6.4)	33.1	14.5	(3.9)	45.7	(35.7)
Retention revenue	(34.1)	(57.2)	18.8	(13.3)	–	(17.2)
Other revenue	(33.5)	(89.8)	22.5	(13.3)	–	(15.7)
Total revenue	(4.8)	(2.2)	13.3	1.5	9.8	(8.6)
Interconnect costs	(11.4)	(7.2)	7.0	16.1	(7.6)	(9.7)
Other direct costs	18.9	0.8	7.6	27.3	41.6	1.0
Acquisition costs	2.2	46.1	18.8	1.8	21.3	(28.6)
Retention costs	(13.8)	(39.3)	13.1	(18.2)	–	(11.2)
Operating expenses	5.1	6.6	14.2	6.9	2.3	(5.5)
Acquired intangibles amortisation	–	–	–	–	–	423.8
Purchased licence amortisation	–	1.5	(45.4)	–	–	(3.5)
Depreciation and other amortisation	(14.4)	(4.5)	28.9	2.0	6.8	(11.2)
Share of result in associates	–	–	–	–	–	–
Adjusted operating profit	(9.0)	(5.3)	14.4	(26.8)	24.0	(3.7)

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Mobile telecommunications KPIs		Germany	Italy	Spain	UK	Other	Europe
Closing customers (□000)	**2007**	**30,818**	**21,034**	**14,893**	**17,411**	**17,007**	**101,163**
	2006	29,191	18,490	13,521	16,304	15,692	93,198
Average monthly ARPU	**2007**	**□21.2**	**□25.9**	**□35.2**	**£23.6**	**£20.1**	
	2006	□23.3	□28.5	□35.6	£24.0	£22.0	
Annualised blended churn (%)	**2007**	**21.8%**	**20.6%**	**26.4%**	**33.8%**	**26.6%**	
	2006	20.2%	18.7%	20.9%	32.1%	24.2%	
Closing 3G devices (□000)	**2007**	**3,720**	**3,762**	**2,890**	**1,938**	**2,353**	**14,663**
	2006	2,025	2,250	902	1,033	1,230	7,440
Voice usage (millions of minutes)	**2007**	**33,473**	**32,432**	**30,414**	**31,736**	**28,491**	**156,546**
	2006	26,787	29,604	23,835	28,059	27,648	135,933

See page 159 for definition of terms

The Europe region, where market penetration exceeds 100%, continues to experience intense competition from established mobile operators and new market entrants as well as ongoing regulator imposed rate reductions on incoming calls. As part of the implementation of the Group□s strategy, the current year□s performance saw a strong focus on stimulating additional usage in a way that enhances value to the customer and revenue, including significant tariff repositioning to maintain competitiveness in the UK and Germany. On the cost side, the centralisation of global service platform operations was completed in the year, with good progress made in the consolidation and harmonisation of the data centres, and a number of new initiatives to reduce the cost structure were implemented.

Revenue

Total revenue decreased slightly by 0.6% for the year ended 31 March 2007, consisting of a 1.4% organic increase in revenue, offset by a 0.5 percentage point adverse impact from exchange rate movements and a 1.5 percentage point decrease resulting from the disposal of the Group□s operations in Sweden in January 2006. The organic revenue growth was mainly due to the increase in organic service revenue.

Service revenue growth was 0.1% for the Europe region. Organic growth of 2.0% was driven by a 7.7% increase in the average mobile customer base in the year, together with a 17.0% increase in total voice usage and 27.1% reported growth in data revenue, driven by innovative products and services, successful promotions and competitive tariffs in the marketplace, although in turn organic growth was largely offset by the downward pressure on voice pricing and termination rate cuts in certain markets. The estimated impact of termination rate cuts and other adjustments on the growth in service revenue and total revenue in the year is shown below.

	Reported growth %	Impact of exchange rates Percentage points	Impact of disposal Percentage points	Organic growth %	Estimated impact of termination rate cuts and other adjustments(1) on revenue growth %	Growth excluding these items %
Service revenue						
Germany	(4.4)	0.5	□	(3.9)	3.4	(0.5)
Italy	(2.1)	0.6	□	(1.5)	5.1	3.6
Spain	12.4	0.7	□	13.1	5.2	18.3
UK	2.5	□	□	2.5	0.5	3.0
Arcor	8.7	0.8	□	9.5	□	9.5
Other Europe	(7.6)	0.4	7.3	0.1	4.7	4.8

Europe	**0.1**	**0.5**	**1.4**	**2.0**	**3.5**	**5.5**
Total revenue Europe	**(0.6)**	**0.5**	**1.5**	**1.4**	**3.2**	**4.6**

Note:
(1) Revenue for certain arrangements is now presented net of associated direct costs

Customer growth in the region was strong in most markets, including 21.7% and 16.9% growth in the closing contract customer base in Spain and Italy, respectively. The UK reported a 7.7% growth in the closing contract base following a much improved performance in the second half of the year.

Contract churn across the region was stable or falling in most markets due to the continued focus on retention and longer contract terms being offered, whilst prepaid churn rose due to intensified competition and customer self-upgrades. Prepaid markets remained vibrant, with prepaid net additions accounting for around 65% of the total net additions reported for the region.

Within the Europe region, Spain and Arcor contributed strong service revenue growth, partly offset by declines in Germany, Italy and Other Europe. In Spain, despite the increasing challenge in the marketplace from existing competitors, the launch of a fourth operator and branded resellers, local currency service revenue growth of 13.1% was achieved. This growth was mainly due to a 14.2% increase in the average mobile customer base in the period following successful promotions and competitive tariffs, particularly in relation to contract customers, which now account for 54.8% of the customer base, compared to 49.6% last year. Arcor also achieved strong growth in service revenue compared to the prior year, driven primarily by a 60.0% increase in DSL customers to 2,081,000 customers, with the launch of new competitive tariffs leading to particularly good growth since January 2007. Despite high competition and structural price declines, service revenue growth in the UK accelerated throughout the year, driven by a higher contract customer base and increased usage resulting from refreshed tariff offerings. In Other Europe, reported service revenue decreased by 7.6%, whilst underlying service revenue increased by 4.8% following an increase in the average mobile customer base, and particularly strong growth in messaging and data revenue in the Netherlands and Portugal where new tariffs and Vodafone Mobile Connect data card initiatives proved particularly successful.

Germany and Italy reported declines in local currency service revenue of 3.9% and 1.5% respectively, largely as a result of termination rate cuts. Underlying service revenue in Italy grew by 3.6%, with acceleration in the second half of the year due in particular to increasing messaging and voice volumes, achieved through new tariffs and offers targeted to specific segments, and despite the revenue loss incurred in March 2007 following the Italian Government□s decision to eliminate the top up fee on prepaid cards. In Germany, underlying service revenue declined slightly as a result of the intensely competitive market in Germany and the launch of new tariffs in October 2006.

Voice revenue

Voice revenue decreased by 2.6%, or by 0.7% on an organic basis, with strong growth in voice usage offset by pressures on pricing resulting from competition and from termination rate cuts.

Across the Europe region, outgoing voice minutes increased by 20.7%, or by 22.3% on an organic basis, driven by the increased customer base and various usage stimulation initiatives and competitive tariff ranges. In Germany, outgoing voice usage increased by 35.7%, with continued success from the Vodafone Zuhause product, which promotes fixed to mobile substitution in the home and which achieved 2.4 million registered customers as at 31 March 2007. Additionally, new tariffs were launched in Germany in October 2006, which provided improved value bundles for customers allowing unlimited calls to other Vodafone customers and fixed line customers, all of which significantly contributed to increasing outgoing voice usage. In Italy, the increase in outgoing voice usage of 12.1% was mainly driven by demand stimulation initiatives such as fixed price per call

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continued

offers and focus on high value customers and business customers. In Spain, the improved customer mix and success of both consumer and business offerings assisted in increasing outgoing voice usage by 34.2%. New and more competitive tariffs launched in the UK in July 2006 and September 2006 and various promotions specifically aimed at encouraging usage contributed to the 16.7% increase in Vodafone UK's outgoing voice usage.

Offsetting the organic growth in outgoing voice usage was the impact of pricing pressures in all markets due to increased competition, which has led to outgoing voice revenue per minute decreasing by 16.8% in the year ended 31 March 2007.

Termination rate cuts were the main factor in the 7.4% decline in organic incoming voice revenue, with all markets except the UK experiencing termination rate cuts during the year. Announced termination rate cuts since 30 September 2006 include a cut of 7% to 11.35 eurocents per minute in Spain effective from October 2006 and a 20% cut to 8.8 eurocents per minute in Germany effective from November 2006. The impact of the termination rate cuts in the Europe region was to reduce the average effective incoming price per minute by around 13% to approximately 7 pence. Further termination rate cuts of 0.87 eurocents every six months will occur in Spain with effect from April 2007, reducing the rate to 7.0 eurocents by April 2009, whilst in Italy reductions in July 2007 and July 2008 of 13% below the retail price index have also been announced.

The success of Vodafone Passport, a competitively priced roaming proposition with over 11 million customers as at 31 March 2007, contributed to increasing the volume of organic roaming minutes by 15.8% . Around 50% of the Group's roaming minutes within Europe are now on Vodafone Passport. Organic roaming revenue increased by 1.2% as the higher usage was largely offset by price reductions, due to increasing adoption of Vodafone Passport and also the Group's commitment to reduce the average cost of roaming in the EU by 40% by April 2007 when compared to summer 2005.

On 23 May 2007, the European Parliament voted to introduce regulation on retail and wholesale roaming prices. We expect roaming revenues to be lower year on year in 2008 due to the combined effect of Vodafone's own initiatives and this direct regulatory intervention.

Non-voice revenue

Messaging revenue increased by 3.1%, or by 4.6% on an organic basis, mainly due to growth in Italy, Other Europe and particularly Spain and the UK, partly offset by declines in Germany. In Spain, the increase was driven by the larger customer base, while in the UK, SMS volumes increased by 25.0% following higher usage per customer. The growth in Italy was driven by an increase in SMS usage of 9.5%, with sharp acceleration in the second half of the year following successful demand stimulation initiatives. In Germany, messaging volumes declined, resulting from the attraction of bigger voice bundles and the fact that promotional activity that had occurred relating to messaging in the previous financial year was not repeated in the 2007 financial year.

Data revenue grew by 27.1%, or by 29.5% on an organic basis, with the growth being stimulated by the 97.1% increase in registered 3G enabled devices on the Group's networks as at 31 March 2007, encouraged by an expanded portfolio and competitively priced offerings. Strong growth was experienced in all Europe's segments, though Germany demonstrated particularly strong growth of 50% as a result of attractive tariff offerings, including flat rate tariff options, and the benefit of improved coverage of the HSDPA technology enabled network, facilitating superior download speeds for data services. Growth in Italy, Spain and the UK has been assisted by the roll-out of HSDPA network coverage and increased penetration of Vodafone Mobile Connect data cards, of which 74%, 64% and 53% were sold during the year as HSDPA enabled devices in each of these markets respectively. The launch of a modem which provides wireless internet access for personal computers has also made a positive contribution to data revenue. In Other Europe, successful Vodafone Mobile Connect data cards initiatives in the Netherlands and Portugal were the primary cause of growth in data revenue.

Fixed line operator and DSL revenue increased by 9.9%, due to Arcor's increased customer base.

Adjusted operating profit

Adjusted operating profit fell by 5.1%, or by 4.7% on an organic basis, with the disposal of the Group's operations in

Sweden being the main cause of the decline. The growth in operating expenses and other direct costs, including the charge in relation to a regulatory fine in Greece of £53 million also had an adverse effect on adjusted operating profit.

Interconnect costs remained stable for the year, once the effect of the disposal of Sweden was excluded, with the increased outgoing call volumes to other networks offset by the cost benefit from the impact of the termination rate cuts.

Reported acquisition and retention costs for the region decreased by 2.5%, but remained stable on an organic basis, when compared to the prior year. In Spain, the main drivers of the increased costs were the higher volumes of gross additions and upgrades, especially with regard to the higher proportion of contract gross additions which are being achieved with higher costs per customer as competition has intensified. In Italy, costs have increased slightly due to an increased focus on acquiring high value contract customers and an increased volume of prepaid customers. In Germany, retention costs declined as the cost per upgrade was reduced and volumes slightly decreased. The UK saw a reduction in retention costs resulting from a change in the underlying commercial model with indirect distribution partners, where a portion of commissions are now recognised in other direct costs. Acquisition costs in Other Europe decreased, primarily as a result of lower gross contract additions in Greece and a reduction in cost per gross addition in the Netherlands.

Other direct costs increased by 14.9%, or by 16.7% on an organic basis, primarily caused by the regulatory fine in Greece and commissions in the UK discussed above. Arcor saw an increase in direct access charges primarily as a result of having a higher customer base.

Operating expenses increased by 4.2%, or by 7.4% on an organic basis, primarily caused by increased intercompany recharges, a result of the centralisation of data centre and service platform operations, which were offset by a corresponding reduction in depreciation expense, and a 14.2% increase in local currency in Spain's operating expenses as a result of the growth in this operating company, but which only slightly increased as a percentage of service revenue. Increased publicity spend in the UK, Italy and Greece, and restructuring costs in Germany, the UK and Ireland, also adversely affected operating expenses during the year.

As many of the cost reduction initiatives are centralised in common functions, as described earlier, the Group's target in respect of operating expenses for the total of the Europe region (excluding Arcor) includes common functions but excludes the developing and delivering of new services and business restructuring costs. On this basis, these costs grew by 3.5% in 2007 financial year for the reasons outlined in the preceding paragraph.

Cost reduction initiatives

The Group has set targets in respect operating expenses and capitalised fixed asset additions. The operating expense and capitalised fixed asset additions targets relate to the Europe region (excluding Arcor) and common functions in aggregate. The targets are detailed in "Performance – Risk Factors, Seasonality and Outlook" on page 60. During the 2007 financial year, the implementation of a range of Group wide initiatives and cost saving programmes commenced, designed to deliver savings in the 2008 financial year and beyond. The key initiatives are as follows:

- The application development and maintenance initiative is focusing on driving cost and productivity efficiencies through outsourcing the application development and maintenance for key IT systems. In October 2006, the Group announced that EDS and IBM had been selected to provide application development and maintenance services to separate groupings of operating companies within the Group. The initiative is currently in the

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Performance

execution phase and is progressing ahead of plan, with a number of operating companies already having commenced service with their respective vendors. The Group currently anticipates that this initiative will result in greater economies of scale and improved quality of software produced, as well as greater flexibility, leading to the faster rollout of more varied services to customers. The Group currently expects to meet its savings target of 25-30% of IT application development and maintenance unit costs within two to four years.

- The supply chain management initiative focuses on centralising supply chain management activities and leveraging Vodafone's scale in purchasing activities. Through the standardisation of designs and driving scale strategies in material categories, the Group is aiming to increase the proportion of purchasing performed globally. The alignment of all objectives and targets across the entire supply chain management was completed during the year. The Group currently expects to meet its savings target of 8% of £3.3 billion external network spend this coming year, as planned.

- The IT operations initiative has created a shared service organisation to support the business with innovative and customer focused IT services. This organisation will consolidate localised data centres into regionalised northern and southern European centres and consolidate hardware, software, maintenance and system integration suppliers to provide high quality IT infrastructure, services and solutions. Consolidation is progressing well, with the centre in Southern Europe complete and the centre in Northern Europe expected to be complete by April 2008. The Group currently expects to meet its cost savings target of 25-30% of data centre spend within one to two years.

- The Group has commenced a three year business transformation programme to implement a single integrated operating model, supported by a single enterprise resource planning ("ERP") system covering human resources, finance and supply chain functions. The programme is expected to provide improved information for decision making and reduced operating costs in the longer term, though additional investment, including restructuring expenditure, will be required.

- The network team continues to focus on network sharing deals in a number of operating companies, with the principal objectives of cost saving and faster network rollout. Implementation is under way in Spain with Orange, the UK has announced its intention to sign a deal with Orange and other deals are being explored and evaluated in a number of other European operating companies.

- Many of the Group's operating companies have participated in external cost benchmarking studies and are using the results to target local cost reductions. Initiatives that have been implemented to date include reductions to planned network rollout, outsourcing and off-shoring of customer services operations, property rationalisation, replacing leased lines with owned transmission, network site sharing and renegotiation of supplier contracts and service agreements.

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continued

EMAPA

	Eastern Europe £m	Middle East, Africa & Asia £m	Pacific £m	Associates US £m	Associates Other £m	EMAPA £m	% change £	% change Organic
Year ended 31 March 2007								
Voice revenue	2,051	2,096	942			5,089	40.0	
Messaging revenue	271	142	254			667	46.9	
Data revenue	70	26	42			138	60.5	
Fixed line operator and DSL revenue	–	68	7			75	294.7	
Total service revenue	**2,392**	**2,332**	**1,245**			**5,969**	**42.3**	**20.4**
Acquisition revenue	53	223	105			381	37.5	
Retention revenue	19	–	2			21	50.0	
Other revenue	13	10	47			70	2.9	
Total revenue	**2,477**	**2,565**	**1,399**			**6,441**	**41.4**	**21.1**
Interconnect costs	(433)	(364)	(248)			(1,045)	31.6	
Other direct costs	(314)	(246)	(224)			(784)	77.4	
Acquisition costs	(219)	(291)	(167)			(677)	45.0	
Retention costs	(78)	(84)	(50)			(212)	52.5	
Operating expenses	(614)	(509)	(349)			(1,472)	39.8	
Acquired intangibles amortisation	(285)	(105)	(2)			(392)	152.9	
Purchased licence amortisation	(19)	(17)	(7)			(43)	(31.7)	
Depreciation and other amortisation	(331)	(255)	(193)			(779)	29.4	
Share of result in associates	–	–	–	2,077	642	2,719	13.4	
Adjusted operating profit	**184**	**694**	**159**	**2,077**	**642**	**3,756**	**16.0**	**24.3**

Year ended 31 March 2006						
Voice revenue	1,176	1,503	957			3,636
Messaging revenue	146	91	217			454
Data revenue	36	12	38			86
Fixed line operators and DSL revenue	–	19	–			19
Total service revenue	1,358	1,625	1,212			4,195
Acquisition revenue	54	147	76			277
Retention revenue	13	–	1			14
Other revenue	10	12	46			68

Total revenue	1,435	1,784	1,335			4,554
Interconnect costs	(296)	(251)	(247)			(794)
Other direct costs	(77)	(159)	(206)			(442)
Acquisition costs	(148)	(198)	(121)			(467)
Retention costs	(51)	(48)	(40)			(139)
Operating expenses	(335)	(359)	(359)			(1,053)
Acquired intangibles amortisation	(121)	(33)	(1)			(155)
Purchased licence amortisation	(13)	(34)	(16)			(63)
Depreciation and other amortisation	(218)	(179)	(205)			(602)
Share of result in associates	–	–	–	1,732	666	2,398
Adjusted operating profit	176	523	140	1,732	666	3,237

Change at constant exchange rates	%	%	%	%	%
Voice revenue	80.3	56.7	5.3		
Messaging revenue	88.7	74.8	25.4		
Data revenue	100.1	142.6	17.2		
Fixed line operators and DSL revenue	□	294.3	□		
Total service revenue	81.7	61.2	10.0		
Acquisition revenue	1.4	78.0	43.0		
Retention revenue	50.0	□	217.5		
Other revenue	15.4	(7.8)	12.8		
Total revenue	78.0	62.1	12.1		
Interconnect costs	49.8	62.3	7.1		
Other direct costs	316.4	73.2	15.8		
Acquisition costs	53.9	70.8	45.0		
Retention costs	59.3	106.7	31.1		
Operating expenses	88.4	61.0	3.4		
Acquired intangibles amortisation	135.5	222.2	78.6		
Purchased licence amortisation	48.0	(47.1)	(49.8)		
Depreciation and other amortisation	55.9	56.1	1.6		
Share of result in associates	□	□	□	27.6	(2.3)
Adjusted operating profit	**12.1**	**49.8**	**25.4**	**27.6**	**(2.3)**

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Mobile telecommunications KPIs

	2007				2006			
	Eastern Europe	Middle East, Africa & Asia	Pacific	EMAPA	Eastern Europe	Middle East, Africa & Asia	Pacific	EMAPA
Closing customers (□000)	**28,975**	**27,160**	**5,750**	**61,885**	12,579	21,884	5,346	39,809
Average monthly ARPU	**£8.1**	**£7.3**	**£18.8**		£10.8	£9.0	£19.7	
Annualised blended churn (%)	**28.1%**	**38.8%**	**38.7%**		23.6%	34.6%	39.2%	
Closing 3G devices (□000)	**347**	**65**	**758**	**1,170**	135	–	281	416
Voice usage (millions of minutes)	**39,658**	**37,449**	**11,371**	**88,478**	13,302	18,300	9,811	41,413

See page 159 for definition of terms

A part of Vodafone□s strategy is to build on the Group□s track record of creating value in emerging markets. Vodafone has continued to execute on this strategy, with strong performances in the Czech Republic, Egypt, Romania and South Africa.

The Group is successfully building its emerging markets portfolio through acquisitions in Turkey and, subsequent to the year end, India. Since its acquisition on 24 May 2006, Vodafone Turkey has shown a performance in excess of the acquisition plan. The Group has made a further significant step in delivering its strategic objective of delivering strong growth in emerging markets with the acquisition on 8 May 2007 of companies with interests in Hutchison Essar, a leading operator in the fast growing Indian mobile market, following which the Group controls Hutchison Essar. The Group also signed a memorandum of understanding with Bharti Airtel Limited (□Bharti Airtel□), the Group□s former joint venture in India, on infrastructure sharing and has granted an option to a Bharti group company to buy its 5.60% direct interest in Bharti Airtel. On 9 May 2007, a Bharti group company agreed to acquire the Group□s 5.60% direct interest in Bharti Airtel. Following the completion of this sale, the Group will continue to hold an indirect stake of 4.39% in Bharti Airtel.

In December 2006, the Group increased its equity interest in Vodafone Egypt from 50.1% to 54.9%, positioning the Group to capture further growth in this lower penetrated market. The Group also entered into a new strategic partnership with Telecom Egypt, the minority shareholder in Vodafone Egypt, to increase cooperation between both parties and jointly develop a range of products and services for the Egyptian market.

EMAPA□s growth has benefited from the prior year acquisitions in the Czech Republic and the stake in Bharti Airtel in India, as well as the stake increases in Romania and South Africa and the current year acquisition in Turkey. Bharti Airtel was accounted for as a joint venture until 11 February 2007, following which the Group□s interest has been accounted for as an investment.

Revenue

Total revenue increased by 41.4%, or 21.1% on an organic basis, driven by organic service revenue growth of 20.4% . The impact of acquisitions, disposal and exchange rates on service revenue and total revenue growth is shown below.

	Impact of	Impact of

	Organic growth %	exchange rates Percentage points	acquisitions and disposal(1) Percentage points	Reported growth %
Service revenue				
Eastern Europe	20.0	(5.6)	61.7	76.1
Middle East, Africa and Asia	27.7	(17.7)	33.5	43.5
Pacific	10.0	(7.3)	□	2.7
EMAPA	**20.4**	**(10.9)**	**32.8**	**42.3**
Total revenue				
EMAPA	**21.1**	**(11.2)**	**31.5**	**41.4**

Note:
(1) Impact of acquisitions and disposal includes the impact of the change in consolidation status of Bharti Airtel from a joint venture to an investment.

Organic service revenue growth was driven by the 30.2% organic increase in the average mobile customer base and the success of usage stimulation initiatives, partially offset by declining ARPU in a number of markets due to the higher proportion of lower usage prepaid customer additions.

Particularly strong customer growth was achieved in Eastern Europe and the Middle East, Africa and Asia, where markets are typically less penetrated than in Western Europe or the Pacific area.

Non-service revenue increased by 31.5%, or 28.9% on an organic basis, primarily due to an increase in the level of gross additions in a number of countries.

Eastern Europe

In Eastern Europe, service revenue grew by 76.1%, with the key driver of growth being the acquisitions in the Czech Republic and Turkey, as well as the stake increase in Romania. Good customer growth in all Eastern European markets contributed to the organic service revenue growth.

Organic service revenue growth in Eastern Europe was principally driven by Romania. As a result of the growth in the customer base and a promotional offer of lower tariffs, which led to higher voice usage, local currency service revenue in Romania grew by 29.3%, calculated by applying the Group□s current equity interest to the whole of the 2006 financial year. The continued expansion of 3G network coverage, the successful launch of 3G broadband, together with introductory promotional offers, and increased sales of Vodafone Mobile Connect data cards, resulted in data revenue growth of 64.9% in local currency.

In the Czech Republic, a focus on existing customers, including a Christmas campaign of free weekend text messages available to all existing as well as new customers, and the success of a business offering allowing unlimited on and off net calls within a customers□ virtual private network for a fixed monthly fee, had a positive impact on gross additions and drove the increase in average mobile customers. This led to growth of 11.1% in local currency service revenue, calculated by applying the Group□s current equity interest to the whole of the 2006 financial year.

Vodafone Turkey has performed ahead of the expectations the Group had at the time of the completion of the acquisition, with customer numbers, usage and adjusted operating profit ahead of plan. Improvements in network reliability and coverage have contributed to strong customer growth and allowed an increase in prepaid tariffs, resulting in service revenue growth. Telsim was rebranded to Vodafone in March 2007, with the launch of a new tariff with inclusive on and off net calls, a first for the Turkish market.

Middle East, Africa and Asia

The service revenue growth of 43.5% in the Middle East, Africa and Asia resulted primarily from the stake increases in South Africa in February 2006 and Egypt in December 2006, together with the acquisition of the Group□s interest in Bharti Airtel in India in December 2005, offset by an adverse movement in exchange rates. Strong organic growth was achieved in all markets, particularly in Egypt and South Africa, driven by the 40.2% increase in the average mobile customer base compared to the prior year.

Strong customer growth, driven by prepaid tariff reductions, the availability of lower cost handsets and high customer satisfaction with the Vodafone service, contributed to the 39.5% local currency service revenue growth in Egypt.

Innovative new products and services, including a new hybrid tariff offering guaranteed airtime credit every month with the ability to top up as required, and successful promotions, led to an increase in the average mobile customer base and 21.9% local currency organic service revenue growth in

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continued

South Africa, whilst the continued rollout of the 3G network led to strong growth in data revenue.

Bharti Airtel continued to perform well with strong growth in customers and revenue, demonstrating the growth potential in the Indian market.

Pacific

Service revenue increased by 2.7%, with the impact of adverse foreign exchange movements reducing reported growth by 7.3 percentage points. In Australia, a continued focus on higher value customers delivered local currency service revenue growth of 13.7%, with improvements in both prepaid and contract ARPU. The performance in Australia more than offset the reduced growth in local currency service revenue in New Zealand, where local currency service revenue growth was 2.6% following a cut in termination rates, which reduced reported service revenue growth by 4.1% . After the negative impact of foreign exchange movements, reported service revenue in New Zealand declined by 7.9%.

Adjusted operating profit

The impact of acquisitions, disposal and exchange rates on adjusted operating profit is shown below.

	Organic growth %	Impact of exchange rates Percentage points	Impact of acquisitions and disposal(1) Percentage points	Reported growth %
Adjusted operating profit				
Eastern Europe	49.2	(7.6)	(37.1)	4.5
Middle East, Africa and Asia	18.5	(16.9)	31.1	32.7
Pacific	25.4	(11.8)	□	13.6
EMAPA	**24.3**	**(7.2)**	**(1.1)**	**16.0**

Note:
(1) Impact of acquisitions and disposal includes the impact of the change in consolidation status of Bharti Airtel from a joint venture to an investment

Adjusted operating profit increased by 16.0% . On an organic basis, growth was 24.3%, as the acquisitions and stake increases led to the rise in acquired intangible asset amortisation reducing reported growth in operating profit. These acquisitions, combined with the continued expansion of network infrastructure in the region, including 3G and HSDPA upgrades, resulted in higher depreciation charges. Organic growth in adjusted operating profit was driven by a strong performance in Romania, Egypt, South Africa and the Group□s associated undertaking in the US.

Eastern Europe

Interconnect costs increased by 46.3%, or 23.8% on an organic basis, principally as a result of the higher usage in Romania. An ongoing regulatory fee in Turkey amounting to 15% of revenue has increased other direct costs compared to the 2006 financial year.

Acquisition costs fell as a percentage of service revenue throughout most of Eastern Europe, with increased investment in the direct distribution channel in Romania resulting in lower subsidies on handsets. Retention costs decreased as a percentage of service revenue, but increased on an organic basis due to a focus on retaining customers through loyalty programmes in response to the increasing competition in Romania, which had a positive impact on contract and prepaid churn.

Operating expenses increased by 1.0 percentage point as a percentage of service revenue, primarily as a result of inflationary pressures in Romania and investment in Turkey.

Middle East, Africa and Asia

Interconnect costs increased by 45.0%, or 26.8% on an organic basis, due to the usage stimulation initiatives throughout the region.

Acquisition costs remained stable as a percentage of service revenue, whilst retention costs increased, principally due to increased investment in retaining customers in Egypt ahead of the forthcoming launch of services by a new operator and in South Africa in response to the introduction of mobile number portability during the year, with the provision of 3G and data

enabled device upgrades for contract customers and a loyalty point scheme. Operating expenses remained stable as a percentage of service revenue.

Pacific

The improved profitability in Australia was more than offset by the lower profitability in New Zealand resulting from the increased cost of telecommunications service obligation regulation, the impact of the acquisition of ihug and adverse foreign exchange rates.

Acquisition and retention costs increased as a percentage of service revenue due to the investment in higher value customers in Australia, which also had a favourable impact on contract churn and were partially offset by savings in network costs and operating expenses.

Associates

			2007	% change	
Share of result of associates	Verizon Wireless £m	Other £m	**Total £m**	£	Verizon Wireless $
Operating profit	**2,442**	**940**	**3,382**	15.6	22.9
Interest	**(179)**	**(27)**	**(206)**	(12.3)	(7.0)
Tax	**(125)**	**(271)**	**(396)**	7.8	14.6
Minority interest	**(61)**	—	**(61)**	1.7	6.7
	2,077	**642**	**2,719**	19.9	27.6

	2006		
Share of result of associates	Verizon Wireless £m	Other £m	Total £m
Operating profit	2,112	1,010	3,122
Interest	(204)	(23)	(227)
Tax	(116)	(329)	(445)
Minority interest	(60)	8	(52)
	1,732	666	2,398

	% change
	Verizon

Verizon Wireless (100% basis)	2007	2006	Wireless £	Wireless $
Total revenue (£m)	**20,860**	18,875	10.5	17.4
Closing customers (□000)	**60,716**	53,020		
Average monthly ARPU ($)	**52.5**	51.4		
Blended churn (%)	**13.9%**	14.7%		
Mobile non-voice service revenue as a percentage of mobile service revenue (%)	**14.4%**	8.9%		

Verizon Wireless produced another year of record growth in organic net additions, increasing its customer base by 7.7 million in the year ended 31 March 2007. The performance was particularly robust in the higher value contract segment and was achieved in a market where the estimated closing mobile penetration reached 80%.

The strong customer growth was achieved through a combination of higher gross additions and improvements in Verizon Wireless□s customer loyalty, with the latter evidenced through lower levels of churn. The 15.4% growth in the average mobile customer base combined with a 2.1% increase in ARPU resulted in a 17.8% increase in service revenue. ARPU growth was achieved through the continued success of data services, driven predominantly by data cards, wireless e-mail and messaging services. Verizon Wireless□s operating profit also improved due to efficiencies in other direct costs and operating expenses, partly offset by a higher level of customer acquisition and retention activity.

Verizon Wireless continued to lay the foundations for future data revenue growth through the launch of both CDMA EV-DO Rev A, an enhanced wireless broadband service, and broadcast mobile TV services during the first calendar quarter of 2007. In addition, Verizon Wireless consolidated its spectrum position during the year with the acquisition of spectrum through the FCC□s Advanced Wireless Services auction for $2.8 billion.

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The Group's share of the tax attributable to Verizon Wireless for the year ended 31 March 2007 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.

In a patent infringement action before the United States International Trade Commission (ITC) entitled *Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets,* Broadcom Corporation was seeking to bar the importation of certain chips and chip sets manufactured by Qualcomm Corporation and wireless devices containing those chips and chipsets. All major U.S. wireless carriers, including Verizon Wireless, use Qualcomm chips to some degree.

On 7 June 2007, the ITC issued a "limited exclusion order" that bars the import of infringing chips and chipsets manufactured by or on behalf of Qualcomm and certain wireless communication devices containing an infringing chip. Companies may continue to import handheld wireless communications devices that are the same models as handheld wireless communications devices that were being imported for sale to the general public on or before 7 June 2007 and wireless communications devices that do not contain a chip that is programmed to infringe. The order will go into effect in 60 days unless it is disapproved by the President of the United States or stayed by the ITC or U.S. Court of Appeals for the Federal Circuit.

The effect of the order on the range of new models of handsets that will be available to Verizon Wireless's customers in the future will depend upon the extent of the order's applicability to Verizon Wireless, the extent to which reviewing authorities permit the order to take effect in its current form, and Qualcomm's ability to provide non-infringing products or alternatives.

Qualcomm and other parties, including Verizon Wireless, have moved for a stay pending appeal. On 11 June 2007, the U.S. Court of Appeals for the Federal Circuit ordered the ITC to rule within 10 days on the stay motions, and if it denies those motions, to file a brief with the court by 27 June in response to the stay motions.

The Group's other associated undertakings in EMAPA have been impacted by intense competition and reduction in termination rates, similar to the experiences of the Group's controlled businesses in the Europe region, which have had a negative impact on revenue. The Group disposed of its associated undertakings in Belgium and Switzerland on 3 November 2006 and 20 December 2006, respectively, for a total cash consideration of £3.1 billion. Results are included until the respective dates of the announcement of disposal.

SFR, the Group's associated undertaking in France, achieved an increase of 3.5% in its customer base, higher voice usage and strong growth in data services. However, service revenue was stable in local currency as the impact of these items was offset by a 5.7% decline in ARPU due to the increase in competition and significant termination rate cuts imposed by the regulator. The voice termination rate was cut by 24% to 9.5 eurocents per minute with effect from 1 January 2006 and by a further 21% to 7.5 eurocents per minute with effect from 1 January 2007. France is the first European Union country to impose regulation on SMS termination rates, which were cut by 19% with effect from 1 January 2006 and a further 30% with effect from mid September 2006 to 3 eurocents per SMS.

With effect from July 2007, SFR will be governed by the Europe regional management team. Accordingly, for the 2008 financial year onwards SFR will be reported as part of the Europe region.

Investments

China Mobile, in which the Group has a 3.27% stake and is accounted for as an investment, increased its customer base by 21.3% in the period to 316.1 million. Dividends of £57 million were received by the Group in the 2007 financial year.

Common functions

	2007 £m	2006 £m	Change %
Revenue	**168**	145	15.9
Other direct costs	**(66)**	□	□
Operating expenses	**206**	130	58.5
Depreciation and amortisation	**(181)**	(72)	151.4
Share of result in associated undertakings	**1**	8	(87.5)
Adjusted operating profit	**128**	211	(39.3)

Common functions represent the results of Partner Markets and the net result of central Group costs less charges to the Group□s operations. Adjusted operating profit has been impacted in the 2007 financial year by restructuring costs incurred in the central functions, principally marketing and technology, which amounted to £36 million.

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2006 Financial Year Compared to 2005 Financial Year

Group

	Europe £m	EMAPA £m	Common Functions £m	Eliminations £m	2006 Group £m	2005 Group £m	% change £	% change Organic
Voice revenue	17,827	3,636		(58)	21,405	19,782	8.2	5.4
Messaging revenue[1]	2,836	454		(1)	3,289	2,925	12.4	9.8
Data revenue[1]	1,023	86		(11)	1,098	727	51.0	51.8
Fixed line operators and DSL revenue	1,271	19			1,290	1,044	23.6	20.5
Total service revenue	22,957	4,195		(70)	27,082	24,478	10.6	7.9
Acquisition revenue	1,018	277			1,295	1,263		
Retention revenue	434	14			448	393		
Other revenue	324	68	145	(12)	525	544		
Total revenue	24,733	4,554	145	(82)	29,350	26,678	10.0	7.5
Interconnect costs	(3,739)	(794)		70	(4,463)	(3,991)	11.8	8.3
Other direct costs	(1,666)	(442)		12	(2,096)	(1,859)	12.7	10.2
Acquisition costs	(2,501)	(467)			(2,968)	(2,819)	5.3	3.4
Retention costs	(1,752)	(139)			(1,891)	(1,627)	16.2	15.5
Operating expenses	(5,243)	(1,053)	130		(6,166)	(5,649)	9.2	6.3
Acquired intangibles amortisation	(2)	(155)			(157)			
Purchased licence amortisation	(884)	(63)			(947)	(918)		
Depreciation and other amortisation	(3,000)	(602)	(72)		(3,674)	(3,446)		
Share of result in associates	5	2,398	8		2,411	1,984		
Adjusted operating profit	5,951	3,237	211		9,399	8,353	12.5	11.8
Adjustments for:								
Impairment losses	(23,515)				(23,515)	(475)		
Other income and expense	3		12		15			
Non-operating income of associates		17			17			
Operating loss	(17,561)	3,254	223		(14,084)	7,878		
Non-operating income and expense					(2)	(7)		
Investment income					353	294		
Financing costs					(1,120)	(880)		

Profit/(loss) before taxation	(14,853)	7,285
Income tax expense	(2,380)	(1,869)
(Loss)/profit for the financial year from continuing operations	(17,233)	5,416
(Loss)/profit for the financial year from discontinued operations	(4,588)	1,102
(Loss)/profit for the financial year	(21,821)	6,518

Note:
(1) Certain revenue relating to content delivered by SMS and MMS has been reclassified from messaging revenue to data revenue to provide a fairer presentation of messaging and data revenue.

Revenue

Total revenue increased by 10.0%, or 7.5% on an organic basis, for the year to 31 March 2006 due to a 7.9% increase in service revenue on an organic basis offset by lower growth in other revenue. Service revenue growth reflected a 15.2% organic increase in the average customer base of the controlled mobile networks and the Group's share of jointly controlled mobile networks, offset by the impact of lower ARPU in a number of the Group's markets. Competitive pressures have intensified following a significant number of new market entrants and greater competition from incumbents, specifically in the mature markets of the Europe Region. Many of these markets have penetration rates over 100% which, together with termination rate cuts and a higher proportion of lower spending prepaid customers across the Group, have led to the decline in ARPU.

Voice revenue increased by 8.2%, or by 5.4% on an organic basis, due to the growth in average customers and a successful usage stimulation programme leading to a 24.6% growth in total minutes, offset by tariff declines from competition and termination rate cuts. Revenue from outgoing calls was the primary driver of voice revenue growth, whilst incoming voice revenue increased marginally as a significant increase in the proportion of incoming calls from other mobile networks was offset by the impact of termination rate cuts, particularly in the second half of the 2006 financial year.

Messaging revenue rose by 12.4%, or 9.8% on an organic basis, as an increase in the average customer base and the number of messages sent per customer was offset by tariff declines.

The success of 3G, Vodafone live! and offerings in the business segment, including Vodafone Mobile Connect data cards and BlackBerry from Vodafone, were the main contributors to a 51.0% increase, or 51.8% on an organic basis, in data revenue. An additional 6,321,000 3G devices were registered on the Group's networks in the 2006 financial year, bringing the total to 7,721,000 at 31 March 2006, including 660,000 business devices such as Vodafone Mobile Connect 3G/GPRS data cards. Prior to the announcement of the disposal of Vodafone Japan in March 2006, the Group registered its ten millionth consumer 3G device, when including 100% of the devices in Italy.

Fixed line operators and DSL revenue rose by 23.6%, primarily a result of Arcor, driven by customer and usage growth, partly offset by tariff decreases in the competitive market.

Acquisition, retention and other revenue increased to £2,268 million, principally due to growth in revenue related to acquisition and retention activities in Spain, partially offset by a reduction in other revenue, resulting principally from a fall in the number of customers connected to non-Vodafone networks in the UK. A 32.5% rise in the number of gross mobile customer additions, partially offset by a fall in the average revenue for handset sales to new prepaid customers and a 24.3% increase in the number of upgrades, led to a 5.3% growth in revenue related to acquisition and retention activities to £1,743 million.

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Adjusted operating profit

Adjusted operating profit increased by 12.5% to £9,399 million, comprising organic growth of 11.8%, favourable exchange rate movements of 1.1% partly offset by a 0.4% decline due to the acquisition and disposal activity during the year.

Interconnect costs increased by 8.3% on an organic basis, as strong growth in outgoing voice usage was partially offset by cuts in termination rates in a number of markets and an increased proportion of outgoing traffic being to other Vodafone customers, which did not result in interconnect expense. The rise in the number of upgrades and the increased cost of upgrading customers to 3G were the primary contributors to a 7.7% organic growth in acquisition and retention costs, to £4,859 million. Operating expenses as a percentage of service revenue for the 2006 financial year were comparable to the 2005 financial year at 22.8%.

The charge relating to the amortisation of acquired intangible assets was £157 million following acquisitions in the Czech Republic, India, Romania and South Africa in the 2006 financial year. Depreciation and other amortisation increased, principally due to the net impact of the acquisitions and disposal in the 2006 financial year and the ongoing expansion of 3G networks.

The Group's share of the results in associated undertakings, before amounts related to business acquisitions and disposals, grew by 21.5% after the deduction of interest, tax and minority interest, primarily due to growth at Verizon Wireless in the US. The Group's share of the result in Verizon Wireless increased by 25.5% to £2,112 million, before deduction of interest, tax and minority interest, with a particularly strong performance in the second half of the 2006 financial year.

Impairment losses

The Group recorded an impairment charge to the carrying value of goodwill in the 2006 financial year of £23,515 million in respect of the Group's operations in Germany (£19,400 million) and Italy (£3,600 million) reflecting a revision of the Group's view of the prospects for these businesses, particularly in the medium to long term, and a further £515 million in respect of the Swedish business following the announcement of its disposal. An impairment loss was recognised in the 2005 financial year of £475 million in respect of the Group's Swedish operations and reflected fierce competition along with onerous 3G licence obligations.

Investment income and financing costs

	2006 £m	2005 £m	Change %
Net financing costs before dividends from investments	(318)	(293)	8.5
Potential interest charges arising on settlement of outstanding tax issues	(329)	(245)	34.3
Changes in the fair value of equity put rights and similar arrangements	(161)	(67)	140.3
Dividends from investments	41	19	115.8
Net financing costs	(767)	(586)	30.9

Net financing costs before dividends from investments increased by 8.5% to £318 million as an increase in average net debt compared to the 2005 financial year was partially offset by gains on mark to market adjustments on financial instruments in the 2006 financial year.

Potential interest charges arising on the settlement of outstanding tax issues represents the Group's estimate of any interest that may be due to tax authorities when the issues are settled. This charge varies due to the interest rates applied by the tax authorities, the timing of tax payments and the status of discussions on tax issues with the relevant tax authorities. At 31 March 2006, the provision for potential interest charges arising on settlement of outstanding tax issues was £896 million.

The change in the fair value of equity put rights and similar arrangements comprised the fair value movement in relation to the potential put rights held by Telecom Egypt over its 25.5% interest in Vodafone Egypt and the fair

value of a financial liability in relation to the minority partners of Arcor, the Group's non-mobile operation in Germany. Further details in respect of these arrangements are provided in the section titled "Performance – Financial Position and Resources" and in note 24 to the Consolidated Financial Statements.

Taxation

The effective tax rate for the year to 31 March 2006 was (16.0)% compared to 25.7% for the 2005 financial year. The negative effective tax rate arose as a result of the £23,515 million impairment losses recognised in the 2006 financial year. These losses were not expected to be deductible for tax purposes so were not expected to create a future benefit. The effective tax rate, exclusive of the impairment losses, was 27.5% for the 2006 financial year, which is lower than the Group's weighted average tax rate as a result of the repurchase of shares in Vodafone Italy and favourable tax settlements, but had increased compared to the 2005 financial year as the 2005 financial year benefited from finalising the reorganisation of the Group's German operations.

Basic loss per share

Basic earnings per share from continuing operations fell from 8.12 pence to a loss per share of 27.66 pence for the 2006 year. The basic loss per share was after a charge of 37.56 pence per share in relation to an impairment of the carrying value of goodwill, a further charge of 0.26 pence per share for the change in fair value of equity put rights and similar arrangements, and a credit of 0.05 pence per share for amounts relating to business acquisitions and disposals.

(Loss)/profit for the financial year from discontinued operations

	2006 £m	2005 £m	Change %
Revenue	7,268	7,395	(1.7)
Adjusted operating profit	455	664	
Impairment loss	(4,900)	–	
Operating (loss)/profit	(4,445)	664	
Non-operating income and expense	–	13	
Net financing costs	(3)	(11)	
(Loss)/profit before taxation	(4,448)	666	
Income tax (expense)/income[(1)]	(140)	436	
(Loss)/profit for the financial year	(4,588)	1,102	

Note:
(1) Included a deferred tax credit of £599 million in the year to 31 March 2005 in respect of losses in Vodafone Holdings K.K. which became eligible for offset against profits of Vodafone K.K. following the merger of the two entities on 1 October 2004.

On 17 March 2006, the Group announced that an agreement had been reached to sell its 97.68% interest in Vodafone Japan to SoftBank. This resulted in the Group's operations in Japan being classified as an asset held for sale and being presented as a discontinued operation. The disposal was completed on 27 April 2006.

Following the announcement on 17 March 2006, the Group recognised an impairment loss of £4,900 million in respect of Vodafone Japan. The recoverable amount of Vodafone Japan was determined as the fair value less costs to sell.

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Europe

	Germany £m	Italy £m	Spain £m	UK £m	Arcor £m	Other £m	Eliminations £m	Europe £m	% change £	% change Organic
Year ended 31 March 2006										
Voice revenue	4,304	3,472	3,093	3,642	–	3,672	(356)	17,827	2.3	3.2
Messaging revenue	815	526	328	674	–	507	(14)	2,836	7.2	7.6
Data revenue	275	172	194	252	–	170	(40)	1,023	46.4	48.8
Fixed line operator and DSL revenue	–	–	–	–	1,305	–	(34)	1,271	21.7	16.7
Total service revenue	5,394	4,170	3,615	4,568	1,305	4,349	(444)	22,957	5.2	5.9
Acquisition revenue	185	94	269	285	15	170	–	1,018		
Retention revenue	61	84	105	60	–	124	–	434		
Other revenue	114	15	6	135	–	54	–	324		
Total revenue	5,754	4,363	3,995	5,048	1,320	4,697	(444)	24,733	4.7	5.6
Interconnect costs	(732)	(681)	(634)	(862)	(368)	(906)	444	(3,739)	4.9	4.8
Other direct costs	(281)	(241)	(329)	(355)	(187)	(273)	–	(1,666)	6.5	7.0
Acquisition costs	(551)	(172)	(543)	(665)	(147)	(423)	–	(2,501)	1.9	2.7
Retention costs	(410)	(177)	(354)	(455)	-	(356)	–	(1,752)	14.4	15.9
Operating expenses	(1,077)	(822)	(762)	(1,088)	(390)	(1,104)	–	(5,243)	8.1	9.3
Acquired intangibles amortisation	–	–	–	–	–	(2)	–	(2)		
Purchased licence amortisation	(342)	(74)	(69)	(333)	–	(66)	–	(884)		
Depreciation and other amortisation	(865)	(524)	(336)	(592)	(89)	(594)	–	(3,000)		
Share of result in associates	–	–	–	–	–	5	–	5		
Adjusted operating profit	1,496	1,672	968	698	139	978	-	5,951	2.7	3.5
Year ended 31 March 2005										
Voice revenue	4,358	3,492	2,558	3,672	–	3,673	(329)	17,424		

Messaging revenue	774	467	269	671	–	466	(2)	2,645
Data revenue	188	132	136	155	–	119	(31)	699
Fixed line operator and DSL revenue	–	–	–	–	1,090	–	(46)	1,044
Total service revenue	5,320	4,091	2,963	4,498	1,090	4,258	(408)	21,812
Acquisition revenue	186	108	221	322	5	200	–	1,042
Retention revenue	56	60	75	68	–	130	–	389
Other revenue	122	14	2	177	–	56	–	371
Total revenue	5,684	4,273	3,261	5,065	1,095	4,644	(408)	23,614
Interconnect costs	(734)	(701)	(540)	(771)	(334)	(894)	408	(3,566)
Other direct costs	(314)	(232)	(263)	(367)	(119)	(270)	–	(1,565)
Acquisition costs	(534)	(179)	(467)	(710)	(113)	(452)	–	(2,455)
Retention costs	(386)	(134)	(247)	(459)	-	(305)	–	(1,531)
Operating expenses	(1,071)	(747)	(608)	(1,049)	(360)	(1,016)	–	(4,851)
Acquired intangibles amortisation	–	–	–	–	–	–	–	–
Purchased licence amortisation	(342)	(74)	(69)	(333)	–	(65)	–	(883)
Depreciation and other amortisation	(830)	(512)	(292)	(597)	(105)	(634)	–	(2,970)
Adjusted operating profit	1,473	1,694	775	779	64	1,008	–	5,793

Change at constant exchange rates	%	%	%	%	%	%
Voice revenue	(1.3)	(0.7)	20.9	(0.8)	–	0.2
Messaging revenue	5.2	12.7	22.0	0.4	–	9.0
Data revenue	47.0	29.9	43.7	62.6	–	42.9
Fixed line and DSL revenue	–	–	–	–	19.9	–
Total service revenue	1.4	1.8	22.0	1.6	19.9	2.3
Acquisition revenue	–	(12.7)	22.4	(11.5)	187.5	(14.6)
Retention revenue	10.0	41.4	40.2	(11.8)	–	(3.9)
Other revenue	(6.9)	2.6	150.0	(23.7)	–	(3.6)
Total revenue	1.2	2.0	22.6	(0.3)	20.7	1.4
Interconnect costs	(0.3)	(3.1)	17.5	11.8	10.0	1.5

Other direct costs	(10.3)	3.8	25.4	(3.3)	56.6	1.5
Acquisition costs	3.4	(3.9)	16.8	(6.3)	30.3	(5.8)
Retention costs	6.3	32.4	43.8	(0.9)	–	17.5
Operating expenses	0.7	10.1	25.6	3.7	8.1	9.0
Acquired intangibles amortisation	–	–	–	–	–	–
Purchased licence amortisation	–	–	–	–	–	1.5
Depreciation and other amortisation	4.3	2.0	14.8	(0.8)	(14.2)	(5.7)
Adjusted operating profit	1.3	(1.3)	24.6	(10.4)	122.8	(3.4)

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Mobile telecommunications KPIs

		Germany	Italy	Spain	UK	Other	Europe
Closing customers (□000)	2006	29,191	18,490	13,521	16,304	15,692	93,198
	2005	27,223	17,280	11,472	15,324	15,691	86,990
Average monthly ARPU	2006	□23.3	□28.5	□35.6	£24.0	£22.0	
	2005	□24.9	□29.9	□34.5	£25.5	£23.3	
Annualised blended churn (%)	2006	20.2%	18.7%	20.9%	32.1%	24.2%	
	2005	18.3%	17.2%	21.9%	29.7%	24.8%	
Closing 3G devices (□000)	2006	2,025	2,250	902	1,033	1,230	7,440
	2005	358	511	88	190	253	1,400
Voice usage (millions of minutes)	2006	26,787	29,604	23,835	28,059	27,648	135,933
	2005	23,560	28,170	17,793	25,486	24,894	119,903

See page 159 for definition of terms

The Europe region experienced increased competition during the 2006 financial year, with many markets impacted by new market entrants whilst penetration rates were close to, or exceeding, 100% in many of the European markets. Regulator-imposed rate reductions on incoming calls were also announced in all European markets except Albania.

In the Europe region, total revenue increased by 4.7%, or by 5.6% on an organic basis. This was mainly due to a 7.1% increase in the customer base since 31 March 2005, a 13.4% increase in total voice usage and strong data growth, driven by successful usage stimulation programmes and innovative services, partially offset by pressures on pricing and termination rate cuts.

Service revenue increased in the Europe region by 5.2%, or by 5.9% on an organic basis, mainly due to growth in the customer base which was partially offset by a decline in ARPU, with Spain and Arcor achieving particularly strong growth. In Spain, the launch of attractive tariffs, successful promotional campaigns and the offer of an appealing handset portfolio increased the average customer base and encouraged growth of 44.0% in total voice usage, which contributed to a rise in service revenue of 22.0%, in local currency. In Arcor, service revenue increased by 20.7% in local currency due to customer and usage growth, partially offset by tariff decreases in a competitive market.

In Germany, service revenue increased by 1.4% in local currency as the benefits of a larger customer base and increases in messaging and data revenue were partly offset by the effect of termination rate cuts and reduced voice pricing as a result of aggressive competition. In Italy, local currency service revenue rose by 1.8%, reflecting the continuing growth in non-voice services as voice revenue declined marginally following a termination rate cut. Excluding the impact of the termination rate cut, service revenue increased by 5.2% in local currency. In the UK, service revenue increased by 1.6%, benefiting from an increase in the average customer base of 7.8%, partially offset by falling ARPU and the effect of a termination rate cut, notwithstanding a rise in voice usage. Excluding the impact of the termination rate cut, service revenue increased by 3.2% . In Other Europe, service revenue increased by 2.1%, or by 5.4% on an organic basis, mainly driven by Greece where service revenue increased by 9.4% due to

a 13.6% increase in the average customer base, offset by falling ARPU mainly due to a termination rate cut of 16.8% in September 2004, and in Ireland, where service revenue increased by 5.9% due to a 5.9% increase in the average customer base and a 9.2% increase in total voice usage.

Voice revenue

Voice revenue rose by 2.3%, or by 3.2% on an organic basis, with Spain as the main contributor. Spain experienced a 20.9% increase in voice revenue in local currency which was driven by the increase in the customer base and the increase in total voice usage, which was encouraged by the launch of attractive tariffs and successful promotional campaigns, partially offset by the impact of the 10.6% cut in the termination rate in November 2005.

In Germany, voice revenue decreased by 1.3%, driven by a termination rate cut in December 2005 from 13.2 to 11.0 eurocents per minute, and by reduced voice pricing resulting from increasing competition, partly offset by increased voice usage by 13.7% which was driven by new prepaid tariffs,

including a low priced internet only offer, and ongoing promotional activity such as an offer which allowed prepaid customers to pay a fixed charge for calls to fixed lines and other Vodafone customers which was taken up by more than one and a quarter million customers. These offers and promotions also assisted in increasing the average customer base by 8.4%.

In Italy, voice revenue in local currency decreased by 0.7% driven by an average 20.5% reduction in termination rates from September 2005, partly offset by a 5.1% increase in voice usage, which was the result of strong promotional activities such as free calls after the first minute and the increase in the customer base.

In the UK, the effect of the termination rate cut in September 2004 was a decline in voice revenue of 0.8%, although this was partially offset by a rise in total voice usage of 10.1% driven by new customer promotions such as Stop the Clock and a rise in the average customer base of 7.8%.

In Other Europe, voice revenue remained stable as the effect of the sale of the Group□s operations in Sweden was offset by organic growth of 3.4%.

Non-voice revenue

Messaging revenue rose by 7.2%, or 7.6% on an organic basis. The increase was mainly driven by Italy and Spain, where strong promotional activities, which encouraged usage growth, and the increased customer bases, increased messaging revenue by 12.7% and 22.0% respectively.

Data revenue increased by 46.4%, or 48.8% on an organic basis, with the primary driver being the additional 6.0 million 3G devices registered on the Group□s networks in the Europe region since 31 March 2005, bringing the total to 7.4 million devices at 31 March 2006.

In Germany, data revenue increased by 47.0% in local currency, with Vodafone maintaining its leadership in the 3G market, demonstrated by Vodafone live! with 3G customers generating over 3.1 million full track music downloads in the 2006 financial year for Vodafone, more than any other mobile network operator in Germany. The number of active Vodafone live! devices continued to increase, with 28.3% growth in the 2006 financial year. In the business segment, there were 241,000 Vodafone Mobile Connect 3G/GPRS data cards and 226,000 wireless push e-mail enabled devices registered on the network at 31 March 2006.

In Italy, increased penetration of 3G devices, a focus on retaining high value customers, increased usage of Vodafone live! and Vodafone Mobile Connect data cards and attractive data promotions were the main contributors to 29.9% growth in data revenue in local currency.

In Spain, the growth of 43.7% in data revenue in local currency was due to an increase of 814,000 in the number of registered 3G devices and the success of data solutions, which have contributed to Vodafone leading the 3G market in Spain, along with an 84.3% increase in the number of Vodafone live! devices.

In the UK, growth of 843,000 over the financial year in registered 3G devices and the continued success of Vodafone Mobile Connect data cards and

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wireless push e-mail devices contributed to data revenue increasing by 62.6% .

In Other Europe, data revenue increased by 42.9% mainly as a result of increased penetration of data services in Greece, Ireland, the Netherlands and Portugal.

Adjusted operating profit

Adjusted operating profit in the Europe region increased by 2.7%, or by 3.5% on an organic basis, with the disposal of Sweden and foreign exchange movements being the primary differences.

In Germany, overall cost efficiencies, counteracted by investments in customer acquisition and retention and an increase in Group charges for the use of the brand and related trademarks, led to an increase in adjusted operating profit of 1.3% in local currency. Acquisition costs increased by 3.4% due to increased total gross additions and the growth in 3G customers. Interconnect costs decreased by 0.3%, as the termination rate cuts in the 2006 and 2005 financial years more than offset the effect of higher voice usage. An increase in the number of customer upgrades resulted in a 6.3% increase in retention costs. Adjusted operating profit was further impacted by additional depreciation charges from continued 3G network deployment.

In Italy, adjusted operating profit fell by 1.3% in local currency due to the impact of an increase in Group charges for the use of brand and related trademarks, investment in customer acquisition and retention and higher marketing spend in response to the competitive pressures, along with the increased costs from the continued roll out of the 3G network. Strong upgrade activities and a focus on high value customers in response to aggressive competition led to the rise in retention costs, whilst handset promotions adversely impacted acquisition costs, especially in the first half of the 2006 financial year. Interconnect costs fell due to the cut in termination rates combined with promotions focusing on calls to other Vodafone and fixed-line numbers, which incurred lower interconnect costs, especially in the second half of the 2006 financial year. Other direct costs increased 3.8%, primarily as a result of an increase in content provision costs arising from the increase in data service usage.

In Spain, adjusted operating profit increased as a percentage of service revenue, as cost reductions were only partially offset by the impact of the increased Group charge for use of the brand and related trademarks. Interconnect costs fell as a proportion of service revenue, due to promotions which encouraged calls to be made to Vodafone and fixed-line numbers, which incur lower interconnect costs, and the cut in termination rates. A higher proportion of prepaid gross customer additions, which had a lower per unit acquisition cost, particularly in the first half of the 2006 financial year, led to acquisition costs falling as a proportion of service revenue compared to the 2005 financial year. These relative cost reductions were offset by the cost of upgrading customers to 3G handsets, migrating prepaid customers to contract tariffs and a larger customer base, reflected in a 43.8% increase in retention costs. Other direct costs increased, mainly due to increased content provision costs resulting from higher usage of the expanded offering on the Vodafone live! platform.

In the UK, the rise in interconnect costs and the cost of one-off call centre closures, as well as an increase in Group charges for use of the brand and related trademarks, were partially offset by efficiencies in overheads and acquisition and retention costs, leading to a fall in adjusted operating profit of 10.4% .. Interconnect costs increased by 11.8%, following an increase in total usage, combined with an increase in the proportion of voice calls made to customers of other mobile network operators, as customers optimise cross-network bundled tariffs, partially offset by the termination rate cut. Despite higher gross additions and upgrades, especially in the first half of the 2006 financial year, and a higher proportion of 3G connections, acquisition costs decreased by 6.3% and retention costs were kept stable with the 2005 financial year, mainly due to an increase in direct sales activity, SIM only promotions and a higher proportion of prepaid additions with lower subsidies. Operating expenses were lower than the 2005 financial year, excluding one-off call centre closures and the increase in Group charges for use of the brand and related trademarks, driven by the continued benefits of a structured cost reduction plan.

In Other Europe, adjusted operating profit decreased by 3.0%, driven by a decline of 4.1% due to the disposal of the Group□s operations in Sweden, partially offset by a 0.4% favourable movement in exchange rates, and a 0.7% increase in organic adjusted operating profit.

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EMAPA

	Eastern Europe £m	Middle East, Africa & Asia £m	Pacific £m	Associates US £m	Associates Other £m	EMAPA £m	% change £	% change Organic
Year ended 31 March 2006								
Voice revenue	1,176	1,503	957			3,636	52.0	19.3
Messaging revenue	146	91	217			454	62.1	27.8
Data revenue	36	12	38			86	132.4	95.0
Fixed line operator and DSL revenue	–	19	–			19		
Total service revenue	1,358	1,625	1,212			4,195	54.9	20.9
Acquisition revenue	54	147	76			277		
Retention revenue	13	–	1			14		
Other revenue	10	12	46			68		
Total revenue	1,435	1,784	1,335			4,554	52.5	19.4
Interconnect costs	(296)	(251)	(247)			(794)	69.7	31.0
Other direct costs	(77)	(159)	(206)			(442)	48.8	26.2
Acquisition costs	(148)	(198)	(121)			(467)	28.3	6.7
Retention costs	(51)	(48)	(40)			(139)	44.8	10.2
Operating expenses	(335)	(359)	(359)			(1,053)	61.5	24.5
Acquired intangibles amortisation	(121)	(33)	(1)			(155)		
Purchased licence amortisation	(13)	(34)	(16)			(63)		
Depreciation and other amortisation	(218)	(179)	(205)			(602)		
Share of result in associates	–	–	–	1,732	666	2,398		
Adjusted operating profit	176	523	140	1,732	666	3,237	22.4	18.0
Year ended 31 March 2005								
Voice revenue	472	1,064	856			2,392		
Messaging revenue	55	62	163			280		
Data revenue	9	5	23			37		
Fixed line operator and DSL revenue	–	–	–					
Total service revenue	536	1,131	1,042			2,709		
Acquisition revenue	31	126	64			221		
Retention revenue	3	–	1			4		
Other revenue	3	11	39			53		
Total revenue	573	1,268	1,146			2,987		
Interconnect costs	(121)	(174)	(173)			(468)		
Other direct costs	(33)	(113)	(151)			(297)		
Acquisition costs	(98)	(151)	(115)			(364)		
Retention costs	(16)	(55)	(25)			(96)		
Operating expenses	(127)	(240)	(285)			(652)		
Acquired intangibles amortisation	–	–	–			–		

Purchased licence amortisation	(10)	(18)	(7)			(35)
Depreciation and other amortisation	(78)	(142)	(190)			(410)
Share of result in associates	–	–	–	1,354	626	1,980
Adjusted operating profit	90	375	200	1,354	626	2,645

Change at constant exchange rates	%	%	%	%	%
Voice revenue	142.0	35.3	6.0		
Messaging revenue	156.1	40.0	26.2		
Data revenue	300.0	140.0	58.3		
Fixed line operator and DSL revenue	–	–	–		
Total service revenue	146.0	37.6	10.3		
Acquisition revenue	74.2	14.0	11.8		
Retention revenue	333.3	–	–		
Other revenue	233.3	–	9.5		
Total revenue	143.6	34.9	10.3		
Interconnect costs	138.7	38.7	35.7		
Other direct costs	133.3	33.6	29.6		
Acquisition costs	48.0	29.4	–		
Retention costs	200.0	(14.3)	48.1		
Operating expenses	157.7	44.2	19.3		
Acquired intangibles amortisation	–	–	–		
Purchased licence amortisation	30.0	78.9	128.6		
Depreciation and other amortisation	175.9	20.1	2.0		
Adjusted operating profit	83.3	32.1	(32.9)	23.9	7.8

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Operating Results
continued

Mobile telecommunications KPIs

	2006				2005			
	Eastern Europe	Middle East, Africa & Asia	Pacific	EMAPA	Eastern Europe	Middle East, Africa & Asia	Pacific	EMAPA
Closing customers (□000)	12,579	21,884	5,346	39,809	4,188	10,560	4,698	19,446
Average monthly ARPU	£10.8	£9.0	£19.7		£11.7	£10.7	£19.6	
Annualised blended churn (%)	23.6%	34.6%	39.2%		24.3%	23.3%	36.7%	
Closing 3G devices (□000)	135	–	281	416	–	–	–	–
Voice usage (millions of minutes)	13,302	18,300	9,811	41,413	4,500	11,658	7,078	23,236

See page 159 for definition of terms

The EMAPA region continued to grow strongly due to a combination of a focus on existing operations where the potential for creating additional value is strong, as well as the contribution of stake increases in South Africa and Romania and acquisitions during the 2006 financial year in India and the Czech Republic.

Revenue

Total revenue increased by 52.5%, or by 19.4% on an organic basis, driven by organic service revenue growth of 20.9% . The stake increases in Romania and South Africa and the acquisitions in India and the Czech Republic increased reported total revenue by 26.5%, while favourable exchange rates increased total revenue growth by 6.6%.

Eastern Europe

The key drivers behind the growth in service revenue in Eastern Europe were the acquisitions in the Czech Republic and the increase in the Group□s stake in Romania. On an organic basis, service revenue growth of 25.7% was achieved, primarily due to strong service revenue growth of 39.0% in local currency in Romania, which assumes the Group□s increased equity interest was reflected in the whole of the 2006 and 2005 financial years.

Middle East, Africa and Asia

Service revenue growth was 43.7%, or 26.0% on an organic basis. The increased stake in South Africa and the acquisition in India were responsible for an 11.6% increase in service revenue. The organic increase was predominantly a result of a rise in the average prepaid customer base of 82.0% in Egypt, which was driven by new innovative tariffs improving access and affordability in the market place, and resulted in service revenue growth in Egypt of 36.2% . Organic growth in South Africa was 21.8%, mostly a result of significant prepaid additions which contributed to an increase in total voice usage of 23.6%.

Pacific

Service revenue growth was 16.3%, or 10.3% on an organic basis. In Australia the popularity of the capped plans had resulted in a significant 49.0% increase in total voice usage and an increase in its customer base of 16.0%, resulting in local currency service revenue growth of 11.8% . 3G services were launched on 31 October 2005, with strong uptake resulting in 171,000 consumer 3G devices being registered on the network by 31 March 2006.

New Zealand achieved service revenue growth of 8.5%, driven by a 12.3% growth in the average customer base, due principally to the launch of competitive promotions during the 2006 financial year. 3G services were launched on 10 August 2005, with 103,000 3G devices registered by the end of the financial year.

Adjusted operating profit

Adjusted operating profit increased by 22.4%, or by 18.0% on an organic basis. Favourable exchange rates increased growth by 3.5%, while the impact of the increased stakes in Romania and South Africa and the acquisitions in India and the Czech Republic increased growth by 0.9%.

Eastern Europe

Adjusted operating profit increased by 95.6%, or by 30.5% on an organic basis. The acquisition in the Czech Republic and the increased stake in Romania contributed 52.8% of the growth in the region, whereas the

organic increase was a consequence of the rapid growth in the Group□s operations in Eastern Europe.

Middle East, Africa and Asia

Adjusted operating profit increased by 39.5%, or by 31.8% on an organic basis. This increase was largely a result of the growth experienced in Egypt and South Africa. In the Middle East, Africa and Asia region, total costs fell to 69.0% of total revenue compared to 71.0% in the 2005 financial year.

Pacific

Adjusted operating profit in the Pacific region declined by 30.0% largely due to increased competition in Australia, where the launch of capped price plans led to a large increase in voice usage which impacted interconnect costs. Additionally, higher depreciation and purchased licence amortisation charges were incurred during the year ended 31 March 2006 due to the launch of 3G services in Australia and New Zealand.

Associates

	2006			% change	
Share of result of associates	Verizon Wireless £m	Other £m	Total £m	£	Verizon Wireless $
Operating profit	2,112	1,010	3,122	25.5	21.5
Interest	(204)	(23)	(227)	9.1	5.4
Tax	(116)	(329)	(445)	27.5	22.5
Minority interest	(60)	8	(52)	17.6	14.9
	1,732	666	2,398	27.9	23.8

	2005		
Share of result of associates	Verizon Wireless £m	Other £m	Total £m
Operating profit	1,683	985	2,668
Interest	(187)	(10)	(197)
Tax	(91)	(357)	(448)
Minority interest	(51)	8	(43)
	1,354	626	1,980

The US mobile telecommunications market saw continued significant growth in customer numbers in the 2006 financial year, with penetration reaching an estimated 72% at 31 March 2006. In this environment, Verizon Wireless continued to increase its market share and improve its market leading margin performance.

Verizon Wireless outperformed its competitors with record net additions, increasing the proportionate customer base by 16.6% over the 2006 financial year to 23,530,000 and improving customer market share to approximately 25% whilst also maintaining the proportion of contract customers at 94.5% of the total customer base at 31 March 2006. The strong customer performance benefited from continuing improvements in customer loyalty, with a reduction in blended churn of 2.5 percentage points to 14.7% compared with the 2005 financial year, the lowest in the US mobile telecommunications industry.

In local currency, Verizon Wireless revenue increased by 14.9% due to the strong customer growth, partially offset by a fall in ARPU of 1.9% . The ARPU decline primarily resulted from an increase in the proportion of family share customers and voice tariff pricing changes implemented early in 2005, which included increases in the size of bundled minute plans.

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Non-voice service revenue increased by more than 100% compared with the 2005 financial year and represented 8.9% of service revenue for the 2006 financial year. Continued increases in messaging revenue were augmented by strong growth from data products, including Verizon Wireless consumer broadband multimedia offering, wireless email and broadband data card service. At the end of the 2006 financial year, Verizon Wireless next-generation EV-DO network was available to about 150 million people, approximately half the US population. This investment paved the way for the launch of innovative new data services in areas such as full track music downloads and location based services.

In local currency, the Groups share of Verizon Wireless operating profit increased by 21.5%, driven by revenue growth and a leading cost efficiency position in the US market. The Groups share of the tax attributable to Verizon Wireless of £116 million for the year ended 31 March 2006 relates only to the corporate entities held by the Verizon Wireless partnership. The tax attributable to the Groups share of the partnerships pre-tax profit is included within the Group tax charge.

Vodafone and Verizon Wireless were engaged in a number of joint projects, predominantly focusing upon bringing global services to their customers. The 2006 financial year saw the introduction of two new data roaming services for Verizon Wireless customers, in addition to the launch of new handsets for the global phone proposition, all of which leverage the Vodafone footprint.

Verizon Wireless continued to strengthen its spectrum position with the completion of the purchase of several key spectrum licences, including licences from Nextwave, Leap Wireless and Metro PCS and through participation in the FCCs Auction 58, which took place in February 2005, with licences being granted in May 2005.

The other associates in the EMAPA region achieved growth of 6.4% in the share of results of associates which was primarily driven by SFR, the Groups associated undertaking in France, which reported strong growth in revenue and operating profit, principally as a result of an 8.1% increase in average customers compared with the 2005 financial year. Usage of both voice and non-voice services increased in the year and SFR had a total of 5,268,000 Vodafone live! customers at 31 March 2006. SFR continues to grow its 3G base and at 31 March 2006 had registered 1,352,000 3G devices on its network. On 30 November 2005, the French competition authority fined SFR 220 million for engaging in anti-competitive agreements that distorted market competition.

Investments

China Mobile, in which the Group has a 3.27% stake, and is accounted for as an investment, grew its customer base by 21.9% in the year to 260.6 million at 31 March 2006. Dividends of £41 million were received in the 2006 financial year.

Common Functions

	2006 £m	2005 £m	Change %
Revenue	145	123	17.9
Adjusted operating profit/(loss)	211	(85)	

Common functions include the results of Partner Markets and unallocated central Group costs and charges. Adjusted operating profit increased primarily due to a revision of the charges made to Vodafone operating companies for the use of the Vodafone brand and related trademarks which took effect from 1 April 2005.

US GAAP Reconciliation

The principal differences between US GAAP and IFRS, as they relate to the Consolidated Financial Statements, are

the accounting for goodwill and intangible assets before 29 September 2004, the accounting for income taxes, the capitalisation of interest and the timing of recognition of connection revenue and expenses.

In the year ended 31 March 2007, revenue from continuing operations under US GAAP was £25,359 million compared with revenue from continuing operations under IFRS of £31,104 million for the same period. The difference relates to the equity accounting of Vodafone Italy under US GAAP compared to proportionate consolidation under IFRS and the release of connection revenue deferred prior to the adoption of EITF 00-21 on 1 October 2003, which is required to be recognised over the period a customer is expected to remain connected to the network under US GAAP.

Net loss under US GAAP for the year ended 31 March 2007 was £4,325 million, compared with a loss for the financial year under IFRS of £5,297 million for the same period. The lower net loss under US GAAP was mainly driven by higher amortisation charges of other intangible assets and share of results in equity method investments, more than offset by income taxes and the reversal of impairment losses.

The reconciliation of the differences between IFRS and US GAAP is provided in note 38 to the Consolidated Financial Statements.

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Financial Position and Resources

Balance Sheet

	2007 £m	2006 £m	Change %
Non-current assets			
Intangible assets	**56,272**	69,118	(18.6)
Property, plant and equipment	**13,444**	13,660	(1.6)
Investments in associated undertakings	**20,227**	23,197	(12.8)
Other non-current assets	**6,861**	2,639	160.0
	96,804	108,614	(10.9)
Current assets	**12,813**	7,532	70.1
Assets included in disposal group held for sale		10,592	
Total assets	**109,617**	126,738	(13.5)
Total equity	**67,293**	85,312	(21.1)
Liabilities			
Borrowings			
Long term	**17,798**	16,750	6.3
Short term	**4,817**	3,448	39.7
Taxation liabilities			
Deferred tax liabilities	**4,626**	5,670	(18.4)
Current taxation liabilities	**5,088**	4,448	14.4
Other non-current liabilities	**954**	951	0.3
Other current liabilities	**9,041**	7,616	18.7
	42,324	38,883	8.8
Liabilities included in disposal group held for sale		2,543	
Total equity and liabilities	**109,617**	126,738	(13.5)

Non-current assets

Intangible assets

At 31 March 2007, the Group's intangible assets were £56.3 billion, with goodwill comprising the largest element at £40.6 billion (2006: £52.6 billion). The balance has decreased from £69.1 billion at 31 March 2006 mainly as a result of an £11.6 billion impairment charge in the 2007 financial year in respect of the carrying value of goodwill of Germany and Italy. Refer to note 10 to the Consolidated Financial Statements for further information on the impairment losses.

Property, plant and equipment

Property, plant and equipment decreased from £13.7 billion at 31 March 2006 to £13.4 billion at 31 March 2007, predominantly as a result of £3.4 billion of additions and a £0.2 billion increase due to acquisitions during the year, more than offset by £3.0 billion of depreciation charges, £0.5 billion of unfavourable foreign exchange movements,

a £0.3 billion decrease to the change in the consolidation status in Bharti in India, and £0.1 billion due to disposals.

Investments in associated undertakings

The Group's investments in associated undertakings decreased from £23.2 billion at 31 March 2006 to £20.2 billion at 31 March 2007, as a result of the £2.6 billion impact of the disposals of the Group's associated undertakings in Belgium and Switzerland during the 2007 financial year, unfavourable foreign exchange movements of £2.3 billion and £0.8 billion of dividends received, partly offset by the £2.7 billion increase from the Group's share of the results of its associates after the deductions of interest, tax and minority interest.

Other non-current assets

Other non-current assets mainly relates to other investments held by the Group, which totalled £5.9 billion at 31 March 2007 compared to £2.1 billion at 31 March 2006. The movement primarily represents a £1.6 billion increase

due to the change in consolidation status of the Group's investment in Bharti Airtel in India, an increase of £1.0 billion in the listed share price of China Mobile in which the Group has an equity investment, and investments in SoftBank, which arose on the disposal of Vodafone Japan.

Current assets

Current assets increased to £12.8 billion at 31 March 2007 from £7.5 billion at 31 March 2006, mainly as a result of increased cash holdings pending the completion of the Hutchison Essar acquisition.

Equity shareholders' funds

Total equity shareholders' funds decreased from £85.3 billion at 31 March 2006 to £67.3 billion at 31 March 2007. The decrease comprises primarily of redemptions under the B share scheme of £9.0 billion, equity dividends of £3.6 billion and the loss for the year of £5.3 billion. The decrease in equity resulting from the impact of unfavourable exchange rate movements was partly offset by unrealised holding gains on other investments discussed above.

Borrowings

Long term borrowings and short term borrowings increased to £22.6 billion from £20.2 billion mainly as a result of funding required for the completion of the Hutchison Essar acquisition.

Taxation liabilities

The deferred tax liability decreased from £5.7 billion at 31 March 2006 to £4.6 billion at 31 March 2007, which together with the £0.3 billion increase in deferred tax assets, arose mainly from a £0.7 billion tax credit to the income statement, a net £0.3 billion in relation to discontinued and deconsolidated operations, and £0.4 billion of favourable foreign exchange movements. Refer to note 6 of the Consolidated Financial Statements for further details.

Contractual Obligations

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.

		Payments due by period £m			
Contractual obligations[1][2]	Total	<1 year	1-3 years	3-5 years	>5 years
Borrowings[3]	29,824	5,712	7,005	4,573	12,534
Operating lease commitments[4]	3,775	718	1,009	688	1,360
Capital commitments[4][5]	1,149	827	235	42	45
Purchase commitments[4]	1,281	885	261	110	25
Total contractual cash obligations[1]	36,029	8,142	8,510	5,413	13,964

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 investments, and dividends to minority shareholders"). Disclosures required by Financial Accounting Standards Board ("FASB") Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", are provided in note 31 to the Consolidated Financial Statements. The table also excludes deferred tax liabilities and obligations under post employment benefit schemes, details of which are provided in notes 6 and 25 to the Consolidated Financial Statements, respectively.
(2) On 8 May 2007, the Group acquired companies with interests in Hutchison Essar. See page 136 for further details.
(3) See note 24 to the Consolidated Financial Statements.
(4) See note 30 to the Consolidated Financial Statements.
(5) Primarily related to network infrastructure.

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Contingencies

Details of the Group's contingent liabilities are included in note 31 of the Consolidated Financial Statements.

A number of Vodafone subsidiaries acquired 3G licences through auctions in 2000 and 2001. An appeal was filed by Vodafone Group Services Limited on behalf of Vodafone Limited, along with appeals filed by other UK mobile network operators which were granted a 3G licence, with the VAT and Duties Tribunal on 18 October 2003 for recovery of VAT on the basis that the amount of the licence fee was inclusive of VAT. The amount claimed by Vodafone Limited is approximately £888 million. In August 2004, these claims were referred, jointly, to the ECJ and a hearing took place on 7 February 2006. On 7 September 2006, the Advocate General's opinion was released rejecting Vodafone's claim. Whilst the Advocate General's decision is not binding on the ECJ it is likely it will follow his opinion. A decision by the ECJ is expected this year. The Group has not recognised any amounts in respect of this matter to date. In addition, the Group has made claims for recovery of VAT in relation to 3G licence fees in other European jurisdictions.

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 2007 financial year, proposed, in respect of each financial year, indicated both in pence per ordinary share and translated, solely for convenience, into cents per ordinary share at the Noon Buying Rate on each of the respective payment dates for such interim and final dividends.

	Pence per ordinary share			Cents per ordinary share		
Year ended 31 March	Interim	Final	Total	Interim	Final	Total
2003	0.7946	0.8983	1.6929	1.2939	1.4445	2.7384
2004	0.9535	1.0780	2.0315	1.7601	1.9899	3.7500
2005	1.91	2.16	4.07	3.60	4.08	7.68
2006	2.20	3.87	6.07	3.83	6.73	10.56
2007	**2.35**	**4.41(1)**	**6.76**	**4.61**	**8.68(1)**	**13.28**

Note:

(1) The final dividend for the year was proposed on 29 May 2007 and is payable on 3 August 2007 to holders of record as of 8 June 2007. This dividend has been translated into US dollars at the Noon Buying Rate at 30 March 2007 for ADS holders, but will be payable in US dollars under the terms of the ADS depository agreement.

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 Board of directors expect that the Company will continue to pay dividends semi-annually. In November 2006, the directors announced an interim dividend of 2.35 pence per share, representing a 6.8% 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.

Accordingly, the directors announced a final dividend of 4.41 pence per share, representing a 14.0% increase on last year's final dividend.

The Board remains committed to its existing policy of distributing 60% of adjusted earnings per share by way of dividend but, in recognition of the earnings dilution arising from the acquisition of Hutchison Essar, it has decided

that it will target modest increases in dividend per share in the near term until the payout ratio returns to 60%.

Cash dividends, if any, will be paid by the Company in respect of ordinary shares in pounds sterling or, to holders of ordinary shares with a registered

address in a country which has adopted the euro as its national currency, in euro, unless shareholders wish to elect to continue to receive dividends in sterling, are participating in the Company's Dividend Reinvestment Plan, or have mandated their dividend payment to be paid directly into a bank or building society account in the United Kingdom. In accordance with the Company's Articles of Association, the sterling: euro exchange rate will be determined by the Company shortly before the payment date.

The Company will pay the ADS Depositary, The Bank of New York, its dividend in US dollars. The sterling: US dollar exchange rate for this purpose will be determined by the Company shortly before the payment date. Cash dividends to ADS holders will be paid by the ADS Depositary in US dollars.

Liquidity and Capital Resources

Cash flows

The major sources of Group liquidity for the 2007 and 2006 financial years were cash generated from operations, dividends from associated undertakings, borrowings through short term and long term issuances in the capital markets and, particularly in the 2007 financial year, investment and business disposals. 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. Additionally, the Group has a put option in relation to its interest in Verizon Wireless which, if exercised, could provide a material cash inflow. Please see "Option agreements and similar arrangements" at the end of this section.

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 development of new services and networks, licences 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 "Performance – Risk Factors, Seasonality and Outlook", on pages 58 to 60. In particular, the Group anticipates a significant increase in cash tax payments and associated interest payments over the next two years due to the resolution of 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 Albania, Egypt and Turkey) are transferred to the centralised treasury department through repayment of borrowings, deposits and dividends. These are then on-lent or contributed as equity to fund Group operations, used to retire external debt or invested externally.

Increase in cash in the year

During the 2007 financial year, the Group decreased its net cash inflow from operating activities by 12.8% to £10,328 million, including £10,193 million from continuing operations. The Group generated £6,127 million of free cash flow from continuing operations, a reduction of 4.5% on the previous financial year, and experienced an additional outflow of £8 million from discontinued operations. Free cash flow from continuing operations decreased from the prior financial year due to an increase in capital expenditure and higher interest payments.

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Financial Position and Resources
continued

	2007 £m	2006 £m
Net cash flows from operating activities	**10,328**	11,841
Continuing operations	**10,193**	10,190
Discontinued operations	**135**	1,651
Taxation	**2,243**	1,682
Purchase of intangible fixed assets	**(899)**	(690)
Purchase of property, plant and equipment	**(3,633)**	(4,481)
Disposal of property, plant and equipment	**34**	26
Operating free cash flow	**8,073**	8,378
Taxation	**(2,243)**	(1,682)
Dividends from associated undertakings	**791**	835
Dividends paid to minority shareholders in subsidiary undertakings	**(34)**	(51)
Dividends from investments	**57**	41
Interest received	**526**	319
Interest paid	**(1,051)**	(721)
Free cash flow	**6,119**	7,119
Continuing operations	**6,127**	6,418
Discontinued operations	**(8)**	701
Net cash inflow/(outflow) from acquisitions and disposals	**7,081**	(3,587)
Other cash flows from investing activities	**(92)**	(56)
Equity dividends paid	**(3,555)**	(2,749)
Other cash flows from financing activities	**(4,712)**	(1,555)
Increase/(decrease) in cash in the year	**4,841**	(828)

Capital expenditure

During the 2007 financial year, £3,633 million was spent on property, plant and equipment, a decrease of 18.9% from the previous financial year.

The net cash outflow in intangible assets increased from £690 million in the previous financial year to £899 million in the current financial year, with the largest element being expenditure on computer software.

Dividends from associated undertakings and investments, and dividends 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 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 was an amount of £328 million (2006: £195 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 and, in the absence of additional distributions above the level of tax distributions during this period, will result in a net cash outflow for the Group. Under the terms of the partnership agreement, the board of directors has no obligation to provide for additional distributions above the level of the tax distributions. It is the current expectation that Verizon Wireless will continue to re-invest free cash flow in the business and reduce indebtedness.

During the year ended 31 March 2007, cash dividends totalling £450 million (2006: £511 million) were received from SFR in accordance with the shareholders' agreement.

Verizon Communications Inc. ('Verizon Communications') 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 would not impair the financial condition or prospects of Vodafone Italy including, without limitation, its credit rating. Vodafone Italy's board of directors is considering the level of a dividend that may be paid during the 2008 financial year. No dividends were or have been proposed or paid by Vodafone Italy during or since the year ended 31 March 2007.

The Hutchison Essar shareholders' agreement provides for the payment of dividends to minority partners under certain circumstances (see page 136 for further details on the Hutchison Essar acquisition).

Acquisitions and disposals

The Group received a net £6,989 million cash and cash equivalents from acquisition and disposal activities, including a net cash outflow of £92 million from the purchase and disposal of investments, in the year to 31 March 2007. The acquisitions are described in more detail under 'Business – Business Overview – How We Developed'.

An analysis of the main transactions in the 2007 financial year, including the changes in the Group's effective shareholding, is shown below:

	£m
Acquisitions:	
Telsim Mobil Telekomunikasyon Hizmetleri (from nil to 100% of trade and assets)	(2,569)
Disposals:	
Vodafone Japan (from 97.7% to nil)[1]	6,810
Belgacom Mobile (25% to nil)	1,343
Swisscom Mobile (25% to nil)	1,776
Other net acquisitions and disposals, including investments[1]	(371)
Total	6,989

Note:
(1) Amounts are shown net of cash and cash equivalents acquired or disposed.

On disposal of Vodafone Japan to SoftBank on 27 April 2006, the Group received non-cash consideration with a fair value of approximately ¥0.23 trillion (£1.1 billion), comprised of preferred equity and a subordinated loan. Softbank also assumed external debt of approximately ¥0.13 trillion (£0.6 billion).

In December 2006, the subordinated loan was partly repaid by SoftBank, with the remaining portion refinanced with a new subordinated loan, and the terms of the preferred equity were improved. As a result of this refinancing, the Group recorded a gain of £86 million, which is reported in investment income.

Special distribution of £9 billion

On 17 March 2006, following the announcement of the sale of Vodafone Japan, the Group stated that it would make a special distribution to shareholders of approximately £6 billion. Consistent with the Group's strategy of targeting a

low single A credit rating over the long term, on 30 May 2006 the Group announced that it would return a further £3 billion to shareholders, resulting in a total distribution of approximately £9 billion in the form of a B share arrangement.

The B share arrangement was approved at an Extraordinary General Meeting of the Company on 25 July 2006. Payment in respect of redemption of the B share arrangement was made in August 2006 and February 2007 and all but £20 million of the total amount payable had been settled as at

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31 March 2007. During such time that the remaining B shares are outstanding, they will accrue a non-cumulative dividend at the rate of 75% of sterling LIBOR, payable semi-annually in arrears until redemption. The Company has the right to redeem all remaining B shares by 5 August 2008.

Other returns

As a result of targeting a lower credit rating in May 2006 and the £9 billion special distribution, the Group has no current plans for further share purchases or other one-off shareholder returns. The Board will periodically review the free cash flow, anticipated cash requirements, dividends, credit profile and gearing of the Group and consider additional shareholder returns.

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. Whilst held in treasury, no voting rights or pre-emption rights accrue and no dividends are paid in respect of treasury shares. Treasury shares may be sold for cash, transferred (in certain circumstances) for the purposes of an employee share scheme, or cancelled. If treasury shares are sold, such sales are deemed to be a new issue of shares and will accordingly count towards the 5% of share capital which the Company is permitted to issue on a non pre-emptive basis in any one year as approved by its shareholders at the AGM. The proceeds of any sale of treasury shares up to the amount of the original purchase price, calculated on a weighted average price method, is attributed to distributable profits which would not occur in the case of the sale of non-treasury shares. Any excess above the original purchase price must be transferred to the share premium account. The Company did not repurchase any of its own shares, between 1 April 2006 and 31 March 2007.

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 2006	6,133	8,198
Consolidation of shares	(762)	
Re-issue of shares	(120)	(151)
31 March 2007	5,251	8,047

Funding

The Group's consolidated net debt position for continuing operations is as follows:

	2007 £m	2006 £m
Cash and cash equivalents (as presented in the consolidated cash flow statement)	**7,458**	2,932
Bank overdrafts	**23**	18
Cash and cash equivalents for discontinued operations		(161)
Cash and cash equivalents (as presented in the consolidated balance sheet)	**7,481**	2,789

Trade and other receivables[(1)]	**304**	310
Trade and other payables[(1)]	**(219)**	(219)
Short term borrowings	**(4,817)**	(3,448)
Long term borrowings	**(17,798)**	(16,750)
	(22,530)	(20,107)
Net debt as extracted from the consolidated balance sheet	**(15,049)**	(17,318)

Note:
(1) Trade and other receivables and payables include certain derivative financial instruments (see notes 17 and 27 to the Consolidated Financial Statements).

At 31 March 2007, the Group had £7.5 billion of cash and cash equivalents, with the increase since 31 March 2006 being due to the funding requirements in relation to the completion of the Hutchison Essar transaction, which occurred on 8 May 2007. 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 2007 were money market funds, commercial paper and bank deposits.

Net debt decreased to £15,049 million, from £17,318 million at 31 March 2006, principally as a result of the cash flow items noted above, partly offset by equity dividend payments and £367 million of adverse foreign exchange movements. This represented approximately 16% of the Group's market capitalisation at 31 March 2007 compared with 24% at 31 March 2006. Average net debt at month end accounting dates over the 12 month period ended 31 March 2007 was £15,631 million, and ranged between £9,835 million and £20,229 million during the year.

Consistent with the development of its strategy, the Group targets low single A long term credit ratings, with its current credit ratings being P-2/F2/A-2 short term and Baa1 stable/A- stable/A- stable long term from Moody's, Fitch Ratings and Standard & Poor's respectively. Following the acquisition of Hutchison Essar, Moody's downgraded their long term credit rating for the Group from A3 to Baa1 on 16 May 2007. 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.

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.

Commercial paper programmes

The Group currently has US and euro commercial paper programmes of $15 billion and £5 billion, respectively, which are available to be used to meet short term liquidity requirements. At 31 March 2007, $26 million (£13 million) was drawn under the US commercial paper programme and €1,531 million (£1,040 million) and £50 million were drawn under the euro commercial paper programme. At 31 March 2006, $696 million (£400 million) was drawn under the US commercial paper programme and $80 million (£46 million) and £285 million were drawn under the euro commercial paper programme. The commercial paper facilities were supported by $10.9 billion (£5.6 billion) of committed bank facilities (see "Committed facilities" below), comprised of a $5.9 billion Revolving Credit Facility that matures on 24 June 2009 and a $5.0 billion Revolving Credit Facility that matures on 22 June 2012. At 31 March 2007 and 31 March 2006, no amounts had been drawn under either bank facility. On 8 May 2007, the Group's $5.9 billion Revolving Credit Facility was extended to $6.1 billion and the $5.0 billion Revolving Credit Facility was extended to $5.2 billion.

Bonds

The Group has a €25 billion Euro Medium Term Note programme and a $12 billion US shelf programme, which are used to meet medium to long term funding requirements. At 31 March 2007, the total amounts in issue under these programmes split by currency were $16.5 billion, £1.5 billion, €9.3 billion and AUD 0.3 billion.

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Financial Position and Resources
continued

In the year to 31 March 2007, bonds with a nominal value of £4.2 billion 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	Currency	Amount Million	US shelf/Euro Medium Term Note (EMTN) programme
14 June 2006	14 June 2016	EUR	300	EMTN
14 June 2006	13 January 2012	EUR	1,000	EMTN
10 August 2006	10 January 2013	AUD	265	EMTN
29 August 2006	13 January 2012	EUR	300	EMTN
5 September 2006	5 September 2013	EUR	850	EMTN
27 November 2006	14 June 2016	EUR	200	EMTN
30 January 2007	30 January 2009	EUR	300	EMTN
5 February 2007	5 February 2009	EUR	150	EMTN
15 February 2007	15 February 2010	EUR	300	EMTN
27 February 2007	27 February 2012	USD	500	US shelf
27 February 2007	27 February 2012	USD	500	US shelf
27 February 2007	27 February 2017	USD	1,300	US shelf
27 February 2007	27 February 2037	USD	1,200	US shelf

At 31 March 2007, the Group had bonds outstanding with a nominal value of £17,101 million.

On 31 May 2007 the Company agreed to issue €1,250m of bonds due on 6 June 2014 and €500m of bonds due on 6 June 2022 under the Euro Medium Term Note programme. The bonds were issued on 6 June 2007.

Committed facilities

The following table summarises the committed bank facilities available to the Group at 31 March 2007:

Committed Bank Facilities	Amounts drawn
24 June 2004 $5.9 billion Revolving Credit Facility, maturing 24 June 2009.	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 $5.0 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.

Under the terms and conditions of the $10.9 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. The facility agreements provide for certain structural changes that do not affect the obligations of the Company to be specifically excluded from the definition of a change of control. This is in addition to the rights of lenders to cancel their commitment if the Company has committed an event of default.

Substantially the same terms and conditions apply in the case of Vodafone Finance K.K.s ¥258.5 billion term credit facility, although the change of control provision is applicable to any guarantor of borrowings under the term credit facility. As of 31 March 2007, the Company was the sole guarantor.

The terms and conditions of the 0.4 billion loan facility are similar to those of the $10.9 billion committed bank facilities, with the addition that, should the Groups 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.

Furthermore, two of the Groups 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. Vodafone Egypt has a partly drawn (EGP 1 billion (£89 million)) syndicated bank facility of EGP 3 billion (£268 million) that matures in March 2014. Vodafone Romania has a fully drawn 156 million (£106 million) syndicated bank facility that matures at various dates up to October 2010.

In aggregate, the Group has committed facilities of approximately £7,982 million, of which £5,842 million was undrawn and £2,140 million was drawn at 31 March 2007. On 8 May 2007, the Groups $5.9 billion Revolving Credit Facility was extended to $6.1 billion and the $5.0 billion Revolving Credit Facility was extended to $5.2 billion.

The Group believes that it has sufficient funding for its expected working capital requirements. Further details regarding the maturity, currency and interest rates of the Groups gross borrowings at 31 March 2007 are included in note 24 of 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 24 to the Consolidated Financial Statements. Details of the Groups treasury management and policies are included within note 24 to the Consolidated Financial Statements.

Option agreements and similar arrangements

Potential cash inflows

As part of the agreements entered into upon the formation of Verizon Wireless, the Company entered into an Investment Agreement with Verizon Communications, formerly Bell Atlantic Corporation, and Verizon Wireless. Under this agreement, dated 3 April 2000, the Company has the right to require Verizon Communications or Verizon Wireless to acquire interests in the Verizon Wireless partnership from the Company with an aggregate market value of up to $20 billion during certain periods up to August 2007, dependent on the value of the Companys 45% stake in Verizon Wireless. This represents a potential source of liquidity to the Group.

Exercise of the option could have occurred in either one or both of two phases. The Phase I option expired in August 2004 without being exercised. The Phase II option may be exercised during the period commencing 30 days before and ending 30 days after 10 July 2007. Similar arrangements for 10 July 2006 expired unexercised. The Phase II option also limits the aggregate amount paid to $20 billion and caps the payments under single exercises to $10 billion. Determination of the market value of the Companys interests will be by mutual agreement of the parties to the transaction or, if no such agreement is reached within 30 days of the

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valuation date, by appraisal. If an initial public offering takes place and the common stock trades in a regular and active market, the market value of the Company's interest will be determined by reference to the trading price of common stock.

In conjunction with the acquisition of Hutchison Essar, the Group entered into a share sale and purchase agreement with a Bharti group company regarding the Group's 5.60% direct shareholding in Bharti Airtel. On 9 May 2007, a Bharti group company irrevocably agreed to purchase this shareholding and the Group expects to receive $1.6 billion in cash consideration for such shareholding by November 2008. The shareholding will be transferred in two tranches, the first before 31 March 2008 and the second by November 2008. Following the completion of this sale, the Group will continue to hold an indirect stake of 4.39% in Bharti Airtel.

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 $0.9 billion.

In respect of Arcor, the Group's non-mobile operation in Germany, the capital structure provides all partners, including the Group, the right to withdraw capital from 31 December 2026 onwards and this right in relation to the minority partners has been recognised as a financial liability.

During the year, the Group entered into an agreement with the Essar Group, conditional on the completion of the Group's acquisition of a controlling stake in Hutchison Essar. Under this agreement, the Essar Group was granted two put options over its interest in Hutchison Essar that may result in significant cash outflows for the Group (see page 136).

Off-balance sheet arrangements

The Group does not have any material off-balance sheet arrangements, as defined by the SEC. Please refer to notes 30 and 31 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.

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Risk Factors, Seasonality and Outlook

Risk Factors

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

Because 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 'Business – Regulation'.

Increased competition may reduce market share or revenue.

The Group faces intensifying competition. Competition could lead to a reduction in the rate at which the Group adds new customers and to a decrease in the size of the Group's market share 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.

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.

Expected benefits from cost reduction initiatives may not be realised.

The Group has entered into several cost reduction initiatives principally relating to 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.

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 revenues 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 IFRS and licences under US GAAP, 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. Whilst impairment does not impact reported cash flows, it does result in a non-cash charge on the 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 'Performance – Critical Accounting Estimates'.

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 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.

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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 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 commercially these new services, 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.

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 radiowaves 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 31 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 radiowave 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 their network infrastructure and related support services from third party suppliers. The removal from the market of one or more of these third party suppliers would adversely affect the Group's operations and could result in additional capital expenditures by the Group.

Seasonality

The Group's financial results have not, historically, been subject to significant seasonal trends.

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Risk Factors, Seasonality and Outlook
continued

Outlook

The measures presented in the Group's outlook have been derived from amounts calculated in accordance with IFRS but are not themselves IFRS measures. Further disclosures are provided in "Performance – Non-GAAP Information" on pages to 62 to 63 and below for proportionate measures.

2007 financial year

The following sets out the outlook provided by the Group in respect of the 2007 financial year and the Group's actual performance:

	2007 Actual Performance	2007 Outlook
Free cash flow	£6.1 billion[1]	£4.7 to £5.2 billion
Capitalised fixed asset additions	£4.2 billion	£4.2 to £4.6 billion

Note:
(1) Amount includes £0.5 billion benefit from timing differences and the deferral of payments originally expected in the year and is stated after £0.4 billion of tax payments, including associated interest, in respect of a number of long standing tax issues.

2008 financial year

The following sets out the Group's outlook for the 2008 financial year:

	2008 Outlook(1)(2)
Revenue growth	£33.3 billion to £34.1 billion
Adjusted operating profit	£9.3 billion to £9.8 billion
Capitalised fixed asset additions	£4.7 billion to £5.1 billion
Free cash flow	£4.0 billion to £4.5 billion

Notes:
(1) This Outlook section contains forward looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Please refer to "Cautionary Statement Regarding Forward-Looking Statements" set out on page 61.
(2) Includes assumption of average foreign exchange rates for the 2008 financial year of approximately Euro 1.47:£1 and US$1.98:£1. A substantial majority of the Group's revenue, adjusted operating profit, capitalised fixed asset additions and free cash flow is denominated in currencies other than sterling, the Group's reporting currency.

The Group's outlook statement now reflects only statutory financial measures. Following completion of the Hutchison Essar transaction in India on 8 May 2007, its results will be fully consolidated into the Group's results from that date and are therefore reflected in the outlook measures set out below. The Group's outlook ranges reflect current expectations for average foreign exchange rates for the 2008 financial year.

Operating conditions are expected to continue to be challenging in Europe, with competition remaining intense and ongoing regulatory pressure, notwithstanding continued positive trends in data revenue and voice usage growth. Increasing market penetration continues to result in overall strong growth prospects for the EMAPA region.

Group revenue is expected to be in the range of £33.3 billion to £34.1 billion. Adjusted operating profit is expected to be in the range of £9.3 billion to £9.8 billion, with the Group EBITDA margin lower year on year. Total depreciation and amortisation charges are anticipated to be around £5.8 billion to £5.9 billion, higher than the 2007 financial year, primarily as a result of the Hutchison Essar acquisition.

The Group expects capitalised fixed asset additions to be in the range of £4.7 billion to £5.1 billion, including in excess of £1.0 billion in India.

Reported free cash flow is expected to be in the range of £4.0 billion to £4.5 billion. This is after taking into account £0.6 billion of expected tax payments and associated interest in respect of the potential settlement of a number of long standing tax issues, a net cash outflow of approximately £0.8 billion anticipated in respect of India and £0.5 billion from deferred payments and the reversal of certain timing differences that benefited the 2007 financial year. The outlook for free cash flow is stated including the impact of known spectrum or licence payments only.

The Group still expects that significant cash tax and associated interest payments may be made in the next two years in respect of long standing tax issues, although the timing of such payments remains uncertain. Within this timeframe, the Group continues to anticipate possible resolution to the application of the UK Controlled Foreign Company legislation to the Group.

The adjusted effective tax rate percentage is expected to be in the low 30s, slightly higher than the 2007 financial year and consistent with the Group□s longer term expectations.

Revenue stimulation and cost reduction in Europe

The Group continues to target delivering benefits equivalent to at least 1% additional revenue market share in the year compared with the 2005 financial year. Capitalised mobile fixed asset additions are expected to be 10% of mobile revenue for the year for the total of the Europe region and common functions.

The Group also expects mobile operating expenses to be broadly stable for the total of the Europe region and common functions when compared with the 2006 financial year on an organic basis, excluding the potential impact from developing and delivering new services and from any business restructuring costs.

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Cautionary Statement Regarding Forward-Looking Statements

This document contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include statements with respect to Vodafone's expectations as to launch and roll out dates for products, services or technologies offered by Vodafone; intentions regarding the development of products and services introduced by Vodafone or by Vodafone in conjunction with initiatives with third parties, including Yahoo! and Microsoft; the ability to integrate all operations throughout the Group and the ability to be operationally efficient; the benefits of acquisitions, including the Hutchison Essar acquisition; the development and impact of new mobile technology; growth in customers and usage, including growth in emerging markets; the Group's expectations for revenue, adjusted operating profit, capitalised fixed asset additions and free cash flow for the 2008 financial year contained within the outlook statement on page 60 of this document, and expectations for the Group's future performance generally, including average revenue per user ("ARPU"), costs, capital expenditures, operating expenditures and margins and non-voice services and their revenue contribution; share purchases; the rate of dividend growth by the Group or its existing investments; expectations regarding the Group's access to adequate funding for its working capital requirements; expected effective tax rates and expected tax payments; the ability to realise synergies through revenue stimulation activities in Europe and cost reduction initiatives, including the IT AD&M programme, supply chain centralisation, data centre consolidation, network sharing and enterprise resource planning initiatives; future acquisitions and future disposals; contractual obligations; mobile penetration and coverage rates; the impact of regulatory and legal proceedings involving Vodafone; expectations with respect to long-term shareholder value growth; Vodafone's ability to be a market leader in providing voice and data communications; overall market trends and other trend projections.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets". By their forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following:

- changes in economic or political conditions in markets served by operations of the Group that would adversely affect the level of demand for mobile services;
- greater than anticipated competitive activity, from both existing competitors and new market entrants, including Mobile Virtual Network Operators ("MVNOs"), which could require changes to the Group's pricing models, lead to customer churn and make it more difficult to acquire new customers and reduce profitability;
- the impact of investment in network capacity and the deployment of new technologies, or the rapid obsolescence of existing technology;
- slower than expected customer growth and reduced customer retention;
- changes in spending patterns of existing customers;
- the possibility that new products and services will not be commercially accepted or perform according to expectations or that vendors' performance in marketing these technologies will not meet the Group's requirements;
- a lower than expected impact of new or existing products, services or technologies on the Group's future revenue, cost structure and capital expenditure outlays;

- the ability of the Group to harmonise mobile platforms and delays, impediments or other problems associated with the roll out and scope of new or existing products, services or technologies in new markets;
- the ability of the Group to offer new services and secure the timely delivery of high quality, reliable network equipment and other key products from suppliers;
- the Group's ability to develop competitive data content and services that will attract new customers and increase average usage;
- future revenue contributions of both voice and non-voice services;
- greater than anticipated prices of new mobile handsets;
- changes in the costs to the Group of or the rates the Group may charge for terminations and roaming minutes;
- the Group's ability to achieve meaningful cost savings and revenue improvements as a result of its cost reduction initiatives;
- the ability to realise benefits from entering into partnerships for developing data and internet services and entering into service franchising and brand licensing;
- the possibility that the pursuit of new, unexpected strategic opportunities may have a negative impact on the Group's financial performance;
- developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends;
- any unfavourable conditions, regulatory or otherwise, imposed in connection with pending or future acquisitions or disposals and the integration of acquired companies in the Group's existing obligations;
- the risk that, upon obtaining control of certain investments, the Group discovers additional information relating to the businesses of that investment leading to restructuring charges or write-offs or other negative implications;
- changes in the regulatory framework in which the Group operates, including possible action by regulators in markets in which the Group operates or by the EU regulating rates the Group is permitted to charge;
- the impact of legal or other proceedings against the Group or other companies in the mobile telecommunications industry;
- the possibility that new marketing or usage stimulation campaigns or efforts and customer retention schemes are not an effective expenditure;
- the possibility that the Group's integration efforts do not reduce the time to market for new products or improve the Group's cost position;
- loss of suppliers or disruption of supply chains;
- the Group's ability to satisfy working capital requirements through borrowing in capital markets, bank facilities and operations;
- changes in exchange rates, including particularly the exchange rate of pounds sterling to the euro and the US dollar;
- changes in statutory tax rates and profit mix which would impact the weighted average tax rate;
- changes in tax legislation in the jurisdictions in which the Group operates;

- final resolution of open issues which might impact the effective tax rate; and

- timing of tax payments relating to the resolution of open issues.

Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under Performance Risk Factors, Seasonality and Outlook on pages 58 to 60. All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Neither Vodafone nor any of its affiliates intends to update these forward-looking statements.

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Non-GAAP Information

Adjusted Operating Profit

The Group presents operating profit excluding non-operating income of associates, impairment losses and other income and expense for the Group and the Group's reported segments. The Group believes that it is both useful and necessary to report these measures for the following reasons:

- these measures are used by the Group for internal performance analysis;
- the presentation by the Group's reported business segments of these measures facilitates comparability with other companies, although the Group's measures may not be comparable with similarly titled profit measurements reported by other companies; and
- it is useful in connection with discussion with the investment analyst community and debt rating agencies.

Reconciliation of these measures to the closest equivalent GAAP measure, operating (loss)/profit, is provided in "Performance – Operating Results" beginning on page 34.

Organic Growth

The Group believes that "organic growth", which is not intended to be a substitute, or superior to, reported growth, provides useful and necessary information to investors and other interested parties for the following reasons:

- it provides additional information on underlying growth of the business without the effect of factors unrelated to the operating performance of the business;
- it is used by the Group for internal performance analysis; and
- it facilitates comparability of underlying growth with other companies, although the term "organic" is not a defined term under IFRS, or US GAAP, and may not, therefore, be comparable with similarly titled measures reported by other companies.

Reconciliation of organic growth to reported growth is shown below:

	Organic growth %	Impact of foreign exchange %	Impact of acquisitions and disposals %	Reported growth %
Group				
Voice revenue	**2.5**	**(1.7)**	**3.7**	**4.5**
Messaging revenue	**7.0**	**(1.3)**	**3.4**	**9.1**
Data revenue	**30.7**	**(0.8)**	**0.2**	**30.1**
Total service revenue	**4.7**	**(1.6)**	**3.5**	**6.6**
Total revenue	**4.3**	**(1.6)**	**3.3**	**6.0**
Europe				
Voice revenue	**(0.7)**	**(0.4)**	**(1.5)**	**(2.6)**
Messaging revenue	**4.6**	**(0.5)**	**(1.0)**	**3.1**
Data revenue	**29.5**	**(0.7)**	**(1.7)**	**27.1**
Operating expenses	**7.4**	**(0.4)**	**(2.8)**	**4.2**
Adjusted operating profit	**(4.7)**	**(0.5)**	**0.1**	**(5.1)**
EMAPA				
Interconnect costs - Eastern Europe	**23.8**	**(3.2)**	**25.7**	**46.3**
Interconnect costs - Middle East, Africa Asia	**26.8**	**(19.0)**	**37.2**	**45.0**

	Organic growth %	Impact of foreign exchange %	Impact of acquisitions and disposals %	Reported growth in non-GAAP measure %	Impact of impairment losses and amounts related to business acquisitions and disposals %	Reported growth in equivalent GAAP measure[1] %
Adjusted operating profit	**4.2**	**(2.5)**	**(0.3)**	**1.4**	**(90.3)**	**(88.9)**

Note:
(1) Closest equivalent GAAP measure is operating loss.

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Cash Flow Measures

In presenting and discussing the Group's reported results, free cash flow and operating free cash flow are calculated and presented on the basis of methodologies other than in accordance with IFRS. The Group believes that it is both useful and necessary to communicate free cash flow to investors and other interested parties, for the following reasons:

- free cash flow allows the Company and external parties to evaluate the Group's liquidity and the cash generated by the Group's operations. Free cash flow does not include items determined independently of the ongoing business, such as the level of dividends, and items which are deemed discretionary, such as cash flows relating to acquisitions and disposals or financing activities. In addition, it does not necessarily reflect the amounts which the Group has an obligation to incur. However, it does reflect the cash available for such discretionary activities, to strengthen the balance sheet or to provide returns to shareholders in the form of dividends or share purchases;

- free cash flow facilitates comparability of results with other companies, although the Group's measure of free cash flow may not be directly comparable to similarly titled measures used by other companies;

- it is used by management for planning, reporting and incentive purposes; and

- it is useful in connection with discussion with the investment analyst community and debt rating agencies.

The Group believes that the presentation of operating free cash flow is useful and necessary for investors and other interested parties as it provides the quantitative basis for the cash flow targets of the cost reduction initiatives outlined on pages 38 to 39. This measure may not be directly comparable to similarly titled measures used by other companies.

A reconciliation of net cash inflow from operating activities, the closest equivalent GAAP measure, to operating free cash flow and free cash flow, is provided in "Performance - Financial Position and Resources" on page 52.

Net Debt

In presenting and discussing the Group's indebtedness and liquidity position, net debt is calculated. There is no definition of net debt within IFRS. The Group believes that it is both useful and necessary to communicate net debt to investors and other interested parties, for the following reasons:

- net debt assists the Company and external parties in evaluating the Group's overall indebtedness and liquidity position;

- net debt facilitates comparability of indebtedness and liquidity with other companies, although the Group's measure of net debt may not be directly comparable to similarly titled measures used by other companies;

- it is used by management for planning and reporting purposes; and

- it is used in discussions with the investment analyst community and the debt rating agencies.

A reconciliation of short term and long term borrowings, the closest equivalent GAAP measures, to net debt is shown on page 55.

Other

Certain of the statements within the section titled "Strategy - Chief Executive's Review" on pages 6 to 7 and the section titled "Performance - Cost reduction initiatives", on pages 38 to 39, contain forward-looking non-GAAP financial information for which at this time there is no comparable GAAP measure and which at this time cannot be quantitatively reconciled to comparable GAAP financial information.

Certain of the statements within the section titled Performance - Risk Factors, Seasonality and Outlook on pages 58 to 60, contain forward-looking non-GAAP financial information which at this time cannot be quantitatively reconciled to comparable GAAP financial information.

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Board of Directors and Group Management

Directors and Senior Management

The business of the Company is managed by its board of directors (the Board). Biographical details of the directors and senior management at the date of this report are as follows:

Directors

Chairman

1. Sir John Bond became Chairman of Vodafone Group Plc in July 2006 having previously served as a non-executive director of the Board, and is Chairman of the Nominations and Governance Committee. Sir John is a non-executive director of Ford Motor Company, USA and a director of Shui On Land Limited (Hong Kong SAR). He retired from the position of Group Chairman of HSBC Holdings plc in May 2006, after 45 years of service. Other previous roles include Chairman of HSBC Bank plc and director of The Hong Kong and Shanghai Banking Corporation and HSBC North America Holdings Inc. Previous non-executive directorships include the London Stock Exchange, Orange plc, British Steel plc and the Court of the Bank of England.

Executive Directors

2. Arun Sarin, Chief Executive, became a member of the Board in June 1999. He was appointed Chief Executive in July 2003 and is a member of the Nominations and Governance Committee. Arun joined Pacific Telesis Group in San Francisco in 1984 and has served in many executive positions in his 20 year career in telecommunications. He was a director of AirTouch Communications, Inc. from July 1995 and was President and Chief Operating Officer from February 1997 to June 1999. He was Chief Executive Officer for the Vodafone United States and Asia Pacific region until 15 April 2000, when he became a non-executive director. He has served as a director of The Gap, Inc., The Charles Schwab Corporation and Cisco Systems, Inc., and is a non-executive director of the Court of the Bank of England.

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

4. Andy Halford, Chief Financial Officer, joined the Board in July 2005. Andy joined Vodafone in 1999 as Financial Director for Vodafone Limited, the UK operating company, and in 2001 he became Financial Director for Vodafone s Northern Europe, Middle East and Africa Region. In 2002, he was appointed Chief Financial Officer of Verizon Wireless in the US and is currently a member of the Board of Representatives of the Verizon Wireless partnership. Prior to joining Vodafone, he was Group Finance Director at East Midlands Electricity Plc. Andy holds a bachelors

degree in Industrial Economics from Nottingham University and is a Fellow of the Institute of Chartered Accountants in England and Wales.

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Deputy Chairman and senior independent director

5. John Buchanan became Deputy Chairman and senior independent director in July 2006 and has been a member of the Board since April 2003. He is a member of the Nominations and Governance Committee and the Audit Committee and, solely for the purposes of relevant legislation, is the Board's appointed financial expert on that Committee. He retired from the board of directors of BP Plc in 2002 after six years as Group Chief Financial Officer and executive director, following a wide-ranging career with the company. He was a member of the United Kingdom Accounting Standards Board from 1997 to 2001. He is Chairman of Smith & Nephew plc, a non-executive director of AstraZeneca PLC and senior independent director of BHP Billiton Plc.

Non-executive directors

6. Dr Michael Boskin became a member of the Board in June 1999 on completion of the merger with AirTouch Communications, Inc. and is Chairman of the Audit Committee and a member of the Remuneration Committee. He was a director of AirTouch from August 1996 to June 1999. He has been a Professor of Economics at Stanford University since 1971 and was Chairman of the President's Council of Economic Advisers from February 1989 until January 1993. Michael is President and Chief Executive Officer of Boskin & Co., an economic consulting company, and is also a director of Exxon Mobil Corporation, Shinsei Bank Limited and Oracle Corporation.

7. Lord Broers joined the Board in January 1998 and is a member of the Audit Committee and the Nominations and Governance Committee. He was President of the Royal Academy of Engineering until 2006 and is a former Vice-Chancellor of Cambridge University. He spent many years with IBM, in senior roles within the research and development function, and is a Fellow of the Royal Society, the Institute of Electrical Engineers and the Institute of Physics. Lord Broers is also a Foreign Associate of the US National Academy of Engineering, a trustee of the British Museum and Chairman of the House of Lords Science and Technology Select Committee. He chairs the Company's UK pension trustee company. Lord Broers will retire from the Board at the conclusion of the Company's AGM on 24 July 2007.

8. Alan Jebson joined the Board in December 2006. He retired in May 2006 from his role as Group Chief Operating Officer of HSBC Holdings Plc, a position which included responsibility for IT and Global Resourcing. During a long career with HSBC, Alan held various positions in IT, including the position of Group Chief Information Officer. His roles included responsibility for the group's international systems, including the consolidation of HSBC and Midland systems following the acquisition of Midland Bank in 1993. He originally joined HSBC as Head of IT Audit in 1978 where, building upon his qualification as a chartered accountant, he built an international audit team and implemented controls in the group's application systems. He is also a non-executive director of Experian Group plc and McDonald Dettweiler in Canada.

9. Nick Land joined the Board in December 2006 and is a member of the Audit Committee. In June 2006, he retired as Chairman of Ernst & Young LLP after a distinguished career spanning 36 years with the firm. He became an audit partner in 1978 and held a number of management appointments before becoming Managing Partner in 1992. He was appointed Chairman and joined the Global Executive Board of Ernst & Young Global LLP in 1995. He is a non-executive director of Royal Dutch Shell, BBA Aviation and the Ashmore Group. He also sits on the Advisory Boards of Three Delta and the Cambridge Judge Business School, is a member of the National Gallery's Finance and Audit Committees and is Chairman of the Practices Advisory Board of the Institute of Chartered Accountants in England and Wales.

10. Anne Lauvergeon joined the Board in November 2005 and is a member of the Audit Committee. She is Chief Executive Officer of AREVA group, the leading French energy company, having been appointed to that role in July

2001. She started her professional career in 1983 in the iron and steel industry and in 1990 she was named Adviser for Economic International Affairs at the French Presidency and Deputy Chief of its Staff in 1991. In 1995, she became a Partner of Lazard Frères & Cie, subsequently joining Alcatel Telecom as Senior Executive Vice President in March 1997. She was responsible for international activities and the group's industrial shareholdings in the energy and nuclear fields. In 1999, she was appointed Chairman and Chief Executive Officer of COGEMA. Anne is currently also Vice Chairman of the Supervisory Board of Safran and a non-executive director of Total and Suez.

11. Professor Jürgen Schrempp has been a member of the Board since May 2000 and is a member of the Remuneration Committee and the Nominations and Governance Committee. He is a former Chairman of the Board of Management of DaimlerChrysler and one of the principal architects of Daimler-Benz's merger with Chrysler in 1998. He became Chairman of Daimler-Benz in 1995. Jürgen continues to hold the position of Non-Executive Chairman of DaimlerChrysler South Africa Limited and is a non-executive director of the South African Coal, Oil and Gas Corporation (SASOL), Compagnie Financière Richemont SA, Switzerland and South African Airways. Jürgen is Chairman Emeritus of the Global Business Coalition on HIV/AIDS and holds South Africa's highest civilian award, the Order of Good Hope, conferred upon him by President Nelson Mandela.

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

13. Anthony Watson was appointed to the Board in May 2006 and is a member of the Remuneration Committee. Prior to joining Vodafone, he was Chief Executive of Hermes Pensions Management Limited, a position he had held since 2002. Previously he was Hermes' Chief Investment Officer, having been Managing Director of AMP Asset Management and the Chief International Investment Officer of Citicorp Investment Management from 1991 until joining Hermes in 1998. He is Chairman of Marks & Spencer Pension Trust Ltd, the Strategic Investment Board in Northern Ireland and the Asian Infrastructure Fund. He is also a non-executive director of Hammerson Group Plc and Witan Investment Trust Plc and a member of the Financial Reporting Council.

14. Philip Yea became a member of the Board in September 2005 and is a member of the Remuneration Committee. He is the Chief Executive Officer of 3i Group plc, having been appointed to that role in July 2004. Prior to joining 3i, he was Managing Director of Investcorp and, from 1997 to 1999, the Group Finance Director of Diageo plc following the merger of Guinness plc, where he was Finance Director, and Grand Metropolitan plc. He has previously held non-executive roles at HBOS plc and Manchester United plc.

Appointed since 31 March 2007

Simon Murray has been appointed to the Board with effect from 1 July 2007. His career has been largely based in Asia, where he has held positions with Jardine Matheson, Deutsche Bank and Hutchison Whampoa where, as Group Managing Director, he oversaw the development and launch of mobile telecommunications networks in many parts of the world. He remains on the Boards of Cheung Kong Holdings Limited, Compagnie Financière Richemont SA, Macquarie (HK) Limited and Orient Overseas (International) Limited and is an Advisory Board Member of the China National Offshore Oil Corporation. He also sits on the Advisory Board of Imperial College in London.

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Board of Directors and Group Management
continued

Senior Management

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

Executive Committee

Chaired by Arun Sarin, this committee focuses on the Group's strategy, financial structure and planning, succession planning, organisational development and Group-wide policies. The Executive Committee membership comprises the Executive Directors, details of whom are shown on page 64, and the senior managers who are listed below:

Paul Donovan, Chief Executive Officer, EMAPA (Eastern Europe, Middle East, Africa, Asia, Pacific and Affiliates) was appointed to this position in May 2006. He joined Vodafone in 1999 as Managing Director Commercial, was appointed Chief Executive of Vodafone Ireland in 2001 and became Chief Executive Officer, Other Vodafone Subsidiaries, in January 2005, managing 15 markets in which Vodafone operates. He has over 15 years experience in the telecommunications and IT industries and has held senior roles at BT, One2One, Optus Communications, Apple Computer and, prior to that, marketing roles at the Mars Group, Coca Cola and Schweppes Beverages.

Warren Finegold, Chief Executive, Global Business Development, was appointed to this position and joined the Executive Committee in April 2006. He was previously a Managing Director of UBS Investment Bank and head of its technology team in Europe. He is responsible for Business Development, Mergers and Acquisitions and Partner Networks.

Alan Harper, Group Strategy and New Business Director, was appointed to this position in July 2000. He is responsible for overall strategy and new business development, the Group Public Policy activities, Research and Development, and Fraud, Risk and Security. He is also a member of the Investment Board of Vodafone Ventures, has been a Trustee of the Vodafone UK Foundation since July 2002 and was appointed Chairman of the Trustees in March 2004. Prior to taking up his current post, Alan was Managing Director of Vodafone Limited, the UK network operator. He is also a Board member of the GSM Association. Prior to joining Vodafone in 1995, Alan was Strategy Director of Unitel PCN (which became One2One and subsequently T-Mobile UK) and held senior roles with BBC Enterprises, Infotec, Mercury Communications and STC Communications.

Terry Kramer, Group Human Resources Director and Chief of Staff, joined Vodafone in January 2005 as Chief of Staff and was appointed Group Human Resources Director in December 2006. Prior to his appointment, he was Chief Executive Officer of Q Comm International, a publicly traded provider of transaction processing services for the telecommunications industry. He also worked for 12 years at PacTel/AirTouch Communications in a variety of roles including President AirTouch Paging, Vice President Human Resources-AirTouch Communications, Vice President Business Development-AirTouch Europe and Vice President & General Manager-AirTouch Cellular Southwest Market. Prior to that, he was an Associate with Booz Allen & Hamilton, a management consulting firm.

Simon Lewis, Group Corporate Affairs Director, joined Vodafone in November 2004. He previously held senior roles at Centrica Plc including Managing Director, Europe, and Group Director of Communications and Public Policy. Prior to that, he was Director of Corporate Affairs at NatWest Group and the Head of Public Relations at S.G. Warburg plc. He was President of the Institute of Public Relations in 1997 and is a Visiting Professor at the Cardiff School of Journalism. In 1998, he was seconded to Buckingham Palace for two years as the first Communications Secretary to The Queen. He is a Fulbright Commissioner and a trustee of The Vodafone Group Foundation.

Stephen Pusey, Chief Technology Officer, joined Vodafone Group Plc in September 2006 and is responsible for all aspects of Vodafone's networks, IT capability and supply chain management. Prior to joining Vodafone, he held the positions of Executive Vice President, and President, Nortel EMEA, having joined Nortel in 1982, gaining a wealth of international experience across both the wireline and wireless industries and in enterprise applications and solutions. Prior to Nortel, he spent several years with British Telecom.

Frank Rovekamp, Global Chief Marketing Officer, was appointed to this position and joined the Executive Committee in May 2006. He joined Vodafone in 2002 as Marketing Director and a member of the Management

Board of Vodafone Netherlands and later moved to Vodafone Germany as Chief Marketing Officer and a member of the Management Board. Before joining Vodafone, he held roles as President and Chief Executive Officer of Beyoo and Chief Marketing Officer with KLM Royal Dutch Airlines.

Stephen Scott, Group General Counsel and Company Secretary, was appointed to this position in 1991, prior to which he was employed in the Racal Group legal department, which he joined in 1980 from private law practice in London. He is a director of the Company's UK pension trustee company and of ShareGift (the Orr Mackintosh Foundation Limited) and is a director and trustee of LawWorks (the Solicitors Pro Bono Group Limited).

Strategy Board

The Strategy Board meets three times each year to discuss strategy. This is attended by Executive Committee members and the Chief Executive Officers of the major operating companies and other selected individuals based on Strategy Board topics.

Other Board and Executive Committee members

The following members also served on the Board or the Executive Committee during the 2007 financial year:

Lord MacLaurin of Knebworth, DL, was Chairman of the Board and Chairman of the Nominations and Governance Committee until the conclusion of the AGM on 25 July 2006.

Paul Hazen was the Deputy Chairman and senior independent director of the Board and a member of Nominations and Governance Committee until the conclusion of the AGM on 25 July 2006.

Sir Julian Horn-Smith was Deputy Chief Executive of the Company until the conclusion of the AGM on 25 July 2006.

Thomas Geitner was an executive director until 31 December 2006.

Penny Hughes was a non-executive director and a member of the Audit Committee until the conclusion of the AGM on 25 July 2006.

Brian Clark was Group Human Resources Director and was a member of the Executive Committee until 31 December 2006.

Pietro Guindani, Chief Executive, Vodafone Italy, was a member of the Executive Committee until 1 May 2006.

Fritz Joussen, Chief Executive, Vodafone Germany, was a member of the Executive Committee until 1 May 2006.

Tim Miles, was Global Chief Technology Officer and a member of the Executive Committee until 1 September 2006.

Bill Morrow was Chief Executive Officer, Europe and a member of the Executive Committee until 31 July 2006.

Shiro Tsuda was Executive Chairman and Chairman of the Board, Vodafone K.K. and a member of the Executive Committee until 27 April 2006.

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Corporate Governance

Introduction

The Board of the Company is committed to high standards of corporate governance, which it considers are critical to business integrity and to maintaining investors' trust in the Company. The Group expects all its directors and employees to act with honesty, integrity and fairness. The Group will strive to act in accordance with the laws and customs of the countries in which it operates; adopt proper standards of business practice and procedure; operate with integrity; and observe and respect the culture of every country in which it does business.

The Combined Code

The Company's ordinary shares are listed in the UK on the London Stock Exchange. In accordance with the Listing Rules of the UK Listing Authority, the Company is required to state whether it has complied with the provisions set out in Section 1 of the 2003 FRC Combined Code on Corporate Governance (the 'Combined Code'). The FRC issued a revised Combined Code in 2006, applicable for financial years beginning on or after 1 November 2006. If it was now to be applicable, the Company would be in compliance with the revised Combined Code.

Statement of Compliance with the Combined Code

Throughout the year ended 31 March 2007 and as at the date of this Annual Report, the Board confirms that the Company was compliant with the provisions of, and applied the principles of Section 1, of the Combined Code of 2003. The paragraphs below, together with the Directors' Remuneration Report on pages 78 to 87, provide details of how the Company applies the principles and complies with the provisions of the Combined Code.

Directors

The Board

The Board is responsible for the overall conduct of the Group's business and has the powers, authorities and duties vested in it by and pursuant to the relevant laws of England and Wales and the Articles of Association. The Board has final responsibility for the management, direction and performance of the Group and its businesses. The Board is required to exercise objective judgement on all corporate matters, independent from executive management, and is accountable to shareholders for the proper conduct of the business. The Board is also responsible for ensuring the effectiveness of and reporting on the Group's system of corporate governance.

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

- group strategy;
- major capital projects, acquisitions or divestments;
- annual budget and operating plan;
- group financial structure, including tax and treasury;
- annual and interim financial results and shareholder communications;
- system of internal control and risk management; and
- senior management structure, responsibilities and succession plans.

The schedule is reviewed periodically. It was last formally reviewed by the Nominations and Governance Committee in September 2005, at which time it was determined that no amendments were required. Its continued validity was assessed as part of the performance evaluations conducted in the 2007 financial year.

Other specific responsibilities are delegated to Board Committees which operate within clearly defined terms of reference. Details of the responsibilities delegated to the Board Committees are given on pages 69 to 70.

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

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Corporate Governance
continued

The following table shows the number of years directors have been on the Board as at 1 April 2007 and their attendance at Board meetings they were eligible to attend during the 2007 financial year:

	Years on Board	Meetings attended
Sir John Bond	2	7/8
John Buchanan	4	8/8
Arun Sarin	7	8/8
Vittorio Colao (from 9 October 2006)	<1	5/5
Andy Halford	1	8/8
Dr Michael Boskin	7	7/8
Lord Broers	9	8/8
Alan Jebson (from 1 December 2006)	<1	4/4
Nick Land (from 1 December 2006)	<1	4/4
Anne Lauvergeon	1	7/8
Professor Jürgen Schrempp	6	8/8
Luc Vandevelde	3	7/8
Anthony Watson	1	8/8
Philip Yea	1	8/8
Thomas Geitner (until 31 December 2006)	n/a	5/5
Lord MacLaurin (until 25 July 2006)	n/a	2/2
Paul Hazen (until 25 July 2006)	n/a	2/2
Sir Julian Horn-Smith (until 25 July 2006)	n/a	2/2
Penny Hughes (until 25 July 2006)	n/a	2/2

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

Chairman and Chief Executive

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

Board balance and independence

The Company's Board consists of 14 directors, 11 of whom served throughout the 2007 financial year. At 31 March 2007, in addition to the Chairman, Sir John Bond, there were three executive directors and ten non-executive directors. The Deputy Chairman, John Buchanan, is the nominated Senior Independent Director and his role includes being available for approach or representation by directors or significant shareholders who may feel inhibited from raising issues with the Chairman. He is also responsible for conducting an annual review of the performance of the Chairman and, in the event it should be necessary, convening a meeting of the non-executive directors.

Sir John Bond became the Chairman of the Company following the retirement of Lord MacLaurin and John Buchanan succeeded Paul Hazen as the Deputy Chairman and Senior Independent Director. The Company considers all of its present non-executive directors to be fully independent. The executive directors are Arun Sarin (Chief Executive), Vittorio Colao and Andy Halford.

The Board is aware of the other commitments of its directors and is satisfied that these do not conflict with their duties as directors of the Company. The names and biographical details of the current directors are given on pages

64 to 65. Changes to the commitments of the directors are reported to the Board.

Under the laws of England and Wales, the executive and non-executive directors are equal members of the Board and have overall collective responsibility for the direction of the Company. Non-executive directors have

a particular responsibility to constructively challenge the strategy proposed by the Chief Executive and executive directors, to scrutinise and challenge performance, to assess risk and the integrity of financial information and controls and to ensure appropriate remuneration and succession planning arrangements are in place in relation to executive directors and other senior executive roles.

Appointments to the Board

There is a formal, rigorous and transparent procedure, which is based on merit and against objective criteria, for the appointment of new directors to the Board. This is described in the section on the Nominations and Governance Committee set out on page 70. Individual non-executive directors are generally expected to serve two three-year terms. At the end of the second three-year term, a rigorous and detailed analysis is undertaken and only then is a non-executive director invited to serve a third term. Our non-executive directors are generally not expected to serve for a period exceeding nine years. The terms and conditions of appointment of the non-executive directors are available for inspection at the Company's registered office and will be available for inspection at the AGM from 15 minutes before the meeting until it ends.

Vittorio Colao, Alan Jebson and Nick Land were appointed during the year ended 31 March 2007. Since the end of the 2007 financial year a further non-executive director, Simon Murray, has been appointed to the Board with effect from 1 July 2007. Biographical details of Mr Murray are given on page 65.

Information and professional development

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

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

On appointment, individual directors undergo an induction programme covering, amongst other things, the business of the Group, their legal and regulatory responsibilities as directors of the Company, briefings and presentations from relevant executives and opportunities to visit business operations. If appropriate, the induction will also include briefings on the scope of the Internal Audit function and the role of the Audit Committee, meetings with the external auditor and other areas the Company Secretary deems fit, considering the director's area of responsibility. The induction process is designed to: build an understanding of the Group, its businesses and the markets and regulatory environments in which it operates; provide an overview of the responsibilities of a non-executive director of the Company; establish links to Group's employees; and develop an understanding of the Group's main relationships.

The Company Secretary provides a programme of on-going training for the directors, which covers a number of sector specific and business issues, as well as legal, accounting and regulatory changes and developments relevant to individual directors' areas of responsibility. Throughout their period in office, the directors are continually updated on the Group's businesses and the regulatory and industry specific environments in which it operates. These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

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The Company Secretary ensures that the programme to familiarise the non-executive directors with the business is maintained over time and kept relevant to the needs of the individuals involved. The Company Secretary confers with the Chairman and Senior Independent Director to ensure that this is the case.

Performance evaluation

Performance evaluation of the Board, its Committees and individual directors takes place on an annual basis and is conducted within the terms of reference of the Nominations and Governance Committee with the aim of improving individual contributions, the effectiveness of the Board and its Committees and the Group's performance. In previous years, the evaluation was internally facilitated.

During the year, the Board conducted, with the assistance of an independent external facilitator, MWM Consulting, a formal evaluation of its own performance. The evaluation was designed to determine that the Board was capable of providing the high level judgement required and that, as a Board, the directors were informed and up to date with the business and its goals and understood the context within which it operates. The process adopted involved the external facilitator separately interviewing each of the directors and the Company Secretary, with the output from those interviews compiled into a report prepared by the external facilitator. The Board will continue to review its procedures, its effectiveness and development in the year ahead.

The Chairman leads the assessment of the Chief Executive and the non-executive directors, the Chief Executive undertakes the performance reviews for the executive directors and the Senior Independent Director conducts the review of the performance of the Chairman. Each Board Committee undertakes a review of its own work.

The evaluations found the performance of each director to be effective and concluded that the Board provides the effective leadership and control required for a listed company. The Nominations and Governance Committee confirmed to the Board that the contributions made by the directors offering themselves for re-election at the AGM in July 2007 continued to be effective and that the Company should support their re-election.

Re-election of directors

Although not required by the Articles, in the interests of good corporate governance, the directors have resolved that they will all submit themselves for annual re-election at each Annual General Meeting of the Company. Accordingly, at the AGM to be held on 24 July 2007, all the directors will be retiring and, with the exception of Lord Broers who will not offer himself for re-election, being eligible and on the recommendation of the Nominations and Governance Committee, will offer themselves for re-election. Vittorio Colao, Alan Jebson and Nick Land having been appointed to the Board during the 2007 financial year, and Simon Murray who was recently appointed with effect from 1 July 2007, are required under the Articles of Association to submit themselves for election by the Shareholders at the first AGM following appointment and therefore, being eligible and on the recommendation of the Nominations and Governance Committee, will retire and offer themselves for election at the AGM on 24 July 2007.

Independent advice

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

Indemnification of directors

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

Company Secretary

The Company Secretary acts as Secretary to the Board and to the committees of the Board, but the consent of the Board may delegate responsibility for the administration of the Committees to other suitably qualified staff. He assists the Chairman in ensuring that all directors have full and timely access to all relevant information. The Company Secretary is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters. He also administers the procedure under which directors can, where appropriate, obtain independent professional advice at the Company's expense. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Board Committees

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

The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner. The Company Secretary acts as secretary to the Nominations and Governance Committee and the Deputy Group Company Secretary acts as secretary to the Audit Committee and the Remuneration Committee. The minutes of committee meetings are circulated to all directors.

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

Audit Committee

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

	Meetings attended
Dr Michael Boskin, Chairman	4/4
Lord Broers	4/4
John Buchanan	4/4
Nick Land (from 1 December 2006)	1/1
Anne Lauvergeon	3/4
Penny Hughes (until 25 July 2006)	1/1

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

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Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Company's preliminary results announcement, interim results and annual financial statements, to monitor compliance with statutory and listing requirements for any exchange on which the Company's shares and debt instruments are quoted, to review the scope, extent and effectiveness of the activity of the Group Internal Audit Department, to engage independent advisers as it determines is necessary and to perform investigations.

The Audit Committee reports to the Board on the quality and acceptability of the Company's accounting policies and practices, including without limitation, critical accounting policies and practices. The Audit Committee also plays an active role in monitoring the Company's compliance efforts for Section 404 of the Sarbanes-Oxley Act and receives progress updates at each of its meetings.

At least twice a year, the Audit Committee meets separately with the external auditors and the Group Audit Director without management being present. Further details on the work of the Audit Committee and its oversight of the relationships with the external auditors can be found under 'Auditors' and the 'Report from the Audit Committee' which are set out on pages 72 and 74.

Nominations and Governance Committee

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

	Meetings attended
Sir John Bond, Chairman	2/2
John Buchanan	1/2
Arun Sarin	2/2
Lord Broers	2/2
Professor Jürgen Schrempp	2/2
Luc Vandevelde (from 30 January 2007)	1/1

The Nominations and Governance Committee's key objective is to ensure that the Board comprises individuals with the requisite skills, knowledge and experience to ensure that it is effective in discharging its responsibilities. The Nominations and Governance Committee leads the process for identifying and making recommendations to the Board of candidates for appointment as directors of the Company, giving full consideration to succession planning and the leadership needs of the Group. It also makes recommendations to the Board on the composition of the Nominations and Governance Committee and the composition and chairmanship of the Audit and Remuneration Committees. It regularly reviews the structure, size and composition of the Board, including the balance of skills, knowledge and experience and the independence of the non-executive directors, and makes recommendations to the Board with regard to any changes. It is also responsible for the oversight of all matters relating to corporate governance, bringing any issues to the attention of the Board.

The Nominations and Governance Committee meets periodically when required. No-one other than members of the Nominations and Governance Committee is entitled to be present at its meetings. Other non-executive directors and external advisers may be invited to attend.

The Nominations and Governance Committee recommended Vittorio Colao for appointment as an executive director and Alan Jebson and Nick Land for appointment as non-executive directors during 2006. Since the end of the 2007 financial year it has recommended the appointment of Simon Murray as a non-executive director with effect from 1 July 2007.

Remuneration Committee

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

	Meetings attended
Luc Vandevelde, Chairman	9/9
Dr Michael Boskin	9/9
Professor Jürgen Schrempp	6/9
Anthony Watson (from 26 September 2006)	4/5
Philip Yea	9/9
Sir John Bond (until 26 September 2006)	3/4

The Remuneration Committee determines, on behalf of the Board, the Company's policy on the remuneration of the Chairman, the executive directors and the senior management team of the Company. The Remuneration Committee determines the total remuneration packages for these individuals, including any compensation on termination of office. The Chairman and Chief Executive may attend the Remuneration Committee's meetings by invitation. They do not attend when their individual remuneration is discussed and no director is involved in deciding his own remuneration.

The Remuneration Committee is responsible for appointing any consultants in respect of executive directors' remuneration. Further information on the Remuneration Committee's activities is contained in 'Governance – Board's Report to Shareholders on Directors' Remuneration' on pages 78 to 87.

Executive Management

The executive directors, together with certain other Group functional heads and regional chief executives, meet 12 times a year as the Executive Committee under the chairmanship of the Chief Executive. The Executive Committee is responsible for the day-to-day management of the Group's businesses, the overall financial performance of the Group in fulfilment of strategy, plans and budgets and Group capital structure and funding. It also reviews major acquisitions and disposals. The members of the Executive Committee and their biographical details are set out on pages 64 to 66.

Statement on Internal Control

Introduction

The Board has established procedures that implement in full the Turnbull Guidance, 'Internal Control: Revised Guidance for Directors on the Combined Code', for the year under review and to the date of approval of the Annual Report. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. See page 88 for Management's Report on Internal Control over Financial Reporting.

Responsibility

The Board has overall responsibility for the system of internal control. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The process of managing the risks associated with social, environmental and ethical impacts is also discussed under 'Governance – Corporate Responsibility and Environmental Issues' on pages 75 to 76.

Control structure

The Board sets the policy on internal control that is implemented by management. This is achieved through a clearly defined operating structure with lines of responsibility and delegated authority. The Executive Committee, chaired by the Chief Executive, manages this on a day-to-day basis.

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The Group's brand essence, which encapsulates the Group's commitment to integrity and continuous improvement, in combination with the Group's Business Principles, sets the tone of the Group and reflects the control consciousness of management.

Written policies and procedures have been issued which clearly define the limits of delegated authority and provide a framework for management to deal with areas of significant business risk. These policies and procedures are reviewed and, where necessary, updated at Executive Committee meetings.

Control Environment

The Group's operating procedures include a comprehensive system for reporting information to the directors. This system is properly documented and regularly reviewed.

Budgets are prepared by subsidiary management and subject to review by both regional management and the directors. Forecasts are revised on a quarterly basis and compared against budget. When setting budgets and forecasts, management identifies, evaluates and reports on the potential significant business risks.

The Executive Committee and the Board review management reports on the financial results and key operating statistics.

Emphasis is placed on the quality and abilities of the Group's employees with continuing education, training and development actively encouraged through a wide variety of schemes and programmes. The Group has adopted a set of values to act as a framework for its people to exercise judgement and make decisions on a consistent basis.

Directors are appointed to associated undertakings and joint ventures and attend the board meetings and review the key financial information of those undertakings. Clear guidance is given to those directors on the preparation that should take place before these board meetings and their activity at the board meeting. It is the Group's policy, where possible, that its auditors are appointed as auditors of associated companies and joint ventures.

The acquisition of any business requires a rigorous analysis of the financial implications of the acquisition and key performance figures. A sensitivity analysis takes place of the key assumptions made in the analysis. Post investment appraisals of the Group's investments are conducted on a periodic and timely basis. The Group's policy is to bring acquired companies within its governance procedures as soon as is practicable and, in any event, by the end of the first full year of operation.

The Board reviews a half-yearly report detailing any significant legal actions faced by Group companies.

The Executive Committee monitors legal, environmental and regulatory matters and approves appropriate responses or amendments to existing policy.

Monitoring and review activities

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

A formal annual confirmation is provided by the chief executive officer and chief financial officer of each Group company certifying the operation of their control systems and highlighting any weaknesses. Regional management, the Audit Committee and the Board review the results of this confirmation.

The Chief Executive and the Chief Financial Officer undertake a review of the quality and timeliness of disclosures that includes formal annual meetings with the operating company or regional chief executives and chief financial officers and the Disclosure Committee.

The Group Internal Audit Department, reporting directly to the Audit Committee, undertakes periodic examination of business processes on a risk basis and reports on controls throughout the Group.

Reports from the external auditors, Deloitte & Touche LLP, on certain internal controls and relevant financial reporting matters, are presented to the Audit Committee and management.

Review of Effectiveness

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

The directors, the Chief Executive and the Chief Financial Officer confirm that they have reviewed the effectiveness of the system of internal control and the disclosure controls and procedures through the monitoring process set out above. The directors, the Chief Executive and the Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures and, based on that evaluation, have concluded that the disclosure controls and procedures are effective as at the end of the period covered by this Annual Report. The process followed by the Board in reviewing the system of internal controls accords with the 'Internal Control Revised Guidance for Directors in the Combined Code (Turnbull)'.

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

Relations with Shareholders

The Company is committed to communicating its strategy and activities clearly to its shareholders and, to that end, maintains an active dialogue with investors through a planned programme of investor relations activities. The investor relations programme includes formal presentations of full year and interim results and quarterly statements on key performance indicators. The Company holds briefing meetings with its major institutional shareholders in the UK, the US and in Continental Europe, after the interim results and preliminary announcement, to ensure that the investor community receives a balanced and complete view of the Group's performance and the issues faced by the Group. Telecommunications analysts are invited to presentations of the financial results and senior executives across the business attend relevant meetings and conferences throughout the year.

During the year, the Company hosts investors and analysts sessions at which senior management from its largest operating subsidiaries, its largest joint venture and certain associated undertakings deliver presentations which provide an overview of each of the individual businesses. The Company, through its Investor Relations team, responds to enquiries from shareholders. The Chief Executive and the Chief Financial Officer meet regularly with institutional investors and analysts to discuss business performance. Overall responsibility for ensuring that there is effective communication with investors and that the Board understands the views of major shareholders on matters such as governance and strategy rests with the Chairman, who makes himself available to meet shareholders for this purpose.

The Senior Independent Director and other members of the Board are also available to meet major investors on request. The Senior Independent Director has a specific responsibility to be available to shareholders who have concerns, for whom contact with the Chairman, Chief Executive or Chief Financial Officer has either failed to resolve their concerns, or for whom such contact is inappropriate.

Shareholders have the opportunity to receive documents such as the Notice of meeting, form of proxy, the Annual Report and Annual Review in electronic form via the internet rather than in paper through the post. Shareholders choosing or deemed to have chosen this option will receive a notification

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each time the Company publishes such documentation on its website. Shareholders may also appoint proxies and give voting instructions electronically.

The principal communication with private investors is through the provision of the Annual Review and Summary Financial Statement and the AGM, an occasion which is attended by all the Company's directors and at which all shareholders present are given the opportunity to question the Chairman and the Board as well as the Chairmen of the Audit, Remuneration and Nominations and Governance Committees. After the AGM, shareholders can meet informally with directors.

A summary presentation of results and development plans is also given at the AGM before the Chairman deals with the formal business of the meeting. The AGM is broadcast live on the Group's website, www.vodafone.com, and a recording of the webcast can subsequently be viewed on the website. All substantive resolutions at the Company's AGMs are decided on a poll. The poll is conducted by the Company's Registrars and scrutinised by Electoral Reform Services. The proxy votes cast in relation to all resolutions are disclosed to those in attendance at the meeting and the results of the poll are published on the Company's website and announced via the regulatory news service. Financial and other information is made available on the Company's website, www.vodafone.com, which is regularly updated.

Political Donations

Prior to the 2006 AGM, the Board annually sought and obtained shareholders' approval to enable the Group to make donations to EU Political Organisations or incur EU Political Expenditure, under the relevant provisions of the Political Parties, Elections and Referendums Act 2000 ('PPERA'). The approval given restricted such expenditure to an aggregate limit of £100,000 in the period of 12 months following the date of the AGM.

At last year's AGM, held on 25 July 2006, the directors sought and received a renewal of shareholders' approval for a period of three years (until the AGM in 2009) to enable the Group to make donations to EU Political Organisations or incur EU Political Expenditure, under the PPERA. The approval given restricted such expenditure for each year until the AGM in 2009 to an aggregate amount of £100,000 (£50,000 in respect of donations to EU Political Organisations and £50,000 in respect of EU Political Expenditure).

The Group has made no political donations during the year.

Although the directors have received shareholders' approval for a three-year period, as with previous annual approvals, the Group has no intention of changing its current policy and practice of not making political donations and will not do so without the specific endorsement of shareholders. The Board obtained the approval on a precautionary basis to avoid any possibility of unintentionally breaching the PPERA.

Auditors

Following a recommendation by the Audit Committee and, in accordance with Section 384 of the Companies Act 1985, a resolution proposing the reappointment of Deloitte & Touche LLP as auditors to the Company will be put to the 2007 AGM.

In their assessment of the independence of the auditors and in accordance with the US Independence Standards Board Standard No. 1, 'Independence Discussions with Audit Committees', the Audit Committee receives in writing details of relationships between Deloitte & Touche LLP and the Company that may have a bearing on their independence and receives confirmation that they are independent of the Company within the meaning of the securities laws administered by the SEC.

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

In a further measure to ensure auditor independence is not compromised, policies were in place throughout the year to provide for the pre-approval by the Audit Committee of permitted non-audit services by Deloitte & Touche LLP. Where there was an immediate requirement for permitted non-audit services to be provided by Deloitte & Touche LLP which were not pre-approved by the Audit Committee, the policies provided that the Group consulted with the Chairman of the Audit Committee, or in his absence another member, for pre-approval. Since the year end, the Audit Committee has amended the pre-approval policies and procedures for the engagement of the Group's auditors to provide non-audit services. The Audit Committee has pre-approved certain specific permitted services that can be engaged by Group management subject to specified fee limits for individual engagements and fee limits for each type of specific service permitted. The provision under the policy for the Chairman of the Audit Committee, or in his absence another member, to pre-approve services which were not pre-approved by the Audit Committee remains.

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

During the year, Deloitte & Touche LLP and its affiliates charged the Group £7 million (2006: £4 million) for audit and audit-related services and a further £3 million (2006: £4 million) for non-audit assignments. An analysis of these fees can be found in note 4 to the Consolidated Financial Statements.

US Listing Requirements

The Company's ADS are listed on the NYSE and the Company is, therefore, subject to the rules of the NYSE as well as US securities laws and the rules of the SEC. The NYSE requires US companies listed on the exchange to comply with the NYSE's corporate governance rules but foreign private issuers, such as the Company, are exempt from most of those rules. However, pursuant to NYSE Rule 303A.11, the Company is required to disclose a summary of any significant ways in which the corporate governance practices it follows differ from those required by the NYSE for US companies. A summary of such differences is set out below.

The Company has also adopted a corporate Code of Ethics for senior executive, financial and accounting officers, separate from and additional to its Business Principles. A copy of this code is available on the Group's website at www.vodafone.com.

Differences from the New York Stock Exchange Corporate Governance Practices

Independence

The NYSE rules require that a majority of the Board must be comprised of independent directors and the rules include detailed tests that US companies must use for determining independence. The Combined Code requires a company's board of directors to assess and make a determination as to the independence of its directors. While the Board does not explicitly take into consideration the NYSE's detailed tests, it has carried out an assessment based on the requirements of the Combined Code and has determined in its judgement that all of the non-executive directors are independent within those requirements. As at the date of this Annual Report, the Board comprised the Chairman, three executive directors and ten non-executive directors.

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Committees

Under NYSE rules, US companies are required to have a nominating and corporate governance committee and a compensation committee, each composed entirely of independent directors with a written charter that addresses the Committees purpose and responsibilities. The Company s Nominations and Governance Committee and Remuneration Committee have terms of reference and composition that comply with the Combined Code requirements. The Nominations and Governance Committee is chaired by the Chairman of the Board, and its other members are non-executive directors of the Company and the Chief Executive. The Remuneration Committee is composed entirely of non executive directors whom the Board has determined to be independent. The Company s Audit Committee is composed entirely of non-executive directors whom the Board has determined to be independent and who meet the requirements of Rule 10A-3 of the Securities Exchange Act. The Company considers that the terms of reference of these committees, which are available on its website at www.vodafone.com, are generally responsive to the relevant NYSE rules but may not address all aspects of these rules.

Corporate governance guidelines

Under NYSE rules, US companies must adopt and disclose corporate governance guidelines. Vodafone has posted its statement of compliance with the Combined Code on its website at www.vodafone.com. The Company also has adopted a Group Governance Manual which provides the first level of the framework within which its businesses operate. The manual is a reference for Chief Executives and their teams and applies to all directors and employees. The Company considers that its corporate governance guidelines are generally responsive to, but may not address all aspects of, the relevant NYSE rules.

The Sarbanes-Oxley Act 2002

The Sarbanes-Oxley Act 2002 (the Act) was passed by the US Congress in July 2002 to establish new or enhanced standards for corporate accountability in the US. As a result of the listing of its securities on the NYSE, the Company must comply with relevant provisions of the Act. The Company has adopted procedures to comply with all applicable provisions of the Act.

Section 302: Corporate responsibility for financial reports

In relation to Section 302 of the Act, which covers disclosure controls and procedures, the Company established a Disclosure Committee reporting to the Chief Executive and Chief Financial Officer. It is chaired by the Group General Counsel and comprises members of senior management from finance, legal, global business development and corporate communications. The Committee has responsibility for reviewing and approving controls and procedures over the public disclosure of financial and related information, and other procedures necessary to enable the Chief Executive and Chief Financial Officer to provide their Certifications of the Annual Report on Form 20-F that is filed with the SEC.

In completing their certifications, Section 302 requires the Chief Executive and the Chief Financial Officer to confirm that:

- they have each reviewed the Annual Report and Form 20-F;
- based on their knowledge, it contains no material misstatements or omissions;
- based on their knowledge, the financial statements and other financial information fairly present, in all material respects, the financial condition, results of perations and cash flows as of the dates, and for the periods, presented in the Annual Report and Form 20-F;
- they are responsible for establishing and maintaining disclosure controls and procedures that ensure that material information is made known to them, have evaluated the effectiveness of these controls and procedures as at the year end, the results of such evaluation being contained in the Annual Report and Form 20-F;

- they are responsible for establishing and maintaining internal control over financial reporting that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- they have disclosed in the Annual Report and Form 20-F any changes in internal controls over financial reporting during the period covered by the Annual Report and Form 20-F that have materially affected, or are reasonably likely to affect materially, the company's internal control over financial reporting; and

- they have disclosed, based on their most recent evaluation of internal control over financial reporting, to the external auditors and the Audit Committee all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect adversely the Company's ability to recordprocess, summarise and report financial information and any fraud (regardless of materiality) involving persons that have a significant role in the Company's internal control over financial reporting.

The Company has carried out an evaluation under the supervision and with the participation of management, including the Chief Executive and Chief Financial Officer, of the effectiveness of the design and operation of the Group's disclosure controls and procedures as at 31 March 2007. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

The Chief Executive and Chief Financial Officer expect to complete these certifications and report their conclusions on the effectiveness of disclosure controls and procedures on 14 June 2007, following which the certificates will be filed with the SEC as part of the Company's Form 20-F.

Corporate Governance Rating

In each of the annual reports issued since 2004 by Governance Metrics International, a global corporate governance ratings agency, the Company was ranked amongst the top UK companies, with an overall global corporate governance rating of ten out of a possible ten.

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Report from the Audit Committee

The composition of the Audit Committee is shown in the table on page 69 and its terms of reference are discussed under Board Committees Audit Committee.

During the year ended 31 March 2007, the principal activities of the Committee were as follows:

Financial statements

The Committee considered reports from the Chief Financial Officer and the Director of Financial Reporting on the half-year and annual financial statements. It also considered reports from the external auditors, Deloitte & Touche LLP, on the scope and outcome of the interim review and annual audit.

The financial statements were reviewed in the light of these reports and the results of that review reported to the Board.

Risk management and internal control

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

The Committee also reviewed and approved arrangements by which staff could, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. This was achieved through using existing reporting procedures and a website with a dedicated anonymous email feature.

External auditors

The Committee reviewed the letter from Deloitte & Touche LLP confirming their independence and objectivity. It also reviewed and approved the scope of non-audit services provided by Deloitte & Touche LLP to ensure that there was no impairment of independence.

The Committee approved the scope and fees for audit services provided by Deloitte & Touche LLP and confirmed the wording of the recommendations put by the Board to the shareholders on the appointment and retention of the external auditors.

Private meetings were held with Deloitte & Touche LLP to ensure that there were no restrictions on the scope of their audit and to discuss any items the auditors did not wish to raise with management present.

Internal audit

The Committee engaged in discussion and review of the Group Audit Department s audit plan for the year, together with its resource requirements. Private meetings were held with the Group Audit Director.

Audit Committee effectiveness

The Audit Committee conducts a formal review of its effectiveness annually and concluded this year that it was effective and able to fulfil its terms of reference.

Dr Michael Boskin
On behalf of the Audit Committee

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Corporate Responsibility and Environmental Issues

Corporate Responsibility

Vodafone sees corporate responsibility (CR) as the process of understanding the expectations of stakeholders in the Group and taking appropriate action to meet those expectations where they are realistic and legitimate. Stakeholders include customers, investors, employees, suppliers, the communities where the Group operates and where networks are based, governments and regulators and representatives of civil society.

CR is relevant across all aspects of Vodafones business and being a responsible business is one of the Groups long term, strategic goals. Vodafones CR strategy has the objective by 2010 to be one of the most trusted companies in the markets where the Group is represented by an operating subsidiary. The strategy sets clear priorities to:

- Maintain high ethical standards and understand and respond to stakeholders priorities;
- Ensure our operating standards are consistent across the Group;
- Deliver on our promises in three key areas: responsibility to our customers; reuse and recycling of mobile phones; and climate change; and
- Capture the potential of mobile to bring socio-economic value through access to communications.

Vodafones approach to CR is underpinned by its Business Principles which cover, amongst other things, the environment, employees, individual conduct and community and society. The Business Principles are available on www.vodafone.com/responsibility/businessprinciples and are communicated to employees in a number of ways, including induction processes, websites and briefings.

The Executive Committee, chaired by the Chief Executive, receives regular information on CR and for the last four years, the Board has had an annual session on CR. A CR management structure is established in each mobile operating company, with each one having a representative on their management board with responsibility for CR. For the purposes of this section of the Annual Report, all mobile operating companies refers to the Groups mobile operating subsidiaries and the Groups joint venture in Italy. It excludes the newly acquired operations in Turkey and India. Systems for data collection on corporate responsibility and environmental issues are being put in place for the 2008 financial year for Turkey and Arcor, Vodafones fixed-line business in Germany.

CR performance is closely monitored and reported to most mobile operating company boards on a regular basis. CR is also integrated into Vodafones risk management processes such as the formal annual confirmation provided by each mobile 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. The Group engages with stakeholders in a variety of different ways and this year has focused on carrying out in-depth discussions on specific, emerging issues through the Vodafone CR Dialogues programme. For example, during the financial year, opinion former meetings were held on privacy and climate change. In addition, the Group held meetings relating to CR issues with 12 investors and face to face meetings were held with nongovernmental organisations and opinion formers. This is covered in more detail in the Groups CR Report for the 2007 financial year, which can be found at www.vodafone.com/responsibility.

Vodafone has increased last year's level of independent assessment and assurance of the CR programme and performance to reasonable assurance. The scope of work for the Group's auditors includes a review of the progress achieved against commitments set out in the 2006 Group CR report and the management and reporting of CR matters against the requirements of the assurance standard AA1000 AS, issued by AccountAbility. This identifies, in all material respects, whether reporting reflects the material CR issues of the Group as defined by the standard, whether processes are in place to ensure a complete understanding of the issues, and whether Vodafone is responding adequately to identified stakeholders' expectations. The assurance statement is published in the Group's CR Report.

Over the last year, progress has been made in responding to the Group's stakeholders' expectations. The most significant developments are summarised below and further details are provided in the Group's CR Report and on www.vodafone.com/responsibility. In addition to the Group's CR Report, 11 operating subsidiaries have produced their own CR report.

During the year, Vodafone was ranked first in the Accountability Rating published by Fortune magazine and Vodafone's 2006 CR report won the Association of Chartered Certified Accountants ('ACCA') Best Report Award 2006. Vodafone is included in the FTSE4Good and Dow Jones Sustainability Index.

Access to communications

Access to communications offers the single greatest opportunity for Vodafone to make a strong contribution to society. The Vodafone Social Investment Fund, launched in 2006, has invested in a range of projects during the course of the year.

A considerable pool of research shows that telecommunications – and mobile telecommunications in particular – has the potential to change people's lives for the better by promoting economic development. During the 2007 financial year, Vodafone's focus has been on mobile payment services:

- M-PESA was launched in February 2007 by Safaricom, Vodafone's joint venture in Kenya. Customers can deposit and withdraw cash at local M-PESA agents, transfer money to other mobile users via SMS and buy prepaid airtime credit.

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Corporate Responsibility and Environmental Issues
continued

- Building on M-PESA, Vodafone is piloting an international transfer service with Citigroup, enabling people to send money abroad and collect remittances via their mobile phones.

- Vodafone and HSBC launched Vodafone Cash in Egypt in February 2007. This links a prepaid bank card to mobile phone air-time. The Vodafone Cash service is designed to give customers with no bank account an easy way to deposit, transfer and withdraw cash.

Parental controls

All mobile operating companies that offer age-restricted content have implemented parental controls. These block access to age-restricted content on the Vodafone live! domain to those under 18 years of age. Internet filters are offered by five operating companies. This enables parents to prevent their children accessing inappropriate age-restricted content on the internet via their mobile phones. The mobile operating companies that have not implemented the filter will remove individual access to the internet completely on request.

Vodafone has signed the European Framework for safer mobile use by younger teenagers and children. Signatories to the framework are committed to develop national self-regulatory codes on child safety and mobile phones.

Earning the trust of customers

Vodafone's reputation depends on earning the trust of its customers. A range of issues are key to maintaining trust in Vodafone and our services. These include responsible marketing, clear pricing and protecting customers' privacy. During the year, Vodafone has focused on the clarity of marketing communications and the way in which the Group handles customer privacy, particularly in relation to the launch of mobile advertising services announced in May 2006 and in response to increasing demands from law enforcement agencies relating to the threat of serious crime and terrorism.

In response to concerns raised about freedom of expression and the internet, Vodafone is participating in a stakeholder engagement to draft principles on privacy and freedom of expression. More than 20 academics, investors, companies and nongovernmental organisations are also involved in this process.

The Group drafted guidelines on its mobile advertising activities to ensure that advertising content in national markets will meet its customers' expectations and that customers' privacy will be protected, by ensuring that customers' personal information will not be used for advertising services without obtaining customers' consent.

In January 2007, Vodafone Greece was fined in respect of breaches of communications privacy legislation. Refer to page 26 in the 'Business Regulation' section for further details of the case.

Supply chain

The Group continues to implement Vodafone's Code of Ethical Purchasing, which sets out environmental and labour standards for suppliers.

- A total of 290 suppliers, including approximately 45 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. 17 site evaluations of high risk suppliers have been completed.

- A supplier qualification process, incorporating CR, has been implemented in all mobile operating companies.

- A 'Speak Up' programme to provide suppliers with a means to report any ethical concerns has been introduced in all mobile operating companies. Less than ten incidents have been reported to date; all have been

investigated and resolved satisfactorily.

Social investment

The Vodafone Group Foundation and the unique network of 19 local operating company and associate foundations have continued to implement a global social investment programme.

During the 2007 financial year, the Company made a charitable grant of £31.5 million to the Vodafone Group Foundation. The majority of funds were distributed in grants through local operating company foundations to a variety of local charitable organisations. The Vodafone Group Foundation made additional grants to charitable partners engaged in a variety of global projects, notably for disaster relief and preparedness. In addition, local operating companies donated a further £13.0 million to their foundations and a further £3.7 million directly to a variety of causes. These donations total £48.2 million and include donations of £0.7 million made as required by the terms of certain network operating licences.

Environmental Issues

The Group continues to monitor and manage the impact of its activities on the environment and is committed to minimising adverse impacts in an appropriate manner. Over the last 12 months, progress has continued to be made across a series of projects that address environmental issues.

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 funding independent scientific research to resolve scientific uncertainty in areas identified by the World Health Organisation (□WHO□). In the 2007 financial year, the WHO identified the main gaps in scientific knowledge, including long-term exposure and issues relating to exposure of children. The WHO reported that further research into RF fields from mobile base stations is a low priority due to the very low exposure levels from this source.

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Vodafone requires manufacturers of the mobiles it sells to test for SAR (Specific Absorption Rate) compliance when used both against the ear and against, or near, the body, using the US FCC Test procedure. Vodafone is actively engaged with the IEC Standards Organisation in developing a new global protocol for body worn phones. At the end of 2006, the operating companies completed a two year implementation programme of the Groups Health and Safety of Radio Frequency Fields Policy to ensure all its base stations comply with international standards. The Groups 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.

Responsible network deployment

Vodafones mobile services rely on a network of base stations that transmit and receive calls. The Group recognises that network roll out can cause concern to communities, usually about the visual impact of base stations or health issues concerning RF fields. Vodafone has continued to implement its policy and guidelines on responsible network deployment. In addition, seven mobile operating companies have signed up to national industry codes of best practice on network deployment.

During the 2007 financial year, Vodafone was found in breach of planning regulations relating to 423 mast sitings. Fines levied by regulatory bodies or courts in relation to offences under environmental law or regulations were approximately £16,500.

By cooperating with other mobile operators to share sites, the Group can reduce 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. During the year, Vodafone announced the intention to participate in a number of network sharing agreements in the Czech Republic, Spain and the UK.

Energy use and efficiency

Climate change is widely recognised as the greatest global environmental challenge and limiting the Groups contribution is a priority. One of the Groups significant areas of impact is the energy use associated with the operation of the network, which accounts for more than 80% of the Groups carbon dioxide emissions. In the 2007 financial year:

- energy use was 2,690 GWh, equating to 1.23 million tonnes of carbon dioxide; and
- network carbon dioxide emissions per unit of data transmitted decreased by 29%.

Other environmental impacts include ozone-depleting substances, paper use and water use. These are reported at www.vodafone.com/responsibility.

Reuse and recycling

Mobile phones, accessories and the networks on which they operate require upgrading, replacement and decommissioning. Whilst Vodafone does not manufacture equipment, the Group does purchase it. New European legislation on electronic waste came into force during the 2007 financial year. The Group complies with the EUs Waste Electronic and Electrical Equipment (WEEE) directive through its handset recycling programmes in all operating companies where it applies. The Group has also worked with suppliers to ensure substances prohibited by the Restriction of the use of certain Hazardous Substances directive are phased out. During the 2007 financial year:

- Over one million phones were collected for reuse and recycling through collection programmes in 16 mobile operating companies. This exceeds our target of increasing our handset collection by 50% from 2005 levels (the target figure was adjusted to take into account the disposal of the operations in Japan); and
-

9,960 tonnes of network equipment waste was generated, with 97% of this sent for reuse or recycling, exceeding our target of 95%.

Environmental Performance Indicators

	2007(1)(2)	2006(1)(3)	2005(1)
Number of mobile operating subsidiaries undertaking independent RF field monitoring	**15**	15	14
Total energy use (GWh) (direct and indirect) (4)	**2,690**	2,900(5)	2,600
Total carbon dioxide emissions (millions of tonnes)(4)	**1.23**	1.31	1.2
% of energy sourced from renewables	**17**	12	11
Number of phones collected for reuse and recycling (million)	**1.03**	1.37	1.14(5)
Network equipment waste generated (tonnes)	**9,960**	2,950	3,404
% network equipment waste sent for reuse or recycling	**97**	97	96

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 figure is calculated using the kWh/CO2 conversion factor for the electricity provided by the national grid and for other energy sources in each operating company. The data collection and reporting process is within the assurance undertaken by Deloitte & Touche LLP on the Company's CR Report. The Group's joint venture in Italy is included in all years.

(2) 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.

(3) The data for the 2006 financial year excludes the Czech Republic, Romania and the operations in Sweden that were sold during the 2006 financial year, but does include operations in Japan that were disposed of during the 2007 financial year.

(4) The 2007 figure includes Arcor.

(5) Figures corrected after further analysis of data obtained during the last financial year.

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Board's Report to Shareholders on Directors' Remuneration

Dear Shareholder

Since the introduction of the current Executive Remuneration Policy in 2002 (the "Policy"), the Remuneration Committee has conducted annual reviews to ensure that the Policy continues to serve the Company and shareholders.

As a result of this year's review, the Remuneration Committee has concluded that the existing Policy remains appropriate but intends to make four changes. These are as follows:

- the comparator group for the Relative Total Shareholder Return ("TSR") performance condition on the Group Long Term Incentive Plan ("GLTIP") shares will be changed from all the companies in the FTSE Global Telecommunications Index to the top 50% of companies in the FTSE Global Telecommunications Index by market capitalisation, which will allow us to calculate the ranking on an unweighted basis;

- the vesting curve on the relative TSR performance condition will be changed to a straight line between threshold and maximum;

- a fifth performance measure will be added to the Group Short Term Incentive Plan ("GSTIP"), which will focus participants on the development of total communication services; and

- the performance condition on the Deferred Share Bonus ("DSB") has changed from a two year adjusted EPS to a two year cumulative adjusted free cash flow target.

The key principles of the Policy, which are being maintained, are:

- the expected value of total remuneration will be benchmarked against the relevant market;

- a high proportion of total remuneration will be delivered through performance related payments;

- performance measures will be balanced between absolute financial measures and sector comparative measures to achieve maximum alignment between executive and shareholder objectives;

- the majority of performance related remuneration will be provided in the form of equity; and

- share ownership requirements will be applied to executive directors.

The Remuneration Committee continues to monitor how well incentive awards made in previous years align with the Company's performance. The Policy continues to work well and forecast rewards are commensurate with actual performance. I am confident that the Policy continues to align executives' and shareholders' interests, whilst enabling the Company to engage a high calibre team to successfully lead the Company. I hope that we receive your support at the AGM on 24 July 2007.

Luc Vandevelde
Chairman of the Remuneration Committee
29 May 2007

Remuneration Committee

The Remuneration Committee is comprised to exercise independent judgement and consists only of independent

non-executive directors. Luc Vandevelde (Chairman), Dr Michael Boskin, Professor Jürgen Schrempp and Philip Yea continue as members. Anthony Watson joined the Remuneration

Committee on 26 September 2006. The Chief Executive and Chairman are invited to attend meetings of the Remuneration Committee, other than when their own remuneration is being discussed.

The Remuneration Committee met on nine occasions during the year. The Remuneration Committee appointed and received advice from Towers Perrin (market data and advice on market practice and governance) and Kepler Associates (performance analysis and advice on performance measures and market practice) and received advice from the Group Human Resources Director, the Group Reward and Recognition Director and, on occasion, the Group Chief Financial Officer. The advisers also provided advice to the Company on general human resource and compensation related matters.

Remuneration Policy

The Policy was approved by shareholders in July 2002. The Policy is set out below:

The overriding objective of the Policy on incentives is to ensure that Vodafone is able to attract, retain and motivate executives of the highest calibre essential to the successful leadership and effective management of a global company at the leading edge of the telecommunications industry. To achieve this objective, Vodafone, from the context of its UK domicile, takes into account both the UK regulatory framework, including best practice in corporate governance, shareholder views, political opinion and the appropriate geographic and nationality basis for determining competitive remuneration, recognising that this may be subject to change over time as the business evolves.

The total remuneration will be benchmarked against the relevant market. Vodafone is one of the largest companies in Europe and is a global business; Vodafone's policy will be to provide executive directors with remuneration generally at levels that are competitive with the largest companies in Europe. A high proportion of the total remuneration will be awarded through performance related remuneration, with phased delivery over the short, medium and long term. For executive directors, approximately 80% of the total expected remuneration will be performance related. Performance measures will be balanced between absolute financial measures and sector comparative measures to achieve maximum alignment between executive and shareholder objectives.

All medium and long term incentives are delivered in the form of Vodafone shares and options. Executive directors are required to comply with share ownership guidelines.

The structure of remuneration for executive directors under the Policy (excluding pensions) is illustrated below:

The Policy's key objective is to ensure that there is a strong linkage between pay and performance. This is achieved by approximately 80% of the total package (excluding pensions) being delivered through performance-linked short, medium and long term incentive plans. Therefore, the only guaranteed payment to executive directors is their base salary and pension.

The Remuneration Committee selects performance measures for incentive plans that provide the greatest degree of alignment with the Company's strategic goals and that are clear and transparent to both directors and shareholders. The performance measures adopted incentivise both operational performance and share price growth.

Each element of the reward package focuses on supporting different Company objectives, which are illustrated overleaf:

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Summary of the components of executive directors remuneration

	Purpose	Grant policy	2006/07 Performance Measure(s)	2007/08 Performance Measure(s)
Base salary	•Reflects competitive market level, role and individual achievement	•Benchmarked against top European companies	•Individual contribution	•Individual contribution
Group Short Term Incentive Plan (GSTIP)	•Motivates achievement of annual business KPIs •Aligns with new business strategy	•100% on target bonus, 200% maximum bonus for all Main Board executive directors •Bonus can be taken in cash or deferred into shares for two years	•Adjusted operating profit (30%) •Free cash flow (20%) •Revenue (35%) •Customer satisfaction (15%)	•Adjusted operating profit (30%) •Free cash flow (20%) •Total service revenue (25%) •Total communications revenues (10%) •Customer satisfaction (15%)
Deferred Share Bonus (DSB)	•Provides incentive to co-invest •Motivates achievement of medium term KPIs •Aligns executives and shareholders interests	•The entire bonus must be deferred into shares to participate in the DSB •50% of the value of the deferred bonus conditionally awarded in shares	•Two year adjusted EPS growth (for the award granted in July 2006 based on the 05/06 GSTIP)	•Two year adjusted free cash flow (for the award to be granted in July 2007 based on the 06/07 GSTIP)
Global Long Term Incentive Plan (GLTI) Options	•Incentivise earnings growth and share price growth •Aligns executives and shareholders interests	•CEO 250% of base salary expected value for overall GLTI (options and performance shares) •Main Board executives 200% of base salary expected value for overall GLTI	•Three year adjusted EPS growth	•Three year adjusted EPS growth

		(options and performance shares)		
Global Long Term Incentive Plan (□GLTI□) Shares	•Incentivise share price and dividend growth •Aligns executives□ and shareholders□ interests	•CEO □ 250% of base salary expected value for overall GLTI (options and performance shares) •Main Board executives □ 200% of base salary expected value for overall GLTI (options and performance shares)	•Relative Total Shareholder Return (□TSR□) against the companies in the FTSE Global Telecommunications Index	•Relative Total Shareholder Return (□TSR□) against the top 50% of companies in the FTSE Global Telecommunications Index by market capitalisation

The principles of the Policy are cascaded, where appropriate, to executives below Board level as set out below:

	Cascade of policy to Executive Committee
Base salary	Set against national market
Annual deferred share bonus	Target bonus level competitive in local market, with payout conditional on business performance relevant to individual executive Opportunity to defer bonus in order to receive the deferred share bonus matching award
Long term incentive	Annual awards of performance shares and share options with performance conditions

Report on Executive Directors□ Remuneration for the 2007 Financial Year and Subsequent Periods

Total remuneration levels

In accordance with the Policy, the Company benchmarks total remuneration levels against other large European domiciled companies, using externally provided pay data. Total remuneration for these purposes means the sum of base salary and short, medium and long term incentives calculated on an expected value basis. The European focus was selected because Europe continues to be Vodafone□s major market and the Company is one of the top ten companies in Europe by market capitalisation. The competitive data is used as one input to determine the remuneration level of the Chief

Executive and Board. The Remuneration Committee also takes into account other factors, including personal and Company performance, in determining the target remuneration level.

Components of executive directors□ remuneration

Executive directors receive base salary, short and medium term incentive (annual deferred share bonus), long term incentives (performance shares and share options) and pension benefits. Vesting of all incentives is dependent on the achievement of performance targets that are set by the Remuneration Committee prior to the awards being granted.

Base salary

Salaries are reviewed annually and adjustments may be made to reflect competitive national pay levels, the prevailing level of salary reviews of employees within the Group, changes in responsibilities and Group and individual performance. External remuneration consultants provide data about market salary levels and advise the Remuneration Committee accordingly. Pension entitlements are based only on base salary. In July 2006, the Chief

Executive's base salary was set at £1,272,000.

Incentive awards

Short and medium term incentive

The purpose of the Group Short Term Incentive Plan ('GSTIP') is to focus and motivate executive directors to achieve annual business KPIs that will further the Company's medium term objectives. The Deferred Share Bonus offers an incentive for executives to co-invest. Share awards made in

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Board's Report to Shareholders on Directors' Remuneration
continued

July 2004 under the Vodafone Short Term Incentive Plan ('STIP') (the predecessor to the Deferred Share Bonus) vested in July 2006. Details of STIP awards are given in the table on page 84.

Annual bonus ('GSTIP')

The annual bonus is earned by achievement of one year's KPI linked performance targets and is either delivered in cash or shares. If the bonus is delivered in shares they will be deferred for a two year period and the executive will be eligible to receive 50% of the gross bonus under the Deferred Share Bonus Plan, which is detailed below.

The target base award level for the 2007 financial year was 100% of salary, with a maximum of 200% of salary available for exceptional performance.

The Remuneration Committee reviews and sets the GSTIP performance targets on an annual basis, taking into account business strategy. The performance measures for the 2007 financial year were adjusted operating profit, revenue, free cash flow and customer delight. Each element is weighted according to the responsibilities of the relevant director. For the Chief Executive, in the 2007 financial year, the adjusted operating profit target was 30% of the total, revenue 35%, free cash flow 20% and customer delight 15%, and the payout achieved was 151.6% . The targets are not disclosed, as they are commercially sensitive.

The target base award level for the 2008 financial year will continue to be 100% of salary, with a maximum of 200% of salary available for exceptional performance.

For the 2008 financial year, the Group performance measures will be changed to include the development of total communications revenue with a 10% weighting, and the revenue measure will be changed to total service revenue with a 25% weighting. More information on KPIs, against which Group performance is measured, can be found in 'Performance – Key Performance Indicators' on page 33.

Deferred Share Bonus ('DSB')

If executives choose to defer their annual bonus into shares, then they will be eligible for an award under the DSB arrangement of matching shares equal to 50% of the number of shares comprised in the pre-tax base award. The award is earned by achievement of a subsequent two year performance target following the initial 12 month period.

For awards made in 2006, which will vest in July 2008, the performance measure is growth in adjusted EPS. Three quarters of the DSB award will vest for achievement of EPS growth of 11%, rising to full vesting for achievement of EPS growth of 15% over the two year performance period.

For awards made in 2007, which will vest in July 2009, the performance measure will be free cash flow. The target itself will be set by the Remuneration Committee at the time of the award based on the Group's long-range plan with reference to market expectations.

Long term incentives

Awards of performance shares and share options were made to executive directors following the 2006 AGM on 25 July 2006. The awards for the 2007 financial year will be also be made following the AGM and will be made under the Vodafone Global Incentive Plan.

Awards are delivered in the form of ordinary shares of the Company. All awards are made under plans that incorporate dilution limits as set out in the Guidelines for Share Incentive Schemes published by the Association of British Insurers. The current estimated dilution from subsisting awards, including executive and all-employee share awards, is approximately 2.9% of the Company's share capital at 31 March 2007 (2.6% as at 31 March 2006).

Performance shares

Performance shares are awarded annually to executive directors. Vesting of the performance shares depends upon the Company's relative TSR

performance. TSR measures the change in value of a share and reinvested dividends over the period of measurement.

For the award made in the 2007 financial year, the Company's TSR performance is compared to that of other companies in the FTSE Global Telecommunications index as at the date of grant, over a three-year performance period.

In the 2007 financial year, the Chief Executive received an award of performance shares with a face value of 227% of base salary; other executive directors received 182% of base salary.

Performance shares will vest only if the Company ranks in the top half of the ranking table; maximum vesting will only occur if the Company is in the top 20%. Vesting is also conditional on underlying improvement in the performance of the Company. Awards will vest to the extent that the performance condition has been satisfied at the end of the three-year performance period. To the extent that the performance target is not met, the awards will be forfeited.

For awards made in the 2008 financial year, the TSR comparator group will be changed to the top 50% of companies in the FTSE Global Telecommunications Index by market capitalisation. This removes the smaller companies from the group and allows us to move from a weighted to an unweighted ranking system. In addition, the vesting curve has been straightened between threshold and maximum performance. The following chart shows the basis on which the performance shares will vest:

Previously disclosed performance share awards granted in the 2004 financial year vested in the 2007 financial year. Details are given in the table on page 85.

Share options

Share options are granted annually to executive directors. The exercise of share options is subject to the achievement of a three year adjusted EPS performance condition set prior to grant.

For the award made in the 2007 financial year, one quarter of the option award will vest for achievement of EPS growth of 5% p.a., rising to full vesting for achievement of EPS growth of 10% p.a. over the performance period. In setting this target, the Remuneration Committee has taken the internal long range plan and market expectations into account.

The Remuneration Committee has decided that for the 2008 financial year grants, the performance range will be 5% – 8% p.a. As in previous years, 25% vests at threshold (5% p.a.) with a straight line up to 100% vesting at maximum (8% p.a.). The following chart illustrates the basis on which share options granted in the 2007 and 2008 financial years will vest:

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Options have a ten year term and will vest after three years, subject to performance achievement. To the extent that the performance target is not met, the options will lapse. Re-testing of performance is not permitted.

The price at which shares can be acquired on option exercise will be no lower than the market value of the shares on the day prior to the date of grant of the options. Therefore, scheme participants only benefit if the share price increases and vesting conditions are achieved.

In July 2006, the Chief Executive received an award of options with a face value of 735% of base salary, while other executive directors received awards of options with a face value of 588% of their base salary.

Share ownership guidelines

Executive directors participating in long term incentive plans must comply with the Company's share ownership guidelines. These guidelines, which were first introduced in 2000, require the Chief Executive to have a shareholding in the Company of four times base salary and other executive directors to have a shareholding of three times base salary.

It is intended that these ownership levels will be attained within five years from the director first becoming subject to the guidelines and be achieved through the retention of shares awarded under incentive plans.

Pensions

The Chief Executive, Arun Sarin, is provided with a defined contribution pension arrangement to which the Company contributes 30% of base salary.

Vittorio Colao has elected to take a cash allowance of 30% of base salary in lieu of pension contributions.

Andy Halford, being a UK based director, was a contributing member of the Vodafone Group Pension Scheme, which is a UK defined benefit scheme approved by HM Revenue & Customs. The scheme provides a benefit of two-thirds of pensionable salary after a minimum of 20 years' service. The normal retirement age is 60, but directors may retire from age 55 with a pension proportionately reduced to account for their shorter service but with no actuarial reduction. Andy Halford's pensionable salary is capped in-line with the Vodafone Group Pension Scheme Rules at £110,000. The Company has paid a cash allowance of 30% of base salary in excess of pensionable salary.

Sir Julian Horn-Smith elected to receive his pension from 6 April 2006, prior to his actual retirement from the Company, in accordance with the new UK pension rules effective from April 2006. Sir Julian retired at the end of the 2006 AGM in July. In addition to his pension, the Remuneration Committee authorised a pension allowance of 30% of base salary for the four months from the date he took his pension to the date of his retirement.

Thomas Geitner was entitled to a defined benefit pension of 40% of salary from a normal retirement age of 60. On early retirement, the pension may be reduced if he has accrued less than ten years of Board service.

Thomas Geitner left the Company on 31 December 2006 with a contractual entitlement to a pension, representing 30% of his final base salary. This pension can be paid in full with effect from 1 January 2008 providing Mr Geitner does not commence employment with a competitor. Should he commence employment with a competitor, then, in accordance with his employment contract, the above pension will be suspended until his 55th birthday, at which point the pension payments will recommence.

The increase in the transfer value amount of Mr Geitner's pension between 31 March 2006 and 31 March 2007 is to take account of the fact that he has chosen to retire before the standard retirement age of 60. According to the

terms of his contract, his stepped pension promise is completely protected and payable immediately, without reduction. In previous years the pension promise was valued on the basis of a retirement age of 60, a pension of 40% of final base salary and that his whole pension would accrue uniformly over the period to his 60th birthday. These factors combined have resulted in the increase in the transfer value that is now disclosed. There have been no enhancements awarded in the last year beyond the contractual promise. The valuation of his pension promise to date follows normal actuarial practice in Germany.

All the plans referred to above provide benefits in the event of death in service.

Further details of the pension benefits earned by the directors in the year ended 31 March 2007 can be found on page 84. Liabilities in respect of the pension schemes in which the executive directors participate are funded to the extent described in note 25 to the Consolidated Financial Statements, Post employment benefits.

All-employee share incentive schemes

Global All Employee Share Plan

As in the 2006 financial year, the Remuneration Committee has approved that an award of shares based on the achievement of performance conditions be made to all employees in the Vodafone Group. The 2007 award will be made on 2 July 2007.

Sharesave

The Vodafone Group 1998 Sharesave Scheme is a HM Revenue & Customs approved scheme open to all UK permanent employees.

The maximum that can be saved each month is £250 and savings plus interest may be used to acquire shares by exercising the related option. The options have been granted at up to a 20% discount to market value. UK based executive directors are eligible to participate in the scheme and details of their participation are given in the table on page 86.

Share Incentive Plan

The Vodafone Share Incentive Plan (SIP) is a HM Revenue & Customs approved plan open to all UK permanent employees. Eligible employees may contribute up to £125 each month and the trustee of the plan uses the money to buy shares on their behalf. An equivalent number of shares are purchased with contributions from the employing company. UK based executive directors are eligible to participate in the SIP and details of their share interests under these plans are given in the table on page 87.

Non-executive directors remuneration

The remuneration of non-executive directors is periodically reviewed by the Board, excluding the non-executive directors. The fees payable are as follows:

	Fees payable from 1 April 2006 £000
Chairman	475
Deputy Chairman and Senior Independent Director	130
Basic Non-Executive Director fee	95
Chairmanship of Audit Committee	20
Chairmanship of Remuneration Committee	15
Chairmanship of Nominations and Governance Committee	10

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Board's Report to Shareholders on Directors' Remuneration
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In addition, an allowance of £6,000 is payable each time a non-Europe based non-executive director is required to travel to attend Board and Committee meetings, to reflect the additional time commitment involved.

A full review of non-executive directors' fees was carried out in February 2007 taking into account market data and current market trends provided by Towers Perrin. The previous review was in 2005. As a result of this review the revised fees payable from 1 April 2007 are as follows:

	Fees payable from 1 April 2007 £'000
Chairman	525
Deputy Chairman and Senior Independent Director	145
Basic Non-Executive Director fee	105
Chairmanship of Audit Committee	25
Chairmanship of Remuneration Committee	20
Chairmanship of Nominations and Governance Committee	15

Details of each non-executive director's remuneration for the 2007 financial year are included in the table on page 83.

Non-executive directors do not participate in any incentive or benefit plans. The Company does not provide any contribution to their pension arrangements. The Chairman is entitled to use of a car and a driver whenever and wherever he is providing his services to or representing the Company.

Service contracts and appointments of directors

Executive directors

The Remuneration Committee has determined that, after an initial term that may be of up to two years' duration, executive directors' contracts should thereafter have rolling terms and be terminable on no more than one year's notice. All current executive directors' contracts have an indefinite term (to normal retirement date) and one year notice periods. No payments should normally be payable on termination other than the salary due for the notice period and such entitlements under incentive plans and benefits that are consistent with the terms of such plans.

All the UK based executive directors have, whilst in service, entitlement under a long term disability plan from which two-thirds of base salary, up to a maximum benefit determined by the insurer, would be provided until normal retirement date.

Vittorio Colao

Vittorio Colao was appointed as the Company's Deputy Chief Executive with effect from 9 October 2006.

Thomas Geitner

Thomas Geitner left the Company on 31 December 2006 and received salary and compensation for loss of office in accordance with his legal entitlement. The total payment was £1.7 million. His pro-rated annual bonus for the 2007 financial year was waived in return for a series of six equal monthly payments of £95,723. These payments are contingent on Mr Geitner not joining a competitor. The Remuneration Committee has exercised discretion to allow him access to long term incentive awards, pro-rated for time and performance. He is eligible to draw his pension from 1 January 2008 as set out in the pensions section of this report on page 84.

Sir Julian Horn-Smith

Sir Julian Horn-Smith retired after the AGM on 25 July 2006. He received his bonus for the year to date of retirement, payment in lieu of holiday accrued and awards vested under his long term incentive plans under the

normal rules for retirement.

Peter Bamford

Peter Bamford left the Company's on 1 April 2006. He received compensation for loss of office in accordance with his legal entitlement of £1.06 million.

Fees retained for non-executive directorships in other companies

Some executive directors hold positions in other companies as non-executive directors. The fees received in respect of the 2007 financial year and retained by directors were as follows:

	Company in which non-executive directorship is held	Fees retained by the individual in the 2007 financial year £'000[1]
Arun Sarin	The Bank of England	**6.0**
Thomas Geitner[2]	Singulus Technologies AG	**7.7**
Sir Julian Horn-Smith[3]	Smiths Group plc	**17.0**
	Lloyds TSB Group plc	**28.6**
	Sage Group plc	**14.0**

Notes:
(1) Fees were retained in accordance with Company policy.
(2) Fees were retained in the period to 31 December 2006.
(3) An option over 400,000 shares granted to Sir Julian in November 2005 by China Mobile Limited for his duties as non-executive director, and held for the benefit of the Company, lapsed on his retirement on 25 July 2006. Fees shown are for the period 1 April to 25 July 2006.

Chairman and non-executive directors

Lord MacLaurin retired as the Company's Chairman following the AGM on 25 July 2006. Lord MacLaurin continued to receive fees in accordance with his service contract until 31 December 2006. The Company has entered into an agreement with Lord MacLaurin that he will provide advisory services to the Company for a period of three years following his retirement. During this period he will receive an annual fee of £125,000, which he has confirmed to the Company he intends to donate to charity.

Sir John Bond was appointed as Chairman of the Company with effect from the AGM on 25 July 2006. As Chairman for 2006 he received a pro-rated fee equivalent to £475,000 per annum having received standard non-executive director fees up to the date of appointment. His appointment is indefinite and may be terminated by either party on one year's notice.

Paul Hazen stepped down from the role of Deputy Chairman following the AGM on 25 July 2006. John Buchanan was appointed into this role on the same date.

Penny Hughes stepped down from the Board on 25 July 2006.

Anthony Watson, Alan Jebson and Nick Land were appointed to the Board as non-executive directors with effect from 1 May 2006, 1 December 2006 and 1 December 2006 respectively, and hold office on the same terms as other non-executive directors.

Non-executive directors, including the Deputy Chairman, are engaged on letters of appointment that set out their duties and responsibilities. The appointment of non-executive directors may be terminated without compensation.

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

TSR performance

The following chart shows the performance of the Company relative to the FTSE100 index and the FTSE Global Telecommunications index, which are the most relevant indices for the Company.

Historical TSR Performance
Growth in the value of a hypothetical £100 holding up to March 2007 FTSE Global Telecoms and FTSE 100 comparison based on spot values.

Graph provided by Towers Perrin and calculated according to a methodology that is compliant with the requirements of Schedule 7A of the Companies Act of 1985. Data Sources: FTSE and Datastream

Note: Performance of the Company shown by the graph is not indicative of vesting levels under the Company□s various incentive plans.

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Audited Information

Remuneration for the year ended 31 March 2007

The remuneration of the directors serving during the year ended 31 March 2007 was as follows:

	Salary/fees		Incentive schemes(1)		Benefits		Other(2)		Total	
	2007 £□000	2006 £□ 000	**2007 £□ 000**	2006 £□ 000	**2007 £□000**	2006 £□000	**2007 £□000**	2006 £□000	**2007 £□000**	2006 £□000
Chairman										
Lord MacLaurin	**390**	520	□	□	**37**	57	□	□	**427**	577
Sir John Bond	**363**	95	□	□	**11**	□	□	□	**374**	95
Deputy Chairman										
Paul Hazen	**59**	173	□	□	**157**	□	□	□	**216**	173
John Buchanan	**119**	95	□	□	**15**	□	□	□	**134**	95
Chief Executive										
Arun Sarin	**1,272**	1,254	**1,928**	1,424	**49**	54	□	□	**3,249**	2,732
Executive directors										
Vittorio Colao	**383**	□	**500**	□	**58**	□	**115**	□	**1,056**	□
Andy Halford	**592**	342	**897**	396	**56**	16	**145**	□	**1,690**	754
Thomas Geitner[3]	**574**	734	□	851	**186**	148	**2,003**	□	**2,763**	1,733
Sir Julian Horn-Smith	**345**	1,022	**345**	1,169	**102**	48	**103**	□	**895**	2,239
Non-executive directors										
Dr Michael Boskin	**139**	144	□	□	□	□	□	□	**139**	144
Lord Broers	**95**	95	□	□	**14**	□	□	□	**109**	95
Anne Lauvergeon	**95**	40	□	□	□	□	□	□	**95**	40
Professor Jürgen Schrempp	**95**	95	□	□	□	□	□	□	**95**	95
Luc Vandevelde	**110**	105	□	□	**1**	□	□	□	**111**	105
Philip Yea	**95**	55	□	□	□	□	□	□	**95**	55
Anthony Watson	**87**	□	□	□	□	□	□	□	**87**	□
Nick Land	**32**	□	□	□	□	□	□	□	**32**	□
Alan Jebson	**32**	□	□	□	□	□	□	□	**32**	□
Penny Hughes	**30**	100	□	□	□	□	□	□	**30**	100
Former directors[4]	□	□	□	□	□	□	**1,470**	1,283	**1,470**	1,283
	4,907	4,869	**3,670**	3,840	**686**	323	**3,836**	1,283	**13,099**	10,315

Notes:

(1) These figures are the cash equivalent value of the base share awards under the Vodafone Group Short Term Incentive Plan applicable to the year ended 31 March 2007. These awards are in relation to the performance achievements against targets in adjusted operating profit, revenue, free cash flow and customer delight for the 2007 financial year.
(2) Other compensation includes the value of the cash allowance taken by some individuals in lieu of pension contributions. Please see the pensions note on page 84 for details. Other compensation also includes payments made in respect of loss of office.
(3) Thomas Geitner received a payment of £1,715,478 for compensation for loss of office. He was also eligible for his bonus for the year to date of £574,338 which was waived in return for six equal payments of £95,723 per month for six months. These payments run from January 2007 to June 2007 and are contingent on him not taking up a position at a competitor.
(4) Under the terms of his agreement, Peter Bamford received his termination payment as set out in the 2006 Annual Report. The £1.47 million is in respect of his £1.06 million severance agreement, with the remaining £0.41 million being a cash allowance paid in lieu of his FURBs contributions prior to A-day.

The aggregate compensation paid by the Company to its collective senior management(1) for services for the year ended 31 March 2007, is set out below. The aggregate number of senior management as at 31 March 2007 was eight, two fewer than at 31 March 2006.

	2007	2006
	£000	£000
Salaries and fees	**3,817**	4,555
Incentive schemes(2)	**4,752**	5,155
Benefits / Other(3)	**7,228**	3,125
	15,797	12,835

Notes:
(1) Aggregate compensation for senior management is in respect of those individuals who were members of the Executive Committee during the year ended 31 March 2007, other than executive directors, and reflects compensation paid from date of appointment to the Executive Committee, to 31 March 2007 or date of leaving, where applicable.
(2) Comprises the incentive scheme information for senior management on an equivalent basis to that disclosed for directors in the table at the top of this page. Details of share incentives awarded to directors and senior management are included in footnotes to Short term incentives and Long term incentives on pages 84 and 85.
(3) Other compensation covers cash allowances in lieu of pension contributions that were introduced following the A-day changes and any payments made in respect of loss of office.

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Board's Report to Shareholders on Directors' Remuneration
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Pensions

Pension benefits earned by the directors serving during the year ended 31 March 2007 were:

Name of Director	Total accrued benefit at 31 March 2007(1) £'000	Change in accrued benefit over the year(1) £'000	Transfer value at 31 March 2006(2) £'000	Transfer value at 31 March 2007(2) £'000	Change in transfer value over year less member contributions £'000	Change in accrued benefit in excess of inflation £'000	Transfer value of change in accrued benefit net of member contributions £'000	Employer allocation/ contribution to defined contribution plans £'000
Arun Sarin	–	–	–	–	–	–	–	**382.0**
Vittorio Colao[3]	–	–	–	–	–	–	–	–
Andy Halford[4]	**17.0**	**3.7**	182.8	**223.4**	**36.7**	**3.2**	**38.1**	–
Thomas Geitner[5]	**232.1**	**116.3**	1,971.4	**5,138.9**	**3,167.5**	**112.1**	**2,482.0**	–
Sir Julian Horn-Smith[6]	**605.2**	–	13,231.0	**15,186.5**	**1,955.5**	–	–	–

Notes:
(1) The accrued pension benefits earned by the directors are those which would be paid annually on retirement, based on service to the end of the year, at the normal retirement age. The increase in accrued pension excludes any increase for inflation.
(2) The transfer values have been calculated on the basis of actuarial advice in accordance with the Faculty and Institute of Actuaries' Guidance Note GN11. No director elected to pay additional voluntary contributions. The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the pension scheme.
(3) Vittorio Colao has elected to take a 30% pension allowance as cash. This allowance is included in the 'other' category for the year in the table on page 83.
(4) Andy Halford is a member of the Vodafone's UK defined benefit scheme for salary up to the scheme cap of £110,000. On base salary in excess of this cap he receives 30% pension allowance, which he has elected to take as cash. This allowance is included in the 'other' category for the year in the table on page 83.
(5) Thomas Geitner will be eligible to receive his pension from 1 January 2008. The increase in transfer value is due to an increase in value from taking early retirement. This is caused by the method of valuation adopted by German actuarial practice.
(6) Sir Julian Horn-Smith retired for pensions purposes on 6 April 2006 and took a lump sum of £1,361,601. The figures in the table exclude allowance for this figure. If allowance is included, in accordance with Companies Act Regulations, the transfer value at 31 March 2007 becomes £13,538,000 (based on a pension in payment of £531,115 p.a.) and the change in value over the year becomes £307,000.

In respect of senior management, the Group has made aggregate contributions of £0.89 million into pension schemes.

Directors' interests in the shares of the Company

Short term incentives

Conditional awards of ordinary shares made to executive directors under the STIP/Deferred Share Bonus, and dividends on those shares paid under the terms of the Company's dividend reinvestment plan, are shown below. STIP shares which vested and were sold or transferred during the year ended 31 March 2007 are also shown below.

	Total interest in STIP at 1 April 2006	Shares conditionally awarded during the year as matching shares in respect of DSB awards for the 2006 financial year		Shares sold or transferred during the year in respect of the 2004 financial year[1]		Shares forfeited during the year in respect of the 2004 financial year		Total interest in STIP/DSB as at 31 March 2007	
	Total number of shares	Number	Value at date of award(2)(3) £000	In respect of base awards	In respect of enhancement shares	In respect of base awards	In respect of enhancement shares	Number of shares	Total Value(4) £000
Arun Sarin	**2,781,347**	**619,304**	**712**	**1,013,733**	**506,867**			**1,880,051**	**2,547**
Vittorio Colao									
Andy Halford	**292,299**	**240,840**	**277**	**194,866**	**97,433**			**240,840**	**326**
Thomas Geitner	**428,179**			**285,453**			**142,726**		
Sir Julian Horn-Smith									

Notes:
(1) Shares in respect of the STIP awards for the 2004 financial year were transferred on 3 July 2006.
(2) Previously disclosed with the directors emoluments for the year ended 31 March 2006.
(3) Value at date of award is based on the price of the Company s ordinary shares on 13 June 2006 of 115p.
(4) The value at 31 March 2007 is calculated using the closing middle market price of the Company s ordinary shares at 30 March 2007 of 135.5p.

The aggregate number of shares conditionally awarded during the year under the Deferred Share Bonus to the Company s senior management, other than executive directors, is 304,325. For a description of the performance and vesting conditions, see Short and medium term incentive: Deferred Share Bonus on page 80.

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Long term incentives

Performance shares

Conditional awards of ordinary shares made to executive directors under the Vodafone Group Plc 1999 Long Term Stock Incentive Plan and the Vodafone Global Incentive Plan are shown below. Long Term Incentive shares that vested and were sold or transferred during the year ended 31 March 2007 are also shown below:

	Total interest in long term incentives at 1 April 2006 or date of appointment (1)	Shares conditionally awarded during the 2007 financial year		Shares forfeited in respect of awards for the 2004, 2005 2006 and 2007 financial years	Shares sold or transferred in respect of awards for the 2004, 2005 2006 and 2007 financial years	Total interest in long term incentives at 31 March 2007	
	Number	Number	Value at date of award(2) £000	Number(3)	Number(3)	Number of shares	Total value(5) £000
Arun Sarin	**5,578,789**	**2,508,380**	**2,891**	**1,363,354**	**481,509**	**6,242,306**	**8,427**
Vittorio Colao		**1,073,465**	**1,455**			**1,073,465**	**1,449**
Andy Halford	**841,562**	**946,558**	**1,091**	**122,652**	**43,318**	**1,662,150**	**2,190**
Thomas Geitner(4)	**2,422,198**	**1,227,587**	**1,415**	**3,292,331**	**357,454**		
Sir Julian Horn-Smith	**3,438,834**			**3,156,954**	**281,880**		

Notes:

(1) Restricted share awards under the Vodafone Group Plc 1999 Long Term Stock Incentive Plan and the Vodafone Global Incentive Plan.

(2) Except for Vittorio Colao, the value of awards under the Vodafone Global Incentive Plan is based on the price of the Company's ordinary shares on 24 July 2006 of 115.25p. The value of the award made to Vittorio Colao is based on the price of the Company's ordinary shares on 14 November 2006 of 135.5p.

(3) Shares in respect of awards made in the 2004 financial year, granted on 30 July 2003, were sold or transferred on 3 July 2006. The closing middle market price of the Company's ordinary shares was 119.25p on 30 July 2003, the date of the award, and 115.0p on 29 June 2006, the date of vesting.

(4) Thomas Geitner received shares that vested in respect of the 2007 financial year. These awards were granted on 25 July 2006 and vested when he left the Company on 31 December 2006. The closing middle market price of the Company's ordinary shares was 115.25p on 25 July 2006, the date of the award, and 141.5p on 29 December 2006, the date of vesting.

(5) The value at 31 March 2007 is calculated using the closing middle market price of the Company's ordinary shares at 30 March 2007 of 135.5p.

(6) All employees, including Executive Directors with the exception of those retiring in the 2007 financial year, received an award of 340 shares on 1 July 2006, under the Global Incentive Plan. The awards vest after two years and are not subject to performance conditions.

The aggregate number of shares conditionally awarded during the year to the Company's senior management is 4,431,962 shares. For a description of the performance and vesting conditions see "Long term incentives" on pages 80 to 81. In some cases local performance conditions attach to the awards.

Share options

The following information summarises the directors' options under the Vodafone Group 1998 Sharesave Scheme,

the Vodafone Group Plc Executive Share Option Scheme and the Vodafone Group 1998 Company Share Option Scheme, which are all HM Revenue & Customs approved schemes. The table also summarises the directors options under the Vodafone Group 1998 Executive Share Option Scheme, Vodafone Group Plc 1999 Long Term Stock Incentive Plan and the Vodafone Global Incentive Plan, which are not HM Revenue & Customs approved. No other directors have options under any of these schemes.

Only under the Vodafone Group 1998 Sharesave Scheme may shares be offered at a discount in future grants of options. For a description of the performance and vesting conditions see Long term incentives on pages 80 to 81.

	Options held at 1 April 2006 or date of appointment(1)(2) Number	Options granted during the 2007 financial year Number	Options exercised during the 2007 financial year Number	Options lapsed during the 2007 financial year Number	Options held at 31 March 2007 Number	Weighted average exercise price at 31 March 2007 Pence	Earliest date from which exercisable	Latest expiry date
Arun Sarin	**26,416,279**	**8,115,350**		**6,250,000**	**28,281,629**	**123.3**	**July 2006**	**July 2016**
Vittorio Colao		**3,472,975**			**3,472,975**	**135.5**	**Nov 2009**	**Nov 2016**
Andy Halford	**2,704,093**	**3,072,598**		**8,705**	**5,767,986**	**130.4**	**July 2002**	**July 2016**
Thomas Geitner[3]	**18,396,960**	**3,971,607**	**5,497,618**	**5,329,579**	**11,541,370**	**139.3**	**July 2003**	**Dec 2007**
Sir Julian Horn-Smith[3]	**25,200,598**		**2,337,104**	**9,126,792**	**13,736,702**	**136.1**	**July 2002**	**July 2007**
	72,717,930	**18,632,530**	**7,834,722**	**20,715,076**	**62,800,662**			

Notes:
(1) The weighted average exercise price of options over shares in the Company granted during the year and listed above is 119.0p. The earliest date from which they are exercisable is July 2009 and the latest expiry date is 15 November 2016. For a description of the performance and vesting conditions see Long term incentives on pages 80 to 81.
(2) Vittorio Colao was appointed to the Board on 9 October 2006.
(3) In accordance with the terms of the plan rules, options granted to Thomas Geitner and Sir Julian Horn-Smith have been pro-rated for both time and performance.

The aggregate number of options granted during the year to the Company s senior management, other than executive directors, is 14,712,424. The weighted average exercise price of the options granted to senior management during the year is 115.96 pence. The earliest date from which they are exercisable is July 2009 and the latest expiry date is 13 February 2017.

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Further details of options outstanding at 31 March 2007 are as follows:

	Exercisable Market price greater than option price(1)			Exercisable Option price greater than market price(1)			Not yet exercisable		
	Options held Number	Weighted average exercise price Pence	Latest expiry date	Options held Number	Weighted average exercise price Pence	Latest expiry date	Options held Number	Weighted average exercise price Pence	Earliest date from which exercisable
Arun Sarin	**7,379,454**	**119.3**	**July 2013**	—	—	—	**20,902,175**	**124.7**	**July 2007**
Vittorio Colao	—	—	—	—	—	—	**3,472,975**	**135.5**	**Nov 2009**
Andy Halford	**327,777**	**110.8**	**July 2013**	**344,800**	**214.6**	**July 2011**	**5,095,409**	**125.9**	**July 2007**
Thomas Geitner	**7,157,573**	**106.0**	**Dec 2007**	**4,383,797**	**193.0**	**Dec 2007**	—	—	—
Sir Julian Horn-Smith	**9,451,790**	**109.8**	**July 2007**	**4,284,912**	**194.0**	**July 2007**	—	—	—
	24,316,594			**9,013,509**			**29,470,559**		

Note:
(1) Market price is the closing middle market price of the Company's ordinary shares at 31 March 2007 of 135.50p.

The Company's register of directors' interests (which is open to inspection) contains full details of directors' shareholdings and options to subscribe. These options by exercise price were:

	Option price Pence	Options held at 1 April 2006 or date of appointment Number	Options granted during the 2007 financial year Number	Options exercised during the 2007 financial year Number	Options lapsed during the 2007 financial year Number	Options held at 31 March 2007 Number
Vodafone Group Plc Executive Share Option Scheme (Approved 1988)	**255.00**	**233,500**	—	—	—	**233,500**
Vodafone Group 1998 Company Share Option Scheme (Approved)	**282.30**	**631,700**	—	—	—	**631,700**
Vodafone Group 1998 Sharesave Scheme	**70.92**	**23,336**	—	**19,511**	**3,825**	—
	91.64	—	**10,202**	—	—	**10,202**
	95.30	**16,710**	—	—	—	**16,710**
	108.84	**8,705**	—	—	**8,705**	—
Vodafone Group Plc 1999 Long Term Stock Incentive Plan	**90.00**	**94,444**	—	—	—	**94,444**
Vodafone Group Plc Global Incentive Plan	**97.00**	**9,260,683**	—	**1,753,505**	—	**7,507,178**
	115.25	—	**15,149,353**	**496,450**	**55,162**	**14,597,741**

119.00	**14,189,604**		**1,072,048**	**4,239,735**	**8,877,821**
119.25	**15,640,457**		**3,937,670**		**11,702,787**
135.50		**3,472,975**			**3,472,975**
145.25	**13,920,682**		**555,538**	**4,150,810**	**9,214,334**
151.56	**1,015,400**				**1,015,400**
157.50	**9,519,551**			**6,006,839**	**3,512,712**
208.78(1)	**6,250,000**			**6,250,000**	
291.50	**1,913,158**				**1,913,158**
	72,717,930	**18,632,530**	**7,834,722**	**20,715,076**	**62,800,662**

Note:
(1) These share options are in respect of American Depositary Shares, each representing ten ordinary shares in the Company, which are traded on the New York Stock Exchange. The number and option price have been converted into the equivalent amounts for the Company's ordinary shares, with the option price being translated at the 31 March 2007 exchange rate of $1.9685:£1.

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Beneficial interests

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

	6 April 2007	31 March 2007	1 April 2006 or date of appointment
Sir John Bond	207,620	**207,620**	134,423
Dr John Buchanan	191,913	**191,913**(4)	208,124
Arun Sarin(1)	5,994,854	**5,994,854**	4,932,560
Vittorio Colao(2)			
Andy Halford	350,632	**350,632**	107,895
Dr Michael Boskin	10,000	**10,000**	212,500
Lord Broers	18,887	**18,887**(4)	20,483
Anne Lauvergeon	27,125	**27,125**(4)	31,000
Professor Jürgen Schrempp	8,750	**8,750**(4)	10,000
Luc Vandevelde	17,500	**17,500**(4)	20,000
Philip Yea	61,250	**61,250**(4)	70,000
Anthony Watson(3)	100,000	**100,000**	
Nick Land(3)	25,000	**25,000**	
Alan Jebson(3)	75,000	**75,000**	

Notes:
(1) Arun Sarin also has a non-beneficial interest as the trustee of two family trusts, each holding 5,005 shares.
(2) Vittorio Colao was appointed to the Board on 9 October 2006.
(3) Non-executive directors appointed to the Board as follows: Anthony Watson 1 May 2006; Alan Jebson 1 December 2006; and Nick Land 1 December 2006.
(4) The reduction in holding is solely as a result of the return of capital and share consolidation in July 2006.

There were no changes to the interests of the directors of the Company in the ordinary shares of the Company during the period from 1 April 2007 to 6 April 2007. As at 31 March 2007, and during the period from 1 April 2007 to 6 April 2007, no director had any interest in the shares of any subsidiary company.

Other than those individuals included in the table above who were Board members as at 31 March 2007, members of the Group s Executive Committee, as at 31 March 2007, had an aggregate beneficial interest in 2,042,154 ordinary shares of the Company. As at 6 April 2007, Executive Committee members at that date had an aggregate beneficial interest in 2,042,154 ordinary shares of the Company, none of whom had an individual beneficial interest amounting to greater than 1% of the Company s ordinary shares.

Interests in share options of the Company at 6 April 2007

At 6 April 2007, there had been no change to the directors interests in share options from 31 March 2007.

Other than those individuals included in the table above, at 6 April 2007, members of the Group s Executive Committee at that date held options for 28,516,664 ordinary shares at prices ranging from 70.92 pence to 293.7 pence per ordinary share, with a weighted average exercise price of 134.04 pence per ordinary share exercisable at dates ranging from July 2002 to February 2017.

Sir John Bond, John Buchanan, Dr Michael Boskin, Lord Broers, Alan Jebson, Anne Lauvergeon, Nick Land, Professor Jürgen Schrempp, Luc Vandevelde, Philip Yea and Anthony Watson held no options at 6 April 2007.

Directors interests in contracts

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

Luc Vandevelde
On behalf of the Board

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Directors Statement of Responsibility

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Consolidated Financial Statements have been prepared in accordance with IFRS as adopted for use in the EU;
- for the Company Financial Statements, state whether applicable UK accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the EU IAS Regulation. They are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company s auditors are unaware, and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company s auditors are aware of that information.

Going Concern

After reviewing the Group s and Company s budget for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Management s Report on Internal Control over Financial Reporting

As required by section 404 of the Sarbanes-Oxley Act of 2002, management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group.

The Company s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, including the reconciliations to US GAAP, and that receipts and expenditures are being made only in accordance with authorisation of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

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

Management has assessed the effectiveness of the internal control over financial reporting as at 31 March 2007 based on the Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The assessment excluded the internal controls over financial reporting relating to Vodafone Telekomunikasyon A.S. (Vodafone Turkey) because the entity was acquired on 24 May 2006, as described in note 28 to the Consolidated Financial Statements.

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

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

	Vodafone Turkey 2007 £m	Vodacom 2007 £m
Total assets	**607**	**1,008**
Net assets	**150**	**477**
Revenue	**698**	**1,478**
Profit for the financial year	**71**	**242**

Management is not required to evaluate the internal controls of entities accounted for under the equity method. Accordingly, the internal controls of these entities, which contributed a net profit of £2,728 million to the loss for the financial year, have not been assessed, except relating to controls over the recording of amounts relating to the investments that are recorded in the Group's consolidated financial statement.

Based on management's assessment, management has concluded that the internal control over financial reporting was effective as at 31 March 2007.

Management's assessment of the effectiveness of internal control over financial reporting, as at 31 March 2007, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, who also audit the Group's Consolidated Financial Statements. Their audit report on internal control over financial reporting is on page 89.

By Order of the Board

Stephen Scott
Secretary
29 May 2007

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

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Vodafone Group Plc together with its subsidiaries and applicable joint ventures (the "Group") maintained effective internal control over financial reporting as of 31 March 2007, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Vodafone Telekomunikasyon A.S. ("Vodafone Turkey"), which was acquired on 24 May 2006 and whose financial statements constitute 0.2 percent and 0.6 percent of net and total assets, respectively, 2.2 percent of revenues, and 1.3 percent profit of net loss of the consolidated financial statement amounts as of and for the year ended 31 March 2007. As also described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the Internal Controls over Financial Reporting at Vodacom Group (Pty) Limited ("Vodacom"), as the Group does not have the ability to dictate, modify or assess the controls at this entity. Vodacom constitutes, 0.7 percent and 0.9 percent of net and total assets, respectively, 4.8 percent of revenues, and 4.6 percent profit of net loss of the consolidated financial statement amounts as of and for the year ended 31 March 2007. Accordingly, our audit did not include the internal control over financial reporting at Vodafone Turkey or Vodacom. The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Group's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that the Group maintained effective internal control over financial reporting as of 31 March 2007 is fairly stated, in all material respects, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting

as of 31 March 2007, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended 31 March 2007 of the Group and our report dated 29 May 2007 expressed an unqualified opinion on those financial statements and included an explanatory paragraph relating to the nature and effect of differences between International Financial Reporting Standards and accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
29 May 2007

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

We have audited the Consolidated Financial Statements of Vodafone Group Plc which comprise the consolidated balance sheet at 31 March 2007 and 2006, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of recognised income and expenses for each of the three years in the period ended 31 March 2007 and the related notes numbered 1 to 39. These Consolidated Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors remuneration report that is described as having been audited.

We have reported separately on the individual Company Financial Statements of Vodafone Group Plc for the year ended 31 March 2007.

Respective Responsibilities of Directors and Auditors

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

Our responsibility is to audit the Consolidated Financial Statements and the part of the directors remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Consolidated Financial Statements give a true and fair view in accordance with the relevant financial reporting framework and whether the Consolidated Financial Statements and the part of the directors remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the directors report is consistent with the Consolidated Financial Statements. We also report to you if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors transactions with the Company and other members of the Group is not disclosed.

We also report to you if, in our opinion, the Company has not complied with any of the four directors remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company s compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board s statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Group s corporate governance procedures or its risk and control procedures.

We read the directors report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors remuneration report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Consolidated Financial Statements.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the standards of the Public Company Accounting Oversight Board (United

States). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Consolidated Financial Statements and the part of the directors remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Consolidated Financial

Statements, and of whether the accounting policies are appropriate to the Groups circumstances, consistently applied and adequately disclosed.

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

Opinions

UK opinion

In our opinion:

- the Consolidated Financial Statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the Groups affairs as at 31 March 2007 and of its loss for the year then ended;
- the Consolidated Financial Statements and the part of the directors remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the directors report is consistent with the Consolidated Financial Statements.

As explained in note 1 of the Consolidated Financial Statements, the Group, in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, has also complied with the IFRS as issued by the International Accounting Standards Board. Accordingly, in our opinion the Consolidated Financial Statements give a true and fair view, in accordance with IFRS, of the state of the Groups affairs as at 31 March 2007 and of its loss for the year then ended.

US opinion

In our opinion the Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Group at 31 March 2007 and 2006 and the consolidated results of its operations and cash flows for each of the three years in the period ended 31 March 2007 in conformity with IFRS as adopted for use in the European Union and as issued by the International Accounting Standards Board.

IFRS vary in significant respects from the accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 38 to the Consolidated Financial Statements.

We have also audited, in accordance with the standards of the Public Company Oversight Board (United States), the effectiveness of the Groups internal control over financial reporting as of 31 March 2007, based on the criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our report including our opinions on managements assessment of the Groups internal control over financial reporting and on the effectiveness of the Groups internal control over financial reporting is set out on page 90.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

United Kingdom
29 May 2007

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Consolidated Income Statement for the years ended 31 March

	Note	2007 $m	2007 £m	2006 £m	2005 £m
Revenue	3	**61,228**	**31,104**	29,350	26,678
Cost of sales		**(36,860)**	**(18,725)**	(17,070)	(15,800)
Gross profit		**24,368**	**12,379**	12,280	10,878
Selling and distribution expenses		**(4,205)**	**(2,136)**	(1,876)	(1,649)
Administrative expenses		**(6,765)**	**(3,437)**	(3,416)	(2,856)
Share of result in associated undertakings	14	**5,370**	**2,728**	2,428	1,980
Impairment losses	10	**(22,835)**	**(11,600)**	(23,515)	(475)
Other income and expense	29	**988**	**502**	15	
Operating (loss)/profit	3,4	**(3,079)**	**(1,564)**	(14,084)	7,878
Non-operating income and expense		**8**	**4**	(2)	(7)
Investment income	5	**1,553**	**789**	353	294
Financing costs	5	**(3,173)**	**(1,612)**	(1,120)	(880)
(Loss)/profit before taxation		**(4,691)**	**(2,383)**	(14,853)	7,285
Income tax expense	6	**(4,770)**	**(2,423)**	(2,380)	(1,869)
(Loss)/profit for the financial year from continuing operations		**(9,461)**	**(4,806)**	(17,233)	5,416
(Loss)/profit for the financial year from discontinued operations	29	**(966)**	**(491)**	(4,588)	1,102
(Loss)/profit for the financial year		**(10,427)**	**(5,297)**	(21,821)	6,518
Attributable to:					
Equity shareholders		**(10,681)**	**(5,426)**	(21,916)	6,410
Minority interests		**254**	**129**	95	108
		(10,427)	**(5,297)**	(21,821)	6,518
Basic (loss)/earnings per share					
(Loss)/profit from continuing operations	8	**(17.60)¢**	**(8.94)p**	(27.66)p	8.12p
(Loss)/profit from discontinued operations	8, 29	**(1.77)¢**	**(0.90)p**	(7.35)p	1.56p
(Loss)/profit for the financial year	8	**(19.37)¢**	**(9.84)p**	(35.01)p	9.68p
Diluted (loss)/earnings per share					
(Loss)/profit from continuing operations	8	**(17.60)¢**	**(8.94)p**	(27.66)p	8.09p
(Loss)/profit from discontinued operations	8, 29	**(1.77)¢**	**(0.90)p**	(7.35)p	1.56p
(Loss)/profit for the financial year	8	**(19.37)¢**	**(9.84)p**	(35.01)p	9.65p

Consolidated Statement of Recognised Income and Expense for the years ended 31 March

	Note	2007 $m	2007 £m	2006 £m	2005 £m
Gains on revaluation of available-for-sale investments, net of tax	22	**4,150**	**2,108**	705	106
Exchange differences on translation of foreign operations, net of tax	22	**(7,488)**	**(3,804)**	1,494	1,488
Actuarial gains/(losses) on defined benefit pension schemes, net of tax	22	**98**	**50**	(30)	(79)
Revaluation gain	22			112	
Transfer to the income statement on disposal of foreign operations	22	**1,650**	**838**	36	
Net (expense)/income recognised directly in equity		**(1,590)**	**(808)**	2,317	1,515
(Loss)/profit for the financial year	23	**(10,427)**	**(5,297)**	(21,821)	6,518
Total recognised income and expense relating to the year		**(12,017)**	**(6,105)**	(19,504)	8,033
Attributable to:					
Equity shareholders		**(12,224)**	**(6,210)**	(19,607)	7,958
Minority interests		**207**	**105**	103	75
		(12,017)	**(6,105)**	(19,504)	8,033

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

The unaudited US dollar amounts are prepared on the basis set out in note 1.

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Consolidated Balance Sheet at 31 March

	Note	2007 $m	2007 £m	2006 £m
Non-current assets				
Goodwill	9	**79,856**	**40,567**	52,606
Other intangible assets	9	**30,915**	**15,705**	16,512
Property, plant and equipment	11	**26,465**	**13,444**	13,660
Investments in associated undertakings	14	**39,817**	**20,227**	23,197
Other investments	15	**11,565**	**5,875**	2,119
Deferred tax assets	6	**807**	**410**	140
Post employment benefits	25	**161**	**82**	19
Trade and other receivables	17	**972**	**494**	361
		190,558	**96,804**	108,614
Current assets				
Inventory	16	**567**	**288**	297
Taxation recoverable		**41**	**21**	8
Trade and other receivables	17	**9,888**	**5,023**	4,438
Cash and cash equivalents	18	**14,726**	**7,481**	2,789
		25,222	**12,813**	7,532
Assets included in disposal group held for sale	29			10,592
Total assets		**215,780**	**109,617**	126,738
Equity				
Called up share capital	19	**8,213**	**4,172**	4,165
Share premium account	21	**85,771**	**43,572**	52,444
Own shares held	21	**(15,841)**	**(8,047)**	(8,198)
Additional paid-in capital	21	**197,214**	**100,185**	100,152
Capital redemption reserve	21	**17,976**	**9,132**	128
Accumulated other recognised income and expense	22	**6,508**	**3,306**	4,090
Retained losses	23	**(167,820)**	**(85,253)**	(67,356)
Total equity shareholders funds		**132,021**	**67,067**	85,425
Minority interests		**445**	**226**	(113)
Total equity		**132,466**	**67,293**	85,312
Non-current liabilities				

Long term borrowings	24	**35,035**	**17,798**	16,750
Deferred tax liabilities	6	**9,106**	**4,626**	5,670
Post employment benefits	25	**242**	**123**	120
Provisions	26	**583**	**296**	265
Trade and other payables	27	**1,053**	**535**	566
		46,019	**23,378**	23,371
Current liabilities				
Short term borrowings:				
Third parties	24	**7,825**	**3,975**	3,070
Related parties	24, 36	**1,657**	**842**	378
Current taxation liabilities		**10,016**	**5,088**	4,448
Trade and other payables	27	**17,272**	**8,774**	7,477
Provisions	26	**525**	**267**	139
		37,295	**18,946**	15,512
Liabilities included in disposal group held for sale	29			2,543
Total equity and liabilities		**215,780**	**109,617**	126,738

The Consolidated Financial Statements were approved by the Board of directors on 29 May 2007 and were signed on its behalf by:

Arun Sarin
Chief Executive

Andy Halford
Chief Financial Officer

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

The unaudited US dollar amounts are prepared on the basis set out in note 1.

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Consolidated Cash Flow Statement for the years ended 31 March

	Note	2007 $m	2007 £m	2006 £m	2005 £m
Net cash flows from operating activities	29,32	**20,331**	**10,328**	11,841	10,979
Cash flows from investing activities					
Purchase of interests in subsidiary undertakings and joint ventures, net of cash acquired		**(5,522)**	**(2,805)**	(4,186)	(2,461)
Disposal of interests in subsidiary undertakings, net of cash disposed		**13,321**	**6,767**	599	444
Disposal of interests in associated undertakings		**6,140**	**3,119**	—	—
Purchase of intangible assets		**(1,770)**	**(899)**	(690)	(699)
Purchase of property, plant and equipment		**(7,152)**	**(3,633)**	(4,481)	(4,279)
Disposal of property, plant and equipment		**67**	**34**	26	68
Purchase of investments		**(339)**	**(172)**	(57)	(19)
Disposal of investments		**157**	**80**	1	22
Loans to businesses sold or acquired businesses held for sale		—	—	—	110
Dividends received from associated undertakings		**1,557**	**791**	835	1,896
Dividends received from investments		**112**	**57**	41	19
Interest received		**1,035**	**526**	319	339
Net cash flows from investing activities	29	**7,606**	**3,865**	(7,593)	(4,560)
Cash flows from financing activities					
Issue of ordinary share capital and reissue of treasury shares		**380**	**193**	356	115
Net movement in short term borrowings		**1,876**	**953**	708	—
Proceeds from the issue of long term borrowings		**10,138**	**5,150**	5,256	—
Repayment of borrowings		**(3,860)**	**(1,961)**	(1,371)	(1,824)
Loans repaid to associated undertakings		—	—	(47)	(2)
Purchase of treasury shares		**(85)**	**(43)**	(6,457)	(4,053)
B share capital redemption		**(11,246)**	**(5,713)**	—	—
B share preference dividends paid		**(6,478)**	**(3,291)**	—	—
Equity dividends paid		**(6,998)**	**(3,555)**	(2,749)	(1,991)
Dividends paid to minority shareholders in subsidiary undertakings		**(67)**	**(34)**	(51)	(32)
Interest paid		**(2,069)**	**(1,051)**	(721)	(744)
Net cash flows used in financing activities	29	**(18,409)**	**(9,352)**	(5,076)	(8,531)
Net cash flows		**9,528**	**4,841**	(828)	(2,112)
Cash and cash equivalents at beginning of the financial year	18	**5,772**	**2,932**	3,726	5,809
Exchange (loss)/gain on cash and cash equivalents		**(620)**	**(315)**	34	29

Cash and cash equivalents at end of the financial year	18	**14,680**	**7,458**	2,932	3,726

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

The unaudited US dollar amounts are prepared on the basis set out in note 1.

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Notes to the Consolidated Financial Statements

1. Basis of preparation

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Consolidated Financial Statements are also prepared in accordance with IFRS adopted by the European Union (EU), the Companies Act 1985 and Article 4 of the EU IAS Regulations. IFRS and IFRS as adopted by the EU differ in certain material respects from US generally accepted accounting principles (US GAAP) see note 38.

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

Amounts in the Consolidated Financial Statements are stated in pounds sterling (£), the currency of the country in which the Company is incorporated. The translation into US dollars of the Consolidated Financial Statements as of, and for the year ended, 31 March 2007, is for convenience only and has been made at the Noon Buying Rate for cable transfers as announced by the Federal Reserve Bank of New York for customs purposes on 30 March 2007. This rate was $1.9685: £1. This translation should not be construed as a representation that the sterling amounts actually represented have been, or could be, converted into dollars at this or any other rate.

2. Significant accounting policies

Accounting convention

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

Basis of consolidation

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

Accounting for subsidiaries

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

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

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Groups equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minoritys share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minoritys share of changes in equity are allocated against the interests of the Group except to the

extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

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

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

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

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

Interests in joint ventures

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

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

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

Investments in associates

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

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

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

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

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Notes to the Consolidated Financial Statements
continued

2. Significant accounting policies continued

Intangible assets

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each balance sheet date.

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

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

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

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

Licence and spectrum fees

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

Computer software

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

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

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

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

Research and development expenditure

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

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

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and

- the development cost of the asset can be measured reliably.

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

Other intangible assets

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

Brands	1 – 10 years
Customer bases	3 – 8 years

Property, plant and equipment

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

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

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

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

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

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

Equipment, fixtures and fittings

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

Depreciation is not provided on freehold land.

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

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

Impairment of assets

Goodwill

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

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

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

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Property, plant and equipment and finite lived intangible assets

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

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

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

Disposal groups held for sale

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

Revenue

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

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

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

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

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

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

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

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

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

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

Inventory

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

Leasing

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

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

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

Foreign currencies

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

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Notes to the Consolidated Financial Statements
continued

2. Significant accounting policies continued

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

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

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

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

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

Borrowing costs

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

Post employment benefits

For defined benefit retirement plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or liability on the balance sheet. During the year ended 31 March 2006, the Group early adopted the amendment to IAS 19, Employee Benefits, issued by the IASB on 16 December 2004 and applied it from 1 April 2004. Accordingly, actuarial gains and losses are taken to the statement of recognised income and expense. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

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

The values attributed to plan liabilities are assessed in accordance with the advice of independent qualified actuaries.

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

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

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

Financial instruments

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

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

Trade receivables

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

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Other investments

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

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

Cash and cash equivalents

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

Trade payables

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

Financial liabilities and equity instruments

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

Capital market and bank borrowings

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

Equity instruments

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

Fair value hedges

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

Net investment hedges

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

Provisions

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

Share-based payments

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

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

Advertising costs

Expenditure on advertising is written off in the year in which it is incurred.

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Notes to the Consolidated Financial Statements
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3. Segmental analysis

The Group has one business segment, being the supply of communications services and products. Primary segmental information is provided on the basis of geographic regions, being the basis on which the Group manages its worldwide interests. The segmental analysis is provided for the Group's continuing operations. Revenue is determined by location of assets, which is not materially different from revenue by location of customer. Inter-segment sales are charged at arms length prices. During the 2007 financial year, the Group changed the structure of its organisation. The results for all periods are presented in accordance with the new structure. See note 29 for information on discontinued operations. Germany and Arcor together form the geographic segment of Germany.

	Germany £m	Italy £m	Spain £m	UK £m	Arcor[1] £m	Other Europe £m	Total Europe £m	Eastern Europe £m	Middle East, Africa & Asia £m	Pacific £m	Asso
31 March 2007											
Service revenue	**5,156**	**4,083**	**4,062**	**4,681**	**1,419**	**4,018**	**23,419**	**2,392**	**2,332**	**1,245**	
Equipment and other revenue	**287**	**162**	**438**	**443**	**22**	**257**	**1,609**	**85**	**233**	**154**	
Segment revenue	**5,443**	**4,245**	**4,500**	**5,124**	**1,441**	**4,275**	**25,028**	**2,477**	**2,565**	**1,399**	
Common functions											
Intra-region revenue	**(123)**	**(44)**	**(106)**	**(54)**	**(27)**	**(82)**	**(436)**				
Regional revenue	**5,320**	**4,201**	**4,394**	**5,070**	**1,414**	**4,193**	**24,592**	**2,477**	**2,565**	**1,399**	
Less: Inter-region revenue	**(9)**	**(5)**	**(3)**	**(9)**		**(4)**	**(30)**	**(31)**	**(9)**	**(11)**	
Group revenue	**5,311**	**4,196**	**4,391**	**5,061**	**1,414**	**4,189**	**24,562**	**2,446**	**2,556**	**1,388**	
Operating (loss)/profit	**(5,345)**	**(3,325)**	**1,100**	**511**	**171**	**936**	**(5,952)**	**184**	**694**	**159**	**2**
Impairment losses	**6,700**	**4,900**					**11,600**				
Other items	**(1)**						**(1)**				
Adjusted operating profit	**1,354**	**1,575**	**1,100**	**511**	**171**	**936**	**5,647**	**184**	**694**	**159**	**2**
Non-current assets[2]	**16,279**	**13,754**	**12,327**	**8,551**	**829**	**7,328**	**59,068**	**6,347**	**3,160**	**1,379**	
Share of associated undertakings						**8**	**8**				**17**
Current assets[2]	**779**	**849**	**483**	**884**	**238**	**698**	**3,931**	**367**	**455**	**223**	

Total segment assets[2]	**17,058**	**14,603**	**12,810**	**9,435**	**1,067**	**8,034**	**63,007**	**6,714**	**3,615**	**1,602**	**17,**
Unallocated non-current assets:											
Deferred tax assets											
Trade and other receivables											
Unallocated current assets:											
Cash and cash equivalents											
Trade and other receivables											
Taxation recoverable											
Total assets											
Segment liabilities[2]	**(827)**	**(1,449)**	**(1,000)**	**(940)**	**(376)**	**(1,125)**	**(5,717)**	**(843)**	**(886)**	**(403)**	
Unallocated liabilities:											
Current taxation liabilities											
Deferred tax liabilities											
Trade and other payables											
Short term borrowings											
Long term borrowings											
Total liabilities											
Other segment items:											
Capitalised fixed asset additions[3]	**425**	**421**	**547**	**661**	**189**	**489**	**2,732**	**435**	**574**	**251**	
Expenditure on other intangible assets	**—**	**26**	**—**	**—**	**—**	**6**	**32**	**—**	**276**	**—**	
Depreciation and amortisation	**1,063**	**556**	**449**	**930**	**144**	**586**	**3,728**	**349**	**272**	**194**	
Impairment of goodwill	**6,700**	**4,900**	**—**	**—**	**—**	**—**	**11,600**	**—**	**—**	**—**	

Notes:

(1) Within the Europe region, certain revenues relating to Arcor have been reclassified between service revenue and equipment and other revenue. All prior periods have been adjusted accordingly. The reclassification had no effect on total revenue.
(2) Excluding unallocated items.
(3) Includes additions to property, plant and equipment and computer software, included within intangible assets.

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	Germany £m	Italy £m	Spain £m	UK £m	Arcor[1] £m	Other Europe £m	Total Europe £m	Eastern Europe £m	Middle East, Africa & Asia £m	Pacific £m	Associates US £m	Associate Ot £
31 March 2006												
Service revenue	5,394	4,170	3,615	4,568	1,305	4,349	23,401	1,358	1,625	1,212		
Equipment and other revenue	360	193	380	480	15	348	1,776	77	159	123		
Segment revenue	5,754	4,363	3,995	5,048	1,320	4,697	25,177	1,435	1,784	1,335		
Common functions												
Intra-region revenue	(143)	(39)	(100)	(50)	(34)	(78)	(444)					
Regional revenue	5,611	4,324	3,895	4,998	1,286	4,619	24,733	1,435	1,784	1,335		
Less: Inter-region revenue	(9)	(4)	(2)	(10)		(3)	(28)	(14)	(15)	(14)		
Group revenue	5,602	4,320	3,893	4,988	1,286	4,616	24,705	1,421	1,769	1,321		
Operating (loss)/profit	(17,904)	(1,928)	968	698	139	466	(17,561)	176	523	140	1,732	68
Impairment losses	19,400	3,600				515	23,515					
Other items						(3)	(3)					(1
Adjusted operating profit	1,496	1,672	968	698	139	978	5,951	176	523	140	1,732	66
Non-current assets[2]	24,360	19,422	12,596	8,743	754	7,653	73,528	3,922	4,390	1,299		
Share of associated undertakings						7	7				17,898	5,25
Current assets[2]	669	888	443	743	266	658	3,667	216	502	192		

Total segment assets[2]	25,029	20,310	13,039	9,486	1,020	8,318	77,202	4,138	4,892	1,491	17,898	5,25
Unallocated non-current assets:												
Deferred tax assets												
Trade and other receivables												
Unallocated current assets:												
Cash and cash equivalents												
Trade and other receivables												
Taxation recoverable												
Assets included in disposal group for resale[3]												
Total assets												
Segment liabilities[2]	(753)	(1,370)	(914)	(827)	(362)	(1,074)	(5,300)	(392)	(880)	(318)		
Unallocated liabilities:												
Current taxation liabilities												
Deferred tax liabilities												
Trade and other payables												
Short term borrowings												
Long term borrowings												
Liabilities included in disposal group for resale[3]												
Total liabilities												
Other segment												

items:

Capitalised fixed asset additions[4]	592	541	502	665	129	511	2,940	280	426	247	
Expenditure on other intangible assets		1		11		4	16				
Depreciation and amortisation	1,167	588	395	924	140	645	3,859	231	216	209	
Impairment of goodwill	19,400	3,600				515	23,515				

Notes:
(1) Within the Europe region, certain revenues relating to Arcor have been reclassified between service revenue and equipment and other revenue. All prior periods have been adjusted accordingly. The reclassification had no effect on total revenue.
(2) Excluding unallocated items.
(3) See note 29 for information on discontinued operations.
(4) Includes additions to property, plant and equipment and computer software, included within intangible assets.

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3. Segmental analysis continued

	Germany £m	Italy £m	Spain £m	UK £m	Arcor[1] £m	Other Europe £m	Total Europe £m	Eastern Europe £m	Middle East, Africa & Asia £m	Pacific £m	Associates US £m	Associates Other £m
31 March 2005												
Service revenue	5,320	4,091	2,963	4,498	1,090	4,258	22,220	536	1,131	1,042		
Equipment and other revenue	364	182	298	567	5	386	1,802	37	137	104		
Segment revenue	5,684	4,273	3,261	5,065	1,095	4,644	24,022	573	1,268	1,146		
Common functions												
Intra-region revenue	(153)	(32)	(77)	(40)	(45)	(61)	(408)					
Regional revenue	5,531	4,241	3,184	5,025	1,050	4,583	23,614	573	1,268	1,146		
Less: Inter-region revenue	(5)	(3)	(1)	(8)	(2)	(2)	(21)	(5)	(8)	(6)		
Group revenue	5,526	4,238	3,183	5,017	1,048	4,581	23,593	568	1,260	1,140		
Operating profit/(loss):	1,473	1,694	775	779	64	533	5,318	90	375	200	1,354	626
Impairment losses						475	475					
Adjusted operating profit	1,473	1,694	775	779	64	1,008	5,793	90	375	200	1,354	626
Other segment items:												
Capitalised fixed asset additions[2]	827	538	490	789	112	712	3,468	140	235	246		
Expenditure on other intangible		8					8	31	87			

assets												
Depreciation and amortisation	1,154	587	354	932	153	676	3,856	87	160	180		
Impairment of goodwill						475	475					

Notes:
(1) Within the Europe region, certain revenues relating to Arcor have been reclassified between service revenue and equipment and other revenue. All prior periods have been adjusted accordingly. The reclassification had no effect on total revenue.
(2) Includes additions to property, plant and equipment and computer software, included within intangible assets.

4. Operating (loss)/profit

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

	2007 £m	2006 £m	2005 £m
Net foreign exchange losses/(gains)	**6**		(10)
Depreciation of property, plant and equipment (note 11):			
Owned assets	**2,994**	3,069	2,871
Leased assets	**17**	10	14
Amortisation of intangible assets (note 9)	**2,100**	1,625	1,416
Impairment of goodwill	**11,600**	23,515	475
Research and development expenditure	**222**	206	198
Advertising costs	**865**	670	660
Staff costs (note 34)	**2,466**	2,310	2,185
Operating lease rentals payable:			
Plant and machinery	**35**	35	37
Other assets including fixed line rentals	**984**	933	873
Loss on disposal of property, plant and equipment	**43**	69	68
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	**(244)**	(256)	(250)

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

	2007 £m	2006 £m	2005 £m
Audit fees:			
Parent company	**1**	1	1
Subsidiary undertakings	**4**	3	3
	5	4	4
Fees for statutory and regulatory filings[1]	**2**		
Audit and audit-related fees	**7**	4	4
Other fees:			
Taxation	**1**	1	1
Corporate finance transactions		1	1
Other[2]	**2**	2	1
	3	4	3
Total fees	**10**	8	7

Notes:

(1) Amounts for 2007 include mainly audit fees in relation to Section 404 of the US Sarbanes-Oxley Act of 2002.
(2) Amounts for 2007, 2006 and 2005 include fees mainly relating to the preparatory work required in advance of the implementation of Section 404 of the US Sarbanes-Oxley Act of 2002 and general accounting advice.

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The total remuneration includes £nil (2006: £1 million, 2005: £1 million) in respect of the Group's discontinued operations in Japan.

In addition to the above, the Group's joint ventures and associated undertakings paid fees totalling £2 million (2006: £2 million, 2005: £2 million) and £4 million (2006: £4 million, 2005: £5 million), respectively, to Deloitte & Touche LLP and its affiliates during the year.

Deloitte & Touche LLP and its affiliates have also received amounts totalling less than £1 million in each of the last three years in respect of services provided to pension schemes and charitable foundations associated to the Group.

A description of the work performed by the Audit Committee in order to safeguard auditor independence when non audit services are provided is set out in "Governance – Corporate Governance" on page 72. In the year ended 31 March 2007, 2.6% of other fees were approved in accordance with US SEC Regulation S-X Rule 2-01(c)(7)(i)(C).

5. Investment income and financing costs

	2007 £m	2006 £m	2005 £m
Investment income			
Available-for-sale investments:			
Dividends received	**57**	41	19
Loans and receivables at amortised cost[1]	**452**	153	201
Other[2]	**86**	–	–
Fair value through the income statement (held for trading):			
Derivatives – foreign exchange contracts	**160**	159	74
Equity put rights and similar arrangements[3]	**34**	–	–
	789	353	294
Financing costs			
Items in hedge relationships:			
Other loans	**548**	510	472
Interest rate swaps	**(9)**	(118)	(198)
Dividends on redeemable preference shares	**45**	48	–
Fair value hedging instrument	**42**	213	231
Fair value of hedged item	**(47)**	(186)	(213)
Other financial liabilities held at amortised cost:			
Bank loans and overdrafts	**126**	126	129
Other loans	**276**	78	68
Dividends on redeemable preference shares	–	–	46
Potential interest charge on settlement of tax issues	**406**	329	245
Fair value through the income statement (held for trading):			
Derivatives – forward starting swaps and futures	**71**	(48)	25
Other[4]	**118**	–	–
Equity put rights and similar arrangements[3]	**32**	161	67
Finance leases	**4**	7	8
	1,612	1,120	880

Net financing costs	**823**	767	586

Notes:
(1) Included are amounts of £77m arising from hedges of a net investment in a foreign operation.
Gain resulting from refinancing of SoftBank related investments received as part of the consideration for the disposal of
(2) Vodafone Japan on 27 April 2006.
Equity put rights and similar arrangements includes amounts in relation to the Group□s arrangements with Telecom Egypt and its minority partners in the Group□s other operations in Germany. Contracts have been revalued to current redemption value.
(3) Further information is provided in □Option agreements and similar arrangements□ on page 56.
Other fair value through the income statement includes foreign exchange losses on certain intercompany balances and
(4) certain investments held following the disposal of Vodafone Japan to SoftBank.

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6. Taxation

(Loss)/profit before tax is split as follows:

	2007 £m	2006 £m	2005 £m
United Kingdom (loss)/profit before tax	**(375)**	491	765
Overseas (loss)/profit before tax	**(2,008)**	(15,344)	6,520
Total (loss)/profit before tax	**(2,383)**	(14,853)	7,285

Income tax expense

Income tax expense from continuing operations, as shown in the income statement, is as follows:

	2007 £m	2006 £m	2005 £m
United Kingdom corporation tax (income)/expense at 30%:			
Current year		169	339
Adjustments in respect of prior years	**(30)**	(15)	(79)
	(30)	154	260
Overseas current tax expense/(income):			
Current year	**2,928**	2,077	1,774
Adjustments in respect of prior years	**215**	(418)	(154)
	3,143	1,659	1,620
Total current tax expense	**3,113**	1,813	1,880
Deferred tax on origination and reversal of temporary differences:			
United Kingdom deferred tax	**(49)**	444	234
Overseas deferred tax	**(641)**	123	(245)
Total deferred tax (income)/expense	**(690)**	567	(11)
Total income tax expense from continuing operations	**2,423**	2,380	1,869

Tax included in the statement of recognised income and expense

	2007 £m	2006 £m	2005 £m
Current tax credit	**(2)**	(6)	(10)
Deferred tax charge/(credit)	**11**	(11)	(35)
Total tax charged/(credited) directly to equity	**9**	(17)	(45)

Factors affecting tax expense for the year

The table below explains the differences between the expected tax expense on continuing operations, at the UK statutory tax rate of 30% for 2007, 2006 and 2005, and the Group's total tax expense for each year. Further discussion of the current year tax expense can be found in the section titled "Performance – Operating Results".

	2007 £m	2006 £m	2005 £m
(Loss)/profit before tax on continuing operations as shown in the consolidated income statement	**(2,383)**	(14,853)	7,285
Expected income tax (income)/expense on profit from continuing operations at UK statutory tax rate	**(715)**	(4,456)	2,186
Effect of taxation of associated undertakings, reported within operating profit	**119**	133	134
Impairment losses with no tax effect	**3,480**	7,055	143
Expected income tax expense at UK statutory rate on profit from continuing operations, before impairment losses and taxation of associates	**2,884**	2,732	2,463
Effect of different statutory tax rates of overseas jurisdictions	**346**	411	433
Deferred tax on overseas earnings	**(373)**	(78)	(66)
Assets revalued for tax purposes	**(197)**	(142)	(240)
Effect of previously unrecognised temporary differences including losses	**(562)**	(95)	(389)
Adjustments in respect of prior years	**145**	(470)	(315)
Expenses not deductible for tax purposes and other items	**578**	465	431
Exclude taxation of associated undertakings	**(398)**	(443)	(448)
Income tax expense from continuing operations	**2,423**	2,380	1,869

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Deferred tax

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

	2007 £m
1 April 2006	**(5,530)**
Credited to the income statement	**690**
Charged to the statement of recognised income and expense	**(11)**
Acquisitions and disposals	**(5)**
Deferred tax relating to discontinued operations	**145**
Transfer due to deconsolidation	**108**
Exchange movements	**387**
31 March 2007	**(4,216)**

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

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

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

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

31 March 2006:	Gross deferred tax asset £m	Gross deferred tax liability £m	Less: amounts unrecognised £m	Net recognised deferred tax asset/(liability) £m	Amount credited/ (charged) in income statement £m
Accelerated tax depreciation	155	(1,702)	(48)	(1,595)	(91)

Tax losses	9,565	—	(9,191)	374	(85)
Deferred tax on overseas earnings	—	(4,025)	—	(4,025)	(318)
Other short term timing differences	4,073	(1,418)	(2,939)	(284)	(73)
	13,793	(7,145)	(12,178)	(5,530)	(567)

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

	£m
Deferred tax asset	140
Deferred tax liability	(5,670)
	(5,530)

Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include one-off restructuring benefits, the resolution of open issues, future planning opportunities, corporate acquisitions and disposals, changes in tax legislation and rates, and the use of brought forward tax losses.

In particular, the Group's subsidiary Vodafone 2 is responding to an enquiry by HM Revenue & Customs ('HMRC') with regard to the UK tax treatment of one of its Luxembourg holding companies under the controlled foreign companies ('CFC') rules. Further details in relation to this enquiry are included in note 31 'Contingent liabilities'. At 31 March 2007, the Group holds provisions of £1,718 million tax and £400 million interest in respect of the potential UK tax liability that may arise from this enquiry (2006: £1,822 million tax and £276 million interest). In September 2006, ruling in the case of Cadbury Schweppes, the European Court of Justice provided guidance as to the allowable application of the UK CFC rules. Considering the facts of the Vodafone 2 case and the ECJ ruling in Cadbury Schweppes, management considers these amounts are sufficient to settle any assessments that may result from the enquiry. However, the amount ultimately paid may differ materially from the amount accrued and could therefore affect the overall profitability and cash flows of the Group in future periods.

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6. Taxation continued

At 31 March 2007, the gross amount and expiry dates of losses available for carry forward are as follows:

	Expiring within 5 years £m	Expiring within 6 – 10 years £m	Unlimited £m	Total £m
Losses for which a deferred tax asset is recognised	**150**	–	**1,048**	**1,198**
Losses for which no deferred tax is recognised	**208**	**44**	**45,253**	**45,505**
	358	**44**	**46,301**	**46,703**

Included above are losses amounting to £1,938 million (2006: £1,939 million) in respect of UK subsidiaries which are only available for offset against future capital gains and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised.

The losses above also include £41,298 million (2006 £27,545 million) that have arisen in overseas holding companies as a result of revaluations of those companies investments for local GAAP purposes. Since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised.

In addition to the losses described above, the Group has potential tax losses of £34,292 million (2006: £35,250 million) in respect of a write down in the value of investments in Germany. These losses have to date been denied by the German tax authorities. Vodafone is in continuing discussions with them regarding the availability of the losses. However, the outcome of these discussions and the timing of the resolution are not yet known. The Group has not recognised the availability of the losses, nor the income statement benefit arising from them, due to this uncertainty. If upon resolution a benefit is recognised, it may impact both the amount of current income taxes provided since the date of initial deduction and the amount of the benefit from tax losses the Group will recognise. The recognition of these benefits could affect the overall profitability of the Group in future periods.

The Group holds provisions in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint ventures were to be realised after the balance sheet date. No deferred tax liability has been recognised in respect of a further £34,946 million (2006: £23,038 million) of unremitted earnings of subsidiaries, associates and joint ventures because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.

7. Equity dividends

	2007 £m	2006 £m	2005 £m
Declared during the financial year:			
Final dividend for the year ended 31 March 2006: 3.87 pence per share (2005: 2.16 pence per share, 2004: 1.078 pence per share)	**2,328**	1,386	728
Interim dividend for the year ended 31 March 2007: 2.35 pence per share (2006: 2.20 pence per share, 2005: 1.91 pence per share)	**1,238**	1,367	1,263

	3,566	2,753	1,991
Proposed or declared after the balance sheet date and not recognised as a liability:			
Final dividend for the year ended 31 March 2007: 4.41 pence per share (2006: 3.87 pence per share, 2005: 2.16 pence per share)	**2,331**	2,328	1,386

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8. (Loss)/earnings per share

	2007 Millions	2006 Millions	2005 Millions
Weighted average number of shares for basic (loss)/earnings per share	**55,144**	62,607	66,196
Effect of dilutive potential shares: restricted shares and share options			231
Weighted average number of shares for diluted (loss)/earnings per share	**55,144**	62,607	66,427

	£m	£m	£m
(Loss)/earnings for basic and diluted earnings per share:			
Continuing operations	**(4,932)**	(17,318)	5,375
Discontinued operations	**(494)**	(4,598)	1,035
Total	**(5,426)**	(21,916)	6,410

	Pence per share	Pence per share	Pence per share
Basic (loss)/earnings per share:			
(Loss)/profit from continuing operations	**(8.94)**	(27.66)	8.12
(Loss)/profit from discontinued operations[1]	**(0.90)**	(7.35)	1.56
(Loss)/profit for the financial year	**(9.84)**	(35.01)	9.68
Diluted (loss)/earnings per share:[2]			
(Loss)/profit from continuing operations	**(8.94)**	(27.66)	8.09
(Loss)/profit from discontinued operations[1]	**(0.90)**	(7.35)	1.56
(Loss)/profit for the financial year	**(9.84)**	(35.01)	9.65

	£m	£m	£m
Basic and diluted (loss)/earnings per share for continuing operations is stated inclusive of the following items:			
Impairment losses (note 10)	**(11,600)**	(23,515)	(475)
Other income and expense	**502**	15	
Share of associated undertakings non-operating income (note 14)	**3**	17	
Non-operating income and expense	**4**	(2)	(7)
Changes in the fair value of equity put rights and similar arrangements (note 5)[3][4]	**2**	(161)	(67)
Foreign exchange[4][5]	**(41)**		
Tax on the above items	**(13)**		(3)

	Pence per share	Pence per share	Pence per share
Impairment losses	**(21.04)**	(37.56)	(0.72)
Other income and expense	**0.91**	0.02	—
Share of associated undertakings non-operating income	**0.01**	0.03	—
Non-operating income and expense	**0.01**	—	(0.01)
Changes in the fair value of equity put rights and similar arrangements (note 5)[3][4]	—	(0.26)	(0.10)
Foreign exchange[4][5]	**(0.07)**	—	—
Tax on the above items	**(0.02)**	—	—

Notes:

(1) See note 29 for further information on discontinued operations, including the per share effect of discontinued operations.

(2) In the year ended 31 March 2007, 215 million (2006: 183 million; 2005: nil) shares have been excluded from the calculation of diluted loss per share as they are not dilutive.

(3) Includes the fair value movement in relation to the potential put rights held by Telecom Egypt over its 25.5% interest in Vodafone Egypt and the fair value of a financial liability in relation to the minority partners of Arcor, the Group's non-mobile operation in Germany.

Following the sale of 16.9% of Vodafone Egypt to Telecom Egypt in the 2005 financial year, the Group signed a shareholder agreement with Telecom Egypt setting out the basis under which the Group and Telecom Egypt would each contribute a 25.5% interest in Vodafone Egypt to a newly formed company to be 50% owned by each party. Within this shareholder agreement, Telecom Egypt was granted a put option over its entire interest in Vodafone Egypt giving Telecom Egypt the right to put its shares back to the Group at deemed fair value. In the 2006 financial year, the shareholder agreement between Telecom Egypt and Vodafone expired and the associated rights and obligations contained in the shareholder agreement terminated, including the aforementioned put option. However, the original shareholders agreement contained an obligation on both parties to use reasonable efforts to renegotiate a revised shareholder agreement for their direct shareholding in Vodafone Egypt on substantially the same terms as the original agreement. During the year, the parties agreed to abandon such efforts and as such the financial liability relating to the initial shareholder agreement was released from the Group's balance sheet. Fair value movements are determined by reference to the quoted share price of Vodafone Egypt. For the 2007 financial year, a credit of £34 million was recognised.

The capital structure of Arcor provides all partners, including Vodafone, the right to withdraw capital from 31 December 2026 onwards and this right in relation to the minority partners has been recognised as a financial liability. Fair value movements are determined by reference to a calculation of enterprise value of the partnership. For the year ended 31 March 2007, a charge of £23 million (2006: £56 million; 2005: £nil) was recognised.

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.

(4) Changes in the fair value of equity put rights and similar arrangements and foreign exchange are included in investment income and financing costs.

(5) Comprises the foreign exchange reflected in the income statement in relation to certain intercompany balances, and the foreign exchange on financial instruments received as consideration in the disposal of Vodafone Japan to SoftBank, which completed in April 2006.

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9. Intangible assets

	Goodwill £m	Licences and spectrum fees £m	Computer software £m	Other £m	Total £m
Cost:					
1 April 2005	73,179	15,573	2,928	29	91,709
Exchange movements	1,291	216	51	22	1,580
Arising on acquisition	2,802	1,196	20	699	4,717
Additions	—	6	616	10	632
Disposals	(1,142)	—	(43)	(5)	(1,190)
31 March 2006	**76,130**	**16,991**	**3,572**	**755**	**97,448**
Exchange movements	**(2,321)**	**(431)**	**(55)**	**(99)**	**(2,906)**
Arising on acquisition	**1,746**	**707**	**18**	**257**	**2,728**
Additions	—	**308**	**799**	—	**1,107**
Transfer to other investments	**(487)**	**(319)**	—	**(48)**	**(854)**
Disposals	—	—	**(29)**	—	**(29)**
31 March 2007	**75,068**	**17,256**	**4,305**	**865**	**97,494**
Accumulated impairment losses and amortisation:					
1 April 2005	475	1,291	1,851	4	3,621
Exchange movements	513	38	33	4	588
Amortisation charge for the year	—	1,030	493	102	1,625
Impairment losses	23,515	—	—	—	23,515
Disposals	(979)	—	(38)	(2)	(1,019)
31 March 2006	**23,524**	**2,359**	**2,339**	**108**	**28,330**
Exchange movements	**(623)**	**(61)**	**(45)**	**(14)**	**(743)**
Amortisation charge for the year	—	**1,088**	**719**	**293**	**2,100**
Impairment losses	**11,600**	—	—	—	**11,600**
Transfer to other investments	—	**(30)**	—	**(11)**	**(41)**
Disposals	—	—	**(24)**	—	**(24)**
31 March 2007	**34,501**	**3,356**	**2,989**	**376**	**41,222**
Net book value:					
31 March 2007	**40,567**	**13,900**	**1,316**	**489**	**56,272**
31 March 2006	52,606	14,632	1,233	647	69,118

For the additions in the year, the weighted average life of licences and spectrum fees is 14 years, the weighted average life of computer software is four years and the weighted average life of total additions is seven years. For licences and spectrum fees and other intangible assets, amortisation is included within the cost of sales line within the Income Statement.

The net book value at 31 March 2007 and expiry dates of the most significant purchased licences are as follows:

	Expiry date	**2007 £m**	2006 £m
Germany	December 2020	**4,684**	5,165
UK	December 2021	**4,912**	5,245

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Goodwill, analysed by reportable segment, is as follows:

	Germany £m	Italy £m	Spain £m	UK £m	Arcor £m	Other Europe £m	Eastern Europe £m	Middle East, Africa, Asia £m	Pacific £m	Common Functions £m	Total £m
Cost:											
1 April 2005	35,765	19,812	10,399	713	41	5,624	376	211	208	30	73,179
Exchange movements	595	330	172	—	2	51	110	37	(6)	—	1,291
Arising on acquisition	—	15	—	3	—	—	1,367	1,417	—	—	2,802
Disposals	—	—	—	—	—	(1,142)	—	—	—	—	(1,142)
31 March 2006	**36,360**	**20,157**	**10,571**	**716**	**43**	**4,533**	**1,853**	**1,665**	**202**	**30**	**76,130**
Exchange movements	**(989)**	**(547)**	**(286)**	—	**(1)**	**(123)**	**(57)**	**(320)**	**2**	—	**(2,321)**
Arising on acquisition	—	—	—	**19**	—	**22**	**1,597**	**94**	**14**	—	**1,746**
Transfer to other investments	—	—	—	—	—	—	—	**(487)**	—	—	**(487)**
31 March 2007	**35,371**	**19,610**	**10,285**	**735**	**42**	**4,432**	**3,393**	**952**	**218**	**30**	**75,068**
Accumulated impairment losses:											
1 April 2005	—	—	—	—	—	475	—	—	—	—	475
Exchange movements	442	82	—	—	—	(11)	—	—	—	—	513
Impairment losses	19,400	3,600	—	—	—	515	—	—	—	—	23,515
Disposals	—	—	—	—	—	(979)	—	—	—	—	(979)
31 March 2006	**19,842**	**3,682**	—	—	—	—	—	—	—	—	**23,524**
Exchange movements	**(526)**	**(97)**	—	—	—	—	—	—	—	—	**(623)**
Impairment losses	**6,700**	**4,900**	—	—	—	—	—	—	—	—	**11,600**
31 March 2007	**26,016**	**8,485**	—	—	—	—	—	—	—	—	**34,501**
Net book value:											

31 March 2007	**9,355**	**11,125**	**10,285**	**735**	**42**	**4,432**	**3,393**	**952**	**218**	**30**	**40,567**
31 March 2006	16,518	16,475	10,571	716	43	4,533	1,853	1,665	202	30	52,606

10. Impairment

Impairment losses

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

Cash generating unit:	Reportable segment:	**2007 £m**	2006 £m	2005 £m
Germany	Germany	**6,700**	19,400	
Italy	Italy	**4,900**	3,600	
Sweden	Other Europe		515	475
		11,600	23,515	475

During the year ended 31 March 2007, the increase in long term interest rates, which led to higher discount rates, led to a reduction in value of £3,700 million in Germany and Italy.

Germany

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

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

The pre-tax risk adjusted discount rate used in the testing at 31 March 2007 was 10.6% (31 January 2007: 10.5%, 30 September 2006: 10.4%, 31 January 2006: 10.1%, 31 March 2005: 9.6%).

Italy

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

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

The pre-tax risk adjusted discount rate used in the testing at 31 March 2007 was 11.5% (31 January 2007: 11.2%, 30 September 2006: 10.9%, 31 January 2006: 10.1%, 31 March 2005: 9.2%).

Sweden

The impairment of the carrying value of goodwill of the Group's mobile operation in Sweden in the years ended 31 March 2006 and 31 March 2005 resulted from fierce competition in the Swedish market combined with onerous 3G licence obligations.

Prior to its disposal in the year ended 31 March 2006, the carrying value of goodwill was tested for impairment as increased competition provided an indicator that the goodwill may have been further impaired. The recoverable

amount of the goodwill was determined as the fair value less costs to sell, reflecting the announcement on 31 October 2005 that the Group's 100% interest in Vodafone Sweden was to be sold for €953 million (£653 million). The sale completed on 5 January 2006.

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10. Impairment continued

In the year ended 31 March 2005, the impairment was based on value in use calculations. The pre-tax risk adjusted discount rate used in the testing at 31 March 2005 was 9.7%.

Cash generating units

The following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered significant in comparison with the Group's total goodwill balance:

	2007 £m	2006 £m
Germany	**9,355**	16,518
Italy	**11,125**	16,475
Spain	**10,285**	10,571
	30,765	43,564
Multiple units without individually significant amounts of goodwill	**9,802**	9,042
	40,567	52,606

Key assumptions used in the value in use calculations

The Group prepares and internally approves formal ten year management plans for its businesses. For the year ended 31 March 2005, the Group used these plans for its value in use calculations. The plans included cash flow projections for the mobile businesses which were expected to have growth rates in excess of the long term average growth rates, beyond an initial five year period, for the markets in which they operate.

In the year ended 31 March 2006, the management plans showed the need to reflect a differing growth profile beyond an initial five year period had diminished in a number of the Group's key operating companies, as the Group revised its view of longer term trends. Accordingly, in the 2006 and 2007 financial years, only the first five years of the ten year management plans were used for the Group's value in use calculations, except for the Group's operations in India and Turkey (2006: India) where the full ten year management plans were used. For these businesses, the use of ten year management plans reflected the low penetration of mobile telecommunications in these countries and the expectation of strong revenue growth throughout the ten year period. Long term growth rates are used in the Group's value in use calculations for cash flows into perpetuity beyond the relevant five or ten year periods.

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

Assumption	How determined
Budgeted EBITDA	Budgeted EBITDA, calculated as adjusted operating profit before depreciation and amortisation, has been based on past experience adjusted for the following: • voice and messaging revenue is expected to benefit from increased usage from new customers, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be partially offset by increased competitor activity, which may result in price declines, and the trend of falling termination rates; •

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

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Key assumptions for the Group's operations in Germany and Italy are disclosed below under 'Sensitivity to changes in assumptions'. During the year ended 31 March 2007, the most recent value in use calculation for Group's operations in Spain was based on a pre-tax risk adjusted discount rate of 9.7% (2006: 9.0%) and long term growth rate of 3.2% (2006: 3.3%) .

Sensitivity to changes in assumptions

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

Germany

At 31 March 2007, the fair value of the Group's operations in Germany equalled its carrying value (2006: equalled) and consequently, any adverse change in a key assumption may cause a further impairment loss to be recognised.

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

- Pre-tax risk adjusted discount rate of 10.6% (2006: 10.1%).
- Long term growth rate of 1.2% (2006: 1.1%).
- Budgeted EBITDA, expressed as the compound annual growth rates in the initial five years of the Group's approved financial plans, of (4.2)% (2006: 0.3%).
- Budgeted capital expenditure, expressed as the range of capital expenditure as a percentage of revenue in the initial five years of the Group's approved plansof 7.5 – 7.0% (2006: 9.3 – 9.0%).

Italy

At 31 March 2007, the fair value of the Group's operations in Italy equalled its carrying value (2006: equalled) and consequently, any adverse change in a key assumption may cause a further impairment loss to be recognised.

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

- Pre-tax risk adjusted discount rate of 11.5% (2006: 10.1%).
- Long term growth rate of 1.0% (2006: 1.5%).
- Budgeted EBITDA, expressed as the compound annual growth rates in the initial five years of the Group's approved financial plans, of (3.8)% (2006: (1.8)%).
- Budgeted capital expenditure, expressed as the range of capital expenditure as a percentage of revenue in the initial five years of the Group's approved plansof 11.4% – 8.7% (2006: 13.4 – 8.5%).

11. Property, plant and equipment

	Land and buildings £m	Equipment, fixtures and fittings £m	Total £m
Cost:			
1 April 2005	1,094	22,672	23,766
Exchange movements	11	451	462
Arising on acquisition	3	896	899
Additions	55	3,334	3,389
Disposal of businesses	(6)	(931)	(937)
Disposals	(67)	(669)	(736)

Reclassifications	22	(22)	
31 March 2006	**1,112**	**25,731**	**26,843**
Exchange movements	**(22)**	**(839)**	**(861)**
Arising on acquisition		**172**	**172**
Additions	**87**	**3,322**	**3,409**
Transfer to other investments	**(1)**	**(268)**	**(269)**
Disposals	**(9)**	**(692)**	**(701)**
Reclassifications	**(4)**	**4**	
Other	**77**		**77**
31 March 2007	**1,240**	**27,430**	**28,670**
Accumulated depreciation and impairment:			
1 April 2005	312	10,529	10,841
Exchange movements	3	222	225
Charge for the year	62	3,017	3,079
Disposal of businesses	(1)	(356)	(357)
Disposals	(26)	(579)	(605)
Reclassifications	3	(3)	
31 March 2006	**353**	**12,830**	**13,183**
Exchange movements	**(7)**	**(349)**	**(356)**
Charge for the year	**72**	**2,939**	**3,011**
Transfer to other investments		**(31)**	**(31)**
Disposals	**(4)**	**(605)**	**(609)**
Other	**28**		**28**
31 March 2007	**442**	**14,784**	**15,226**
Net book value:			
31 March 2007	**798**	**12,646**	**13,444**
31 March 2006	759	12,901	13,660

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11. Property, plant and equipment continued

The net book value of land and buildings and equipment, fixtures and fittings includes £49 million and £116 million, respectively (2006: £nil and £52 million) in relation to assets held under finance leases (see note 24).

Included in the net book value of land and buildings and equipment, fixtures and fittings are assets in the course of construction, which are not depreciated, with a cost of £13 million and £998 million, respectively (2006: £30 million and £967 million).

Borrowings of £73 million (2006: £426 million) have been secured against property, plant and equipment.

12. Principal subsidiary undertakings

At 31 March 2007, the Company had the following subsidiary undertakings carrying on businesses which principally affect the profits and assets of the Group. They have the same year end date as the Company, unless otherwise stated, and have been included in the Consolidated Financial Statements.

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

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

Vodafone-Panafon Hellenic Telecommunications Company S.A.			
Vodafone Portugal-Comunicações Pessoais, S.A.(6)	Mobile network operator	Portugal	100.0
Vodafone Romania S.A.(3)	Mobile network operator	Romania	100.0
Vodafone Telekomunikasyon A.S.	Mobile network operator	Turkey	100.0

Notes:
(1) Rounded to nearest tenth of one percent.

(2) Arcor AG & Co. KG is a partnership and, accordingly, its share capital is comprised solely of partners capital rather than share capital.
(3) Vodafone Albania Sh.A., Vodafone Espana S.A., Vodafone Holding GmbH, Vodafone Holdings Europe S.L. and Vodafone Romania S.A. have a 31 December year end. Accounts are drawn up to 31 March 2007 for inclusion in the Consolidated Financial Statements.
(4) Share capital consists of 540,561,699 ordinary shares and 1.65 million class D and E redeemable preference shares, of which 100% of the ordinary shares are held by the Group.
(5) The entire issued share capital of Vodafone Group Services Limited is held directly by Vodafone Group Plc.

(6) 38.6% of the issued share capital of Vodafone Portugal-Comunicações Pessoais, S.A. is held directly by Vodafone Group Plc.

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13. Investments in joint ventures

Principal joint ventures

Unless otherwise stated, the Company's principal joint ventures all have share capital consisting solely of ordinary shares, which are indirectly held, and the country of incorporation or registration is also their principal place of operation. They have the same year end date as the Company, unless otherwise stated, and have been included in the Consolidated Financial Statements. Summarised financial information of joint ventures is disclosed in note 37. On 11 February, the Group announced its intention to acquire a controlling interest in Hutchison Essar Limited ('Hutchison Essar') and to grant an option to a Bharti Group company to buy its 5.60% direct interest in Bharti. As a result of the terms of this agreement, the Group considers that it does not have the power to exercise joint control and, consequently, has transferred its investment in Bharti Airtel Limited to Other Investments.

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

Notes:
(1) Rounded to nearest tenth of one percent.
(2) The Group holds substantive participating rights which provide it with a veto over the significant financial and operating policies of these entities and which ensure it is able to exercise joint control over these entities with the respective majority shareholder.
(3) Latest statutory financial statements were drawn up to 31 December 2006. Accounts are drawn up to 31 March 2007 for inclusion in the Consolidated Financial Statements.
(4) The Group also holds two non-voting shares.
(5) The principal place of operation of Vodafone Omnitel N.V. is Italy.
(6) The Group considered the existence of substantive participating rights held by the minority shareholder provide that shareholder with a veto right over the significant financial and operating policies of Vodafone Omnitel N.V., and determined that, as a result of these rights, the Group does not have control over the financial and operating policies of Vodafone Omnitel N.V., despite the Group's 76.9% ownership interest.

Effect of proportionate consolidation of joint ventures

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

	2007 £m	2006 £m	2005 £m
Revenue	**6,232**	5,756	5,423
Cost of sales	**(3,077)**	(2,832)	(2,805)
Gross profit	**3,155**	2,924	2,618
Selling, distribution and administrative expenses	**(1,121)**	(885)	(619)
Impairment losses	**(4,900)**	(3,600)	

Operating (loss)/profit	**(2,866)**	(1,561)	1,999
Net financing costs	**46**	27	64
(Loss)/profit before tax	**(2,820)**	(1,534)	2,063
Income tax expense	**(614)**	(711)	(782)
(Loss)/profit for the financial year	**(3,434)**	(2,245)	1,281

	2007 £m	2006 £m
Intangible assets	**14,137**	20,985
Property, plant and equipment	**2,166**	2,506
Other non-current assets	**291**	27
Non-current assets	**16,594**	23,518
Cash and cash equivalents	**47**	87
Other current assets	**1,015**	1,148
Current assets	**1,062**	1,235
Total assets	**17,656**	24,753
Total equity shareholders funds	**17,754**	23,402
Minority interests	**8**	15
Total equity	**17,762**	23,417
Non-current liabilities	**333**	535
Current liabilities	**(439)**	801
Total liabilities	**(106)**	1,336
Total equity and liabilities	**17,656**	24,753

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14. Investments in associated undertakings

The Company's principal associated undertakings all have share capital consisting solely of ordinary shares, unless otherwise stated, and are all indirectly held. The country of incorporation or registration of all associated undertakings is also their principal place of operation. The accounts of the associated undertakings are drawn up to 31 March 2007 for inclusion in the Consolidated Financial Statements. The latest statutory financial statements of the associated undertakings were drawn up to 31 December 2006. Summarised financial information of associated undertakings is disclosed in note 37.

Name	Principal activity	Country of incorporation or registration	Percentage[1][3][4] shareholding/ partnership interest
Cellco Partnership[2]	Mobile network operator	USA	45.0
Société Française du Radiotéléphone S.A.	Mobile network and fixed line operator	France	44.0

Notes:
(1) Rounded to nearest tenth of one percent.
(2) Cellco Partnership trades under the name Verizon Wireless. The principal office of the partnership is One Verizon Way, Basking Ridge, New Jersey, 07920 USA whilst the registered office is CSC – the Corporation Service Company, 2711 Centreville Road, Suite 400, Wilmington, DE 19808, USA.
(3) On 3 November 2006, the Group disposed of its 25% interest in Belgacom Mobile S.A. See note 29 for further information.
(4) On 20 December 2006, the Group disposed of its 25% interest in Swisscom Mobile A.G. See note 29 for further information.

The Group's share of the aggregated financial information of equity accounted associated undertakings is set out below, and includes the share of results in Belgacom Mobile S.A. and Swisscom Mobile A.G. up to the date of disposal.

	2007 £m	2006 £m	2005 £m
Revenue	**12,919**	12,480	10,546
Operating profit	**3,390**	3,133	2,668
Non-operating income and expense	**3**	17	–
Net interest	**(206)**	(227)	(197)
Income tax expense	**(398)**	(443)	(448)
Minority interest	**(61)**	(52)	(43)
Share of result in associated undertakings	**2,728**	2,428	1,980

	2007 £m	2006 £m
Non-current assets	**25,120**	29,055
Current assets	**1,998**	2,183
Share of total assets	**27,118**	31,238

Non-current liabilities	**2,067**	4,141
Current liabilities	**4,438**	3,468
Minority interests	**386**	432
Share of total liabilities	**6,891**	8,041
Share of net assets in associated undertakings	**20,227**	23,197

15. Other investments

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

	2007 £m	2006 £m
Listed securities:		
Equity securities	**3,915**	1,938
Unlisted securities:		
Equity securities	**634**	7
Public debt and bonds	**20**	20
Other debt and bonds	**1,046**	
Cash held in restricted deposits	**260**	154
	5,875	2,119

The fair values of listed securities are based on quoted market prices, and include;

- the Group's 3.3% investment in China Mobile Limited, which is listed on the Hong Kong and New York stock exchanges and incorporated under the laws of Hong Kong. China Mobile Limited is a mobile network operator and its principal place of operation is China.
- 5.60% of the Group's investment in Bharti Airtel Limited, which is listed on the National Stock Exchange of India Limited and The Stock Exchange, Mumbai, and incorporated under the laws of India. Bharti Airtel Limited is a mobile network operator and its principal place of operation is India.

Unlisted equity securities include the 26% interest in Bharti Infotel Private Limited, which is equivalent to a 4.39% economic interest in Bharti Airtel Limited. Unlisted equity investments are recorded at fair value, or at cost if their fair value cannot be reliably measured as there is no active market upon which they are traded.

For public debt and bonds and cash held in restricted deposits, the carrying amount approximates the fair value. Other debt and bonds represents preferred equity and a subordinated loan received as part of the disposal of Vodafone Japan to SoftBank. There was no significant difference between the carrying value of these items and the fair value at 31 March 2007.

The cumulative unrealised pre-tax gain recognised in the statement of recognised income and expense in respect of equity securities was £2,884 million (2006: £1,080 million).

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16. Inventory

	2007 £m	2006 £m
Goods held for resale	**288**	297

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

	2007 £m	2006 £m	2005 £m
At 1 April	**97**	121	189
Transfer in respect of discontinued operations	**—**	(40)	—
Exchange movements	**(2)**	1	(4)
Amounts charged/(credited) to the income statement	**5**	15	(64)
At 31 March	**100**	97	121

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

17. Trade and other receivables

	2007 £m	2006 £m
Included within non-current assets:		
Trade receivables	**42**	37
Other receivables	**45**	28
Prepayments and accrued income	**183**	65
Derivative financial instruments	**224**	231
	494	361
Included within current assets:		
Trade receivables	**2,844**	2,462
Amounts owed by associated undertakings	**14**	12
Other receivables	**226**	399
Prepayments and accrued income	**1,859**	1,486
Derivative financial instruments	**80**	79
	5,023	4,438

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

	2007	2006	2005

	£m	£m	£m
At 1 April	**431**	474	441
Transfer in respect of discontinued operations	**—**	(41)	—
Exchange movements	**(16)**	4	5
Amounts charged to administrative expenses	**201**	168	222
Trade receivables written off	**(143)**	(174)	(194)
At 31 March	**473**	431	474

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, the directors believe there is no further credit risk provision required in excess of the allowance for bad and doubtful debts.

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

Included within 'Derivative financial instruments' is the following:

	2007 £m	2006 £m
Fair value through the income statement: (held for trading)		
Interest rate swaps	**60**	19
Foreign exchange swaps	**78**	30
Option contracts	**—**	1
	138	**138**
Fair value hedges:		
Interest rate swaps	**166**	260
	304	310

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

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18. Cash and cash equivalents

	2007 £m	2006 £m
Cash at bank and in hand	**827**	948
Money market funds	**5,525**	1,841
Commercial paper	**1,129**	—
Cash and cash equivalents as presented in the balance sheet	**7,481**	2,789
Bank overdrafts	**(23)**	(18)
Cash and cash equivalents of discontinued operations	—	161
Cash and cash equivalents as presented in the cash flow statement	**7,458**	2,932

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

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

19. Called up share capital

	Number	2007 £m	Number	2006 £m
Authorised:				
Ordinary shares of 11 3/7 US cents each (2006: 10 US cents)	**68,250,000,000**	**4,875**	78,000,000,000	4,875
B shares of 15 pence each	**66,600,000,000**	**9,990**	—	—
Ordinary shares allotted, issued and fully paid:[1]				
1 April	**66,251,332,784**	**4,165**	68,380,866,539	4,286
Allotted during the year	**118,241,919**	**7**	120,466,245	7
Consolidated during the year[2]	**(8,283,879,405)**	—	—	—
Cancelled during the year	—	—	(2,250,000,000)	(128)
31 March	**58,085,695,298**	**4,172**	66,251,332,784	4,165
B shares allotted, issued and fully paid: [2][3]				
1 April	—	—	—	—
Issued during the year[2]	**66,271,035,240**	**9,941**	—	—
Redeemed during the year[3]	**(38,102,969,449)**	**(5,715)**	—	—
Converted to deferred shares and subsequently cancelled during the year[3]	**(28,036,064,426)**	**(4,206)**	—	—
31 March	**132,001,365**	**20**	—	—

Notes:

(1) At 31 March 2007, the Group held 5,250,617,951 (2006: 6,132,757,329) treasury shares with a nominal value of £305 million (2006: £353 million). The market value of shares held was £7,115 million (2006: £7,390 million).

(2) On 30 May 2006, Vodafone Group Plc announced a return of capital to shareholders via a B share scheme and associated share consolidation. At the Extraordinary General Meeting of the Company held on 25 July 2006, shareholders approved the scheme, with a B share of 15 pence issued for each existing issued ordinary share held at the close of business on 28 July 2006 and the consolidation of existing ordinary shares on the basis of 7 new ordinary shares for 8 existing ordinary shares. On 31 July 2006, the new ordinary shares were admitted to the London Stock Exchange official list, and commenced trading. A total of 66,271,035,240 B shares were issued on that day, and 66,271,035,240 existing ordinary shares of 10 US cents each were consolidated into 57,987,155,835 new ordinary shares of 11 3/7 cents each.

(3) B shareholders were given the alternatives of initial redemption or future redemption at 15 pence per share or the payment of an initial dividend of 15 pence per share.
The initial redemption took place on 4 August 2006 with future redemption dates on 5 February and 5 August each year until 5 August 2008 when the Company expects to exercise its right to redeem all B shares still in issue at their nominal value of 15 pence. B shareholders that chose future redemption are entitled to receive a continuing non-cumulative dividend of 75 per cent of Sterling LIBOR payable semi-annually in arrears until the B shares are redeemed. The continuing B share dividend is shown within financing costs in the income statement. The B shares which received an initial dividend immediately converted to deferred shares and all outstanding deferred shares were redeemed on 7 August 2006 for a total consideration of 1 pence and subsequently cancelled. In relation to the ordinary shares held as treasury shares, the Company elected to receive a B share initial dividend, which was subsequently waived. B shareholders are only entitled to receive notice of (or attend, speak or vote at) any general meeting if the business includes a resolution for the winding up of the Company. If the Company is wound up, the holders of the B shares are entitled, before any payment to the ordinary shareholders, to repayment of the amount paid up on each B share together with any outstanding entitlement to the B share continuing dividend.

By 31 March 2007, total capital of £9,004 million had been returned to shareholders, £5,713 million by way of capital redemption and £3,291 million by way of initial dividend (note 21). The outstanding B share liability at 31 March 2007 has been classified as a financial liability and is disclosed within long term borrowings. A transfer of £9,004 million in respect of the B shares has been made from retained losses (note 23) to the capital redemption reserve (note 21). The redemptions and initial dividend are shown within cash flows from financing activities in the cash flow statement.

Allotted during the year

	Number	Nominal value £m	Net proceeds £m
UK share awards and option scheme awards	**86,791,709**	**5**	**120**
US share awards and option scheme awards	**31,450,210**	**2**	**41**
Total for share option schemes and restricted stock awards	**118,241,919**	**7**	**161**

Cancelled during the year

During the 2006 financial year, 2,250,000,000 treasury shares were cancelled in order to comply with Companies Act 1985 requirements in relation to the amount of issued share capital that can be held in treasury. No treasury shares were cancelled in the year ended 31 March 2007.

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20. Share-based payments

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

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

a. 10% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans; and

b. 5% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans other than the Sharesave Scheme and the Vodafone Group Plc All Employee Share Plan.

Share Options

Vodafone Group Sharesave Scheme

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

Vodafone Group executive schemes

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

The Company has a number of discretionary share option plans, under which awards are no longer made; the Vodafone Group 1998 Company Share Option Scheme and Vodafone Group 1988 Executive Share Option Scheme (which are UK HM Revenue and Customs approved), the Vodafone Group 1998 Executive Share Option Scheme and the Vodafone 1988 Share Option

Scheme (which are unapproved) and the Vodafone Group 1999 Long Term Incentive Plan. Some of the options are subject to performance conditions. Options are normally exercisable between three and ten years from the date of grant.

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

Other share option schemes

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

Share Plans

Vodafone Share Incentive Plan

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

Vodafone Group AllShares

All permanent employees at 1 April 2006 received an award of 340 shares (2006: 320) in Vodafone Group Plc on 3 July 2006, under the Vodafone Group Plc Global All Employee Share Plan. The awards vest after two years and are not subject to performance conditions other than continued employment.

Vodafone Group executive plans

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

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

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20. Share-based payments continued

Movements in ordinary share options and ADS options outstanding

	ADS			Ordinary		
	2007 Millions	2006 Millions	2005 Millions	**2007 Millions**	2006 Millions	2005 Millions
1 April	**8**	11	18	**787**	1,123	1,184
Granted during the year	**–**	–	–	**65**	64	60
Forfeited during the year	**–**	–	(2)	**(31)**	(40)	(61)
Exercised during the year	**(3)**	(2)	(5)	**(179)**	(325)	(60)
Expired during the year	**(2)**	(1)	–	**(58)**	(35)	–
31 March	**3**	8	11	**584**	787	1,123
Weighted average exercise price:						
1 April	**$26.53**	$24.49	$23.36	**£1.32**	£1.25	£1.16
Granted during the year	**–**	–	–	**£1.12**	£1.35	£1.17
Forfeited during the year	**–**	–	$28.52	**£1.26**	£1.46	£1.43
Exercised during the year	**$18.50**	$15.08	$16.75	**£1.05**	£0.93	£0.94
Expired during the year	**$41.86**	$36.83	–	**£1.68**	£1.83	–
31 March	**$21.46**	$26.53	$24.49	**£1.35**	£1.32	£1.25

Summary of options outstanding and exercisable at 31 March 2007

	Outstanding			Exercisable		
	Outstanding shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months	Exercisable shares Millions	Weighted average exercise price	Weighted average remaining contractual life Months
Vodafone Group Savings Related and Sharesave Scheme:						
£ 0.01 – £1.00	**10**	**£0.93**	**29**	–	–	–
£ 1.01 – £2.00	**5**	**£1.09**	**23**	–	–	–
	15	**£0.98**	**27**	–	–	–
Vodafone Group Executive Schemes:						
£ 1.01 – £2.00	**15**	**£1.58**	**17**	**15**	**£1.58**	**17**
£ 2.01 – £3.00	**28**	**£2.75**	**37**	**28**	**£2.75**	**37**

	43	**£2.34**	**30**	**43**	**£2.34**	**30**
Vodafone Group 1999 Long Term Stock Incentive Plan:						
£ 0.01 – £1.00	**137**	**£0.91**	**63**	**137**	**£0.91**	**63**
£ 1.01 – £2.00	**357**	**£1.40**	**71**	**242**	**£1.48**	**58**
£ 2.01 – £3.00	**6**	**£2.92**	**4**	**6**	**£2.92**	**4**
	500	**£1.29**	**68**	**385**	**£1.30**	**58**
Other Share Option Plans:						
£ 0.01 – £1.00	**16**	**£0.80**	**24**	**1**	**£0.73**	**3**
£ 1.01 – £2.00	**7**	**£1.35**	**47**	**6**	**£1.45**	**41**
£ 2.01 – £3.00	**3**	**£2.16**	**12**	**3**	**£2.16**	**12**
	26	**£1.10**	**28**	**10**	**£1.65**	**30**
Vodafone Group 1999 Long Term Stock Incentive Plan:						
$ 10.01 – $20.00	**1**	**$13.67**	**63**	**1**	**$13.67**	**63**
$ 20.01 – $30.00	**1**	**$21.63**	**39**	**1**	**$21.62**	**40**
Greater than $30.01	**1**	**$44.65**	**4**	**1**	**$44.13**	**4**
	3	**$21.46**	**44**	**3**	**$21.27**	**45**

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Share awards

Movements in non-vested shares during the year ended 31 March 2007 are as follows:

	All Shares		Other		Total	
	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date
1 April 2006	**35**	**£1.19**	**141**	**£1.16**	**176**	**£1.17**
Granted	**20**	**£1.02**	**107**	**£0.91**	**127**	**£0.93**
Vested	**(19)**	**£1.15**	**(18)**	**£1.12**	**(37)**	**£1.14**
Forfeited	**(3)**	**£1.14**	**(33)**	**£1.08**	**(36)**	**£1.09**
31 March 2007	**33**	**£1.13**	**197**	**£1.04**	**230**	**£1.05**

Fair value

	ADS Options						Ordinary Share Options		
			Other		Board of directors and Executive Committee				Other
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Expected life of option (years)	**5 – 6**	8 – 9	6 – 7	**5 – 6**	6 – 7	5 – 6	**5 – 7**	8 – 9	6– 7
Expected share price volatility	**27.3 – 28.3%**	17.9 – 18.9%	25.6 – 26.6%	**24.0 – 27.7%**	17.6 – 18.6%	24.3 – 25.3%	**25.5 – 28.3%**	17.9 – 18.9%	25.6% – 26.6%
Dividend yield	**5.1 – 5.5%**	2.8 – 3.2%	1.7 – 2.1%	**4.8 – 5.5%**	2.6 – 3%	1.7 – 2.1%	**5.1 – 6.1%**	2.8 – 3.2%	1.7 – 2.1%
Risk free rates	**4.8%**	4.2%	5.1%	**4.7 – 4.9%**	4.2%	5.2%	**4.6 – 4.9%**	4.2%	5.1%
Exercise price[1]	**£1.15**	£1.36	£1.40	**£1.15 – 1.36**	£1.45	£1.40	**£1.14 – 1.16**	£1.36	£1.40

Note:

(1) In the year ended 31 March 2007 there was more than one grant of ordinary share options

The fair value of the options is estimated at the date of grant using a lattice-based option valuation model (i.e. binomial model) that uses the assumptions noted in the above table. Lattice-based option valuation models incorporate ranges of assumptions for inputs and those ranges are disclosed above. Certain options granted to the Board of directors and Executive Committee have a market based performance condition attached and hence the assumptions are disclosed separately.

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

Shares used for the Group's employee incentive plans can be newly issued shares, shares held in treasury or market purchased shares either through the Company's employee benefit trust or direct from the market or a combination of sources. The source of the shares is determined by the Company having regard to what is considered the most efficient source at the relevant time.

Some share awards have an attached market condition, based on Total Shareholder Return ('TSR'), which is taken into account when calculating the fair value of the share awards. The valuation methodology for the TSR was based on Vodafone's ranking within the same group of companies (where possible) over the past five years (2006: ten years, 2005: ten years). The volatility of the ranking over a three year period was used to determine the probability weighted percentage number of shares that could be expected to vest and hence affect fair value.

Other information

The weighted average grant-date fair value of options granted during the 2007 financial year was £0.22 (2006: £0.30, 2005: £0.34) . The total intrinsic value of options exercised during the year ended 31 March 2007 was £65 million (2006: £164 million, 2005: £28 million). The aggregate intrinsic value of fully vested share options outstanding at the year end was £102 million and the aggregate intrinsic value of fully vested share options exercisable at the year end was £73 million. Cash received from the exercise of options under share options schemes was £193 million and the tax benefit realised from options exercised during the annual period was £21 million.

The total fair value of shares vested during the year ended 31 March 2007 was £41 million (2006: £18 million, 2005: £5 million).

The compensation cost that has been charged against income in respect of share options and share plans for continuing operations was £93 million (2006: £109 million, 2005: £130 million), which is comprised entirely of equity-settled transactions. Including discontinued operations, the compensation cost charged against income in respect of share options and share plans in total was £93 million (2006: £114 million, 2005: £137 million). The total income tax benefit recognised in the consolidated income statement in respect of share options and share plans was £34 million (2006: £50 million, 2005: £17 million). Compensation costs in respect of share options and share plans capitalised during the years ended 31 March 2007, 31 March 2006 and 31 March 2005 were insignificant. As of 31 March 2007, there was £130 million of total compensation cost relating to non-vested awards not yet recognised, which is expected to be recognised over a weighted average period of two years.

No cash was used to settle equity instruments granted under share-based payment schemes.

The average share price for the 2007 financial year was 129 pence.

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21. Transactions with equity shareholders

	Share premium account £m	Capital redemption reserve £m	Own shares held £m	Additional paid-in capital £m
1 April 2004	52,154	—	(1,136)	99,950
Issue of new shares	130	—	—	(28)
Purchase of own shares	—	—	(3,997)	—
Own shares released on vesting of share awards	—	—	12	—
Share based payment charge, inclusive of tax credit of £22 million	—	—	—	159
31 March 2005	52,284	—	(5,121)	100,081
Issue of new shares	152	—	—	(44)
Purchase of own shares	—	—	(6,500)	—
Own shares released on vesting of share awards	8	—	370	(8)
Cancellation of own shares held	—	128	3,053	—
Share-based payment charge, inclusive of tax credit of £9 million	—	—	—	123
31 March 2006	**52,444**	**128**	**(8,198)**	**100,152**
Issue of new shares	**154**	—	—	**(44)**
Own shares released on vesting of share awards	—	—	**151**	—
Share consolidation	**(9,026)**	—	—	—
B share capital redemption	—	**5,713**	—	—
B share preference dividend	—	**3,291**	—	—
Share-based payment charge, inclusive of tax charge of £16 million	—	—	—	**77**
31 March 2007	**43,572**	**9,132**	**(8,047)**	**100,185**

22. Movements in accumulated other recognised income and expense

	Translation reserve £m	Pensions reserve £m	Available-for-sale investments reserve £m	Asset revaluation surplus £m	Total £m
1 April 2004	—	—	233	—	233
Gains/(losses) arising in the year	1,521	(102)	106	—	1,525
Tax effect	—	23	—	—	23
31 March 2005	1,521	(79)	339	—	1,781
Gains/(losses) arising in the year	1,486	(43)	710	112	2,265
Foreign exchange recycled on business disposal	36	—	—	—	36
Tax effect	—	13	(5)	—	8
31 March 2006	**3,043**	**(109)**	**1,044**	**112**	**4,090**
(Losses)/gains arising in the year	**(3,802)**	**65**	**2,108**	—	**(1,629)**
	838	—	—	—	**838**

Foreign exchange recycled on business disposals					
Tax effect	**22**	**(15)**			**7**
31 March 2007	**101**	**(59)**	**3,152**	**112**	**3,306**

23. Movements in retained losses

	2007 £m	2006 £m	2005 £m
1 April	**(67,356)**	(39,511)	(43,930)
(Loss)/profit for the financial year	**(5,426)**	(21,916)	6,410
Dividends (note 7)	**(3,566)**	(2,753)	(1,991)
Gain on expiration of equity put right	**142**		
Loss on issue of treasury shares	**(43)**	(123)	
B share capital redemption	**(5,713)**		
B share preference dividend	**(3,291)**		
Cancellation of shares		(3,053)	
31 March	**(85,253)**	(67,356)	(39,511)

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24. Borrowings

	2007			2006		
	Short term borrowings £m	**Long term borrowings £m**	**Total £m**	Short term borrowings £m	Long term borrowings £m	Total £m
Financial liabilities measured at amortised cost:						
Bank loans	**94**	**2,086**	**2,180**	58	1,414	1,472
Bank overdrafts	**23**	**—**	**23**	18	—	18
Redeemable preference shares	**—**	**818**	**818**	—	902	902
Finance lease obligations	**7**	**59**	**66**	7	68	75
Bonds	**1,648**	**3,953**	**5,601**	—	3,928	3,928
Other liabilities	**2,202**	**156**	**2,358**	1,840	295	2,135
Loans and bonds in fair value hedge relationships	**843**	**10,726**	**11,569**	1,525	10,143	11,668
	4,817	**17,798**	**22,615**	3,448	16,750	20,198

Maturity of borrowings

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

	Bank loans £m	Redeemable preference shares £m	Finance lease obligations £m	Bonds £m	Other liabilities £m	Loans in fair value hedge relationships £m	Total £m
Within one year	**116**	**43**	**11**	**1,853**	**2,225**	**1,464**	**5,712**
In one to two years	**142**	**43**	**11**	**1,100**	**21**	**1,346**	**2,663**
In two to three years	**153**	**43**	**10**	**334**	**—**	**3,802**	**4,342**
In three to four years	**1,265**	**43**	**10**	**123**	**51**	**355**	**1,847**
In four to five years	**265**	**43**	**9**	**1,430**	**—**	**979**	**2,726**
In more than five years	**384**	**1,187**	**32**	**1,707**	**84**	**9,140**	**12,534**
	2,325	**1,402**	**83**	**6,547**	**2,381**	**17,086**	**29,824**
Effect of discount/financing rates	**(145)**	**(584)**	**(17)**	**(946)**	**—**	**(5,517)**	**(7,209)**
31 March 2007	**2,180**	**818**	**66**	**5,601**	**2,381**	**11,569**	**22,615**
Within one year	68	49	12	167	1,858	2,093	4,247
In one to two years	53	49	11	2,044	295	1,450	3,902
In two to three years	58	49	11	936	—	1,116	2,170
In three to four years	61	49	11	55	—	3,982	4,158
In four to five years	1,314	49	10	55	—	267	1,695
In more than five years	45	1,387	42	1,375	—	7,428	10,277

	1,599	1,632	97	4,632	2,153	16,336	26,449
Effect of discount/financing rates	(127)	(730)	(22)	(704)	□	(4,668)	(6,251)
31 March 2006	1,472	902	75	3,928	2,153	11,668	20,198

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

	2007		2006	
	Payable £m	**Receivable £m**	Payable £m	Receivable £m
Within one year	**15,163**	**15,163**	14,012	14,009
In one to two years	**611**	**626**	609	600
In two to three years	**503**	**587**	545	556
In three to four years	**403**	**398**	456	523
In four to five years	**400**	**387**	332	315
In more than five years	**3,577**	**3,596**	2,839	2,851
	20,657	**20,757**	18,793	18,854

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24. Borrowings continued

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

	2007		2006	
	Payable £m	**Receivable £m**	Payable £m	Receivable £m
Sterling	**1,000**	**5,477**		2,971
Euro	**7,204**		6,387	157
US dollar	**6,178**	**8,166**	3,646	9,655
Japanese yen		**106**	2,017	190
Other	**84**	**747**	1,323	361
	14,466	**14,496**	13,373	13,334

Payables and receivables are stated separately in the table above as settlement is on a gross basis. The £30 million net receivable (2006: £39 million net payable) in relation to foreign exchange financial instruments, in the table above, is split £48 million (2006: £69 million) within trade and other payables and £78 million (2006: £30 million) within trade and other receivables.

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

	2007 £m	2006 £m
Within one year	**7**	7
In two to five years	**30**	31
In more than five years	**29**	37

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

	Fair value 2007 £m	Fair value 2006 £m	**Carrying value 2007 £m**	Carrying value 2006 £m
Financial liabilities measured at amortised cost:				
Bank loans	**94**	58	**94**	58
Bank overdrafts	**23**	18	**23**	18
Finance lease obligations	**7**	7	**7**	7
Bonds:				
US dollar FRN due June 2007	**897**		**878**	
US dollar FRN due December 2007	**749**		**770**	
Other liabilities	**2,202**	1,840	**2,202**	1,840
Loans in fair value hedge relationships:				

0.83% Japanese yen bond due November 2006	—	15	—	15
5.4% euro400m bond due June 2006	—	281	—	293
5.75% euro1.5bn bond due October 2006	—	1,063	—	1,091
7.5% US dollar 400m bond due July 2006	—	126	—	126
4.161% US dollar 150m bond due November 2007	**76**	—	**77**	—
3.95% US dollar 500m bond due January 2008	**252**	—	**254**	—
4.625% euro 250m bond due January 2008	**170**	—	**171**	—
4.625% euro 500m bond due January 2008	**341**	—	**341**	—
Short term borrowings	**4,811**	3,408	**4,817**	3,448

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

	Fair value 2007 £m	Fair value 2006 £m	**Carrying value 2007 £m**	Carrying value 2006 £m
Financial liabilities measured at amortised cost:				
Bank loans	**2,086**	1,414	**2,086**	1,414
Redeemable preference shares	**818**	902	**818**	902
Finance lease obligations	**59**	68	**59**	68
Bonds:				
US dollar FRN due June 2007	—	1,064	—	1,064
US dollar FRN due December 2007	—	859	—	867
Euro FRN due July 2008	**849**	873	**858**	875
Euro FRN due February 2009	**102**	—	**102**	—
Euro FRN due February 2010	**204**	—	**205**	—
US dollar FRN due June 2011	**224**	201	**178**	202
Euro FRN due January 2012	**683**	—	**685**	—
Euro FRN due January 2012	**205**	—	**197**	—
US dollar FRN due February 2012	**254**	—	**255**	—
Euro FRN due September 2013	**582**	—	**579**	—
5.125% euro 500m bond due April 2015	**350**	366	**365**	376
5% euro 750m bond due June 2018	**515**	540	**529**	544
Other liabilities	**156**	295	**156**	295
Loans in fair value hedge relationships:				
4.161% US dollar 150m bond due November 2007	—	86	—	85
3.95% US dollar 500m bond due January 2008	—	281	—	281
4.625% euro 250m bond due January 2008	—	178	—	172
5.5% euro 400m bond due July 2008	**32**	34	**34**	34
6.25% sterling 250m bond due July 2008	**251**	257	**249**	255
6.25% sterling 150m bond due July 2008	**151**	154	**149**	145
6.65% US dollar 500m bond due May 2008	**129**	147	**132**	140
4.625% euro 500m bond due January 2008	—	316	—	355
4.0% euro 300m bond due January 2009	**203**	—	**204**	—
4.25% euro 1.4bn bond due May 2009	**950**	990	**965**	1,008
4.25% euro 500m bond due May 2009	**339**	354	**348**	360
4.75% euro 3bn bond due May 2009	**596**	624	**602**	593
7.75% US dollar 2.75bn bond due February 2010	**1,480**	1,702	**1,467**	1,693
5.5% US dollar 750m bond due June 2011	**385**	428	**390**	430
5.35% US dollar 500m bond due February 2012	**255**	—	**256**	—
3.625% euro 750m bond due November 2012	**487**	505	**492**	514
6.75% Australian dollar 265m bond due January 2013	**108**	—	**110**	—
5.0% US dollar 1bn bond due December 2013	**464**	549	**502**	559
4.625% sterling 350m bond due September 2014	**321**	333	**334**	349
5.375% US dollar 500m bond due January 2015	**250**	307	**249**	274
5.375% US dollar 400m bond due January 2015	**200**	220	**199**	220
5.0% US dollar 750m bond due September 2015	**423**	419	**375**	415

5.75% US dollar 750m bond due March 2016	**384**	423	**384**	427
4.75% euro 300m bond due June 2016	**204**	—	**209**	—
4.75% euro 200m bond due June 2016	**136**	—	**140**	—
5.625% US dollar 1.3bn bond due February 2017	**650**	—	**661**	—
4.625% US dollar 500m bond due July 2018	**231**	258	**235**	260
5.625% sterling 250m bond due December 2025	**242**	254	**253**	271
7.875% US dollar 750m bond due February 2030	**441**	499	**481**	542
5.9% sterling 450m bond due November 2032	**454**	477	**451**	480
6.25% US dollar 495m bond due November 2032	**250**	293	**252**	281
6.15% US dollar 1.2bn bond due February 2037	**609**	—	**603**	—
Long term borrowings	**17,712**	16,670	**17,798**	16,750

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

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

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continued

24. Borrowings continued

Borrowing facilities

At 31 March 2007, the Group's most significant committed borrowing facilities comprised two bank facilities of $5,925 million (£3,010 million) and $5,025 million (£2,553 million) expiring between two and five years and in more than five years, respectively (2006: two bank facilities of $5,925 million (£3,407 million) and $5,025 million (£2,890 million)), a ¥259 billion (£1,117 million, 2006: ¥259 billion (£1,265 million)) term credit facility, which expires between two and five years and a €400 billion (£272 million, 2006: nil) loan facility, which expires in more than five years. The bank facilities remained undrawn throughout the year, the ¥259 billion term credit facility was fully drawn down on 21 December 2005 and the €400 million loan facility was fully drawn down on 14 February 2007.

Under the terms and conditions of the $5,925 million and $5,025 million bank facilities, lenders have the right, but not the obligation, to cancel their commitment 30 days from the date of notification of a change of control of the Company and have outstanding advances repaid on the last day of the current interest period. The facility agreement provides for certain structural changes that do not affect the obligations of the Company to be specifically excluded from the definition of a change of control. This is in addition to the rights of lenders to cancel their commitment if the Company has committed an event of default. Substantially the same terms and conditions apply in the case of Vodafone Finance K.K.'s ¥259 billion term credit facility, although the change of control provision is applicable to any guarantor of borrowings under the term credit facility. As of 31 March 2007, the Company was the sole guarantor of the ¥259 billion term credit facility. The terms and conditions of

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

In addition to the above, certain of the Group's subsidiaries had committed facilities at 31 March 2007 of £1,030 million (2006: £271 million) in aggregate, of which £278 million (2006: £65 million) was undrawn. Of the total committed facilities, £99 million (2006: £121 million) expires in less than one year, £574 million (2006: £109 million) expires between two and five years, and £357 million (2006: £41 million) expires in more than five years.

Redeemable preference shares

Redeemable preference shares comprise class D and E preferred shares issued by Vodafone Americas, Inc. An annual dividend of $51.43 per class D and E preferred share is payable quarterly in arrears. The dividend for the year amounted to £45 million (2006: £48 million). The aggregate redemption value of the class D and E preferred shares is $1.65 billion. The holders of the preferred shares are entitled to vote on the election of directors and upon each other matter coming before any meeting of the shareholders on which the holders of ordinary shares are entitled to vote. Holders are entitled to vote on the basis of twelve votes for each share of class D or E preferred stock held. The maturity date of the 825,000 class D preferred shares is 6 April 2020. The 825,000 class E preferred shares have a maturity date of 1 April 2020. The class D and E preferred shares have a redemption price of $1,000 per share plus all accrued and unpaid dividends.

Interest rate and currency of borrowings

	Fixed rate borrowings	
		Weighted average

Currency	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings £m	Weighted average interest rate %	time for which rate is fixed Years
Sterling	**1,520**	**1,520**			
Euro	**9,295**	**8,382**	**913**	**5.1**	**9.8**
US dollar	**9,687**	**9,687**			
Japanese yen	**1,118**	**1,118**			
Other	**995**	**995**			
31 March 2007	**22,615**	**21,702**	**913**	**5.1**	**9.8**
Sterling	1,511	1,511			
Euro	6,941	5,996	945	5.1	10.8
US dollar	8,905	8,905			
Japanese yen	1,296	1,296			
Other	1,545	1,545			
31 March 2006	20,198	19,253	945	5.1	10.8

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

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

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

At 31 March 2006, the Group had entered into foreign exchange contracts to decrease its sterling and US dollar borrowings above by amounts equal to £2,971 million and £6,009 million respectively and to increase its euro, Japanese yen and other currency borrowings above by amounts equal to £6,230 million, £1,827 million and £962 million respectively.

Further protection from euro and Japanese yen interest rate movements on debt is provided by interest rate swaps. At 31 March 2007, the Group had euro denominated interest rate swaps for amounts equal to £1,494 million. The effective rates, which have been fixed, are 3.54% . In addition, the Group has entered into euro denominated forward starting interest rate swaps for amounts equal to £679 million, £2,717 million and £679 million, which cover the periods June 2007 to June 2008, June 2008 to June 2009 and September 2008 to September 2009 respectively. The effective rates, which have been fixed, range from 2.62% per annum to 3.02% per annum.

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Financial risk management

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

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed annually by the Company's Board of directors, most recently on 25 September 2006. A Treasury Risk Committee, comprising of the Group's Chief Financial Officer, Group General Counsel and Company Secretary, Group Treasurer and Director of Financial Reporting, meets at least annually to review treasury activities and its members receive management information relating to treasury activities on a quarterly basis. In accordance with the Group treasury policy, a quorum for meetings is four members and either the Chief Financial Officer or Group General Counsel and Company Secretary must be present at each meeting. The Group accounting function, which does not report to the Group Treasurer, provides regular update reports of treasury activity to the Board of directors. The Group's internal auditors review the internal control environment regularly.

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

Capital management

The Group's policy is to borrow centrally, using a mixture of long term and short term capital market issues and borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries. The Board of directors has approved three debt protection ratios, being: net interest to operating cash flow (plus dividends from associated undertakings); retained cash flow (operating cash flow plus dividends from associated undertakings less interest, tax, dividends to minorities and equity dividends) to net debt; and operating cash flow (plus dividends from associated undertakings) to net debt.

These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and are shared with the Group's debt rating agencies, being Moody's, Fitch Ratings and Standard & Poor's.

Liquidity risk

As at 31 March 2007, the Group had $10.9 billion committed undrawn bank facilities and $15 billion and £5 billion commercial paper programmes, supported by the $10.9 billion committed bank facilities, available to manage its liquidity. The Group uses commercial paper and bank facilities to manage short term liquidity and manages long term liquidity by raising funds on capital markets.

Market risk

Interest rate management

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

At 31 March 2007, 29% (2006: 29%) of the Group's gross borrowings were fixed for a period of at least one year. A one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 March 2007 would reduce or increase profit before tax by approximately £24 million (2006: increase or reduce by £91 million), including mark-to-market revaluations of interest rate and other derivatives and the potential interest on outstanding tax issues. There would be no material impact on equity.

Foreign exchange management

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

The Group also maintains the currency of debt and interest charges in proportion to its expected future principal multi-currency cash flows. As such, at 31 March 2007, 135% of net debt was denominated in currencies other than sterling (107% euro, 20% US dollar and 8% other), whilst 35% of net debt had been purchased forward in sterling in anticipation of sterling denominated shareholder returns via dividends. This allows euro, US dollar and other debt to be serviced in proportion to expected future cash flows and, therefore, provides a partial hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies. Yen debt is used as a hedge against the value of yen assets as the Group has minimal yen cash flows. A relative strengthening in the value of sterling against certain currencies in which the Group maintains cash and cash equivalents has resulted in a decrease in cash and cash equivalents of £315 million from currency translation differences.

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

The following table details the Group's sensitivity of the Group's adjusted operating profit to a strengthening of the Group's major currencies in which it transacts. Adjusted operating profit is defined as operating profit before non-operating income of associated undertakings, impairment losses and other income and expense. The percentage movement applied to each currency is based on the average movements in the previous three reporting periods. The analysis has been performed based on the movement occurring at the start of the reporting period.

	2007 **£m**
EUR 3% change	
Adjusted operating profit	**175**
USD 8% change	
Adjusted operating profit	**176**

Credit risk

The Group considers its maximum exposure to credit risk to be as follows:

	2007 **£m**	2006 £m
Bank deposits	**827**	948
Money market fund investments	**5,525**	1,841
Commercial paper investments	**1,129**	
Derivative financial instruments	**304**	310
Trade receivables	**2,886**	2,499
	10,671	5,598

The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from consumers and business customers.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables (note 17).

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