VODAFONE GROUP PUBLIC LTD CO
Form 6-K
May 28, 2008

Form 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rules 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

Dated May 28, 2008

VODAFONE GROUP

PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

VODAFONE HOUSE, THE CONNECTION, NEWBURY, BERKSHIRE, RG14 2FN, ENGLAND

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F__ü___ Form 40-F_____

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes_____ No__ü__

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

This Report on Form 6-K contains a news release issued by Vodafone Group Plc on May 27, 2008 entitled **VODAFONE ANNOUNCES RESULTS FOR THE YEAR ENDED 31 MARCH 2008**

VODAFONE GROUP PLC	**Embargo:**
	Not for publication
VODAFONE ANNOUNCES RESULTS FOR	**before 07:00 hours**
THE YEAR ENDED 31 MARCH 2008	**27 May 2008**

Key highlights(1):

- Group revenue of £35.5 billion, an increase of 14.1%, with organic growth of 4.2%

  Europe: 2.0% revenue growth, with outgoing usage up 20.1% and data revenue up 35.7%, all on an organic basis

  EMAPA: revenue growth of 45.1%, reflecting acquisitions in India and Turkey. Organic growth of 14.5%

  Group data revenue up 52.7% to £2.2 billion, with organic growth of 40.6%

- Group adjusted operating profit up by 5.7% to £10.1 billion

  Group EBITDA up 10.2% to £13.2 billion

  Verizon Wireless operating profit up 20.3%, driven by 14.5% revenue growth, both in local currency

- Free cash flow of £5.5 billion, with European capital intensity of 9.9%[2]. Net cash flow from operations of £10.5 billion

- Adjusted earnings per share up by 11.0% to 12.50 pence. Basic earnings per share of 12.56 pence

- Full year adjusted effective tax rate lower than previously indicated at around 28%

- Proportionate mobile customer base of 260 million at 31 March 2008

Increasing returns to shareholders

- Total dividends per share up by 11.1% to 7.51 pence. Final dividend per share of 5.02 pence

- Dividend pay out ratio of 60%, in line with policy, and a total payout of £4.0 billion for the financial year

(1) See page 4 for Group financial highlights, page 26 for definition of terms and page 28 for use of non-GAAP financial information.

(2) Mobile capital intensity including common functions.

Arun Sarin, Chief Executive, commented:

Our strategy is continuing to deliver strong results and is reinforcing our leadership position in the communications industry. We have increased our customer franchise to 260 million, up 26%. Adjusted earnings per share grew 11% and we met or exceeded guidance on every measure. Free cash flow of £5.5 billion underpins our 11% increase in dividends per share. We are driving our strategy across our diverse portfolio in order to continue to generate consistent, strong cash flow and superior returns for our shareholders.

CHIEF EXECUTIVE S STATEMENT

We have made strong progress over the past year with our strategy and met or exceeded our stated financial expectations in all areas.

Our cash flow generation remains strong, supporting our robust financial position and shareholders returns, with free cash flow of £5.5 billion. Adjusted earnings per share increased by 11% to 12.5 pence, enabling dividends per share to increase by 11% to 7.51 pence.

Group revenue increased by 14.1% to £35.5 billion, or 4.2% on an organic basis. In Europe, organic revenue growth was 2.0% with competitive and regulatory pressures continuing to impact on solid underlying growth. EMAPA delivered further strong growth with revenue increasing by 45.1%, or 14.5% on an organic basis, with double digit growth across many markets. Group adjusted operating profit increased by 5.7% to £10.1 billion, with a continued strong contribution from Verizon Wireless in the US, which continues to be an important and attractive market. We remain committed to our investment in Verizon Wireless, which continues to perform very well on all key metrics, with constant currency growth of 14.5% in revenue and 24.8% in adjusted operating profit and market leadership in contract customers, churn and profitability.

We invested £5.1 billion in capitalised fixed asset additions, including £1.0 billion in our operations in India, in line with our plans, to support the rapid growth.

Vodafone now has over 260 million proportionate mobile customers worldwide with strong growth during the year in our EMAPA region, in particular in our new business in India which has been successfully integrated into the Group and now has over 44 million customers, with over 50% pro forma revenue growth.

There have been a number of key achievements against our five strategic objectives in the last 12 months which are discussed below.

Revenue stimulation and cost reduction in Europe

Our core revenue initiatives continue to focus on offering innovative tariffs, larger minute bundles and targeted promotions to stimulate additional usage as well as improving customer lifetime value. Overall, voice usage increased by 16.7% in the year, with good growth across our major markets. We are particularly strong in the business segment where our unique footprint and innovative services have enabled us to create a market leading position, which we strengthened earlier in the year by establishing Vodafone Global Enterprise to service our largest multinational customers.

Pricing pressure from competition and regulation remains strong, with a 15.8% fall in the effective voice price per minute for our Europe region, offsetting the benefits from growth in usage.

Messaging revenue increased by 8.1% on an organic basis, with a 28.1% increase in the total number of text and picture messages sent. This reflects strong performances in the year in Italy and the UK, primarily through targeted promotions and tariffs.

In 2006, we set out a number of core cost reduction programmes that are now delivering results and have contributed to the key cost targets we met this year, with savings of around £300 million during the year bringing the cumulative savings to date to around £550 million. We have achieved mobile capital expenditure at 10% of mobile revenue for 2008, with important contributions from centralising key purchasing activities and consolidating our data centres, whilst having enhanced the speed and data capability of our mobile networks. These programmes, together with the outsourcing of certain IT operations, have also contributed to maintaining broadly stable operating expenses for 2008 compared to 2006. This has been achieved in a period when customers have increased on an organic basis by 19%, voice minutes by 36% and data volumes by over tenfold.

Innovate and deliver on our customers total communications needs

Our strategy is to expand beyond our core mobile services to offer a choice of communications, entertainment and internet services, with a focus on four key areas. These areas generated around 13% of Group revenue this year and we expect this to increase to around 20% in 2010.

Over the year, data revenue has increased by 40.6% on an organic basis to £2.2 billion, principally driven by continued strong growth in business email and PC connectivity devices, which in total nearly doubled to 5.8 million. We have seen strong take up this year of USB modems, which provide easy to use mobile broadband access for PCs and laptops to consumers and small business customers. For consumers, we also took the opportunity to refresh our mobile internet offerings during the year in eight markets, resulting in 2 million customers signing up to flat rate mobile internet access.

Our data revenue growth is being enabled by the investment in our 3G networks which now offer up to 3.6 Mbps and by the end of the year will begin to offer 14.4 Mbps which will provide a compelling alternative to fixed broadband for many customers. In addition, some customers need the data speeds today of fixed broadband and during the year we have established fixed broadband capability in our European markets as part of our strategy to deliver total communications. At the end of the year we had 3.6 million fixed broadband customers in 13 markets, principally in Germany and in our newly acquired businesses in Italy and Spain.

We are substituting fixed line voice services for mobile in the home or the office by offering fixed location pricing plans giving customers fixed line prices when they call from within or around their home or office. We have made good progress over the year and now have 4.4 million Vodafone At Home customers and over 3 million Vodafone Office customers, up from 3.3 million and 2.3 million, respectively, a year ago.

Mobile advertising is another focus area for us and we have recently been trialling various business models on an opt-in basis, including targeted demographic advertising through display and search advertising, and now have agreements with over 40 leading brands. We believe mobile advertising represents a significant opportunity for us and, throughout the year, have put in place the right foundations to grow this business in the future.

Deliver strong growth in emerging markets

Our existing emerging market assets continue to perform well. Vodafone Essar in India is delivering very strong growth and performing in line with our acquisition plan. Revenue increased by over 50% during the year on a pro forma basis, driven by rapid expansion of the customer base with an average of 1.5 million net customer additions per month since acquisition. We have also established an independent tower company with two other operators to drive further strong, cost efficient growth.

Vodacom recorded constant currency revenue growth of 16.9% from its market leading position in South Africa and strong growth in its southern Africa operations. We also saw constant currency revenue growth of 29.9% in Egypt and 20.3% in Romania as well as pro forma growth of 24% in Turkey. The value of our investment in China Mobile has increased by over 60% since the beginning of the year to £4.8 billion currently with its customer base increasing 24% to 392.1 million and market penetration at 41%.

In addition to strong customer growth, we are differentiating ourselves through a number of initiatives. Most significantly, we are leveraging the Group s scale to provide very low cost handsets, which retail for as little as $20 and enable us to address developing economies without the need for subsidies. We have already shipped 7 million handsets in the year, mostly to India, making us the second largest supplier of handsets there.

Actively manage our portfolio to maximise returns

We completed the acquisition of Vodafone Essar in India in May 2007. We also strengthened our total communications offerings in Italy and Spain through the purchase of Tele2 s assets in those countries in December 2007 and in May 2008 acquired the minority interests in Arcor. In December 2007, we won the auction for the second mobile licence in Qatar through a consortium with the Qatar Foundation, in which we are the controlling partner. All our transactions are subject to strict financial criteria so as to deliver superior returns to our shareholders.

Our geographically diverse portfolio should provide some resilience in the current economic environment.

Align capital structure and shareholder returns policy to strategy

The Board remains committed to its policy of distributing 60% of adjusted earnings per share by way of dividend. Our robust financial and operating performance, together with a positive impact from foreign currency exchange rates, offset the dilution arising from the India acquisition and delivered 11% growth in adjusted earnings per share and therefore in dividends per share. We have no current plans for share purchases or one-time returns.

Prospects for the year ahead

Operating conditions are expected to continue to be challenging in Europe given the current economic environment and ongoing pricing and regulatory pressures but with continued positive trends in messaging and data revenue and voice usage growth. We expect increasing market penetration to continue to result in overall strong growth for the EMAPA region. We also anticipate significant benefit from recent changes in foreign exchange rates compared to 2008, particularly in respect of the euro, which we have assumed to be on average at 1.30 to sterling for the year.

Revenue is expected to be in the range of £39.8 billion to £40.7 billion. We continue to drive revenue growth, particularly in respect of our total communications strategy for data and fixed broadband services and in emerging markets.

Adjusted operating profit is expected to be in the range of £11.0 billion to £11.5 billion, with a greater proportion of lower margin fixed broadband services. Verizon Wireless is expected to continue to perform strongly in the US.

Capital expenditure on fixed assets is expected to be in the range of £5.3 billion to £5.8 billion, including an increase in investment in India. Capital intensity is expected to be maintained at around 10% of revenue for the total of our Europe region and common functions, with continued investment in growth.

Free cash flow is expected to be in the range of £5.1 billion to £5.6 billion, excluding spectrum and licence payments. This is after taking into account £0.3 billion from payments for capital expenditure deferred from 2008.

Summary

Our strategy continues to position us well in a challenging and evolving environment to deliver value to both customers and shareholders.

Arun Sarin

GROUP FINANCIAL HIGHLIGHTS

Continuing operations(1)(2): Financial information	Page	2008 £m	2007 £m	Change % Reported	Change % Organic
Revenue	22	**35,478**	31,104	14.1	4.2
Operating profit/(loss)	22	**10,047**	(1,564)		
Profit/(loss) before taxation	22	**9,001**	(2,383)		
Profit/(loss) for the financial year	22	**6,756**	(4,806)		
Basic earnings/(loss) per share (pence)	22	**12.56p**	(8.94)p		
Capitalised fixed asset additions	29	**5,075**	4,208	20.6	
Net cash flow from operating activities	19	**10,474**	10,193	2.8	

Performance reporting(1)(2)(3)	Page	2008 £m	2007 £m	Change % Reported	Change % Organic
Group EBITDA	6	**13,178**	11,960	10.2	2.6
Adjusted operating profit	6, 32	**10,075**	9,531	5.7	5.7
Adjusted profit before tax	8, 32	**8,925**	8,747	2.0	
Adjusted effective tax rate	8	**28.1%**	30.5%		
Adjusted profit for the year attributable to equity shareholders	8, 32	**6,628**	6,211	6.7	
Adjusted earnings per share (pence)	32	**12.50p**	11.26p	11.0	
Free cash flow	19	**5,540**	6,127	(9.6)	
Net debt	19	**25,147**	15,049	67.1	

Notes:

(1) See page 26 for definition of terms. Amounts presented as at 31 March or for the year then ended.
(2) The results for the financial year ended 31 March 2007 exclude the results of the discontinued operations in Japan and include the results of the Group s associated undertakings in Belgium and Switzerland until the announcement of their disposal in August 2006 and December 2006, respectively.
(3) Where applicable, these measures are stated excluding non-operating income of associates, impairment losses and other income and expense, changes in the fair value of equity put rights and similar arrangements and certain foreign exchange differences. See page 28 for use of non-GAAP financial information.

Outlook for the 2008 financial year	Outlook(1)	Foreign exchange(2)	Adjusted Outlook(3)	**2008 actual performance**

	£ billion	£ billion	£ billion	**£ billion**
Revenue	34.5 to 35.1	0.7	35.2 to 35.8	**35.5**
Adjusted operating profit	9.5 to 9.9	0.1	9.6 to 10.0	**10.1**
Capitalised fixed asset additions	4.7 to 5.1	0.1	4.8 to 5.2	**5.1**
Free cash flow(4)	4.4 to 4.9	0.1	4.5 to 5.0	**5.5**

Notes:

(1) As updated in November 2007.
(2) The Group s outlook for the 2008 financial year, updated in November 2007, reflected expectations for average foreign exchange rates for the 2008 financial year of approximately £1: 1.45 and £1:US$2.04. These amounts represent the difference between the forecast exchange rates and rates used to translate actual results including £1: 1.42 and £1:US$2.01.
(3) Outlook from November 2007 adjusted solely for exchange rate differences as discussed in note 2 above.
(4) The amount for the 2008 financial year includes £0.4 billion benefit from deferred payments for capital expenditure but is stated after £0.7 billion of tax payments, including associated interest, in respect of a number of long standing tax issues.

This results announcement contains certain information on the Group s results and cash flows that has been derived from amounts calculated in accordance with IFRS but are not themselves IFRS measures. They should not be viewed in isolation as alternatives to the equivalent IFRS measure and should be read in conjunction with the equivalent IFRS measure. Further disclosures are provided under Use of Non-GAAP Financial Information on page 28.

OUTLOOK FOR THE 2009 FINANCIAL YEAR

Please see page 26 for definition of terms, page 27 for forward-looking statements and page 28 for use of non-GAAP financial information.

	2009 financial year Outlook(1)(2)	2008 financial year Actual performance
	£ billion	£ billion
Revenue	**39.8 to 40.7**	35.5
Adjusted operating profit	**11.0 to 11.5**	10.1
Capitalised fixed asset additions	**5.3 to 5.8**	5.1
Free cash flow	**5.1 to 5.6(3)**	5.5(4)

Notes:

(1) Includes assumption of average foreign exchange rates for the 2009 financial year of approximately £1: 1.30 (2008: 1.42) and £1:US$1.96 (2008: 2.01). 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. A 1% change in the euro to sterling exchange rate would impact revenue by approximately £250 million and adjusted operating profit by approximately £70 million.
(2) The outlook does not include the impact of a change in the Group's effective interest in Neuf Cegetel.
(3) Excludes spectrum and licence payments but includes estimated payments in respect of long standing tax issues.
(4) The amount for the 2008 financial year includes £0.4 billion benefit from deferred payments for capital expenditure but is stated after £0.7 billion of tax payments, including associated interest, in respect of a number of long standing tax issues.

The outlook ranges reflect the Group s assumptions for average foreign exchange rates for the 2009 financial year. In respect of the euro to sterling exchange rate, this represents an approximate 10% change to the 2008 financial year, resulting in favourable year on year increases in revenue, adjusted operating profit and free cash flow and adverse changes in capitalised fixed asset additions.

Operating conditions are expected to continue to be challenging in Europe given the current economic environment and ongoing pricing and regulatory pressures but with continued positive trends in messaging and data revenue and voice usage growth. Increasing market penetration is expected to continue to result in overall strong growth for the EMAPA region. The Group considers that its geographically diverse portfolio should provide some resilience in the current economic environment.

Revenue is expected to be in the range of £39.8 billion to £40.7 billion. The Group continues to drive revenue growth, particularly in respect of its total communications strategy for data and fixed broadband services and in emerging markets. Revenue includes the first full year post acquisition of India and the Tele2 businesses in Italy and Spain.

Adjusted operating profit is expected to be in the range of £11.0 billion to £11.5 billion. The Group EBITDA margin is expected to decline by a similar amount as in the 2008 financial year but with a greater impact from lower margin fixed broadband services. Verizon Wireless, the Group s US associate, is expected to continue to perform strongly.

Total depreciation and amortisation charges are anticipated to be around £6.5 billion to £6.6 billion, higher than the 2008 financial year, primarily as a result of the ongoing investment in capital expenditure in India and the impact of changes in foreign exchange rates.

The Group expects capitalised fixed asset additions to be in the range of £5.3 billion to £5.8 billion, including an increase in investment in India. Capitalised fixed asset additions are anticipated to be around 10% of revenue for the total of the Europe region and common functions, with continued investment in growth.

Free cash flow is expected to be in the range of £5.1 billion to £5.6 billion, excluding spectrum and licence payments. This is after taking into account £0.3 billion from payments for capital expenditure deferred from the 2008 financial year.

The Group will invest £0.2 billion in Qatar in respect of the second mobile licence won in December 2007. During the 2009 financial year, Vodafone Qatar is expected to pay £1.0 billion for the licence with the balance of the funding being provided by the other shareholders in Vodafone Qatar.

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

The adjusted effective tax rate percentage is expected to be in the high 20s for the 2009 financial year, with the Group targeting the high 20s in the medium term.

CONTENTS

FINANCIAL RESULTS

Group

	Europe	EMAPA	Common Functions(2)	Eliminations	**2008**	2007	% change	
	£m	£m	£m	£m	**£m**	£m	£	Organic
Voice revenue(1)	17,485	7,486		(92)	**24,879**	22,268		
Messaging revenue	3,262	824		(7)	**4,079**	3,587		
Data revenue	1,827	359		(6)	**2,180**	1,428		
Fixed line revenue(1)	1,827	48		(1)	**1,874**	1,580		
Other service revenue	29	1			**30**	8		
Service revenue	**24,430**	**8,718**		**(106)**	**33,042**	28,871	**14.4**	**4.3**
Acquisition revenue	1,039	450		(1)	**1,488**	1,385		
Retention revenue	355	34			**389**	375		
Other revenue	257	143	170	(11)	**559**	473		
Revenue	**26,081**	**9,345**	**170**	**(118)**	**35,478**	31,104	**14.1**	**4.2**
Interconnect costs	(3,980)	(1,391)		106	**(5,265)**	(4,628)		
Other direct costs	(2,064)	(1,354)	76		**(3,342)**	(2,761)		
Acquisition costs	(2,872)	(939)		1	**(3,810)**	(3,281)		
Retention costs	(1,756)	(259)			**(2,015)**	(1,755)		
Operating expenses	(5,719)	(2,257)	97	11	**(7,868)**	(6,719)		
EBITDA	**9,690**	**3,145**	**343**		**13,178**	11,960	**10.2**	**2.6**
Acquired intangibles amortisation	(78)	(648)			**(726)**	(414)		
Purchased licence amortisation	(846)	(63)			**(909)**	(892)		
Depreciation and other amortisation	(2,985)	(1,154)	(205)		**(4,344)**	(3,848)		
Share of result in associates(3)	425	2,449	2		**2,876**	2,725		
Adjusted operating profit	**6,206**	**3,729**	**140**		**10,075**	9,531	**5.7**	**5.7**
Adjustments for:								
Impairment losses						(11,600)		
Other income and expense					**(28)**	502		
Non-operating income of associates						3		
Operating profit/(loss)					**10,047**	(1,564)		

Notes:

(1) Revenue relating to fixed line activities provided by mobile operators, previously classified within voice revenue, is now presented as fixed line revenue, together with revenue from fixed line operators and fixed broadband. All prior periods have been adjusted accordingly.

(2)

Common functions represents the results of the partner markets and the net result of unallocated central Group costs and recharges to the Group s operations, including royalty fees for use of the Vodafone brand.

(3) During the year ended 31 March 2008, the Group changed its organisational structure and the Group s associated undertaking in France, SFR, is now managed within the Europe region and reported within Other Europe. The results are presented in accordance with the new organisational structure.

Revenue

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

Revenue grew in the Europe and EMAPA regions by 6.1% and 45.1%, respectively, with growth in the EMAPA region benefiting from a 27.5 percentage point impact from acquisitions and disposals. On an organic basis, Europe recorded growth of 2.0%, whilst EMAPA delivered an increase of 14.5%. EMAPA accounted for 62.1% of the organic growth for the Group.

Organic revenue growth was driven by the higher customer base and successful usage stimulation initiatives, partially offset by ongoing price reductions and the impact of regulatory driven reductions. Growth in data revenue was particularly strong, up 40.6% on an organic basis to £2,180 million, reflecting an increasing penetration of mobile PC connectivity devices and improved service offerings.

Operating result

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

Adjusted operating profit increased to £10,075 million, with 5.7% growth on both a reported and organic basis. The net impact of acquisitions and disposals reduced reported growth by 0.8 percentage points. The net impact of foreign exchange rates was to increase adjusted operating profit by 0.8 percentage points, as the impact of the 4.2% increase in the average euro/£ exchange rate was partially offset by 5.7% and 7.2% decreases in the average US$/£ and ZAR/£ exchange rates, respectively. 59%, 25% and 4% of the Group s adjusted operating profit for the 2008 financial year was denominated in euro, US$ and ZAR, respectively.

On an organic basis, the EMAPA region generated all of the Group s growth in adjusted operating profit, with the 20.9% increase in the region driven by a higher customer base and the resulting increase in service revenue. Europe s adjusted operating profit declined by 1.5% on an organic basis compared to the 2007 financial year, resulting from the continuing challenges of highly penetrated markets, regulatory activity and continued price reductions.

In Europe, the EBITDA margin fell by 1.0 percentage point to 37.2%, including a 0.5 percentage point benefit from the release of a provision following a revised agreement in Italy relating to the use of the Vodafone brand and related trademarks, which is offset in common functions. Excluding this impact, the EBITDA margin would have fallen by 1.5 percentage points to 36.7%, mainly as a result of higher interconnect, acquisition and retention costs and the impact of the Group s increasing focus on fixed line services, including the acquisition of Tele2 in Italy and Spain.

The EBITDA margin in the EMAPA region declined from 34.9% in the 2007 financial year to 33.7%, due to the investment in growing the customer base and the impact of the acquisition in India during the year and the inclusion of Turkey for a whole year. Both Vodafone Essar and Turkey have a lower EBITDA margin than the region s average, partially as a result of the investment in rebranding the businesses to Vodafone, increasing the customer base and improving network quality in Turkey.

Business acquisitions led to the increase in acquired intangible asset amortisation and these acquisitions, combined with the continued investment in network infrastructure, resulted in higher depreciation charges.

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

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

Investment income and financing costs

	2008 £m	2007 £m
Investment income	**714**	789
Financing costs	**(2,014)**	(1,612)
	(1,300)	(823)
Analysed as:		
- Net financing costs before dividends from investments	**(823)**	(435)
- Potential interest charges arising on settlement of outstanding tax issues	**(399)**	(406)
- Dividends from investments	**72**	57
	(1,150)	(784)
- Foreign exchange(1)	**(7)**	(41)
- Changes in fair value of equity put rights and similar arrangements(2)	**(143)**	2
	(1,300)	(823)

Notes:

(1) Comprises foreign exchange differences reflected in the income statement in relation to certain intercompany balances and the foreign exchange differences on financial instruments received as consideration in the disposal of Vodafone Japan to SoftBank in April 2006.

(2) Includes the fair value movement in relation to put rights and similar arrangements held by minority interest holders in certain of the Group s subsidiaries. The valuation of these financial liabilities is inherently unpredictable and changes in the fair value could have a material impact on the future results and financial position of Vodafone. Also includes a charge of £333 million representing the initial fair value of the put options granted over the Essar Group s interest in Vodafone Essar, which has been recorded as an expense. Further details of these options are provided on page 21.

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

Taxation

	2008 £m	2007 £m
Income tax expense	**2,245**	2,423
Recognition of pre-acquisition deferred tax asset	**28**	–
Tax on adjustments to derive adjusted profit before tax	**(72)**	(13)
Adjusted income tax expense	**2,201**	2,410
Share of associated undertakings tax	**448**	398
Adjusted income tax expense for purposes of calculating adjusted tax rate	**2,649**	2,808
Profit /(loss) before tax	**9,001**	(2,383)
Adjustments to derive adjusted profit before tax(1)	**(76)**	11,130
Adjusted profit before tax	**8,925**	8,747
Add: Share of associated undertakings tax and minority interest	**504**	459
Adjusted profit before tax for the purpose of calculating adjusted effective tax rate	**9,429**	9,206
Adjusted effective tax rate	**28.1%**	30.5%

Note:

(1) See earnings/(loss) per share below.

The adjusted effective tax rate for the year to 31 March 2008 was 28.1% compared to 30.5% for the 2007 financial year. The rate is lower than the Group s weighted average statutory tax rate due to the structural benefit from the ongoing enhancement of the Group s internal capital structure and the resolution of historic issues with tax authorities. The 2008 financial year tax rate benefits from the cessation of provisioning for UK CFC risk as highlighted in the 2007 financial year. The 2007 financial year additionally benefited from one-off additional tax deductions in Italy and favourable tax settlements in that year.

Earnings/(loss) per share

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

	2008 £m	2007 £m
Profit/(loss) from continuing operations attributable to equity shareholders	**6,660**	(4,932)

Adjustments:

Impairment losses		11,600
Other income and expense(1)	**28**	(502)
Share of associated undertakings non-operating income and expense		(3)
Non-operating income and expense(2)	**(254)**	(4)
Investment income and financing costs(3)	**150**	39
	(76)	11,130
Taxation	**44**	13
Adjusted profit from continuing operations attributable to equity shareholders	**6,628**	6,211
Basic weighted average number of shares outstanding	**53,019**	55,144

Notes:

(1) The amount for the 2008 financial year represents a pre-tax charge offsetting the tax benefit arising on recognition of a pre-acquisition deferred tax asset.
(2) The amount for the 2008 financial year includes £250 million representing the profit on disposal of the Group s 5.60% direct investment in Bharti Airtel.
(3) See notes 1 and 2 in investment income and financing costs on page 7.

EUROPE

	Germany	Italy	Spain	UK	Arcor	Other	Eliminations	**Europe**	% change	
	£m	£m	£m	£m	£m	£m	£m	**£m**	£	Organic
Year ended 31 March 2008										
Voice revenue(1)	3,791	3,169	3,792	3,601	10	3,408	(286)	**17,485**		
Messaging revenue	710	689	425	923	1	547	(33)	**3,262**		
Data revenue	583	274	341	383		291	(45)	**1,827**		
Fixed line revenue(1)	21	137	86	24	1,596	49	(86)	**1,827**		
Other service revenue	2	4	2	21				**29**		
Service revenue	**5,107**	**4,273**	**4,646**	**4,952**	**1,607**	**4,295**	**(450)**	**24,430**	**6.3**	**2.1**
Acquisition revenue	178	129	268	300	25	142	(3)	**1,039**		
Retention revenue	43	27	143	46		96		**355**		
Other revenue	69	6	6							