

**VODAFONE 2.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2008**

**REGISTERED No: 4083193**

THURSDAY



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## **VODAFONE 2.**

### **REPORT OF THE DIRECTORS**

The directors submit their annual report and audited financial statements for the year ended 31 March 2008.

#### **Principal activity and review of business**

The Company's principal activities are the managing of short term liquidity, cash resources, foreign exchange and interest exposures, and acting as a holding company in respect of certain investments of the Vodafone Group. Vodafone 2. is an unlimited company. The directors do not anticipate that the business of the Company will change in the foreseeable future.

#### **Results and dividends**

The profit and loss account is set out on page 5 of the financial statements. For the financial year ended 31 March 2008, there was a loss on ordinary activities after taxation of £2,514,821,000 (2007 – loss of £16,372,743,000). The loss of the Company reduced during the year predominately due to the inclusion of an impairment of fixed asset investments of £12,992,500,000 in the prior year ended 31 March 2007 compared to £nil in 2008.

The directors do not recommend the payment of a dividend (2007 - £nil).

#### **Directors**

The directors of the Company, who served throughout the year unless otherwise indicated, are as follows:

G D A Bacon	(alternate to P G Stephenson)
J De Geus	
G R G Rudolph	(appointed 1 November 2007)
P G Stephenson	
N A Wright	

#### **Auditors**

The Company has passed an elective resolution under section 386(1) of the Companies Act 1985 to dispense with re-appointment of auditors annually.

#### **Registered office**

The registered office of the Company is at Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, England.

## **VODAFONE 2.**

### **REPORT OF THE DIRECTORS (CONTINUED)**

#### **Directors' statement of responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Statement as to disclosure of information to auditors**

Having made the requisite enquiries, so far as each of 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 each 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.

By Order of the Board



P R S Howie  
Secretary

28 November 2008

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF**

### **VODAFONE 2.**

We have audited the financial statements of Vodafone 2. for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

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

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

**INDEPENDENT AUDITORS' REPORT (continued)**

**TO THE MEMBERS OF**

**VODAFONE 2.**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom.

28 November 2008

**VODAFONE 2.****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2008**

	Note	2008 £'000	2007 £'000
Administrative expenses and operating loss	2	(31)	(12)
Loss on disposal of fixed asset investments	3	(158,790)	(173,245)
Impairment of fixed asset investments	4	-	(12,992,500)
Interest receivable and similar income	5	113,141	51,889
Interest payable and similar charges	6	(3,478,845)	(2,867,247)
Loss on ordinary activities before taxation		(3,524,525)	(15,981,115)
Tax credit / (charge) on loss on ordinary activities	7	1,009,704	(391,628)
Loss for the year	12	(2,514,821)	(16,372,743)

The Company has no other recognised gains or losses in the current or preceding year, and therefore no separate statement of total recognised gains and losses has been presented.

All results derive from continuing operations.

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

**VODAFONE 2.****BALANCE SHEET****AT 31 MARCH 2008**

	Note	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Investments	8	159,007,685	161,392,961
<b>CURRENT ASSETS</b>			
Debtors	9	4,782,945	1,961,401
Creditors: amounts falling due within one year	10	(65,067,207)	(62,116,118)
<b>NET CURRENT LIABILITIES</b>		<u>(60,284,262)</u>	<u>(60,154,717)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>98,723,423</u>	<u>101,238,244</u>
<b>NET ASSETS</b>		<u>98,723,423</u>	<u>101,238,244</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	7,425,191	7,425,191
Share premium account		130,385,903	130,385,903
Profit and loss account	12	(39,087,671)	(36,572,850)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	13	<u>98,723,423</u>	<u>101,238,244</u>

The financial statements were approved by the Board of Directors on **28** November 2008 and were signed on its behalf by:

 Director  
P G Stephenson

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

## **VODAFONE 2.**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 MARCH 2008**

##### **1. Statement of Accounting Policies**

The principal accounting policies adopted, which have been applied consistently throughout the current year and the preceding year, are described below.

##### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value, and in accordance with the Companies Act 1985 and applicable UK accounting standards.

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of those transactions, adjusted for the effects of any hedging arrangements. Foreign currency monetary assets and liabilities are translated into sterling at year end rates.

All foreign exchange differences are dealt with in the profit and loss account.

##### **Taxation**

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

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

##### **Investments**

Investments held as fixed assets are stated at cost less any provision for impairment.

##### **Cash flow**

In accordance with the provisions of Financial Reporting Standard 1 (Revised), a cash flow statement has not been prepared since the Company is a wholly owned subsidiary of Vodafone Group Plc, a company registered in England and Wales, which prepares consolidated accounts that include a consolidated cash flow statement, and which are publicly available.



## **VODAFONE 2.**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 MARCH 2008**

##### **1. Statement of accounting policies (continued)**

###### **Financial instruments**

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Foreign exchange contracts are recognised on the balance sheet at fair value, with movements thereto recognised through profit or loss.

In accordance with the provisions of FRS 29, the Company is exempt from the requirements of the standard as it is a wholly-owned subsidiary of Vodafone Group Plc. Full FRS 29 disclosures are available in the Vodafone Group Plc Annual Report 2008.

##### **2. Administrative expenses and operating loss**

The directors are employees of other companies within the Vodafone Group Plc group of companies. It is not practical to allocate their remuneration between their services as employees of Vodafone Group Services Limited and their services as directors of the company.

Audit fees of £2,107 (2007: £3,750) were borne by the Company for the audit of the company's annual financial statements.

The Company did not have any employees throughout the current or preceding year.

##### **3. Loss on disposal of fixed asset investments**

	2008 £'000	2007 £'000
Loss on disposal of subsidiary undertakings	158,790	173,245

##### **4. Impairment of fixed asset investments**

	2008 £'000	2007 £'000
Impairment of fixed asset investments	-	12,992,500

**VODAFONE 2.****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2008****5. Interest receivable and similar income**

	2008 £'000	2007 £'000
Parent company and fellow subsidiary undertakings	113,141	51,889

**6. Interest payable and similar charges**

	2008 £'000	2007 £'000
Parent company and fellow subsidiary undertakings	3,478,845	2,867,247

**7. Tax credit / (charge) on loss on ordinary activities**

	2008 £'000	2007 £'000
UK corporation tax credit at 30% (2007: 30%)	1,009,752	844,643
Prior year adjustment	-	(1,236,239)
Deferred tax: origination and reversal of timing differences	(48)	(32)
Total tax credit / (charge)	1,009,704	(391,628)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%.  
The actual tax credit / (charge) for the current and previous year differs from the tax credit / (charge) at the standard rate for the reasons set out in the following reconciliation:

## VODAFONE 2.

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2008

7. Tax credit / (charge) on loss on ordinary activities (continued)	2008	2007
	£'000	£'000
Loss on ordinary activities before tax	(3,524,525)	(15,981,115)
Tax on loss on ordinary activities before tax at standard rate of 30% (2007: 30%)	1,057,357	4,794,335
Factors affecting tax credit for the year:		
Loss on disposal of fixed asset investments	(47,637)	(51,974)
Impairment of fixed asset investments	-	(3,897,750)
Other timing differences	32	32
Adjustments to tax credit in respect of prior years	-	(1,236,239)
Current tax credit / (charge) for the year	1,009,752	(391,596)

#### 8. Investments

	Shares in Group Undertakings £'000
<b>Cost</b>	
1 April 2007	174,385,461
Disposals	(2,385,276)
31 March 2008	172,000,185
<b>Provision for impairment</b>	
1 April 2007 and 31 March 2008	(12,992,500)
<b>Net book value</b>	
31 March 2008	159,007,685
31 March 2007	161,392,961

## VODAFONE 2.

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2008

#### 8. Investments (continued)

Investments of £159,007,685,000 comprise the following:

<u>Company Name</u>	<u>Holding</u>	<u>Country of registration</u>	<u>% shareholding</u>
Vodafone Holdings Luxembourg Limited	Ordinary shares	England and Wales	100.00%
Vodafone Jersey Dollar Holdings Limited	Ordinary shares	Jersey	5.88%

#### 9. Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Amounts owed by immediate parent undertaking	1,180,119	1,116,474
Amounts owed by Group undertakings	2,592,838	-
Group relief receivable	1,009,752	844,643
Deferred tax asset	236	284
	<hr/> 4,782,945	<hr/> 1,961,401
	2008 £'000	2007 £'000
Amounts falling due after more than one year included above are:		
Deferred tax asset	<hr/> 236	<hr/> 284

## VODAFONE 2.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2008

##### 9. Debtors (continued)

Deferred tax asset	£'000
1 April 2007	284
Amounts charged to profit & loss account	(48)
31 March 2008	<u>236</u>

A deferred tax asset of £236,000 has been recognised at 31 March 2008 (2007: £284,000) relating to the FRS 26 adjustments to debtors and creditors. The directors are of the opinion, based on recent and forecast performance, that there will be sufficient profits to utilise the deferred tax asset. With effect from 1 April 2008 the UK corporation tax rate is 28%. The rate of 28% (2007: 30%) has been used to calculate the above deferred tax asset. An amount of £16,000 was charged to the profit and loss account in respect of this rate reduction.

##### 10. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts owed to ultimate parent undertaking	16,934,365	13,934,874
Amounts owed to Group undertakings	46,896,603	46,945,005
Corporation tax	1,236,239	1,236,239
	<u>65,067,207</u>	<u>62,116,118</u>

Amounts owed to ultimate parent undertaking include instruments held at fair value of £954,000 (2007: £109,156,000).

# **VODAFONE 2.**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2008**

#### **11. Called up share capital**

	2008 £'000	2007 £'000
Authorised:		
13,600,000,000 (2007: 13,600,000,000) ordinary shares of £1 each	13,600,000	13,600,000
Allotted, issued and fully paid:		
7,425,191,221 (2007: 7,425,191,221) ordinary shares of £1 each	7,425,191	7,425,191

#### **12. Reserves**

	Profit and loss account £'000
1 April 2007	(36,572,850)
Loss for the year	(2,514,821)
31 March 2008	(39,087,671)

#### **13. Reconciliation of movements in shareholders' funds**

	2008 £'000	2007 £'000
Loss for the year	(2,514,821)	(16,372,743)
Net movement in shareholders' funds	(2,514,821)	(16,372,743)
Opening shareholders' funds	101,238,244	117,610,987
Closing shareholders' funds	98,723,423	101,238,244

## **VODAFONE 2.**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **FOR THE YEAR ENDED 31 MARCH 2008**

#### **14. Related party disclosures**

The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with Vodafone Group Plc group companies or interests of the Group who are related parties.

#### **15. Ultimate parent company**

The immediate parent company of Vodafone 2. is Vodaphone Limited, a company registered in England and Wales. The ultimate parent company and controlling entity of Vodafone 2. and the smallest and largest group which prepares consolidated financial statements and of which the Company forms a part, is Vodafone Group Plc, a company registered in England and Wales. As a wholly owned subsidiary of a company registered in England and Wales, for which Group accounts are prepared, the Company has taken advantage of Section 228 of the Companies Act 1985 and has not prepared consolidated accounts.

A copy of the consolidated financial statements of Vodafone Group Plc for the year ended 31 March 2008 may be obtained from the company's website [www.vodafone.com](http://www.vodafone.com) or from The Company Secretary, Vodafone Group Plc, Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, England.