Turnover

Turnover in the mobile business increased by 4%, or 5% on an organic basis, for the year ended 31 March 2005. The increase in turnover was driven principally by organic service revenue growth, at constant exchange rates, of 5%, which improved principally as a result of a 9% increase in the Group's average controlled customer base and 10% growth in total voice usage compared to the prior year, offset by the effect of regulatory and competitive pressures on pricing and the increase in the proportion of prepaid customers across the Group.

Voice revenue improved by 4% on an organic basis, following an increase in voice usage, partially offset by tariff reductions due to increased competition and lower termination rates.

Non-voice service revenue increased to £4,973 million for the year ended 31 March 2005, or by 11% on an organic basis. Messaging revenue continued to represent the largest component of non-voice revenue at £3,589 million for the financial year, a 7% increase over the previous financial year. Non-messaging data revenue increased by 17% to £1,384 million as the Group continued to drive adoption of consumer services, such as Vodafone live! and Vodafone live! with 3G, and business offerings, including the Vodafone Mobile Connect data card and BlackBerry from Vodafone. Japan generates the highest level of non-messaging data revenue in the Group and, following the loss of higher value customers and an increased proportion of prepaid customers with access to only basic data services, its non-messaging data revenue reduced by 7% to £816 million in the 2005 financial year.

Other revenue increased to £3,862 million, principally due to growth in revenue related to acquisition and retention activities to £3,305 million, being 7% on an organic basis. The increase has arisen principally from higher levels of gross additions and upgrades in the year, partially offset by a reduction in the average handset sales price.

Total Group operating profit before goodwill amortisation and exceptional items

Total Group operating profit, before goodwill amortisation and exceptional items, increased by 1% to £10,875 million, comprising organic growth of 4% offset by unfavourable exchange rate movements, particularly the strengthening of sterling against the euro and the US dollar.

Acquisition and retention costs, net of attributable revenue, increased by 12% to £3,965 million. The increase was primarily driven by higher customer growth in the UK and Spain and increased investment in retention activities in the UK and Japan. Other operating expenses as a percentage of service revenue reduced from 17.0% to 16.0% as the Group continued to realise cost efficiencies, particularly in network and IT costs.

Depreciation and licence amortisation charges increased by 18% following the commencement of 3G services in a number of the Group's controlled mobile businesses. Licence amortisation amounted to £412 million in the year compared to £98 million in the prior year.

The Group's share of operating profit, before goodwill amortisation and exceptional items, in associated undertakings grew strongly, primarily due to growth at Verizon Wireless in the US.

Non-mobile telecommunications

Turnover from other operations decreased by 48% to £1,108 million in the year ended 31 March 2005, principally as a result of the deconsolidation of Japan Telecom from 1 October 2003. Group operating profit, before goodwill amortisation and exceptional items, increased by 45% to £29 million, principally as a result of operational efficiencies in Arcor.

Exceptional operating items

market combined with onerous 3G licence obligations. Net exceptional operating income for the previous financial year of £228 million comprised £351 million of expected recoveries and provision releases in relation to a contribution tax levy on Vodafone Italy, net of £123 million of restructuring costs, principally in the UK.

In accordance with accounting standards the Group regularly monitors the carrying value of its fixed assets. A review was undertaken as at 31 March 2005 to assess whether the carrying value of assets was supported by the net present value of future cash flows derived from assets using cash flow projections for each asset in respect of the period to 31 March 2015. The results of the review undertaken as at 31 March 2005 indicated that an impairment charge of £315 million was necessary in respect of goodwill held in relation to Vodafone Sweden.

Exceptional non-operating items

The net exceptional non-operating credit for the year ended 31 March 2005 of £13 million (2004: charge of £103 million) principally relates to profits on disposal of fixed asset investments. The prior year charge principally related to a loss on disposal of the Japan Telecom fixed line operations.

Net interest payable

	Years ended 31 March		
	2005 £m	2004 £m	Change %
Group net interest payable	**151**	310	(51)
Dividends from investments	**(19)**	(26)	(27)
Potential interest charges arising on settlement of outstanding tax issues	**261**	215	21
Group net interest payable	**393**	499	(21)
Share of associated undertakings	**211**	215	(2)
Total Group net interest payable	**604**	714	(15)

Group net interest payable before dividends from investments has fallen by 51% to £151 million, primarily reflecting a reduction in average net debt. Group net interest payable was covered 37 times by operating cash flow plus dividends received from associated undertakings.

Taxation

The effective rate of taxation for the year ended 31 March 2005 is (47.6)% compared to (62.5)% for the year ended 31 March 2004. This rate includes the impact of goodwill amortisation and exceptional items, which may not be taxable or deductible for tax purposes. Aside from non-tax deductible goodwill, which results in a negative effective tax rate, the Group's tax charge has benefited from the finalisation of the reorganisation of the Group's German operations in the current period, which has outweighed the impact of reduced tax incentives in Italy and the absence of last year's one-off benefit from the restructuring of the Group's associated undertakings in France.

The Group's tax charge has also benefited from exceptional current and deferred tax credits of £599 million, which relate to tax losses in Vodafone Holdings K.K. becoming eligible for offset against the profits of Vodafone K.K. following the merger of the two entities on 1 October 2004. The tax credit was recognised following shareholder and regulatory approval of the transaction in the period.

Please refer to note 8 to the Consolidated Financial Statements for a discussion of factors affecting the tax charge in future years.

Basic loss per share

The exceptional operating cost of £315 million in the year ended 31 March 2005 is due to an impairment charge in relation to the carrying value of goodwill of Vodafone Sweden. The impairment results from recent fierce price competition in the Swedish

Basic loss per share, after goodwill amortisation and exceptional items, improved from a loss per share of 13.24 pence to a loss per share of 11.39 pence for the year ended 31 March 2005. The loss per share includes a charge of 22.21 pence per share (2004: 22.33 pence per share) in relation to the amortisation of goodwill and a credit of 0.41 pence per share (2004: charge of 0.01 pence per share) in relation to exceptional items.