Vodafone Group Plc

Annual Report & Accounts

For the year ended 31 March 2001

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for the year ended
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This publication includes the Financial Review, the Directors' Report, the Corporate Governance Statement, the Board's Report to Shareholders on Directors' Remuneration, the Financial Statements and the Report of the Auditors for the year ended 31 March 2001. The Chairman's, Chief Executive's and Group Chief Operating Officer's Statements are contained in a separate report entitled Annual Review and Summary Financial Statement 2001.

This publication and the Annual Review & Summary Financial Statement 2001 comprise the full Annual Report and Accounts of Vodafone Group Plc for the year ended 31 March 2001, prepared in accordance with the Companies Act 1985.

This document contains certain forward-looking statements concerning future performance, costs, revenues and growth of Vodafone, industry growth, mobile penetration rates and certain other forward-looking data and some of our plans and objectives with respect to these items. By their nature, 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, changes in economic conditions in markets served by the operations of the Vodafone Group that would adversely affect the level of demand for mobile telephone services; greater than anticipated competitive activity requiring reduced pricing and/or new product offerings or resulting in higher costs of acquiring new customers or slower customer growth; greater than expected growth in customers and usage and greater than anticipated costs associated with the provisions of 3G services, requiring increased investment in network capacity; the impact on capital spending from the deployment of new technologies, or the rapid obsolescence of existing technology; the possibility that technologies, including mobile telephone internet platforms, will not perform according to expectations or that vendors' performance will not meet Vodafone's requirements; Vodafone's ability to develop competitive data content and services which will attract new customers and increase average usage; any conditions imposed in connection with regulatory approvals sought in connection with pending acquisitions and dispositions; the ability to realise benefits from entering into partnerships for developing data and internet services; changes in the regulatory framework in which the Vodafone Group operates; and changes in exchange rates, including, in particular, the exchange rate of pounds sterling to the Euro. All subsequent written or verbal forward-looking statements attributable to Vodafone or any member of the Vodafone Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above.

	Year ended 31 March 2001	Year ended 31 March 2000	Increase/ (decrease) %
Pro forma proportionate basis – mobile businesses[1][2]			
Proportionate turnover	**£21,428m**	£16,590m	29
Proportionate EBITDA – before exceptional items[3]	**£7,043m**	£5,504m	28
Proportionate Group operating profit – before goodwill and exceptional items[3]	**£5,019m**	£3,977m	26
Proportionate registered customers	**82,997,000**	53,327,000	56
Statutory basis[1]			
Total Group operating profit – before goodwill and exceptional items[3]	**£5,204m**	£2,538m	105
Profit on ordinary activities before taxation – before goodwill and exceptional items[3]	**£4,027m**	£2,154m	87
Basic earnings/(loss) per share			
– before goodwill and exceptional items[3]	**3.75p**	4.71p	(20)
– after goodwill and exceptional items[3]	**(15.89)p**	1.80p	
Dividends per share	**1.402p**	1.335p	5

(1) Pro forma proportionate customer and financial information is calculated on the basis that the merger with AirTouch Communications, Inc. (now Vodafone Americas Asia Inc.) and the acquisition of Mannesmann AG took place on 1 April in each period presented, which is further described on page 64. Statutory financial information is calculated on the basis required by accounting standards and includes the results of AirTouch Communications, Inc. from 30 June 1999, the date of closure of the merger, the results of Verizon Wireless from 3 April 2000, the date on which the Group's US wireless assets were contributed to the joint venture partnership, and the results of Mannesmann AG from 12 April 2000, the date that clearance for the acquisition was received from the European Commission.

(2) Pro forma proportionate customer and financial information is presented for the Group's mobile telecommunications businesses only, excluding paging customers and Mannesmann businesses held for resale on acquisition.

(3) Exceptional items comprise exceptional operating costs totalling £320m, compared with £30m for the year ended 31 March 2000, and an exceptional non-operating profit (net) of £80m, compared with £954m last year. Further details are included on pages 31 and 34.

Profit and loss account

The statutory consolidated profit and loss account presented on page 25, and the accompanying notes, have been prepared on the basis required by accounting standards in the United Kingdom and include the results of a number of significant transactions completed during the year.

The results and net assets of Mannesmann have been consolidated in the Group's financial statements with effect from 12 April 2000, the date the acquisition was completed. Non-core businesses sold following the acquisition of Mannesmann AG, including Atecs Mannesmann AG, Orange plc, Mannesmann's watches and tubes businesses, Ipulsys, Infostrada S.p.A. and tele.ring, have not been consolidated in the results for the year.

The results and net assets of Airtel Móvil S.A. have been fully consolidated with effect from 29 December 2000. Prior to the acquisition of a controlling interest, the Group's 21.7% interest in Airtel Móvil S.A. was accounted for as an associated undertaking within continuing operations under the equity accounting method.

The Group's interest in Verizon Wireless, which was formed on 3 April 2000, has been accounted for using equity accounting in the current year and the Group's share of results is disclosed within continuing operations. In the year ended 31 March 2000, turnover of £2,585m and operating losses of £100m (after goodwill amortisation) in respect of the Group's US businesses were fully consolidated.

Group turnover and total Group operating (loss)/profit

Group turnover increased to £15,004m from £7,873m last year. This reflects growth in continuing operations from £5,288m to £6,637m, after adjusting for the results of US operations in prior year turnover, and includes £8,367m in respect of acquired businesses. Turnover from continuing operations, including the Group's share of joint ventures and associated undertakings, increased from £11,521m to £15,155m, reflecting the strong growth of these businesses.

Total Group operating loss of £6,998m for the year (31 March 2000: profit of £796m) is after charging exceptional operating costs of £320m (31 March 2000: £30m) and goodwill amortisation of £11,882m (31 March 2000: £1,712m). Total Group operating profit, before exceptional operating costs and amortisation of goodwill, increased to £5,204m, compared with £2,538m last year. Acquisitions represented £2,087m of the increase with a further increase of £579m to £3,117m from continuing operations.

Exceptional operating items of £320m primarily comprise impairment charges of £91m in relation to the carrying value of certain assets within the Group's Globalstar service provider businesses, exceptional reorganisation costs of £85m relating to the restructuring of the Group's operations in Germany and the US, and £141m in relation to the Group's share of the restructuring costs incurred by Verizon Wireless.

The increase in the goodwill amortisation charge from £1,712m to £11,882m is primarily due to amortisation of the goodwill arising from the acquisition of Mannesmann AG, provisionally calculated to be £83 billion, goodwill on formation of the Verizon Wireless joint venture partnership and a full year's amortisation charge for goodwill relating to the acquired AirTouch operations (excluding US businesses contributed to Verizon Wireless). These charges for goodwill amortisation do not affect the cash flows of the Group or the ability of the Group to make dividend payments.

Exceptional non-operating items

	2001 £m	2000 £m
Profit on termination of hedging instrument	261	–
Impairment of fixed asset investments	(193)	–
Profit on disposal of fixed assets	6	–
Profit on disposal of fixed asset investments	6	954
	80	954

The profit on termination of the hedging instrument arose in March 2001 upon the settlement of a hedging transaction entered into by the Group in order to obtain protection against an adverse market-related price adjustment included in the original terms of the agreement for the sale of Infostrada S.p.A. This hedging transaction was terminated with cash proceeds to the Group of approximately €410 million. The impairments of fixed asset investments are in relation to the Group's interests in Globalstar and Shinsegi Telecom, Inc.

The profit of £954m in the prior year arose mainly on disposal of the Group's interest in E-Plus Mobilfunk GmbH as a condition of the European Commission's approval of the merger with AirTouch Communications, Inc.

Interest

Total Group interest, including the Group's share of the net interest expense of joint ventures and associated undertakings, increased by £776m to £1,177m.

Net interest costs in respect of the Group's net borrowings increased by £517m to £850m, compared with £333m (before exceptional finance costs of £17m) in the year to 31 March 2000. The increase includes interest on Mannesmann's debt of £12,551m, which was assumed at acquisition on 12 April 2000.

Taxation

The effective rate of taxation for the year, before goodwill and exceptional non-operating items, increased to 33.9% from 32.5% in the year ended 31 March 2000. The 1.4% increase in the effective tax rate is primarily the result of the integration of the Mannesmann businesses into the Group's result.

Pro forma proportionate financial information

Due to the significance of the acquisition of Mannesmann AG and the merger with AirTouch Communications, Inc. on the results for each of the years ended 31 March 2001 and 31 March 2000, unaudited pro forma proportionate financial information has been presented on the basis that these transactions took place on 1 April in each financial year. The following discussion of pro forma proportionate Group turnover and EBITDA, before exceptional items, provides a more direct comparison of year on year operating performance.

Pro forma proportionate turnover for the Group's mobile businesses increased by over 29% to £21,428m and pro forma proportionate EBITDA, before exceptional items, increased by 28% from £5,504m to £7,043m, reflecting the strong progress of the business following the Mannesmann transaction and formation of Verizon Wireless.

After making adjustments for acquisitions completed in the year, primarily the increased stakes in Airtel Móvil S.A. in Spain, the J-Phone Group in Japan and the acquisition of shareholdings in Swisscom Mobile SA and China Mobile (Hong Kong) Limited, underlying organic growth in both mobile pro forma proportionate turnover and EBITDA, at constant exchange rates, was 25%.

In Continental Europe pro forma proportionate turnover grew by almost 21% to £9,743m. This increase reflects the rapid growth in customer numbers in all major markets, the Group's increased shareholding in Airtel Móvil S.A. and the acquisition of an equity interest in Swisscom Mobile SA.

Pro forma proportionate EBITDA for Continental Europe increased by almost 22% to £3,534m. In Germany, the costs of connection and marketing associated with the near doubling of the customer base lowered the EBITDA margin of D2 Vodafone by six percentage points to 35%. This represents an improvement on the 30% margin reported in the first half of the financial year, partially due to the implementation of changes to commercial policies. In Italy, which has much lower equipment subsidies, customer growth of 40%

during the year contributed to an EBITDA margin of 45%, an increase of three percentage points over last year. In the rest of Continental Europe, the 69% increase in pro forma proportionate EBITDA reflects strong trading throughout the region with particularly strong margin improvements in the Group's subsidiaries in Greece, the Netherlands and Spain, and the increase in the Group's ownership interests in Airtel Móvil S.A. and the acquisition of an interest in Swisscom Mobile SA during the year.

Proportionate turnover in the UK increased by 17% to £3,458m and proportionate EBITDA increased by 14% to £1,068m, reflecting further strong prepaid customer growth and the increased usage of data services, offset by the impact of tariff reductions.

In the United States, proportionate turnover and EBITDA were £5,008m and £1,627m, respectively, resulting in an EBITDA margin of 32%. This reflects the profitable trading of Verizon Wireless during the year, as the business has focused on gaining high value customers through new customer additions and the migration of existing analogue customers to digital price plans.

The Asia Pacific region saw an increase in pro forma proportionate turnover of over 80% to £2,771m and an increase in pro forma proportionate EBITDA of almost 56% to £587m. This comprised underlying organic growth of 50% and 28%, respectively, with the balance being primarily due to the acquisition of increased stakes in the J-Phone Group and the acquisition of a 2.18% stake in China Mobile (Hong Kong) Limited during the year.

The Middle East and Africa region reported an increase in pro forma proportionate EBITDA of almost 60% to £227m. Strong growth occurred in both the Group's subsidiary in Egypt and associated undertaking in South Africa.

The Group's other non-mobile operations mainly comprise interests in Mannesmann Arcor, a German fixed line business, Telecommerce, a German IT and data services business, Cegetel, the second largest fixed line operator in France and Vizzavi Europe, the Group's 50% owned multi-access consumer portal joint venture with Vivendi Universal. These other operations recorded pro forma proportionate turnover of £802m, pro forma proportionate EBITDA losses of £27m and proportionate operating losses of £237m including the Group's share of the start-up losses incurred by Vizzavi.

Exchange rates

The net impact of movements in exchange rates was not significant to the year on year increases in pro forma proportionate turnover and EBITDA, with the effect of adverse exchange rate movements against the Euro being offset by favourable movements against the US dollar and Japanese yen.

Average exchange rates

Currency	Year to 31 March 2001	Year to 31 March 2000	Percentage change %
Euro	**1.63**	1.57	3.8
Greek Drachma	**552**	514	7.4
Japanese Yen	**163.8**	178.2	(8.1)
Swedish Krona	**14.0**	13.6	2.9
US Dollar	**1.48**	1.61	(8.1)

Employees

The Company and its subsidiary undertakings employed approximately 56,800 people at 31 March 2001, including 29,800 employees in businesses acquired during the year. This compares with 25,600 employees at 31 March 2000, after excluding 15,100 people employed in the US wireless businesses transferred to Verizon Wireless. Of the total employees at 31 March 2001, 81% worked outside the United Kingdom.

Future results

There are many factors that will influence the Group's future performance, including the successful introduction of new services for both data and voice using existing GPRS and 3G technology, further development of the Group's multi-access internet portal and the completion of the integration process of our recent transactions.

Factors affecting future turnover and profit performance are the potential for growth of mobile telecommunications markets, particularly in territories where penetration rates are comparatively low, the Group's market share, our ability to retain high value customers and stimulate more usage of voice and data services using new GPRS and 3G technologies, the costs of providing and selling these new products and existing services, the impact of regulatory changes, and start-up costs of new products and services dependent on GPRS and 3G technology.

The global market for mobile telecommunications continues to provide the potential for significant growth. In the immediate future, the emphasis on cost control and margin management should result in cash flow growth as the market transitions to the full impact of the new data services, technologies and spectrum capacity of 3G. Mobile telephony is expected to continue to substitute for fixed line networks in both voice and data services and Vodafone, with its unrivalled global positioning, and its high quality and substantial customer base, is well placed to sustain its leadership.

Balance sheet

Total fixed assets have increased in the year from £150,851m last year to £154,375m at 31 March 2001.

At 31 March 2000, the Group's interest in Mannesmann AG was included in fixed asset investments at a cost of £101,246m. Following completion on 12 April 2000, and the consolidation of the acquired net assets, goodwill has been provisionally calculated to be £83,028m.

The assets of the US businesses contributed to Verizon Wireless have been treated as having been disposed, including attributed goodwill of £19.5 billion arising from the AirTouch transaction that was previously included in intangible fixed assets. The Group's interest in the new venture has been equity accounted within investments in associated undertakings at an initial value of £19,809m.

The remaining increase in intangible assets primarily comprises £13,347m in respect of 3G licences acquired in the year and goodwill on the acquisition of a controlling interest in Airtel Móvil S.A. of approximately £7,740m. The increase in tangible fixed assets from £6,307m to £10,586m includes fixed assets from acquisitions of £4,840m.

Other fixed asset investments at 31 March 2001 include the Group's equity interests in China Mobile and Japan Telecom. In an offering that closed on 3 November 2000, Vodafone acquired newly issued shares representing approximately 2.18% of China Mobile's share capital for a cash consideration of US$2.5 billion and, on 31 January 2001, the Group acquired a 7.5% shareholding in Japan Telecom for a cash consideration of approximately £0.7 billion.

Current asset investments with an aggregate value of £13,211m primarily comprise the Group's remaining interest in Atecs Mannesmann AG, a balancing payment of approximately £3,092m receivable from the exercise of a put option over France Telecom shares and liquid investments with a value of £7,593m. The liquid investments arose primarily from the receipt of sales proceeds following the disposal of Infostrada S.p.A. and receipts in relation to the France Telecom shares and loan notes received from the disposal of Orange plc.

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Equity shareholders' funds

Total equity shareholders' funds at 31 March 2001 had increased from £140,833m at 31 March 2000 to £145,393m. The movement primarily comprises new share capital and share premium of £9,950m, including shares issued as consideration for acquisitions completed during the year, net currency translation gains of £5,197m, offset by a loss for the year of £9,763m (after goodwill amortisation of £11,882m) and dividends paid and declared in respect of the year totalling £887m.

On 29 December 2000, the Group completed the acquisition of approximately 52.1% of the issued share capital of Airtel Móvil S.A., increasing the Group's stake to 73.8%. Vodafone issued 3,097,446,624 new listed ordinary shares to the transferring Airtel shareholders, representing a transaction value of approximately £7.9 billion for the acquired shares. Additionally, a 25% equity interest in Swisscom Mobile SA was acquired for CHF4.5 billion during the first quarter of 2001, the first tranche of consideration being satisfied by the issue of 422,869,008 new Vodafone shares and the payment of CHF25 million in cash. The second tranche of £0.98 billion will be satisfied in cash or Vodafone Group Plc shares, or a combination of both, at Vodafone's discretion and is payable by March 2002. The deferred consideration is shown as shares to be issued.

Cash flows and funding

Cash generated from operating activities increased by £2,077m from £2,510m to £4,587m for the year, due primarily to the growth in the Group's operations and the inclusion of the operating cash flows of acquired businesses. The principal cash outflows in the period related to the purchase of intangible assets (£13,163m), primarily 3G licences, purchases of tangible fixed assets (£3,698m), acquisitions of fixed asset investments (£3,254m), primarily China Mobile and Japan Telecom and the payment of taxation (£1,585m) and equity dividends (£773m).

Following the Mannesmann transaction, the Group agreed the sale of a number of businesses for an aggregate value of approximately £33.3 billion. Cash proceeds during the year totalled approximately £27.9 billion, including loan repayments to the Group of approximately £1.9 billion, as set out below:

	£billion
Orange	18.7
Infostrada	5.2
Atecs Mannesmann	2.9
Mannesmann's watches and clocks businesses	1.1
	27.9

In addition, the formation of Verizon Wireless in April 2000 resulted in net proceeds to the Group of approximately £2.5 billion from a debt push-down arrangement agreed with the other parties. Further proceeds of £1.8 billion have been realised following the disposal of conflicted properties in the US, such disposals being a condition of the regulatory approval of the transaction.

The resulting net cash inflow, before repayment of debt and management of liquid resources, was £13,744m. This cash inflow was offset by the consolidation of the net debt of Mannesmann AG and Airtel Móvil S.A., totalling £13,184m at acquisition, and other non-cash movements of £639m, primarily relating to exchange movements. These movements resulted in a small increase in net debt at 31 March 2001 to £6,722m, compared with £6,643m last year.

Net debt at 31 March 2001 represented 5.4% of the Group's market capitalisation. This represented a reduction of £6.5 billion from net debt of £13.2 billion at 30 September 2000, primarily due to proceeds received in the second half of the year from the disposal of non-core businesses, offset by payments for 3G licences and other investments.

Future investment

In the year to 31 March 2001, the Group has acquired spectrum to operate 3G services in most of its significant territories.

In 2001/2002, the Group expects to spend approximately £5 billion on capital expenditure, excluding 3G licences but including expenditure by Eircell, the Group's recently acquired mobile operator in Ireland. Of this expenditure, approximately 3% relates to investment in GPRS capability and 20% relates to incremental expenditure on 3G network infrastructure. The majority of this expenditure will be in the Group's businesses in Europe, with over £1.0 billion of capital expenditure expected to be incurred in Germany, almost £0.9 billion in the UK and over £0.7 billion in Italy. Capital expenditure in each of the Group's Asia Pacific and Middle East and Africa regions is expected to be approximately £0.2 billion, and the Group's non-mobile operations are expected to spend over £0.3 billion on capital investment.

The Group presently expects the investment in capital expenditure to be at a similar level for the following year, with spend on 3G network infrastructure increasing to approximately 50% of the total. 3G network launches will be timed to coincide with handset availability. Capital expenditure programmes are then projected to fall in subsequent years once 3G network services are launched and spend on 2G infrastructure is curtailed.

Treasury management and policy

The principal financial risks arising from the Group's activities are funding risk, interest rate risk, currency risk and counterparty risk. The Group's treasury function provides a centralised service for the management and monitoring of these risks for all of the Group's operations.

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed annually by the Board. The Group accounting function provides regular update reports of treasury activity to the Board. The Group uses a number of derivative instruments which are transacted, for risk management purposes only, by specialist treasury personnel.

There has been no significant change during the year, or since the year end, to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

Funding and liquidity

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 lent or contributed as equity to subsidiaries.

The Board has approved ratios consistent with those used by companies with high credit ratings for net interest cover, market capitalisation to net debt and EBITDA to net debt, which establish internal limits for the maximum level of debt that the Group may have outstanding. Group interest, excluding the Group's share of interest payable by joint ventures and associated undertakings, is covered 6.2 times by Group EBITDA (before exceptional operating costs) plus dividends received from joint ventures and associated undertakings. The Group's main interest exposures are Sterling, Euro and US dollar interest rates.

The Group remains committed to maintaining a strong financial position as demonstrated by its credit ratings of P-1/F1/A-1 short term and A2/A/A long term from Moody's, Fitch Ratings and Standard and Poor's, respectively. The credit ratings reflect the financial strength of the Group and were reconfirmed by each of the rating agencies on 2 May 2001, following the announcement of the acquisition of further equity interests in Japan and Spain, which is being financed in part by the offering of 1.825 billion new Vodafone ordinary shares on 2 May 2001 which raised approximately £3.5 billion.

The Group's preservation of its credit ratings has enabled it to access a wide range of debt finance including commercial paper, bonds and committed bank facilities. The Group has dollar and Euro commercial paper programmes for US$15 billion and £2 billion, respectively, which it uses to meet its short term liquidity requirements. The commercial paper facilities are backed by a US$14.55 billion (£10.2 billion) committed bank facility, which expires in September 2001, with a one year term-out option. The Group also has £13.5 billion (sterling equivalent) of capital market debt in issue, with maturities from June 2001 to February 2030.

In addition, certain of the Group's subsidiary undertakings have committed facilities that may only be used to fund their operations. Misrfone in Egypt has a facility of EGP2.4 billion (£438m) that expires in 2005, Mannesmann AG in Germany has bilateral facilities totalling €562m which expire in 2004 and 2006 and VRAM Telecommunications Company Limited in Hungary has a facility of €350m that fully expires in 2008. Of these aggregate committed facilities of approximately £1,005m, the undrawn amount at 31 March 2001 was £322m.

Foreign exchange management

Foreign currency exposures on known future transactions are hedged, including those resulting from the repatriation of international dividends and loans. Forward foreign exchange contracts are the derivative instrument most used for this purpose.

The Group's policy is not to hedge its international net assets with respect to foreign currency balance sheet translation exposure, since net tangible assets represent a small proportion of the market value of the Group and international operations provide risk diversity. However, at 31 March 2001, 86% of gross borrowings were denominated in currencies other than sterling in anticipation of cash flows from profitable international operations and this provides a partial hedge against profit and loss account translation exposure.

Interest rate management

Under the Group's interest rate management policy, interest rates are fixed when net interest is forecast to have a significant impact on profits. Therefore, the term structure of interest rates is managed within limits approved by the Board, using derivative financial instruments such as interest rate swaps, futures and forward rate agreements.

At the end of the year, 72% of the Group's gross borrowings were fixed for a period of at least one year. Based on the Group's net debt at 31 March 2001, a one percent rise in market interest rates would increase profit before taxation by approximately £40m.

Counterparty risk management

Liquid investments, cash deposits and other financial instrument transactions give rise to credit risk on the amounts due from counterparties. The Group frequently monitors these risks and the credit rating of its counterparties and, by policy, limits the aggregate credit and settlement risk it may have with any one counterparty. Whilst the Group may be exposed to credit losses in the event of non-performance by these counterparties, the possibility of material loss is considered to be minimal because of these control procedures.

Shareholder returns

Basic earnings per share

Basic earnings per share, before goodwill and exceptional items, decreased by 20% from 4.71p to 3.75p, primarily reflecting the dilution arising from the issue of new shares in connection with the Mannesmann acquisition.

Basic earnings per share, after goodwill and exceptional items, fell from 1.80p last year to a loss per share of 15.89p in the year to 31 March 2001. The loss per share of 15.89p includes a charge of 19.34p per share (2000: 6.32p per share) in relation to the amortisation of goodwill.

Dividends

The proposed final dividend of 0.714p produces a total for the year of 1.402p, an increase of 5% over last year, and reflects the continuing strong trading performance and operating cash flow generation of the Group's operations. The dividend was covered 2.4 times by Group earnings, before goodwill amortisation, compared with 3.5 times in the year ended 31 March 2000.

Share price

The share price at 31 March 2001 was 193.0p (2000 – 348.5p) and has increased significantly since the Company floated in 1988 at an issue price of 170p, which is now equivalent to 11.33p following the capitalisation issues in July 1994 and September 1999. However, during the year, in common with all other telecommunications companies, Vodafone's share price suffered as market sentiment moved away from technology and telecommunications stocks. Nevertheless, investor support is demonstrated by the strong demand for the recent placing of the Company's shares, which raised over £3.5 billion.

Introduction of the single European currency

Working groups have been established by local management, where the impact on business operations of trading in the Euro is significant, to manage the implementation of appropriate change programmes.

In EU markets not yet committed to the introduction of the Euro, preliminary assessments have been carried out. The financial cost of preparing for the adoption of the Euro is not material to the Group.

Basis of preparation of financial statements

During the year the Group has adopted Financial Reporting Standard 18, "Accounting Policies", implementation of which has not had any effect on the financial results for the year or required changes to prior year comparatives.

Two other Financial Reporting Standards ("FRS") were issued by the Accounting Standards Board during the year as follows:

FRS 17 – Retirement Benefits; and

FRS 19 – Deferred Tax.

FRS 17 replaces SSAP 24 "Accounting for Pension Costs" and changes existing accounting and disclosure requirements for defined benefit pension schemes. Although transitional rules apply, when fully implemented the principal changes will be the inclusion of pension scheme surpluses or deficits on the balance sheet, analysis of the pension charge between operating profit and net interest, and the reporting of actuarial gains and losses in the statement of total recognised gains and losses. It is not anticipated that these changes will have a material effect on the Group's results or balance sheet.

FRS 19 replaces SSAP 15 "Accounting for Deferred Tax" and prescribes significant changes to the existing accounting and disclosure for deferred tax. The requirements of FRS 19 must be adopted for the first time in the Group accounts for the year ending 31 March 2002. The main change is that deferred tax must be recognised on a full provision basis in the Group's accounts, as opposed to the partial provision method presently adopted by the Group. On implementation of FRS 19, a prior year adjustment will be required to reflect the change in basis of accounting.

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.

Review of the Group's business

The Company and its subsidiary, joint venture and associated undertakings are involved principally in the provision of mobile telecommunications services. A review of the development of the business of the Company and its subsidiary, joint venture and associated undertakings is contained in the Company's Annual Review and Summary Financial Statement for the year ended 31 March 2001 ("the Annual Review") and, in particular, the Chairman's Statement on pages 3 to 5, the Chief Executive's Statement on pages 6 to 9, the Group Chief Operating Officer's Statement on pages 10 to 23, the Corporate Social Responsibility Statement on pages 24 to 25 of the Annual Review and in the financial review on pages 4 to 7 of this Report. Details of the Company's principal subsidiary undertakings, joint ventures, associated undertakings and investments can be found on pages 59 and 60 of this Report.

Future developments

The Group is currently involved in the expansion and development of its cellular telecommunications and related businesses as described in the Annual Review and, in particular, the Chairman's Statement on pages 3 to 5, the Chief Executive's Statement on pages 6 to 9, the Group Chief Operating Officer's Statement on pages 10 to 23 and in the financial review on pages 4 to 7 of this Report.

Corporate governance

The directors are committed to business integrity and professionalism. As an essential part of this commitment the Board supports high standards of corporate governance and its statement on corporate governance is set out on pages 11 to 13 of this Report. The remuneration policy contained in the Board's Report to Shareholders on Directors' Remuneration on pages 14 to 22 of this Report will be proposed for approval at the Company's Annual General Meeting on 25 July 2001.

Share capital

A statement of changes in the share capital of the Company is set out in note 19 on pages 45 and 46 of the financial statements.

Purchase by the Company of its own shares

At the Annual General Meeting of the Company held on 27 July 2000, shareholders gave the Company permission, until the conclusion of the Annual General Meeting to be held in 2001 or on 27 October 2001, whichever is the earlier, to purchase up to 3,000,000,000 ordinary shares of the Company. A resolution for permission for the Company to renew its authority to purchase its own shares will be proposed at the Annual General Meeting of the Company to be held on 25 July 2001.

Results and dividends

The consolidated profit and loss account is set out on page 25 of the financial statements.

The directors have proposed a final dividend for the year of 0.714p per ordinary share, payable on 10 August 2001 to shareholders on the register of members at close of business on 8 June 2001. An interim dividend of 0.688p per ordinary share was paid during the year, producing a total for the year of 1.402p per ordinary share, a total of approximately £887m. A scrip dividend alternative to the cash dividend is available for this dividend and further details of the Company's Scrip Dividend Scheme can be found on pages 46 and 47 of the Annual Review.

Subsequent events

Details of material subsequent events are included in the Chairman's statement on pages 3 to 5 of the Annual Review and in note 31 on page 55 of the financial statements.

Charitable contributions

During the year, charitable donations amounting to £820,000, principally through the Vodafone Group Charitable Trust, were made in the UK. The Trust makes contributions primarily to medical research, the disabled, the socially disadvantaged, education, the arts and environmental causes. Professor Sir Alec Broers has been the Chairman of the trustees since 31 March 1998. Further details of the Group's charitable activities are contained in the separate report on corporate social responsibility, Vodaf**one future**.

Political donations

No political donations were made during the year.

Creditor payment terms

It is the Group's policy to agree terms of transactions, including payment terms, with suppliers and, provided suppliers perform in accordance with the agreed terms, 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 trade creditors at the year end as a proportion of the amounts invoiced by suppliers during the year, was 40 days in aggregate for the Group. The Company did not have any trade creditors at 31 March 2001.

Research and development

The Group continues an active research and development programme for the enhancement of mobile telecommunications.

Directors' interests in the shares of Vodafone Group Plc

The Board's Report to Shareholders on Directors' Remuneration on pages 14 to 22 details the directors' interests in the shares of Vodafone Group Plc.

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. Details of a transaction with Sam Ginn, who was Chairman of the Company until 23 May 2000, are given in note 28 on page 54.

Employee involvement

The Board's aim is that employees understand and are committed to the Company's strategy. This is described as "Vision and Values", the current version of which is summarised below. This is presently being reviewed and, as part of the process of integrating newly acquired businesses into the Group, a new version will shortly be presented to employees throughout the Group.

Our vision is to be the world's mobile communications leader, enriching the lives of individuals and business customers in the networked society and our goals are to:

- Expand our geographic presence and control our investments;
- Bind customers to us through a constant introduction of new products and services and a brand that differentiates us from the rest;
- Lead in each local market by customer and brand loyalty, lowest cost position, share of profit pool and employee satisfaction;
- Leverage our global scale and scope to realise synergies, which help to achieve the lowest cost position and offer greater value to our customers;
- Lead global technological platform development while positioning ourselves as the strategic partner of choice with technology leading suppliers; and
- Attract the most talented people to work with us.

These goals are intended to be achieved by employees adopting agreed behaviours and values, which are to:

- Put customers first;
- Work as one team;
- Be open and involving;
- Move quickly into action;
- Deliver quality and innovation; and
- Think and act like owners.

These messages continue to be communicated in conferences, workshops and other forms of employee communications.

The Board places a high priority on employee communications and this is achieved through a growing range of mechanisms including management presentations, team briefings, e-mail, intranet sites and conferences. The Company has an International Employee Communications Forum at which employee representatives from subsidiary companies in Europe are able to discuss the progress of the Group and matters affecting more than one country.

Employee education, training and development

Continuing education, training and development are important elements in ensuring the future success of the Group. Policies have been adopted to assist employees in reaching their full potential and a wide variety of schemes are offered, aimed at ensuring that relevant education, training and development opportunities are available.

Programmes of business related further education and management development are sponsored by the Group. Other programmes are provided to help employees meet the training requirements of their chosen professional institution, thereby continuing to raise the level of professionalism in the Group.

Employment policies

The Group's employment policies are developed to reflect local legal, cultural and employment requirements, maintaining high standards wherever the Group operates. Employees at all levels and in all companies are encouraged to make the greatest possible contribution to the Group's success.

Equal Opportunities

The Group operates an equal opportunities policy for all aspects of employment regardless of race, nationality, sex, marital status, disability or religious or political belief. In practice this means that the Group will select the best people available for positions on the basis of merit and ability, making the most effective use of the talents and experience of people in the business.

The disabled

The directors are conscious of the special difficulties experienced by the disabled. In addition to giving disabled people full and fair consideration for all vacancies for which they offer themselves as suitable candidates, efforts are made to meet their special needs, particularly in relation to access and mobility. Where possible, modifications to workplaces have been made to provide access and, therefore, job opportunities for the disabled.

Every effort is made to continue the employment of people who become disabled, not only in the provision of additional facilities but also training where appropriate.

Health, safety and welfare

The directors are committed to ensuring the health, safety and welfare of employees at work so far as is reasonably practicable and apply high standards throughout the organisation in the management and control of operations. These standards are designed to ensure that, in all activities, the Group properly safeguards those who work for it and those who may be affected by the Group's business.

Corporate social responsibility

A review of the Group's corporate social responsibility policy is contained on pages 24 and 25 of the Annual Review and further details are contained in the separate report on corporate social responsibility, Vodaf**one future**.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution proposing the reappointment of Deloitte & Touche as auditors to the Company will be put to the Annual General Meeting.

In addition to their statutory duties, Deloitte & Touche are also employed where their expertise and experience with the Group are important, or where they win work on a competitive basis. During the year Deloitte & Touche charged £22m (2000 – £16m) for non-audit assignments compared to £31m (2000 – £17m) charged by six other audit firms employed by the Group. The fees for non-audit assignments include amounts for corporate finance services (£4m), tax advice (£3m) and IT consultancy and other services (£15m).

The Audit Committee reviews 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.

Substantial shareholdings

The directors are not aware of any holding in the ordinary share capital of Vodafone Group Plc which, at 29 May 2001, exceeded 3% except that Hutchison Whampoa Limited had a holding of 3.14%.

Introduction

The Combined Code on Corporate Governance requires companies listed on the London Stock Exchange to make a disclosure statement on its application of the principles of and compliance with the provisions of good governance set out in the Code. The year ended 31 March 2001 was another momentous year for the Company and the matters described below, and in the Board's Report to Shareholders on Directors' Remuneration on pages 14 to 22, relate to the position throughout the year.

With the minor exception explained below, relating to training for directors, the Company has been in compliance with the Combined Code provisions throughout the year ended 31 March 2001.

Directors and Organisation

The Company presently has fifteen directors, eleven of whom served throughout the year ended 31 March 2001. Their biographical details are set out briefly on pages 28 and 29 of the Annual Review.

The acquisition of Mannesmann AG and the formation of Verizon Wireless in April 2000, have resulted in a year of change for the Board. Following the formation of Verizon Wireless, Arun Sarin resigned as an executive director but accepted an invitation to remain on the Board in a non-executive capacity. The Mannesmann acquisition resulted in changes to the Board in May 2000. Josef Ackermann, Jürgen Schrempp and Henning Schulte-Noelle, all then members of the Supervisory Board of Mannesmann AG, were appointed as non-executive directors on 1 May 2000. Sam Ginn and Charles Schwab resigned on 23 May 2000 and Ian MacLaurin was re-appointed Chairman. Paul Hazen was elected as a Deputy Chairman and the senior non-executive director in succession to Ian MacLaurin. Klaus Esser, who joined the Board as a Deputy Chairman on 5 June 2000, resigned from the Board on 30 September 2000. Don Fisher decided to leave the Board in October 2000. The Company considers all its present non-executive directors, except Arun Sarin, to be fully independent. The five executive directors are Chris Gent, Julian Horn-Smith, Peter Bamford, Thomas Geitner and Ken Hydon. Thomas Geitner joined the Board on 15 May 2000.

The Company's Articles of Association, approved by shareholders at the Extraordinary General Meeting held on 24 May 1999, provide that every director who was elected or last re-elected at or before the Annual General Meeting held in the third calendar year before the current year shall automatically retire. Accordingly, Julian Horn-Smith, Peter Bamford and Sir David Scholey will be retiring and, being eligible, will offer themselves for re-election at the Company's Annual General Meeting to be held on 25 July 2001.

The Board, which meets six times each year and on one other occasion in the year to consider strategy, provides the effective leadership and control required for a listed company. Actual financial results are presented to each meeting, together with reports from the executive directors in respect of their areas of responsibility. 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 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 to perform their duties.

The Board is confident that its members have the knowledge, talent and experience to perform the functions required of a director of a listed company. Accordingly, it has not introduced a formal training programme for directors. On appointment, all directors are provided with guidance as to their duties, responsibilities and liabilities as a director of a public and listed company and also have the opportunity to discuss organisational, operational and administrative matters with the Chairman, the Chief Executive and the Company Secretary. Provision A.1.6 of the Combined Code has, for these reasons, not been complied with in its strictest sense, although the Company believes that the information and assistance provided to all directors upon appointment is more than adequate to comply with the spirit of the provision.

The Board has a formal schedule of matters specifically reserved to it for decision, including the approval of Group commercial strategy, major capital projects, the adoption of any significant change in accounting policies or practices and material contracts not in the ordinary course of business. The directors have access to the advice and services of the Company Secretary and have resolved to ensure the provision, to any director who believes it may be required in the furtherance of his or her duties, of independent professional advice at the cost of the Company.

The executive directors, together with certain other Group functional heads and regional Chief Executive Officers, meet on ten occasions each year as the Executive Committee under the chairmanship of the Chief Executive. This 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.

During the year two new management committees, the Group Operational Review Committee and the Group Policy Committee, were created to oversee, together with the Executive Committee, the execution of the Board's strategy and policy.

The Group Operational Review Committee, which meets ten times a year under the chairmanship of the Group Chief Operating Officer, comprises other executive directors, certain Group functional heads and regional Chief Executive Officers. This Committee is responsible for the operational performance and achievement of targets of the Group's business, with a focus on the growth of non-voice services, global new products and services, brand development, technology and other cost and revenue synergies within the Group's regions.

The Group Policy Committee, which meets eight times each year, is chaired by the Chief Executive. The Financial Director and the Group Chief Operating Officer, together with certain other Group functional heads, join him on the Committee, which is responsible for the determination of policy and the monitoring of non-operational areas of activity which are important to the Group overall, including strategy, finance, human resources, legal, regulatory and corporate affairs.

Committees of the Board

The standing Board committees are the Audit Committee, the Nominations Committee and the Remuneration Committee.

The Audit Committee, which usually meets on three occasions in the year, is chaired by Paul Hazen and the other members of the Committee are Josef Ackermann, Michael Boskin and Sir David Scholey. Ian MacLaurin and Klaus Esser served on this Committee during the year. Under its terms of reference the Committee is required, amongst other things, to review the scope and extent of the activity of the Group Internal Audit Department, to monitor the relationships with external auditors, to review the Company's statutory accounts and other published financial statements and information, to monitor compliance with statutory and listing requirements for any exchange on which the Group's shares are quoted and to institute special projects or other investigations as it sees fit.

The Nominations Committee meets as required and was chaired until his retirement from the Board by Sam Ginn. The responsibility of chairmanship of this Committee has now passed to Ian MacLaurin. Sir Alec Broers, Chris Gent, Arun Sarin and Henning Schulte-Noelle also serve on this Committee. Penny Hughes and Charles Schwab left the Committee during the year. The Committee, which provides a formal and transparent procedure for the appointment of new directors to the Board, generally engages external consultants to advise on prospective Board appointees.

The Remuneration Committee was chaired by Ian MacLaurin until his re-appointment as Chairman of the Company on 23 May 2000, when the Chairmanship was transferred to Sir David Scholey. Ian MacLaurin and Sir David Scholey are joined on this Committee by Michael Boskin, Penny Hughes and Jürgen Schrempp. Penny Hughes will chair the Committee from 1 August 2001. Sam Ginn and Don Fisher served on this Committee during the year. The Board's Report to Shareholders on Directors' Remuneration on pages 14 to 22 provides further information on this Committee.

Internal control

Introduction

The Board has established procedures to implement in full the Turnbull Guidance "Internal Control: Guidance for Directors on the Combined Code" for the year under review and to the date of approval of the annual report and accounts. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

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.

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. This is managed on a day to day basis by the Executive Committee chaired by the Chief Executive.

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 meetings of the Group Policy Committee chaired by the Chief Executive.

The Board formally approves the Group Treasury Policy, which sets appropriate limits to mitigate treasury risks.

The Board separately reviews the most significant risks facing the Group, their potential impact and likelihood of occurrence and the control strategies put in place to mitigate those risks.

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 Group Operational Review Committee, chaired by the Group Chief Operating Officer, and the Board review management reports on the financial results and key operating statistics.

Emphasis is placed on the quality and abilities of our people with continuing education, training and development actively encouraged through a wide variety of schemes and programmes.

Directors are appointed to associated undertakings 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 that its auditors are appointed as auditors of associated companies, where possible.

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.

A Treasury Report, with details of treasury borrowings and investments, is distributed electronically on a daily basis.

The Board reviews a half yearly report detailing any significant legal actions faced by Group companies.

The Group Policy 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 detailing the operation of their control systems and highlighting any weaknesses. Regional management, the Audit Committee and the Board review the results of this confirmation.

A 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, on certain internal controls and relevant financial reporting matters are presented to the Audit Committee and management.

Review of Effectiveness

The directors believe that the Group’s system of internal control provides reasonable but not absolute assurance that problems are identified on a timely basis and dealt with appropriately.

The directors confirm that they have reviewed the effectiveness of the system of internal control through the monitoring process set out above and are not aware of any significant weakness or deficiency in the Group’s system of internal control for the year under review and to the date of approval of the annual report and accounts.

Relations with shareholders

The Company holds briefing meetings with its major institutional shareholders in the UK, the US and in Continental Europe, usually twice each year after the interim and preliminary final results’ announcements, to ensure that the investing community receives a balanced and complete view of the Group’s performance and the issues faced by the business. Telecommunications analysts of stockbrokers are also invited to presentations of the financial results and to visit the Company in the summer months for discussions on matters relating to the Group’s operations. The Company, through its Investor Relations team, responds to enquiries from institutional shareholders.

The principal communication with private investors is through the provision of the Annual Review & Summary Financial Statement, the Interim Statement and the Annual General Meeting, an occasion which generally is attended by all the Company’s directors and at which all shareholders are given the opportunity to question the Chairman and the Board as well as the Chairmen of the Audit, Remuneration and Nomination Committees. The proxy votes cast in relation to all the resolutions proposed at the 2000 Annual General Meeting were disclosed to those in attendance at the meeting and the Company will follow this policy at future meetings. The results of voting on resolutions conducted on a poll are published in newspapers in the UK and the US.

Financial and other information is made available on the Company’s Internet web site, which is regularly updated.

Remuneration policy

It is vital for the Group to employ people of the high calibre essential to the successful leadership and efficient management of a global business at the leading edge of the telecommunications industry. The scale and complexity of the Group continues to grow, with operations in 29 countries in five continents.

The executive talent needed to maximise returns for shareholders in this industry is very scarce and the future success of the Group will depend on its ability to provide remuneration packages which are competitive in actual and prospective value when measured against the best in the industry.

In determining the Group's policy, and in constructing the remuneration arrangements of each executive director, the Board, advised by the Remuneration Committee consisting entirely of independent non-executive directors, aims to provide remuneration which ensures the retention, motivation and incentivisation of the senior executives.

The key principles of the Global Market-related Remuneration programme (GMR), which was implemented following shareholders' approval of the Remuneration Policy at last year's Annual General Meeting, are as follows:

- the remuneration of executives with global responsibilities is set by reference to a global peer group, with a high proportion contingent upon a demanding level of corporate performance and compliance with share ownership requirements;
- base salary and short term incentive plans (at 100% of base salary target level) represent approximately 20% of total stretch target remuneration; and
- approximately 80% of total stretch target remuneration will be delivered by share incentive awards which will only vest on the achievement of very demanding performance targets.

The award levels are determined using the Black-Scholes formula, an internationally accepted methodology of valuing options, and at the date of vesting will be exercisable at the market price at the time of grant.

Components of executive directors' remuneration

Overview

The components of executive directors' remuneration packages are salary, on which pension benefits are calculated, short term incentives, long term incentives, pension benefits and a car. Each of these components, and key terms of the various incentive and benefit programmes, are explained further below.

The vesting of all short and long term incentives is subject to the achievement of performance targets that are set by the Remuneration Committee before the awards are granted.

Salary

Salaries are reviewed annually with effect from 1 July and adjustments may be made to reflect competitive pay levels, changes in responsibilities and Group performance. If the responsibilities of executive directors change during the year the Remuneration Committee reviews remuneration packages, including salaries, at that time. Only base salary is used to determine pensionable salary.

Short Term Incentives

Executive directors are eligible to participate in the Vodafone Group Short Term Incentive Plan (STIP). The STIP comprises two elements: a base award and an enhancement award. The target level for base awards granted to executive directors for the year ended 31 March 2001 was 100% of salary with a maximum of 200% of salary. Awards are contingent on achievement of a one year performance target. The base award is delivered in the form of shares, receipt of which is deferred for a further two years. An enhancement award of up to 50% of the original value of the base award may be payable, subject to the achievement of a further two year performance target. Release of the base award and the enhancement award after the total three year period is also dependent upon the continued employment of the participant. No enhancement awards vested during the year.

Remuneration Committee

The Remuneration Committee of the Board consists of independent non-executive directors of the Company and comprises David Scholey (Chair), Ian MacLaurin, Michael Boskin, Penny Hughes and Jürgen Schrempp. Penny Hughes will chair the Committee from 1 August 2001.

When appropriate, the Committee invites the views of the Chief Executive and the Group Human Resources Director and commissions reports from expert remuneration consultants. The results of market surveys and other analyses from external sources are also made available to the Committee, which has resolved to review its policy with the Board on a regular basis to ensure it continues to meet the Company's requirements. The Company is committed both to complying with and being seen as a leader in best practice in areas of corporate governance and executive remuneration.

STIP Performance Targets

For the year to 31 March 2001 the one year target was the achievement of Group budgeted pro forma proportionate EBITDA. For the two years from 1 April 2000 the additional two year target was that the growth in adjusted earnings per share must exceed the growth in the UK retail price index by 6 percentage points over the two year period.

Short Term Incentives – changes from prior year policy or departures from prior year policy

The target and maximum levels of STIP awards were increased for 2000 awards from previous levels, in line with shareholder approvals obtained in July 2000.

The Group may, at its discretion, pay a cash sum up to the value of the base award in the event that an executive director declines the provisional base award of shares after the first year. In these circumstances, the executive director will cease to be eligible to receive an enhancement award for that year. Details of STIP awards are given in the table on page 18.

Long Term Incentives

Long term incentives are provided to executive directors in the form of restricted shares and share options. The programmes are described below and details of awards are set out in the table on page 19.

Arun Sarin has previously received long term cash incentive awards under the AirTouch Long Term Incentive Program. No awards were granted to him under this plan during the year and as a non-executive director he is no longer eligible to receive such awards.

Restricted Shares

Awards of restricted shares are made to executive directors annually under the Vodafone Group Long Term Incentive Plan (LTIP) by the Trustees of the Vodafone Group Employee Trust. If and to the extent that the LTIP performance targets are achieved over the three year performance period the shares are released to participants. The target level for awards granted in June 2000 to executive directors is 28% of salary and the maximum is 75% of salary. No LTIP awards vested during the year.

Executive Share Options (ESOS)

Executive directors are eligible to receive a grant of executive options if they hold unexercised options worth in aggregate less than four times salary at grant. The normal annual grant is up to one times salary. Options are granted at market value under either the Vodafone Group 1998 Company (Inland Revenue approved) or Executive (unapproved) Share Option Schemes. Options are exercisable subject to achievement of the ESOS performance target.

Global Market-related Remuneration (GMR)

GMR has been introduced for all executive directors. Key principles and elements of GMR may be summarised as follows:

- **Global peer group** – remuneration levels and practices are benchmarked by reference to a global peer group;
- **Pay for performance** – a high and increasing level of remuneration is contingent on the achievement of high and demanding levels of corporate performance; and
- **Share ownership guidelines** – participation in the highest levels of remuneration is contingent on executives complying with share ownership requirements.

The size of the GMR option grant is determined by a calculation which is based upon:

(i) the three year historical total shareholder return (TSR) performance of Vodafone relative to global peer group companies;

(ii) the remuneration of the Chief Executive Officer of those companies;

(iii) the sum of the local market-related remuneration which is made up of basic salary, STIP, LTIP award and the Executive Share Option Scheme allocation; and

(iv) the Black-Scholes formula.

Vodafone's three year TSR performance relative to the global peer group companies gives a relative performance ranking for Vodafone. This ranking is applied to the list of remuneration levels for all peer group company Chief Executive Officers which gives the stretch target remuneration for the Company's Chief Executive. The stretch target GMR level for the executive directors is 50% of the Chief Executive's stretch target GMR level. The sum of the local market-related remuneration package is deducted from this GMR level and the difference is adjusted by the Black-Scholes formula to give the face value of shares to be placed under option. This value is divided by the market share price to determine the size of the GMR option grant. The market price on the day prior to grant is the option price.

Five previously disclosed cash payments, as part of a special bonus, were made in April 2000 (not under the STIP) to executive directors to address an under-provisioning under then current remuneration arrangements, relative to market competitive remuneration levels, following the acquisitions of AirTouch and Mannesmann. Cash payments of £5 million (Chris Gent), £2 million (Julian Horn-Smith and Ken Hydon) and £1 million (Peter Bamford and Arun Sarin) were made. The remaining part of the special bonus was conditionally awarded in the form of restricted shares, described below under long term incentives.

LTIP Performance Targets

The targets for LTIP awards granted in July 2000 are the same as for the 2000 GMR share options (see below).

ESOS Performance Target

The target for options granted in the year to 31 March 2001 requires adjusted earnings per share over the three year performance period to be at least 9 percentage points above the growth in the UK Retail Prices Index for the same period.

Global Peer Group

The global peer group for the 2000 GMR awards comprises UK and non-UK telecommunications and high technology companies selected primarily on the basis of comparable sales and profits results and for which remuneration data is available. The original group comprises: Alltel, America Online, Applied Materials, AT&T, Bell Atlantic, BellSouth, British Telecom, Cable & Wireless, Cisco Systems, EMC, GTE, Hewlett Packard, IBM, Intel, Lucent, SBC Communications and Sun Microsystems. The group will be adjusted on a consistent basis over the performance period to reflect corporate events, e.g. Verizon Communications now replaces Bell Atlantic and GTE.

Pay for Performance

Vodafone is firmly committed to making a significant proportion of executive directors' remuneration contingent upon the achievement of stretch performance targets. Over 80% of executive directors' total stretch target remuneration is made up of performance-contingent remuneration that depends on achievement both against absolute targets and on performance relative to global peer group companies.

Share Ownership Guidelines

Introduced in 2000, the guidelines require ownership levels of four and three times salary respectively for the Chief Executive and other executive directors. These levels must be attained by July 2003 and progress must be shown towards attainment of the targets before this time. The Remuneration Committee may impose penalties for non-compliance.

Chris Gent, Julian Horn-Smith and Ken Hydon each committed in July 2000 to acquire and maintain substantial minimum levels of shareholding in Vodafone for the next three years, subject to them remaining directors for that time. Chris Gent undertook to acquire and maintain a shareholding of 2 million shares within twelve months. Julian Horn-Smith and Ken Hydon each undertook to maintain a holding of not less than 500,000 shares.

Chris Gent's GMR option grant made in July 2000 is over 5.4 million shares exercisable in normal circumstances in not less than three years from the date of grant at a price of 291.5 pence per share. The extent to which he can exercise the option is dependent upon the achievement of the GMR performance targets. Even if these targets are met, the option only has value if and to the extent that the share price at exercise exceeds the 291.5 pence option price.

GMR Performance Targets

For options granted in July 2000 there is a dual performance target. Up to 50% of the option is exercisable for achievement of EBITDA targets and up to 50% is exercisable dependent on total shareholder return (TSR) performance relative to companies comprised in the global peer group. Performance is measured over three, four and five financial years from grant.

In order to exercise the option in full, compound pro forma proportionate EBITDA growth in excess of 30% per annum and TSR performance equal to or above the 90th percentile will have to be attained. No part of the option is exercisable if EBITDA growth is less than 15% and if TSR performance is below median.

Long Term Incentives – changes from prior year policy or departures from prior year policy

Previously disclosed special bonus awards of restricted shares granted under the Vodafone Group 1999 Long Term Stock Incentive Plan were made as part of the special bonus described earlier in this report. The awards were made to Chris Gent (£5 million), Julian Horn-Smith (£2 million) and Ken Hydon (£2 million) on 28 July 2000, the number of restricted shares being determined by reference to the share price at 14 April 2000 of 312.5p. Vesting of these awards is subject to the achievement of stretching two year EBITDA growth targets.

All-employee share incentive schemes and pensions

Sharesave Options

UK based executive directors are eligible to participate in the Vodafone Group 1998 Sharesave Scheme. This is an Inland Revenue 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. Participants can elect either a three or five year savings term.

Profit Sharing Scheme

Executive directors are also eligible to participate in the Vodafone Group Profit Sharing Scheme. This is an Inland Revenue approved scheme open to all UK permanent employees. Eligible employees may contribute up to 5% of their salary each month, up to a maximum of £665, to enable trustees of the scheme to purchase shares on their behalf. An equivalent number of shares is purchased for the employee with contributions made by the employing company. To receive the maximum income tax relief afforded to this type of scheme, shares must be retained by the trustees for three years.

US Share Plans

US based executive directors are eligible to participate in all employee option grants made under the Vodafone Group 1999 Long Term Stock Incentive Plan and to participate in the Vodafone AirTouch 1999 Employee Share Purchase Plan which permits employees to purchase shares at a discount.

Pensions

Chris Gent, Julian Horn-Smith, Ken Hydon and Peter Bamford are contributing members of the Vodafone Group Pension Scheme, which is a scheme approved by the Inland Revenue. Peter Bamford, whose benefits under the scheme are restricted by Inland Revenue earnings limits, also participates in the defined contribution Vodafone Group Funded Unapproved Retirement Benefits Scheme to enable pension benefits to be provided on his basic salary above the Inland Revenue earnings cap. Thomas Geitner participates in the Essener Verband Retirement Scheme. The table on page 18 shows the pension benefits earned by the directors in the year.

Non-executive directors' remuneration

The remuneration of non-executive directors is established by the whole Board. Details of each non-executive director's remuneration are included in the table on page 17.

Except as detailed below, non-executive directors do not participate in any of the Company's share schemes or other employee benefit schemes, nor does the Company make any contribution to their pension arrangements.

Certain non-executive directors hold share options relating to their service with AirTouch Communications, Inc., whose policy was to grant share options to non-executive directors. No options have been granted to non-executive directors in their capacity as non-executive directors of Vodafone.

The appointment of the Chairman is subject to the terms of an agreement between the Company and Lord MacLaurin with a three-year term that began on 23 May 2000. The Chairman is provided with a car.

Klaus Esser was also provided with a car for the period between June and September 2000 when he was Deputy Chairman.

The other non-executive directors are engaged on letters of appointment which set out their duties and responsibilities and confirm their remuneration. The Company may terminate each of these appointments at any time without the payment of compensation.

Service contracts

The Remuneration Committee has determined that in the cases of UK based executive directors their appointments to the Board will be on the terms of a contract which can be terminated by the Company at the end of an initial term of two years or at any time thereafter on one year's notice.

Contracts on this basis were granted to Julian Horn-Smith on 4 June 1996, to Chris Gent and Ken Hydon on 1 January 1997 and to Peter Bamford on 1 April 1998, each of which is now, therefore, terminable by the Company on one year's notice. The service contracts of these executive directors contained a provision increasing the period of notice required from the Company to two years in the event that the contract was terminated by the Company within one year of a change of control of the Company. To be compliant with best standards of corporate governance, each of these executive directors has now waived this provision without separate recompense. The executive directors are required to give the Company one year's notice if they wish to terminate their contracts.

Thomas Geitner entered into a fixed term five year contract with Mannesmann AG on 15 May 2000. This is the normal contract arrangement for Mannesmann AG board members. Mr Geitner has agreed to replace this contract, without separate recompense, with one that contains different provisions in relation to duration and termination. The new contract is for an initial three year term and will then be indefinite until terminated by either party. The period of notice for termination is one year and notice will not be possible until the end of the initial three years.

Remuneration for the year to 31 March 2001

	Salary/Fees		Bonuses		Incentive schemes[1]		Benefits		Compensation for loss of office		Total	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Chairman												
Ian MacLaurin[2]	**397**	204	**–**	–	**–**	–	**17**	12	**–**	–	**414**	216
Deputy Chairman												
Paul Hazen[3]	**89**	39	**–**	–	**–**	–	**–**	–	**–**	–	**89**	39
Chief Executive												
Chris Gent	**1,069**	837	**5,000**	325	**783**	162	**31**	34	**–**	–	**6,883**	1,358
Executive directors												
Peter Bamford	**582**	451	**1,000**	–	**426**	83	**31**	29	**–**	–	**2,039**	563
Thomas Geitner[4]	**414**	–	**–**	–	**341**	–	**12**	–	**–**	–	**767**	–
Julian Horn-Smith	**582**	458	**2,000**	150	**426**	90	**23**	24	**–**	–	**3,031**	722
Ken Hydon	**582**	454	**2,000**	195	**426**	86	**28**	27	**–**	–	**3,036**	762
Non-executive directors												
Josef Ackermann[5]	**57**	–	**–**	–	**–**	–	**–**	–	**–**	–	**57**	–
Michael Boskin	**62**	39	**–**	–	**–**	–	**–**	–	**–**	–	**62**	39
Alec Broers	**62**	35	**–**	–	**–**	–	**–**	–	**–**	–	**62**	35
Penny Hughes	**62**	52	**–**	–	**–**	–	**–**	–	**–**	–	**62**	52
Arun Sarin[6]	**81**	391	**1,000**	–	**–**	463	**14**	17	**1,119**	–	**2,214**	871
David Scholey	**62**	52	**–**	–	**–**	–	**–**	–	**–**	–	**62**	52
Jürgen Schrempp[5]	**57**	–	**–**	–	**–**	–	**–**	–	**–**	–	**57**	–
Henning Schulte-Noelle[5]	**57**	–	**–**	–	**–**	–	**–**	–	**–**	–	**57**	–
Klaus Esser[7]	**31**	–	**–**	–	**–**	–	**4**	–	**9,153**	–	**9,188**	–
Don Fisher[8]	**35**	39	**–**	–	**–**	–	**–**	–	**–**	–	**35**	39
Sam Ginn[9]	**42**	176	**–**	–	**–**	–	**2**	25	**–**	–	**44**	201
Charles Schwab[10]	**9**	39	**–**	–	**–**	–	**–**	–	**–**	–	**9**	39
Former directors[11]	**–**	156	**–**	25	**–**	1,584	**396**	26	**–**	–	**396**	1,791
Total	**4,332**	3,422	**11,000**	695	**2,402**	2,468	**558**	194	**10,272**	–	**28,564**	6,779

Notes

1. These figures are the value of the awards under the Vodafone Group Short Term Incentive Plan applicable to the year ended 31 March 2001 or, in the case of Thomas Geitner, under the Vodafone-Mannesmann Short Term Incentive Plan.
2. Ian MacLaurin was appointed Chairman on 23 May 2000, prior to which he was Deputy Chairman.
3. Following Ian MacLaurin's appointment as Chairman, Paul Hazen was appointed Deputy Chairman on 23 May 2000.
4. Thomas Geitner joined the Board on 15 May 2000. Salary and benefits for Thomas Geitner have been translated at the average exchange rate for the year of DM3.19 : £1.
5. Appointed to the Board on 1 May 2000.
6. Information for Arun Sarin covers both the period 1 April 2000 to 15 April 2000, when he was an executive director, and the period 16 April 2000 to 31 March 2001 as a non-executive director. Payments made for Arun Sarin's services as a non-executive director comprised fees of £60,000 and benefits of £13,000. Compensation for loss of office payments to Arun Sarin were based on final salary at the date of his resignation as an executive director and were made in accordance with the terms of his service contract. Salary and benefits for Arun Sarin have been translated at the average exchange rate for the year of $1.48 : £1.
7. Klaus Esser, Chairman of the Management Board of Mannesmann AG at the time of the Company's acquisition of Mannesmann, joined the Board of the Company on 5 June 2000 as Deputy Chairman. He resigned on 30 September 2000 to pursue other interests. Fees and benefits in the table relate to his services as a director of the Company. Compensation for loss of office comprises a payment of DM25,500,000 by Mannesmann, to which Dr Esser was entitled under his agreement with Mannesmann AG, and a payment of €2,000,000 in final settlement of lifetime benefits awarded to him by the Supervisory Board of Mannesmann in February 2000.
8. Fees for Don Fisher are for the period to 19 October 2000, when he resigned from the Board.
9. Salary and benefits for Sam Ginn are for the period to 23 May 2000, when he resigned from the Board.
10. Fees for Charles Schwab are for the period to 23 May 2000, when he resigned from the Board.
11. Under the terms of an agreement Sam Ginn provides consultancy services to the Group and is entitled to certain benefits. The estimated value of benefits received by him from the date of his resignation to 31 March 2001 was £65,000, translated at the average exchange rate for the year of $1.48 : £1. Payments totalling £311,000 were made to a former director during the year pending recovery of the sum under the terms of an insured long-term disability plan. Under the terms of the Life President arrangements of Sir Ernest Harrison the estimated value of benefits received by him in the year ended 31 March 2001 was £20,000 (2000: £20,000).

Pension benefits earned by the directors in the year to 31 March 2001

	Increase in accrued pension during the year £000	Transfer value of increase in accrued pension £000	Accumulated total accrued pension at year end £000
Chris Gent	90	1,161	411
Peter Bamford	3	29	12
Thomas Geitner (2)	10	105	10
Julian Horn-Smith	47	578	226
Ken Hydon	57	842	283
Arun Sarin (3)	179	3,507	269

The accrued pension for Klaus Esser at the date of his resignation was £307,000 per annum (translated at the average exchange rate for the year of DM3.19 : £1). There was no increase in accrued pension during his period of service as a director. Contributions paid to a funded unapproved retirement benefit scheme for the benefit of Peter Bamford amounted to £99,550 in the year.

Notes

1. The pension benefits earned by the directors are those which would be paid annually on retirement, on service to the end of the year, at the normal retirement age. Salaries have been averaged over 3 years in accordance with Inland Revenue regulations. The increase in accrued pension during the year excludes any increase for inflation. The transfer value has 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.
2. In respect of Thomas Geitner the amounts have been translated at the average exchange rate for the year of DM3.19 : £1.
3. In respect of Arun Sarin the amounts have been translated at the average exchange rate for the year of $1.48 : £1.

Directors' interests in the shares of Vodafone Group Plc

Short Term Incentives

Conditional awards of ordinary shares made to executive directors under the Vodafone Group Short Term Incentive Plan (STIP), and dividends on those shares paid under the terms of the Company's scrip dividend scheme, are shown below. No STIP shares vested during the year for any director.

	Total interest in STIP at 1 April 2000		Shares conditionally awarded during the year as base award in respect of 1999/2000 STIP awards		Shares conditionally awarded during the year as enhancement shares in respect of 1999/2000 STIP awards		Number of shares added during the year through scrip dividend scheme		Total interest in STIP as at 31 March 2001		
	Number of shares as base award	Number of enhancement shares	Number	Value at date of award (1)(2) £000	Number	Value at date of award (2) £000	In respect of base awards	In respect of enhancement shares	Number of shares as base award	Number of enhancement shares	Total value(3) £000
Chris Gent	62,789	31,397	52,048	162	26,024	81	451	226	**115,288**	**57,647**	**334**
Julian Horn-Smith	35,055	17,530	29,060	90	14,530	45	252	125	**64,367**	**32,185**	**186**
Ken Hydon	33,382	16,688	27,671	86	13,835	43	239	119	**61,292**	**30,642**	**177**

Notes

1. Included within directors' emoluments for the year ended 31 March 2000.
2. Value at date of award is based on the purchase price of the Company's ordinary shares on 6 July 2000 of 311.25p.
3. The value at 31 March 2001 is calculated using the closing middle market price of the Company's ordinary shares of 193p.

Long Term Incentives

Conditional awards of ordinary shares made to executive directors under the Vodafone Group 1998 Long Term Incentive Plan and Vodafone Group 1999 Long Term Stock Incentive Plan, and dividends on those shares paid under the terms of the Company's scrip dividend scheme, are shown below. No LTIP shares vested during the year for any director.

		Total interest in LTIP at 1 April 2000	Number of shares conditionally awarded during the year		Number of shares added during the year through scrip dividend scheme	Total interest in LTIP at 31 March 2001	
	Plan(1),(2)	Number	Number	Value at date of award (3) £000	Number	Number of shares	Total value (4) £000
Chris Gent	1	285,830	209,627	675	1,980	**497,437**	**960**
	2	–	1,600,000	5,000	4,432	**1,604,432**	**3,097**
Peter Bamford	1	147,282	114,130	368	1,035	**262,447**	**507**
	2	–	–	–	–	**–**	**–**
Julian Horn-Smith	1	159,586	114,130	368	1,097	**274,813**	**530**
	2	–	640,000	2,000	1,772	**641,772**	**1,239**
Ken Hydon	1	151,958	114,130	368	1,060	**267,148**	**516**
	2	–	640,000	2,000	1,772	**641,772**	**1,239**

Notes

1. Restricted share awards under the Vodafone Group 1998 Long Term Incentive Plan.
2. Restricted share awards under the Vodafone Group 1999 Long Term Stock Incentive Plan.
3. The value of awards under the Vodafone Group 1998 Long Term Incentive Plan is based on the purchase price of the Company's ordinary shares on 2 June 2000 of 322p. The value of awards under the Vodafone Group 1999 Long Term Stock Incentive Plan is based on the purchase price of the Company's ordinary shares on 14 April 2000 of 312.5p.
4. The value at 31 March 2001 is calculated using the closing middle market price of the Company's ordinary shares of 193p.

Arun Sarin received £434,000 (translated at the average exchange rate for the year of $1.48 : £1) on termination of his employment as an executive director. This was payable under the accelerated vesting provisions of the AirTouch Long Term Cash Incentive Program in respect of awards made in 1998, 1999 and 2000.

On 5 July 1999, Arun Sarin was granted a Restricted Stock Award (the "Award") over 3,040,150 Vodafone shares under the Vodafone Group 1999 Long Term Stock Incentive Plan. The Award was split into three tranches. The first tranche of 1,040,150 vested immediately on grant. The second and third tranches, which were due to vest on 5 July 2000 and 5 July 2001, vested on 15 April 2000, when he resigned as an executive director and was appointed a non-executive director. The value of the shares at the date of vesting was £6,005,000, based on the middle market price of the Company's ordinary shares of 300.25p.

Sam Ginn holds 1,135,935 phantom ADRs awarded under the AirTouch Communications, Inc. 1993 Long Term Stock Incentive Plan, which expire on 28 January 2007, and which are payable in the form of ADRs. Don Fisher's interest in 16,230 phantom ADRs was released to him on 20 December 2000, on which date their value was £398,000 based on the middle market price of the Company's ordinary shares of 245p.

Share options

The following information summarises the directors' options under the Vodafone Group Savings Related Share Option Scheme, the Vodafone Group 1998 Sharesave Scheme, the Vodafone Group Executive Share Option Scheme, all Inland Revenue approved schemes, the Vodafone Group Share Option Scheme, which is not Inland Revenue approved, the AirTouch Communications, Inc. 1993 Long Term Stock Incentive Plan and the Vodafone Group 1999 Long Term Stock Incentive Plan. 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.

	Options held at 1 April 2000 or date of appointment Number	Options granted during the year Number	Options exercised during the year Number	Options held at date of resignation Number	**Options held at 31 March 2001 Number**	Weighted average exercise price at 31 March 2001 Pence	Date from which exercisable	Latest expiry date
Paul Hazen [1]	473,050	–	473,050	–	**–**	–	–	–
Chris Gent [2]	2,576,145	5,892,664	1,231,270	–	**7,237,539**	267.1	7/99	7/10
Peter Bamford	1,497,670	2,797,255	776,000	–	**3,518,925**	263.1	7/00	7/10
Thomas Geitner	–	2,933,055	–	–	**2,933,055**	290.4	7/03	7/10
Julian Horn-Smith	2,062,440	2,816,455	145,500	–	**4,733,395**	204.9	7/98	7/10
Ken Hydon	1,434,020	2,888,248	9,270	–	**4,312,998**	224.5	7/00	7/10
Arun Sarin [1], [3]	11,250,000	–	–	–	**11,250,000**	202.4	12/99	5/06
Don Fisher [1], [4]	350,000	–	–	350,000	**–**	45.1	11/94	5/05
Sam Ginn [1], [5]	18,875,000	–	–	18,875,000	**–**	95.0	1/99	11/07
Charles Schwab [1], [4]	709,150	–	–	709,150	**–**	57.7	11/94	4/06
	39,227,475	17,327,677	2,635,090	19,934,150	**33,985,912**			

Notes

1. All options held by Paul Hazen, Arun Sarin, Don Fisher, Sam Ginn and Charles Schwab are in respect of American Depositary Shares, each representing ten Ordinary shares of the Company, which are traded on the New York Stock Exchange.
2. In July 2000 Chris Gent undertook to acquire and maintain a shareholding of 2 million shares within twelve months. He expects to attain this figure from shares to be released to him in July from the STIP and through shares acquired through the Vodafone Group Profit Sharing Scheme.
3. The terms of Arun Sarin's stock options allow exercise until the earlier of the date on which Arun Sarin ceases to be a director of Vodafone and the seventh anniversary of the respective dates of grant.
4. Don Fisher and Charles Schwab exercised all outstanding options after their date of resignation. The pre-tax gains on exercise, translated at the average exchange rate for the year of $1.48 : £1, were £679,000 and £1,320,000 respectively.
5. The latest expiry dates for the exercise of Sam Ginn's outstanding share options are 15 April 2005 and 28 January 2007 in respect of options over 15,000,000 ordinary shares and 3,875,000 ordinary shares, respectively.

Further details of options outstanding at 31 March 2001 are as follows:

	Exerciseable			**Exerciseable**			**Not yet exercisable**		
	Market price greater than option price			**Option price greater than market price**					
	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**
Chris Gent	278,000	58.7	7/04	–	–	–	6,959,539	275.4	7/01
Peter Bamford	150,500	58.7	7/04	–	–	–	3,368,425	272.2	7/01
Thomas Geitner	–	–	–	–	–	–	2,933,055	290.4	7/03
Julian Horn-Smith	1,570,500	56.6	7/03	–	–	–	3,162,895	278.6	7/01
Ken Hydon	1,044,000	58.7	7/04	–	–	–	3,268,998	277.5	7/01
Arun Sarin	5,000,000	108.8	4/05	1,562,500	277.3	5/06	4,687,500	277.3	5/01
	8,043,000			1,562,500			24,380,412		

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 2000 or date of appointment Number	Options granted during the year Number	Options exercised during the year Number	Options held at date of resignation Number	**Options held at 31 March 2001 Number**
Vodafone Group Plc 1988 Executive Share Option Scheme (Approved)					
Vodafone Group Plc 1988 Share Option Scheme (Unapproved)					
Vodafone Group Plc 1998 Company Share Option Scheme (Approved)					
Vodafone Group Plc 1998 Executive Share Option Scheme (Unapproved)					
39.7	35,000	–	35,000	–	**–**
46.7	110,500	–	110,500	–	**–**
48.3	848,000	–	532,000	–	**316,000**
58.7	4,193,000	–	1,466,000	–	**2,727,000**
155.9	1,520,500	–	–	–	**1,520,500**
255.0	764,000	–	–	–	**764,000**
282.3	–	1,522,500	–	–	**1,522,500**
Vodafone Group Plc 1988 Savings Related Share Option Scheme					
Vodafone Group Plc 1998 Sharesave Scheme					
37.2	18,540	–	18,540	–	**–**
38.6	26,810	–	–	–	**26,810**
48.0	43,125	–	–	–	**43,125**
127.1	7,670	–	–	–	**7,670**
215.6	3,130	–	–	–	**3,130**
226.0	–	1,493	–	–	**1,493**
AirTouch Communications, Inc. 1993 Long Term Stock Incentive Plan [1]					
23.2	123,050	–	123,050	–	**–**
36.8	31,350	–	–	31,350	**–**
37.8	750,000	–	250,000	500,000	**–**
40.8	3,875,000	–	–	3,875,000	**–**
41.8	29,850	–	–	29,850	**–**
45.5	75,000	–	25,000	50,000	**–**
45.9	75,000	–	25,000	50,000	**–**
50.6	27,700	–	–	27,700	**–**
52.2	29,150	–	–	29,150	**–**
51.8	29,400	–	–	29,400	**–**
52.6	53,000	–	–	53,000	**–**
56.7	75,000	–	25,000	50,000	**–**
58.0	29,900	–	–	29,900	**–**
60.4	25,750	–	–	25,750	**–**
75.9	21,150	–	–	21,150	**–**
89.1	18,350	–	–	18,350	**–**
104.3	75,000	–	25,000	50,000	**–**
105.8	16,800	–	–	16,800	**–**
108.8	20,000,000	–	–	15,000,000	**5,000,000**
117.1	15,800	–	–	15,800	**–**
136.1	10,700	–	–	10,700	**–**
159.9	12,250	–	–	12,250	**–**
232.5	8,000	–	–	8,000	**–**
Vodafone Group 1999 Long Term Stock Incentive Plan					
277.3 [1]	6,250,000	–	–	–	**6,250,000**
291.5	–	15,803,684	–	–	**15,803,684**
	39,227,475	17,327,677	2,635,090	19,934,150	**33,985,912**

Notes

1. Share options which take the form of American Depository 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 average exchange rate for the year of $1.48 : £1.

Options granted at market value under the executive scheme or the unapproved scheme may not be exercised unless, between the date of grant and the date of first vesting (three years after the date of grant), there has been real growth in the consolidated adjusted earnings per share of the Company and options granted at a discount to market value may not be exercised unless the growth in the consolidated adjusted earnings per share of the Company, in the same period, exceeds the growth in the Index of Retail Prices by 2 per cent. Under the 1998 schemes, the performance criteria are different and options will only be exerciseable if, over any period of three consecutive financial years following grant, the Company achieves growth in consolidated adjusted earnings per share which exceeds growth in the Index for that period by an average of 3 per cent per annum.

Details of the options exercised by directors of the Company in the year to 31 March 2001 are as follows:

	Options exercised during the year Number	Option price Pence	Market price at date of exercise Pence	Gross pre-tax gain £000
Chris Gent	500,000	58.7	289.75	1,155
	80,000	58.7	217.00	127
	110,000	58.7	205.00	161
	532,000	48.3	321.00	1,451
	9,270	37.2	300.00	24
	1,231,270			2,918
Peter Bamford	725,000	58.7	316.50	1,869
	51,000	58.7	309.00	128
	776,000			1,997
Julian Horn-Smith	35,000	39.7	295.30	89
	110,500	46.7	295.30	275
	145,500			364
Ken Hydon	9,270	37.2	271.50	22
Paul Hazen [1]	250,000	37.8	256.83	548
	123,050	23.2	256.83	287
	25,000	45.5	256.83	53
	25,000	45.9	256.83	53
	25,000	56.7	256.83	50
	25,000	104.3	256.83	38
	473,050			1,029

Note

1. The stock options exercised by Paul Hazen were in respect of American Depositary Shares, each representing ten ordinary shares of the Company, which are traded on the New York Stock Exchange.The number, option price and market price have been converted into the equivalent amounts for the Company's ordinary shares, and have been translated at the average exchange rate for the year of $1.48 : £1.

The aggregate gross pre-tax gain made on the exercise of share options in the year by the above Company's directors was £6,330,000 (2000 – £93,910,000). The closing middle market price of Vodafone Group Plc's shares at the year end was 193p, its highest closing price in the year having been 355.5p and its lowest closing price having been 182p.

Beneficial interests

The directors have the following interests, all of which are beneficial, in the ordinary shares of Vodafone Group Plc:

	31 March 2001	1 April 2000 or date of appointment
Ian MacLaurin	**65,100**	65,100
Chris Gent	**1,904,759**	641,369
Peter Bamford	**67,576**	11,612
Thomas Geitner	**12,350**	12,350
Julian Horn-Smith	**781,337**	622,928
Ken Hydon	**1,217,314**	1,093,295
Paul Hazen	**422,450**	161,550
Josef Ackermann	**Nil**	Nil
Michael Boskin	**212,500**	212,500
Alec Broers	**5,000**	Nil
Penny Hughes	**22,500**	Nil
Arun Sarin	**5,408,416**	3,407,350
David Scholey	**50,000**	50,000
Jürgen Schrempp	**Nil**	Nil
Henning Schulte-Noelle	**Nil**	Nil

There have been no changes in the interests of the directors of Vodafone Group Plc in the ordinary shares of the Company during the period 1 April to 29 May 2001, except that Julian Horn-Smith and Ken Hydon acquired one share each through Vodafone Group Personal Equity Plans and the following directors acquired interests in shares of the Company under the Vodafone Group Profit Sharing Scheme, as follows:

	Interests in Ordinary Shares
Chris Gent	1,136
Peter Bamford	1,260
Julian Horn-Smith	1,260
Ken Hydon	1,260

No director had, since 1 April 2000, any interest in the shares of any subsidiary company except Julian Horn-Smith who, at the end of the financial year, owned 18,000 ordinary shares of Panafon SA, the Group's Greek subsidiary company.

Company law 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 applicable 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. They are also responsible for the systems of internal financial controls and 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.

By Order of the Board
Stephen Scott
Secretary
29 May 2001

Auditors' report to the members of Vodafone Group Plc

We have audited the financial statements on pages 25 to 60, which have been prepared under the accounting policies set out on pages 29 and 30, and the detailed information disclosed in respect of directors' remuneration and share options set out in the Board's Report to Shareholders on Directors' Remuneration on pages 14 to 22. We have also audited the financial information prepared in accordance with accounting principles generally accepted in the United States set out on pages 61 to 63.

We have reviewed the pro forma proportionate financial information on page 64 which has been prepared in accordance with the bases set out on page 64.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report & Accounts, including, as described above, preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. The directors are also responsible for the preparation of the financial information prepared in accordance with accounting principles generally accepted in the United States and the pro forma proportionate financial information prepared in accordance with the bases referred to above. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority, and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance statement on pages 11 to 13 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover 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 other information contained in the Annual Report & Accounts, including the directors' report on Corporate Governance, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Bases of opinions

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board which are similar to auditing standards in the United States. 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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.

Our review of the pro forma financial information, which was substantially less in scope than an audit performed in accordance with Auditing Standards, consisted primarily of considering the nature of the adjustments made and discussing the resulting pro forma financial information with management.

Opinions

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2001 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985;
- the financial information set out on page 61 has been properly prepared in accordance with accounting principles generally accepted in the United States; and
- the pro forma proportionate financial information has been properly prepared in accordance with the bases set out on page 64, which are consistent with the accounting policies of the Group.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR
29 May 2001

	Note	2001 £m	2000 £m
Turnover: Group and share of joint ventures and associated undertakings			
Continuing operations		**15,155**	11,521
Acquisitions		**8,838**	–
		23,993	11,521
Less: Share of joint ventures	1	**(98)**	(362)
Share of associated undertakings	1	**(8,891)**	(3,286)
		15,004	7,873
Group turnover			
Continuing operations		**6,637**	7,873
Acquisitions		**8,367**	–
	1	**15,004**	7,873
Operating (loss)/profit			
Continuing operations		**1,044**	981
Acquisitions		**(7,483)**	–
	2	**(6,439)**	981
Share of operating loss in joint ventures and associated undertakings			
Continuing operations		**(26)**	(185)
Acquisitions		**(533)**	–
	2	**(559)**	(185)
Total Group operating (loss)/profit: Group and share of joint ventures and associated undertakings		**(6,998)**	796
Exceptional non-operating items	3	**80**	954
(Loss)/profit on ordinary activities before interest	1	**(6,918)**	1,750
Net interest payable	4	**(1,177)**	(401)
Group		**(850)**	(350)
Share of joint ventures and associated undertakings		**(327)**	(51)
(Loss)/profit on ordinary activities before taxation		**(8,095)**	1,349
Tax on (loss)/profit on ordinary activities	5	**(1,290)**	(685)
Group		**(1,118)**	(494)
Share of joint ventures and associated undertakings		**(172)**	(191)
(Loss)/profit on ordinary activities after taxation		**(9,385)**	664
Equity minority interests		**(319)**	(137)
Non-equity minority interests		**(59)**	(40)
(Loss)/profit for the financial year		**(9,763)**	487
Equity dividends	6	**(887)**	(620)
Retained (loss)/profit for the Group and its share of joint ventures and associated undertakings	20	**(10,650)**	(133)
Basic (loss)/earnings per share	7	**(15.89)p**	1.80p
Diluted (loss)/earnings per share	7	**(15.90)p**	1.78p
Adjusted basic earnings per share	7	**3.75p**	4.71p

vodafone

	Note	2001 £m	2000 £m
Fixed assets			
Intangible assets	8	**108,839**	22,206
Tangible assets	9	**10,586**	6,307
Investments		**34,950**	122,338
Investments in joint ventures:			
Share of gross assets		**–**	2,912
Share of gross liabilities		**–**	(241)
Loans to joint ventures		**85**	–
	10	**85**	2,671
Investments in associated undertakings	10	**31,910**	17,979
Other investments	10	**2,955**	101,688
		154,375	150,851
Current assets			
Stocks	11	**316**	190
Debtors	12	**4,095**	2,138
Investments	13	**13,211**	30
Cash at bank and in hand		**68**	159
		17,690	2,517
Creditors: amounts falling due within one year	14	**(12,377)**	(4,441)
Net current assets/(liabilities)		**5,313**	(1,924)
Total assets less current liabilities		**159,688**	148,927
Creditors: amounts falling due after more than one year	15	**(11,235)**	(6,374)
Provisions for liabilities and charges		**(671)**	(193)
Investments in joint ventures:			
Share of gross assets		**88**	–
Share of gross liabilities		**(146)**	–
	10	**(58)**	–
Other provisions	18	**(613)**	(193)
		147,782	142,360
Capital and reserves			
Called up share capital	19	**4,054**	3,797
Share premium account	20	**48,292**	39,577
Merger reserve	20	**96,914**	96,914
Other reserve	20	**1,024**	1,120
Profit and loss account	20	**(5,869)**	(575)
Shares to be issued	19	**978**	–
Total equity shareholders' funds		**145,393**	140,833
Equity minority interests		**1,260**	523
Non-equity minority interests	21	**1,129**	1,004
		147,782	142,360

The financial statements on pages 25 to 60 were approved by the Board of directors on 29 May 2001 and were signed on its behalf by:

C C GENT Chief Executive
K J HYDON Financial Director

	Note	2001 £m	2000 £m
Net cash inflow from operating activities	26	4,587	2,510
Dividends received from joint ventures and associated undertakings		353	236
Net cash outflow for returns on investments and servicing of finance	26	(47)	(406)
Taxation		(1,585)	(325)
Net cash outflow for capital expenditure and financial investment	26	(19,011)	(756)
Net cash inflow/(outflow) from acquisitions and disposals	26	30,653	(4,756)
Equity dividends paid		(773)	(221)
Cash inflow/(outflow) before management of liquid resources and financing		14,177	(3,718)
Management of liquid resources			
Short term deposits		(7,541)	(33)
Net cash (outflow)/inflow from financing			
Issue of ordinary share capital		65	362
Issue of shares to minorities		44	37
Capital element of finance lease payments		(9)	–
Debt due within one year:			
(Decrease)/increase in short term debt		(407)	598
Repayment of debt acquired		(7,181)	(449)
Issue of new bonds		2,823	–
Debt due after one year:			
Increase/(decrease) in bank loans		46	(550)
Repayment of debt acquired		(2,072)	(377)
Issue of new bonds		–	4,246
Net cash (outflow)/inflow from financing		(6,691)	3,867
(Decrease)/increase in cash in the year		(55)	116

Reconciliation of net cash flow to movement in net debt

	Note	2001 £m	2000 £m
(Decrease)/increase in cash in the year		(55)	116
Cash outflow/(inflow) from decrease/(increase) in debt		6,800	(3,468)
Cash outflow from increase in liquid resources		7,541	33
Decrease/(increase) in net debt resulting from cash flows		14,286	(3,319)
Debt acquired on acquisition of subsidiary undertakings		(13,726)	(2,133)
Translation difference		(629)	316
Other movements		(10)	1
Increase in net debt in the year		(79)	(5,135)
Opening net debt		(6,643)	(1,508)
Closing net debt	27	(6,722)	(6,643)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2001

	2001 £m	2000 £m
(Loss)/profit for the financial year:		
Group	**(8,658)**	914
Share of joint ventures	**(32)**	14
Share of associated undertakings	**(1,073)**	(441)
	(9,763)	487
Currency translation:		
Group	**2,743**	(355)
Share of joint ventures	**45**	(35)
Share of associated undertakings	**2,409**	(740)
	5,197	(1,130)
Total recognised gains and losses relating to the year	**(4,566)**	(643)

MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS for the year ended 31 March 2001

	2001 £m	2000 £m
(Loss)/profit for the financial year	**(9,763)**	487
Equity dividends	**(887)**	(620)
	(10,650)	(133)
Currency translation	**5,197**	(1,130)
New share capital subscribed, net of issue costs	**8,972**	140,037
Unvested option consideration	**–**	1,165
Goodwill transferred to the profit and loss account in respect of business disposals	**1**	18
Scrip dividends	**67**	81
Shares to be issued	**978**	–
Other	**(5)**	(20)
Net movement in equity shareholders' funds	**4,560**	140,018
Opening equity shareholders' funds	**140,833**	815
Closing equity shareholders' funds	**145,393**	140,833

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards. During the financial year, the Group has adopted Financial Reporting Standard 18, "Accounting Policies", issued by the Accounting Standards Board. Adoption of this Financial Reporting Standard has not had any effect on the results for the year or required any restatement of prior year comparatives.

The particular accounting policies adopted are stated below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings and include the Group's share of the results of its joint ventures and associated undertakings for financial statements made up to 31 March 2001. A listing of the Group's principal subsidiary undertakings, joint ventures and associated undertakings is given on pages 59 and 60.

The acquisitions of Mannesmann AG and Airtel Móvil S.A., and the acquisitions of interests in Verizon Wireless and Swisscom Mobile SA, have been accounted for as acquisitions in accordance with Financial Reporting Standard 6, "Acquisitions and Mergers".

Prior to the formation of Verizon Wireless, the turnover and operating results of the Group's US wireless and paging operations were consolidated within Group operating profit from continuing operations. From 3 April 2000, the Group has equity accounted for its interest in the operating results of Verizon Wireless, which is included in the Group's share of the operating profit of joint ventures and associated undertakings from continuing operations. The turnover and operating loss (after goodwill amortisation) of the Group's US businesses for the year ended 31 March 2000 were £2,585m and £100m, respectively. The net assets of the US businesses contributed to the Verizon Wireless joint venture have been treated as having been disposed, and the Group's interest in the new venture is included within fixed asset investments as an interest in an associated undertaking.

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.

The results of international subsidiary undertakings, joint ventures and associated undertakings are translated into sterling at average rates of exchange. The adjustment to year end rates is taken to reserves. Exchange differences which arise on the retranslation of international subsidiary undertakings', joint ventures' and associated undertakings' balance sheets at the beginning of the year, and equity additions and withdrawals during the financial year, are dealt with as a movement in reserves.

Other translation differences are dealt with in the profit and loss account.

Turnover

Turnover primarily consists of charges to mobile customers for monthly access charges and airtime usage and to fixed line customers for access charges and line usage. Turnover is recognised as services are provided. Unbilled turnover resulting from mobile services provided from the billing cycle date to the end of each period is accrued and unearned monthly access charges relating to periods after each accounting period end are deferred.

Turnover also includes equipment sales, which are recognised upon delivery of equipment to customers, and connection charges, which are recognised upon activation of customers.

Derivative financial instruments

Transactions in derivative financial instruments are undertaken for risk management purposes only.

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risk. To the extent that such instruments are matched against an underlying asset or liability, they are accounted for using hedge accounting.

Gains or losses on interest rate instruments are matched against the corresponding interest charge or interest receivable in the profit and loss account over the life of the instrument. For foreign exchange instruments, gains or losses and premiums or discounts are matched to the underlying transactions being hedged.

Termination payments made or received in respect of derivative financial instruments held for hedging purposes are spread over the life of the underlying exposure where the underlying exposure continues to exist. Where the underlying exposure ceases to exist, any termination payments are taken to the profit and loss account.

Pensions

Costs relating to defined benefit plans, which are periodically calculated by professionally qualified actuaries, are charged against profits so that the expected costs of providing pensions are recognised during the period in which benefit is derived from the employees' services.

The costs of the various pension schemes may vary from the funding, dependent upon actuarial advice, with any difference between pension cost and funding being treated as a provision or prepayment.

Defined contribution pension costs charged to the profit and loss account represent contributions payable in respect of the period.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Scrip dividends

Dividends satisfied by the issue of ordinary shares are credited to reserves. The nominal value of the shares issued is offset against the share premium account.

Goodwill

Goodwill is calculated as the surplus of cost over fair value attributed to the net assets (excluding goodwill) of subsidiary, joint venture or associated undertakings acquired.

For acquisitions made after the financial year ended 31 March 1998, goodwill is capitalised and held as a foreign currency denominated asset, where applicable. Goodwill is amortised on a straight line basis over its estimated useful economic life. For acquired network businesses, whose operations are governed by fixed term licences, the amortisation period is determined primarily by reference to the unexpired licence period and the conditions for licence renewal. For other acquisitions, including customer bases, the amortisation period for goodwill is typically between 5 and 10 years.

For acquisitions made before the adoption of Financial Reporting Standard 10, "Goodwill and Intangible Assets", on 1 April 1998, goodwill was written off directly to reserves. Goodwill written off directly to reserves is reinstated in the profit and loss account when the related business is sold.

Other intangible fixed assets

Purchased intangible fixed assets, including licence fees, are capitalised at cost.

Network licence costs are amortised over the periods of the licences. Amortisation is charged from commencement of service of the network. The annual charge is calculated in proportion to the expected usage of the network during the start up period and on a straight line basis thereafter.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is not provided on freehold land. The cost of other tangible fixed assets is written off, from the time they are brought into use, by equal instalments over their expected useful lives as follows:

Freehold buildings	25 – 50 years
Leasehold premises	the term of the lease
Motor vehicles	4 years
Computers and software	3 – 5 years
Equipment, fixtures and fittings	5 – 10 years

The cost of tangible fixed assets include directly attributable incremental costs incurred in their acquisition and installation.

Investments

The consolidated financial statements include investments in associated undertakings using the equity method of accounting. An associated undertaking is an entity in which the Group has a participating interest and, in the opinion of the directors, can exercise significant influence in its management. The profit and loss account includes the Group's share of the operating profit or loss, exceptional items, interest income or expense and attributable taxation of those entities. The balance sheet shows the Group's share of the net assets or liabilities of those entities, together with loans advanced and attributed goodwill.

The consolidated financial statements include investments in joint ventures using the gross equity method of accounting. A joint venture is an entity in which the Group has a long term interest and exercises joint control. Under the gross equity method, a form of the equity method of accounting, the Group's share of the aggregate gross assets and liabilities underlying the investment in the joint venture is included in the balance sheet and the Group's share of the turnover of the joint venture is disclosed in the profit and loss account.

Other investments, held as fixed assets, comprise equity shareholdings and other interests. They are stated at cost less provision for any impairment. Dividend income is recognised upon receipt and interest when receivable.

Stocks

Stocks are valued at the lower of cost and estimated net realisable value.

Deferred taxation

Provision is made for deferred taxation only where there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

No provision is made for any tax liability which may arise if undistributed profits of certain international subsidiary undertakings, joint ventures and associated undertakings are remitted to the UK, except in respect of planned remittances.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Assets acquired under finance leases, which transfer substantially all the rights and obligations of ownership, are accounted for as though purchased outright. The fair value of the asset at the inception of the lease is included in tangible fixed assets and the capital element of the leasing commitment included in creditors. Finance charges are calculated on an actuarial basis and are allocated over each lease to produce a constant rate of charge on the outstanding balance.

Lease obligations which are satisfied by cash and other assets deposited with third parties are set-off against those assets in the Group's balance sheet.

1 Segmental analysis

The Group's business is principally the supply of mobile telecommunications services and products. Other operations primarily comprise fixed line telecommunications businesses acquired as part of the acquisition of Mannesmann AG and the Vizzavi Europe joint venture. Analyses of turnover, profit/loss on ordinary activities before interest and net assets by geographical region and class of business are as follows:

Group turnover	Continuing operations £m	Acquisitions £m	**2001 £m**	2000 £m
Mobile telecommunications:				
Continental Europe	2,163	7,414	**9,577**	1,705
United Kingdom	3,444	–	**3,444**	2,901
United States	9	–	**9**	2,585
Asia Pacific	713	–	**713**	565
Middle East and Africa	308	–	**308**	117
	6,637	7,414	**14,051**	7,873
Other operations:				
Continental Europe	–	953	**953**	–
	6,637	8,367	**15,004**	7,873
Total Group operating profit/(loss) before goodwill and exceptional items				
Mobile telecommunications:				
Continental Europe	735	2,300	**3,035**	955
United Kingdom	795	–	**795**	706
United States	1,237	–	**1,237**	541
Asia Pacific	205	–	**205**	188
Middle East and Africa	215	(2)	**213**	148
	3,187	2,298	**5,485**	2,538
Other operations:				
Continental Europe	(70)	(211)	**(281)**	–
	3,117	2,087	**5,204**	2,538
Amortisation of goodwill	(1,843)	(10,039)	**(11,882)**	(1,712)
Exceptional operating items	(256)	(64)	**(320)**	(30)
Exceptional non-operating items (note 3)	(182)	262	**80**	954
(Loss)/profit on ordinary activities before interest	836	(7,754)	**(6,918)**	1,750
Mobile telecommunications:				
Continental Europe	439	(7,441)	**(7,002)**	1,007
United Kingdom	757	–	**757**	706
United States	(252)	–	**(252)**	(100)
Asia Pacific	(226)	–	**(226)**	8
Middle East and Africa	188	(2)	**186**	129
	906	(7,443)	**(6,537)**	1,750
Other operations:				
Continental Europe	(70)	(311)	**(381)**	–
	836	(7,754)	**(6,918)**	1,750
Net assets and attributed goodwill				
Mobile telecommunications:				
Continental Europe			**113,584**	118,577
United Kingdom			**7,155**	729
United States			**21,084**	23,547
Asia Pacific			**6,401**	5,216
Middle East and Africa			**1,104**	934
			149,328	149,003
Other operations:				
Continental Europe			**4,432**	–
Asia Pacific			**704**	–
			5,136	–
Net assets and goodwill, before net borrowings			**154,464**	149,003
Net borrowings			**(6,722)**	(6,643)
			147,742	142,360

Turnover is by origin, which is not materially different from turnover by destination.

Amounts for acquisitions primarily comprise the results of Mannesmann AG and its subsidiary and associated undertakings, the results of Airtel Móvil S.A. and the Group's share of the results of Swisscom Mobile SA. Further details regarding acquisitions are included in note 22.

Exceptional operating items of £320m primarily comprise impairment charges of £91m in relation to the carrying value of certain assets within the Group's Globalstar service provider businesses, exceptional reorganisation costs of £85m relating to the restructuring of the Group's operations in Germany and the US, and £141m in relation to the Group's share of the restructuring costs incurred by Verizon Wireless.

1 Segmental analysis continued

Joint ventures and associated undertakings

The Group's share of the turnover, profit/loss on ordinary activities before interest and net assets of joint ventures and associated undertakings included in the above geographical analyses are as follows:

	Joint ventures		Associated undertakings	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Share of turnover				
Mobile telecommunications:				
Continental Europe	**–**	–	**1,704**	2,231
United Kingdom	**–**	–	**14**	13
United States	**98**	362	**5,000**	50
Asia Pacific	**–**	–	**1,862**	779
Middle East and Africa	**–**	–	**263**	213
	98	362	**8,843**	3,286
Other operations:				
Continental Europe	**–**	–	**48**	–
	98	362	**8,891**	3,286
Share of operating profit/(loss) before goodwill and exceptional items				
Mobile telecommunications:				
Continental Europe	**–**	–	**391**	603
United Kingdom	**–**	–	**1**	3
United States	**22**	12	**1,313**	13
Asia Pacific	**–**	–	**152**	141
Middle East and Africa	**–**	–	**89**	81
	22	12	**1,946**	841
Other operations:				
Continental Europe	**(64)**	–	**(22)**	–
	(42)	12	**1,924**	841
Amortisation of goodwill	**–**	(52)	**(2,297)**	(986)
Share of exceptional operating items	**–**	–	**(144)**	–
Share of loss on ordinary activities before interest	**(42)**	(40)	**(517)**	(145)
Mobile telecommunications:				
Continental Europe	**–**	–	**(383)**	(216)
United Kingdom	**–**	–	**1**	3
United States	**22**	(40)	**(62)**	13
Asia Pacific	**–**	–	**(99)**	(26)
Middle East and Africa	**–**	–	**86**	81
	22	(40)	**(457)**	(145)
Other operations:				
Continental Europe	**(64)**	–	**(60)**	–
	(42)	(40)	**(517)**	(145)
Share of net assets and attributed goodwill				
Mobile telecommunications:				
Continental Europe	**–**	–	**6,306**	13,690
United Kingdom	**–**	–	**1**	–
United States	**–**	2,671	**21,534**	39
Asia Pacific	**–**	–	**3,580**	4,142
Middle East and Africa	**–**	–	**188**	108
	–	2,671	**31,609**	17,979
Other operations:				
Continental Europe	**27**	–	**301**	–
	27	2,671	**31,910**	17,979

2 Operating profit

	Continuing operations £m	Acquisitions £m	**2001 £m**	2000 £m
Group turnover	6,637	8,367	**15,004**	7,873
Cost of sales	3,851	4,851	**8,702**	4,359
Gross profit	2,786	3,516	**6,302**	3,514
Selling and distribution costs	489	673	**1,162**	869
Administrative expenses	1,253	10,326	**11,579**	1,664
Amortisation of goodwill	152	9,433	**9,585**	674
Exceptional operating items	112	64	**176**	30
Other administration costs	989	829	**1,818**	960
Total operating expenses	1,742	10,999	**12,741**	2,533
Operating (loss)/profit	1,044	(7,483)	**(6,439)**	981

Operating (loss)/profit has been arrived at after charging:

	2001 £m	2000 £m
Depreciation of tangible fixed assets		
Owned assets	**1,568**	698
Leased assets	**25**	48
Amortisation of goodwill	**9,585**	674
Amortisation of other intangible fixed assets	**24**	12
Research and development	**72**	46
Payments under operating leases		
Plant and machinery	**19**	76
Other assets	**229**	278
Auditors' remuneration		
Audit work	**3**	1
Other fees		
United Kingdom	**2**	3
Overseas	**6**	4

Auditors' other fees shown above exclude £4m (2000 – £6m) of fees payable for professional services incurred in the period in connection with mergers and acquisitions. These fees have been accounted for as acquisition costs upon completion of the transaction. Auditors' other fees incurred on specific capital projects during the year and totalling £10m (2000 – £3m) have also been excluded, of which £4m (2000 – £2m) was incurred by overseas operations.

Joint ventures and associated undertakings

Group turnover includes sales to joint ventures and associated undertakings of £211m (2000 – £303m) primarily comprising network airtime and access charges. Total operating costs include charges from joint ventures and associated undertakings of £84m (2000 – £82m), primarily comprising roaming charges.

The Group's share of the turnover and operating profit of joint ventures and associated undertakings is further analysed as follows:

	Continuing operations £m	Acquisitions £m	**2001 £m**	2000 £m
Share of turnover:				
Joint ventures	98	–	**98**	362
Associated undertakings	8,419	472	**8,891**	3,286
	8,517	472	**8,989**	3,648
Share of operating (loss)/profit:				
Joint ventures	(42)	–	**(42)**	(40)
Associated undertakings	16	(533)	**(517)**	(145)
	(26)	(533)	**(559)**	(185)

3 Exceptional non-operating items

	2001 £m	2000 £m
Profit on termination of hedging instrument	**261**	–
Impairment of fixed asset investments	**(193)**	–
Profit on disposal of fixed assets	**6**	–
Profit on disposal of fixed asset investments	**6**	954
	80	954

The profit on termination of the hedging instrument arose in March 2001 upon the settlement of a hedging transaction entered into by the Group in order to obtain protection against an adverse market-related price adjustment included in the original terms of the agreement for the sale of Infostrada S.p.A. This hedging transaction was terminated with cash proceeds to the Group of approximately €410 million. The impairments of fixed asset investments are in relation to the Group's interests in Globalstar and Shinsegi Telecom, Inc.

The profit on disposal of fixed asset investments in the year ended 31 March 2000 arose primarily from the disposal of the Group's 17.24% shareholding in E-Plus Mobilfunk GmbH, the disposal of the Group's 20% shareholding in a UK service provider, Martin Dawes Telecommunications Limited, and the disposal of the Group's 50% shareholding in Comfone AG in Switzerland.

4 Net interest payable

	2001 £m	2000 £m
Parent and subsidiary undertakings		
Interest receivable and similar income	**(306)**	(55)
Interest payable and similar charges		
Bank loans and overdrafts	**438**	214
Other loans	**707**	174
Finance leases	**11**	–
Exceptional finance costs	**–**	17
	1,156	405
Group net interest payable	**850**	350
Share of joint ventures:		
Interest payable and similar charges	**2**	3
Share of associated undertakings:		
Interest receivable and similar income	**(6)**	(3)
Interest payable and similar charges	**331**	51
	325	48
Share of joint ventures and associated undertakings net interest payable	**327**	51
Net interest payable	**1,177**	401

Included in Group interest receivable in the above analysis are amounts received on loans to businesses held for resale on completion of the acquisition of Mannesmann AG. The maximum loans outstanding to these businesses during the year was £2,173m.

The exceptional finance costs in the year ended 31 March 2000 were incurred in restructuring the Group's borrowing facilities in relation to the acquisition of Mannesmann AG.

5 Tax on (loss)/profit on ordinary activities

	2001 £m	2000 £m
United Kingdom		
Corporation tax charge at 30% (2000 – 30%)	**217**	117
Transfer (from)/to deferred taxation	**(35)**	11
	182	128
International		
Current tax – Current year	**841**	691
– Prior year	**(48)**	–
Transfer to/(from) deferred taxation	**280**	(134)
Tax on exceptional non-operating items	**35**	–
	1,108	557
	1,290	685
Parent and subsidiary undertakings	**1,118**	494
Share of joint ventures	**(12)**	(57)
Share of associated undertakings	**184**	248
	1,290	685

The tax on exceptional non-operating items of £35m (2000 – £Nil) is in respect of the profit on termination of a hedging instrument in March 2001 (see note 3).

The increase in the effective tax rate for the year ended 31 March 2001 is primarily the result of the integration of the Mannesmann businesses into the Group's results.

6 Equity dividends

	2001 £m	2000 £m
Interim dividend paid of 0.688p (2000 – 0.655p) per ordinary share	**423**	203
Proposed final dividend of 0.714p (2000 – 0.680p) per ordinary share	**464**	417
	887	620

7 Earnings per share

Weighted average number of shares (millions) in issue during the year and used to calculate:

	2001	2000
Basic and adjusted basic earnings per share	**61,439**	27,100
Dilutive effect of share options	**(41)**	260
Diluted earnings per share	**61,398**	27,360

	2001 £m	Pence per share	2000 £m	Pence per share
(Loss)/earnings for basic (loss)/earnings per share	**(9,763)**	**(15.89)**	487	1.80
Goodwill amortisation	**11,882**	**19.34**	1,712	6.32
Exceptional operating items, net of attributable taxation	**230**	**0.37**	19	0.07
Exceptional non-operating items, net of attributable taxation	**(45)**	**(0.07)**	(954)	(3.52)
Exceptional finance costs, net of attributable taxation	**–**	**–**	12	0.04
Adjusted basic earnings per share	**2,304**	**3.75**	1,276	4.71

(Loss)/earnings for basic (loss)/earnings per share represents the net (loss)/profit attributable to ordinary shareholders, being the (loss)/profit on ordinary activities after taxation and minority interests, and has also been used to calculate diluted earnings per share. Adjusted basic earnings per share has been presented in order to highlight the underlying performance of the Group.

8 Intangible fixed assets

	Goodwill £m	Licence and spectrum fees £m	Total £m
Cost			
1 April 2000	22,197	724	22,921
Exchange movements	2,561	59	2,620
Acquisitions (note 22)	87,185	104	87,289
Additions	–	13,210	13,210
Reclassifications from associated undertakings (note 10)	11,490	–	11,490
Disposals	(18,963)	–	(18,963)
31 March 2001	**104,470**	**14,097**	**118,567**
Amortisation			
1 April 2000	686	29	715
Exchange movements	11	2	13
Charge for the year	9,585	24	9,609
Disposals	(609)	–	(609)
31 March 2001	**9,673**	**55**	**9,728**
Net book value			
31 March 2001	**94,797**	**14,042**	**108,839**
31 March 2000	21,511	695	22,206

For acquisitions of subsidiary undertakings and customer bases prior to 1 April 1998, the cumulative goodwill written off to reserves, net of the goodwill attributed to business disposals, was £698m and £28m, respectively, at 31 March 2001 (2000 – £698m and £28m).

9 Tangible fixed assets

	Land and buildings £m	Equipment, fixtures and fittings £m	Network infra-structure £m	Total £m
Cost				
1 April 2000	295	1,006	6,716	8,017
Exchange movements	37	(212)	223	48
Acquisitions (note 22)	315	2,059	2,466	4,840
Additions	156	1,146	2,756	4,058
Disposals of businesses	(182)	(617)	(2,264)	(3,063)
Disposals	(37)	(431)	(114)	(582)
Reclassifications	4	(79)	75	–
31 March 2001	**588**	**2,872**	**9,858**	**13,318**
Accumulated depreciation and impairment				
1 April 2000	35	356	1,319	1,710
Exchange movements	1	12	(28)	(15)
Charge for the year	49	490	1,054	1,593
Impairment loss	10	3	27	40
Disposals of businesses	(18)	(64)	(226)	(308)
Disposals	(12)	(218)	(58)	(288)
31 March 2001	**65**	**579**	**2,088**	**2,732**
Net book value				
31 March 2001	**523**	**2,293**	**7,770**	**10,586**
31 March 2000	260	650	5,397	6,307

The net book value of land and buildings comprises freeholds of £323m (2000 – £195m), long leaseholds of £114m (2000 – £10m) and short leaseholds of £86m (2000 – £55m). The net book value of network infrastructure includes £225m (2000 – £147m) in respect of assets held under finance leases (see note 23).

Network infrastructure at 31 March 2001 comprises:

	Freehold premises £m	Short term leasehold premises £m	Equipment, fixtures and fittings £m	Total £m
Cost	48	901	8,909	9,858
Accumulated depreciation	7	153	1,928	2,088
Net book value	**41**	**748**	**6,981**	**7,770**
31 March 2000				
Net book value	36	405	4,956	5,397

10 Fixed asset investments

Joint ventures and associated undertakings

	Joint ventures £m	Associated undertakings £m
Share of net assets/(liabilities), excluding capitalised goodwill		
1 April 2000	652	1,023
Exchange movements	46	44
Acquisitions	–	(311)
Disposals	(418)	(11)
Impairment in carrying value of investments (note 3)	–	(7)
Share of retained results	(49)	888
Share of goodwill amortisation in associated undertaking	–	(5)
Reclassifications	(289)	(747)
31 March 2001	**(58)**	**874**
Capitalised goodwill		
1 April 2000	2,019	16,923
Exchange movements	–	2,366
Acquisitions (note 22)	–	25,536
Disposals	(2,019)	(32)
Goodwill amortisation	–	(2,292)
Reclassifications to intangible assets (note 8)	–	(11,490)
31 March 2001	**–**	**31,011**
Loan advances		
1 April 2000	–	33
Exchange movements	–	(2)
Loan advances	85	–
Loan repayments	–	(6)
31 March 2001	**85**	**25**
Net book value		
31 March 2001	**27**	**31,910**
31 March 2000	2,671	17,979

The goodwill capitalised in the year in respect of associated undertakings of £25,536m relates primarily to the Group's acquisition of interests in Verizon Wireless, Swisscom Mobile SA, and in respect of associated undertakings acquired as part of the Mannesmann AG transaction.

Reclassifications of associated undertakings primarily comprise amounts in respect of the Group's interests in certain of Mannesmann AG's subsidiary undertakings and Airtel Móvil S.A., which were accounted for as associated undertakings prior to the acquisition by the Group of controlling stakes during the year.

The Group's share of its joint ventures' and associated undertakings' post acquisition accumulated (losses)/profits at 31 March 2001 amounted to £(58)m (2000 – £(44)m) and £941m (2000 – £402m) respectively.

The maximum aggregate loans to joint ventures and associated undertakings (including former joint ventures and associated undertakings) during the year which are not included within the period end balance were £Nil and £8m (2000 – £Nil and £13m).

For acquisitions of associated undertakings prior to 1 April 1998, the cumulative goodwill written off to reserves, net of the goodwill attributed to business disposals, was £467m at 31 March 2001 (2000 – £468m). The movement during the year relates to the disposal of the Group's interest in Celtel Limited.

The Group's principal joint ventures, associated undertakings and fixed asset investments are detailed on page 60.

10 Fixed asset investments continued

Joint ventures and associated undertakings continued

The Group's share of its joint ventures and associated undertakings comprises:

	Joint ventures		Associated undertakings	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Share of turnover of joint ventures and associated undertakings	**98**	362	**8,891**	3,286
Share of assets				
Fixed assets	**65**	790	**7,519**	2,439
Current assets	**23**	103	**3,232**	1,341
	88	893	**10,751**	3,780
Share of liabilities				
Liabilities due within one year	**144**	164	**5,889**	1,737
Liabilities due after more than one year	**2**	77	**3,865**	1,020
Minority interests	**–**	–	**123**	–
	146	241	**9,877**	2,757
Share of net (liabilities)/assets	**(58)**	652	**874**	1,023
Loans	**85**	–	**25**	33
Attributed goodwill net of amortisation charges	**–**	2,019	**31,011**	16,923
	27	2,671	**31,910**	17,979
Analysed as:				
Fixed asset investments	**85**	2,671	**31,910**	17,979
Provisions for liabilities and charges	**(58)**	–	**–**	–
	27	2,671	**31,910**	17,979

The Group's share of turnover, profits and losses, assets and liabilities of Verizon Wireless included in the above analysis is as follows:

Share of:	**2001 £m**
Turnover	**5,000**
Profit before taxation, before goodwill amortisation	**926**
Goodwill amortisation	**(1,229)**
Loss on ordinary activities before taxation	**(303)**
Tax on loss on ordinary activities	**(53)**
Loss on ordinary activities after taxation	**(356)**
Fixed assets	**5,027**
Current assets	**1,342**
Liabilities due within one year	**(3,529)**
Liabilities due after more than one year	**(2,394)**
Minority interests	**(123)**
Share of net assets	**323**
Attributed goodwill net of amortisation charges	**21,205**
Share of net assets and attributed goodwill	**21,528**

10 Fixed asset investments continued

Other fixed asset investments

Cost or valuation	£m
1 April 2000	101,688
Exchange movements	17
Additions	2,953
Disposals	(91)
Impairment loss (note 3)	(186)
Reclassifications	(101,326)
Dividends received from investments	(100)
31 March 2001	**2,955**

Additions primarily comprise the acquisition of a 2.18% ownership interest in China Mobile (Hong Kong) Limited and a 7.5% interest in Japan Telecom Co., Ltd.

Reclassifications primarily comprise an amount of £101,246m in respect of the investment in Mannesmann AG at 31 March 2000, which represented the fair value of the consideration for the acquisition up to that date. The results and net assets of the acquired businesses were consolidated in the Group's financial statements from 12 April 2000, following the receipt of approval for the acquisition from the European Commission.

Fixed asset investments at 31 March 2001 include 5,861,959 shares in Vodafone Group Plc held by a Qualifying Employee Share Ownership Trust ('QUEST'). These shares had a Nil cost to the Group. Further detail is provided within note 19 to the accounts.

Fixed asset investments also include 7,039,587 shares in Vodafone Group Plc held by the Vodafone Group Employee Trust to satisfy the potential award of shares under the Group's Long Term Incentive Plan and Short Term Incentive Plan, and 3,288,042 shares in Vodafone Group Plc held by the Group's Australian and New Zealand businesses in respect of an employee share option plan established during the year. The cost to the Group of these shares was £28m and their market value at 31 March 2001 was £20m.

11 Stocks

	2001 £m	2000 £m
Goods held for resale	**316**	190

12 Debtors

	2001 £m	2000 £m
Due within one year:		
Trade debtors	**1,852**	943
Amounts owed by associated undertakings	**132**	23
Taxation recoverable	**249**	–
Other debtors	**269**	221
Prepayments and accrued income	**1,199**	532
	3,701	1,719
Due after more than one year:		
Trade debtors	**11**	34
Other debtors	**21**	10
Prepayments and accrued income	**24**	46
Deferred taxation (note 18)	**338**	329
	394	419
	4,095	2,138

13 Investments

	2001 £m	2000 £m
Liquid investments (note 27)	**7,593**	30
Other investments	**5,618**	–
	13,211	30

Other investments primarily comprise the Group's remaining interest in Atecs Mannesmann AG and a balancing payment of £3,092m receivable in March 2002 in relation to the exercise of a put option over France Telecom shares acquired by the Group as a result of the disposal of Orange plc in the year.

14 Creditors: amounts falling due within one year

	2001 £m	2000 £m
Bank loans, other loans and overdrafts	**3,601**	94
Commercial paper	**–**	700
Finance leases	**10**	–
Trade creditors	**1,899**	706
Amounts owed to associated undertakings	**7**	2
Taxation	**2,540**	535
Other taxes and social security costs	**285**	54
Other creditors	**1,314**	436
Accruals and deferred income	**2,257**	1,497
Proposed dividend	**464**	417
	12,377	4,441

15 Creditors: amounts falling due after more than one year

	2001 £m	2000 £m
Bank loans	**578**	184
Other loans	**10,052**	5,854
Finance leases	**142**	–
Other creditors	**7**	33
Accruals and deferred income	**456**	303
	11,235	6,374

Bank loans of £578m are repayable in more than two years but not more than five years from the balance sheet date.

Other loans are repayable as follows:

Repayable in more than one year but not more than two years	**622**	481
Repayable in more than two years but not more than five years	**3,629**	1,497
Repayable in more than five years	**5,801**	3,876
	10,052	5,854

Other loans falling due after more than one year primarily comprise bond issues by the Company, or its subsidiaries, analysed as follows:

7.875% Sterling bond due 2001	**–**	249
7.125% US Dollar bond due 2001	**–**	156
5.007% Euro bond due 2002	**622**	–
7.0% US Dollar bond due 2003	**192**	156
4.875% Euro bond due 2004	**1,536**	–
7.5% Sterling bond due 2004	**248**	248
5.25% Euro bond due 2005	**286**	–
7.625% US Dollar bond due 2005	**1,226**	1,089
6.35% US Dollar bond due 2005	**141**	125
5.75% Euro bond due 2006	**928**	893
7.5% US Dollar bond due 2006	**281**	250
5.5% Deutschmark bond due 2008	**127**	123
6.65% US Dollar bond due 2008	**352**	313
4.75% Euro bond due 2009	**1,680**	–
7.75% US Dollar bond due 2010	**1,917**	1,702
7.875% US Dollar bond due 2030	**516**	459
Other	**–**	91
	10,052	5,854

Finance leases are repayable as follows:

Repayable in more than one year but not more than two years	**10**	–
Repayable in more than two years but not more than five years	**30**	–
Repayable in more than five years	**102**	–
	142	–

16 Financial liabilities

Net debt

	2001 £m	2000 £m
Liquid investments	**(7,593)**	(30)
Cash at bank and in hand	**(68)**	(159)
Debt due in one year or less, or on demand	**3,611**	794
Debt due after one year	**10,772**	6,038
	6,722	6,643

Maturity of financial liabilities

The maturity profile of the Group's borrowings at 31 March was as follows:

	2001 £m	2000 £m
In one year or less, or on demand	**3,611**	794
In more than one year but not more than two years	**632**	481
In more than two years but not more than five years	**4,237**	1,681
In more than five years	**5,903**	3,876
	14,383	6,832

The maturities of the Group's other financial liabilities at 31 March was as follows:

	2001 £m	2000 £m
In more than one year but not more than two years	**4**	33
In more than two years but not more than five years	**3**	3
	7	36

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available to it on 31 March:

	2001 £m	2000 £m
Expiring in one year or less	**10,234**	5,689
Expiring in more than one year but not more than two years	**–**	–
Expiring in more than two years	**–**	4,562
	10,234	10,251

In addition to the above, certain of the Group's subsidiaries had non-recourse committed facilities at 31 March 2001 of £1,005m in aggregate, of which £322m was undrawn. Of the total committed facilities, £438m expires between two and five years, with the remainder expiring in more than five years.

Interest rate and currency of financial liabilities

After taking into account the various interest rate and currency swaps entered into by the Group, the currency and interest rate exposure of the financial liabilities of the Group was:

					Fixed rate financial liabilities		
Currency	Total £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Weighted average interest rate %	Weighted average time for which rate is fixed Years	Non-interest bearing financial liabilities – weighted average period until maturity Years
At 31 March 2001:							
Sterling	1,994	1,496	498	–	7.7	1.8	–
Euro	5,819	1,076	4,743	–	5.1	5.8	–
US Dollar	5,368	567	4,801	–	7.5	8.7	–
Other	1,209	865	337	7	0.5	1.0	2.2
Gross financial liabilities	**14,390**	**4,004**	**10,379**	**7**	**6.2**	**6.8**	**2.2**
At 31 March 2000:							
Sterling	2,298	871	1,422	5	6.7	1.6	0.7
Euro	1,895	322	1,511	62	3.8	1.6	1.3
US Dollar	2,057	578	1,479	–	7.3	13.1	–
Other	618	614	–	4	–	–	3.2
Gross financial liabilities	6,868	2,385	4,412	71	5.9	5.5	1.4

Interest on floating rate borrowings is based on national LIBOR equivalents or government bond rates in the relevant currencies.

16 Financial liabilities and assets continued

Financial assets

Currency	Total £m	Floating rate financial assets £m	Fixed rate financial assets £m	Non-interest bearing assets: Equity investments £m	Non-interest bearing assets: Other non-interest bearing financial assets £m
At 31 March 2001:					
Sterling	45	17	–	28	–
Euro	8,518	2,559	–	334	5,643
US Dollar	5,098	5,049	–	8	23
Other	2,605	36	–	2,562	7
Gross financial liabilities	**16,266**	**7,661**	**–**	**2,932**	**5,673**
At 31 March 2000:					
Sterling	18	11	–	7	–
Euro	232	128	–	79	25
US Dollar	134	2	32	66	34
Other	291	48	–	240	3
Gross financial liabilities	675	189	32	392	62

Financial assets comprise cash in hand and at bank of £68m (2000: £159m), liquid investments of £7,593m (2000: £30m), current asset investments of £5,618m (2000: £Nil), trade and other debtors due in more than one year of £32m (2000: £44m) and fixed asset investments, other than joint ventures and associated undertakings, of £2,955m (2000: £442m, excluding the fair value of the consideration for the acquisition of Mannesmann AG of £101,246m as at 31 March 2000). Liquid investments arose primarily from the receipt of sales proceeds following the disposal of Infostrada S.p.A and receipts in relation to the France Telecom shares and loan notes received from the disposal of Orange plc and are not indicative of the financial position throughout the year.

Floating rate financial assets comprise cash and short term deposits of £4,484m (2000: £189m), commercial paper denominated in US Dollar totalling £1,162m, invested with counterparties having a single-A credit rating or above, and a further £2,015m of purchase and resale agreements denominated in Euro collateralised with AAA-rated Government or Supra-national bonds.

The weighted average rate and period for fixed rate financial assets were 4.9% and 3.7 years, respectively, at 31 March 2000.

Other current asset investments of £5,618m (2000: £Nil) primarily comprise the estimated fair value of the Group's remaining interest in Atecs Mannesmann and a balancing payment, receivable in Euros, of approximately £3,092m in relation to the exercise of a put option over France Telecom shares acquired by the Group as a result of the disposal of Orange plc during the year.

Equity investments of £2,932m (2000: £392m) include £2,510m (2000: £Nil) represented by listed investments. Equity investments denominated in other currencies include £1,759m denominated in HK Dollar and £704m denominated in Japanese Yen.

17 Financial instruments

Fair values of financial assets and liabilities

The carrying amounts and estimated fair value of the Group's outstanding financial instruments are set out below:

	2001 Net carrying amount £m	**2001 Estimated fair value £m**	2000 Net carrying amount £m	2000 Estimated fair value £m
Fixed asset investments (excluding investments in joint ventures and associated undertakings)	**2,955**	**2,350**	442	442
Cash at bank and in hand and liquid investments	**7,661**	**7,661**	189	189
Current asset investments	**5,618**	**5,618**	–	–
Borrowings:				
Short term	**3,611**	**3,611**	794	794
Long term	**10,772**	**11,058**	6,038	6,017
Derivative financial instruments:				
Interest rate	**–**	**2**	–	57
Foreign exchange	**–**	**(1)**	–	(66)

The Group's exposure to market risk, which is the sensitivity of the value of financial instruments to changes in related currency and interest rates, is minimised because gains and losses on the underlying assets and liabilities offset gains and losses on derivative financial instruments.

Fixed asset investments at 31 March 2000 in the above table excludes £101,246m in relation to the fair value of the consideration for the acquisition of Mannesmann AG.

17 Financial instruments continued

The following methods and assumptions were used to estimate the fair values shown in the previous table.

Fixed asset investments (excluding investments in joint ventures and associated undertakings) – The net book value of fixed asset investments at 31 March 2001 comprises investments recorded at an original cost of £3,141m (2000 – £442m). An impairment loss of £186m has been set against the Group's investments in Globalstar and Shinsegi Telecom Inc. Investments include traded and untraded equity investments in companies involved in providing telecommunications services. Listed investments are stated at fair value based on their quoted share price at 31 March 2001. Fixed asset investments do not include any valuation in respect of existing customer bases or other intangible assets.

Cash at bank and in hand and liquid investments – The carrying values of cash and liquid investments approximate to their fair values because of the short term maturity of these instruments.

Current asset investments – The carrying values of current asset investments are recorded in the accounts at the estimated fair value of the expected proceeds from disposal.

Borrowings (excluding foreign exchange contracts) – The carrying values of short term borrowings approximate to fair value because of their short term maturity. The fair value of quoted long term borrowings is based on year end mid-market quoted prices. The fair value of other borrowings is estimated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at the year end.

Foreign exchange contracts and interest rate swaps and futures – The Group enters into foreign exchange contracts, interest rate swaps and futures in order to manage its foreign currency and interest rate exposure. The fair value of these financial instruments was estimated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at the year end.

Hedges

The Group's policy is to use derivative instruments to hedge against exposure to movements in interest rates and exchange rates. Changes in the fair value of instruments used for hedging are not recognised in the financial statements until the hedged exposure is itself recognised. Unrecognised gains and losses on instruments used for hedging are set out below:

	Gains £m	Losses £m	Total net gains/(losses) £m
Unrecognised gains and losses on hedges at 1 April 2000	88	(97)	(9)
Less: gains and losses arising in previous years that were recognised in the year	(86)	97	11
Gains and losses arising before 1 April 2000 that were not recognised at 31 March 2001	**2**	**–**	**2**
Gains and losses arising in the year that were not recognised at 31 March 2001	4	(5)	(1)
Unrecognised gains and losses on hedges at 31 March 2001	**6**	**(5)**	**1**
Of which:			
Gains and losses expected to be recognised in 2001	6	(5)	1

Currency exposures

Taking into account the effect of forward contracts and other derivative instruments, the Group did not have a material financial exposure to foreign exchange gains or losses on monetary assets and monetary liabilities denominated in foreign currencies at 31 March 2001.

Further details regarding the Group's Treasury Management and Policies are included in the Financial Review on pages 6 and 7.

Short-term debtors and creditors have been omitted from the analyses in notes 16 and 17.

18 Provisions for liabilities and charges

	Deferred taxation £m	Post employment benefits £m	Other provisions £m	Total £m
1 April 2000	105	27	61	193
Exchange movements	3	4	11	18
Acquisitions (note 22)	58	142	64	264
Profit and loss account	169	23	15	207
Utilised in the year	–	(30)	(15)	(45)
Disposals	–	(24)	–	(24)
31 March 2001	**335**	**142**	**136**	**613**

Deferred taxation

The £245m charge in respect of deferred taxation in the profit and loss account (note 5) includes a charge of £76m in relation to deferred tax assets.

The net deferred tax (asset)/liability is analysed as follows:

	2001 £m	2000 £m
Deferred tax on unvested options	**(169)**	(193)
Deferred tax on closure of derivative financial instruments	**(118)**	–
Deferred tax on sub-letting of US communications towers	**–**	(136)
Accelerated capital allowances	**6**	11
Other timing differences (net)	**278**	94
	(3)	(224)
Analysed as:		
Deferred tax asset (note 12)	**(338)**	(329)
Deferred tax provision	**335**	105
	(3)	(224)

The amounts unprovided for deferred taxation are:

	2001 Amount unprovided £m	2000 Amount unprovided £m
Accelerated capital allowances	**738**	161
Gains subject to rollover relief	**7**	7
Other timing differences	**(601)**	(92)
	144	76

The potential net tax benefit in respect of tax losses carried forward at 31 March 2001 was £14m in United Kingdom subsidiaries (2000 – £16m) and £305m in international subsidiaries (2000 – £51m). These losses are only available for offset against future profits arising from the same trade within these companies.

In addition, the Group's share of losses of United Kingdom and international joint ventures that are available for offset against future trading profits in these entities is £10m and £Nil, respectively (2000 – £Nil and £Nil). The Group's share of losses of United Kingdom and international associated undertakings that are available for offset against future trading profits in these entities is £Nil and £173m, respectively (2000 – £Nil and £105m).

Other provisions

Other provisions primarily comprise amounts provided for legal claims.

19 Called up share capital

Authorised

	2001 Number	2001 £m	2000 Number	2000 £m
Ordinary shares of US$0.10 each	**78,000,000,000**	**4,875**	78,000,000,000	4,875
7% cumulative fixed rate shares of £1 each	**50,000**	**–**	50,000	–
	78,000,050,000	**4,875**	78,000,050,000	4,875

Ordinary shares allotted, issued and fully paid

	2001 Number	2001 £m	2000 Number	2000 £m
1 April	**61,334,032,162**	**3,797**	3,099,406,734	155
Allotted and issued during the year	**3,678,468,984**	**257**	58,234,625,428	3,642
31 March	**65,012,501,146**	**4,054**	61,334,032,162	3,797

Allotted during the year

	Number	Nominal value £m	Proceeds £m
UK share option schemes	12,106,211	1	9
US share option schemes and restricted stock awards	63,174,870	5	61
Total for share option schemes and restricted stock awards	75,281,081	6	70
Scrip dividends	24,740,349	2	–
Shares issued as consideration for the acquisition of interests in:			
Mannesmann AG	58,131,922	4	–
Airtel Móvil S.A.	3,097,446,624	216	–
Swisscom Mobile SA	422,869,008	29	–
	3,678,468,984	**257**	**70**

At 31 March 2000, 30,141,094,250 ordinary shares of $0.10 each had been issued to shareholders of Mannesmann AG, following the receipt of valid acceptances of the Company's Offer representing approximately 98.62% of the issued share capital and approximately 99.72% of Convertible Bonds in issue. Between 1 April 2000 and 31 August 2000 a further 58,131,922 ordinary shares were issued to shareholders of Mannesmann AG which, together with other stake increases, has increased the Group's interest in the company to 98.826% of its issued share capital.

On 29 December 2000, the Group completed its acquisition of a total of 4,061,948 shares in Airtel Móvil S.A., representing approximately 52.1% of the issued share capital. In consideration for their shareholdings the Company issued 3,097,446,624 new ordinary shares to the transferring shareholders.

Following the receipt of regulatory approvals and the agreement of Swisscom AG's shareholders, the acquisition of a 25% equity interest in Swisscom Mobile SA was completed. The Company satisfied the first tranche of consideration by the issue of 422,869,008 ordinary shares and the payment of CHF25 million in cash. The second tranche will be satisfied in ordinary shares or cash, or a combination of both, at the Company's discretion and is payable by March 2002. The deferred consideration of approximately £978m has been disclosed as 'Shares to be issued' within equity shareholders' funds.

In February 1998, the Company established a Qualifying Employee Share Ownership Trust ('QUEST') to operate in connection with the Company's Savings Related Share Option Scheme. The trustee of the QUEST is Vodafone Group Share Trustee Limited, a wholly owned subsidiary of the Company. At 31 March 2001 the trustee held 5,861,959 Vodafone Group ordinary shares. No shares had been issued to the trustee during the year. The market value at 31 March 2001 for the total shareholding of the trustee was £11m. The dividend rights in respect of these shares have been waived. During the year 6,670,405 shares had been transferred to option holders exercising options under the Savings Related Share Option Scheme.

In July 1998, the Company established an Employee Benefit Trust ('EBT') to operate in connection with the Company's Savings Related Share Option Scheme and the executive share schemes. The trustee of the EBT is Vodafone Group Share Schemes Trustee Limited, a wholly owned subsidiary of the Company. A total of 874,656 new ordinary shares have been allotted for use by the EBT during the year, all of which have been transferred to employees exercising options under the relevant share option schemes.

The proceeds of share issues which have not been issued to parties outside the Group have been shown as deductions from the Group profit and loss account reserves.

19 Called up share capital continued

Options

A summary of the options outstanding at 31 March 2001 to subscribe for shares in the Company is provided in the following table.

Range of exercise prices	Total shares/ ADS's under option (millions)	Weighted average period remaining to full vesting (months)	Weighted average exercise price	Exercisable shares/ADSs at 31 March 2001 (millions)	Exercisable shares/ADS's weighted average exercise price
Ordinary shares:					
Vodafone Group Savings Related and Sharesave Schemes					
£0.01 – £1.00	7.6	10	£0.43	–	–
£1.01 – £2.00	6.8	17	£1.27	–	–
£2.01 – £3.00	12.2	34	£2.21	–	–
	26.6			–	
Vodafone Group Executive Schemes					
£0.01 – £1.00	30.4	–	£0.54	29.3	£0.54
£1.01 – £2.00	64.9	3	£1.58	1.7	£1.63
£2.01 – £3.00	67.0	25	£2.68	1.2	£2.69
	162.3			32.2	
Vodafone Group 1999 Long Term Stock Incentive Plan					
£2.01 – £3.00	22.1	27	£2.90	–	–
	22.1			–	
American Depositary Shares:					
AirTouch Communications, Inc. 1993 Long Term Stock Incentive Plan					
$0.01 – $10.00	4.8	–	$7.06	4.8	$7.06
$10.01 – $20.00	18.1	–	$16.31	18.1	$16.31
$20.01 – $30.00	1.1	–	$20.04	1.1	$20.04
$30.01 – $40.00	2.3	–	$34.45	2.3	$34.45
	26.3			26.3	
Vodafone Group 1999 Long Term Stock Incentive Plan					
$40.01 – $50.00	28.0	–	$41.73	27.7	$41.72
$50.01 – $60.00	0.8	2	$55.58	0.6	$54.63
	28.8			28.3	

American Depositary Shares, each representing ten Vodafone Group Plc ordinary shares, are listed on the New York Stock Exchange. Following the merger with AirTouch, some rights to acquire AirTouch Communications, Inc. 1993 Long Term Stock Incentive Plan options were converted into rights to acquire Vodafone Group Plc shares. No further awards will be granted under this scheme.

The Vodafone Group Savings Related and Sharesave Schemes, Vodafone Group Executive Schemes and Vodafone Group Plc 1999 Long Term Stock Incentive Plan are described in the Board's Report to Shareholders on Directors' Remuneration on pages 14 to 22.

A put option has been granted to certain shareholders with an interest of approximately 0.6% in the ordinary share capital of Mannesmann AG. The Company will issue approximately 175,000,000 ordinary shares to the transferring shareholders in consideration for their shares in Mannesmann AG.

Put options have been granted to certain shareholders of Airtel Móvil S.A. for up to 8.43% of the current share capital of Airtel Móvil S.A. If exercised, these options would result in a maximum of 613.8 million Vodafone shares being issued to the transferring shareholders, although at the Company's option the consideration may be satisfied in cash. The maximum number of shares that may be issued as consideration will vary based on movements in the Euro exchange rate.

Details of the Group's share offer in respect of the acquisition of Eircell are included in note 31 – Subsequent events.

20 Reserves

	Share premium account £m	Merger reserve £m	Other reserve £m	Profit and loss account £m
1 April 2000	39,577	96,914	1,120	(575)
Shares issued in respect of the acquisition of Airtel Móvil S.A.	7,699	–	–	–
Shares issued in respect of the acquisition of an interest in Swisscom Mobile SA	811	–	–	–
Other allotments of shares	202	–	–	–
Loss for the financial year	–	–	–	(10,650)
Goodwill transferred to the profit and loss account in respect of business disposals	–	–	–	1
Currency translation	–	–	–	5,197
Transfer in respect of issue of shares to employee trusts (note 19)	5	–	–	(5)
Transfer to profit and loss account	–	–	(96)	96
Scrip dividends	(2)	–	–	67
31 March 2001	**48,292**	**96,914**	**1,024**	**(5,869)**

The currency translation movement includes a loss of £518m (2000 – gain of £316m) in respect of foreign currency net borrowings.

For acquisitions prior to 1 April 1998, the cumulative goodwill written off to reserves, net of the goodwill attributed to business disposals, was £1,193m at 31 March 2001 (2000 – £1,194m). See notes 8 and 10 for details of the movement.

21 Non-equity minority interests

Non-equity minority interests of £1,129m (2000 – £1,004m) comprise £1,125m (2000 – £1,000m) of Class D & E Preferred Shares issued by Vodafone Americas Asia Inc. and £4m (2000 – £4m) non-cumulative redeemable preference shares issued by Vodafone Pacific Limited.

The aggregate redemption value of the Class D & E Preferred Shares, on which annual dividends of $51.43 per share are payable quarterly in arrears, is $1.65 billion. The holders of the Preferred Shares are not entitled to vote unless their dividends are in arrears and unpaid for six quarterly dividend periods, in which case holders can vote for the election of two directors. The maturity date of the 825,000 Class D Preferred Shares is 6 April 2020, although they may be redeemed at the option of the company, in whole or in part, after 7 April 2018. The 825,000 Class E Preferred Shares have a maturity date of 7 April 2018 with no early redemption. The Preferred Shares have a redemption price of $1,000 per share plus all accrued and unpaid dividends.

The holders of the shares issued by Vodafone Pacific Limited have the right to vote and receive such dividend as the directors declare, subject to a pre-defined limit on the amount of that dividend. These shares are redeemable by either the company or the holder of the share under certain circumstances and are generally not entitled to any participation in the profits or assets of the company other than as prescribed. These securities rank in priority to all other classes of share issued by the company as regards return of capital.

22 Acquisitions and disposals

The Group has undertaken a number of transactions during the year including completion of the acquisition of Mannesmann AG, contribution of the Group's US cellular operations to Verizon Wireless, the acquisition of a controlling interest in Airtel Móvil S.A. and the acquisition of a 25% interest in Swisscom Mobile SA.

The total goodwill capitalised in respect of transactions completed during the year has been provisionally assessed to be £112,721m of which £87,171m, £25,536m and £14m is in respect of subsidiary undertakings, associated undertakings and customer bases respectively.

Further details of these transactions are given below.

Acquisition of Mannesmann AG

On 12 April 2000, the Group received approval from the European Commission for the acquisition of Mannesman AG. Among the interests held by Mannesmann AG were majority stakes in the German mobile operator, Mannesmann Mobilfunk GmbH ("D2 Vodafone") and the Italian mobile operator, Omnitel Pronto Italia S.p.A. ("Omnitel Vodafone"). Prior to the acquisition of Mannesmann AG, the Group held interests in D2 Vodafone and Omnitel Vodafone of approximately 34.8% and 21.6%, respectively, and these were accounted for as associated undertakings. In accordance with Financial Reporting Standard 2, "Accounting for Subsidiary Undertakings", and in order to give a true and fair view, purchased goodwill has been calculated as the sum of the goodwill arising on each stake increase in D2 Vodafone and Omnitel Vodafone, being the difference at the date of each purchase between the fair value of the consideration given and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from the statutory method, under which goodwill is calculated as the difference between cost and fair value on the date that D2 Vodafone and Omnitel Vodafone became subsidiary undertakings. The statutory method would not give a true and fair view because it would result in the Group's share of D2 Vodafone's and Omnitel Vodafone's retained reserves, during the period that they were associated undertakings, being recharacterised as goodwill. The effect of this departure is to increase retained profits, and purchased goodwill, by £49m.

22 Acquisitions and disposals continued

The table below sets out details of the acquisition of Mannesmann AG which has been accounted for as an acquisition.

	At acquisition[1] £m	Assets held for resale[2] £m	Accounting policy conformity £m	Revaluations[3] £m	Fair value £m
Fixed assets					
Intangible fixed assets	1,060	–	(1,060)[4]	–	–
Tangible fixed assets	3,091	–	485[5]	254[6]	3,830
Investments in associated undertakings	665	–	(648)[7]	–	17
Other investments	13	–	76[8]	301[9]	390
Current assets					
Stocks	173	–	–	1	174
Debtors	2,655	–	196[10]	(962)[11]	1,889
Assets held for resale	–	30,222	–	–	30,222
Cash at bank and in hand	576	–	–	–	576
Current liabilities					
Overdrafts	(41)	–	–	–	(41)
Short term borrowings	(6,937)	–	19	–	(6,918)
Other creditors due within one year	(3,648)	–	42	(482)[11]	(4,088)
Long term liabilities					
Long term borrowings	(7,776)	–	(153)[12]	1,761[13]	(6,168)
Provisions for liabilities and charges	(258)	–	(6)	–	(264)
Net (liabilities)/assets	(10,427)	30,222	(1,049)	873	19,619
Minority interests					(549)
Share of net assets previously held as investments in associated undertakings					(662)
Goodwill[14]					83,028
Consideration					101,436
Consideration satisfied by:					
Ordinary shares					101,366
Other (including acquisition costs)					70
					101,436

Notes

1. Excludes those operations that have been subsequently sold.
2. Assets held for resale represent the anticipated net sale proceeds of businesses that have been subsequently sold, or held as current asset investments at 31 March 2001.
3. The revaluations are provisional and may be subject to adjustment in the year ending 31 March 2002.
4. Elimination of acquired intangibles, including goodwill.
5. Restatement of certain tangible fixed asset carrying values in accordance with UK GAAP.
6. Revaluation of certain tangible fixed assets to fair value.
7. Restatement of carrying value of associated undertakings in accordance with UK GAAP.
8. Reclassification of associated undertaking to trade investments.
9. Revaluation of trade investments to fair value.
10. Primarily the recognition of a deferred tax asset in accordance with UK GAAP.
11. Revaluation of certain working capital balances to fair value.
12. Restatement of long term borrowings in accordance with UK GAAP.
13. Revaluation of long term borrowings to fair value.
14. The total goodwill of £83,028m derived above has been allocated as £79,426m in respect of subsidiary undertakings and £3,602m for associated undertakings.

Impact on cash flows

The acquired Mannesmann businesses contributed £2,863m to the Group's net operating cash flows, received £53m in respect of returns on investments and servicing of finance, paid £841m in respect of taxation, utilised £8,188m for investing activities and contributed £26,358m from acquisitions and disposals.

22 Acquisitions and disposals continued

Pre-acquisition results of Mannesmann AG

The summarised profit and loss accounts of Mannesmann AG, prepared under German GAAP, for the years ended 31 December 1999 (translated at the average exchange rate for the year of £1 = €1.524) and 31 December 1998 (translated at the exchange rate on 31 December 1998 of £1 = €1.416) are given below. The accounts for the 12 months ended 31 December 1999 are the last consolidated accounts prepared by the company prior to the acquisition on 12 April 2000.

	Year ended 31 December 1999 £m	Year ended 31 December 1998 £m
Net sales	15,264	13,464
Cost of sales	(10,369)	(9,396)
Gross profit	4,895	4,068
Research and development expenditure	(460)	(431)
Selling expenses	(1,995)	(1,537)
General administrative expenses	(972)	(821)
Other operating income	578	534
Other operating expenses	(763)	(768)
Net income from equity investments	77	99
Value adjustments to financial assets and short-term investments	(3)	(30)
Net interest	(341)	(136)
Result from ordinary activities	1,016	978
Extraordinary result	(138)	24
Taxes on profit	(552)	(557)
Net profit for the year	326	445
Minority interests in profit	(379)	(194)
Minority interests in loss	117	88
Changes in revenue reserves	283	(171)
Profit available for distribution	347	168

A consolidated profit and loss account for Mannesmann AG for the period from 1 January 2000 to 12 April 2000 was not prepared by the company. In order to provide information which highlights the impact of the acquisition of Mannesmann AG on the continuing activities of the Group, aggregated pro forma financial information is presented below for the acquired operations, excluding businesses held for resale on acquisition.

	Aggregated pro forma results for the period from 1 January 2000 to 12 April 2000 £m
Turnover	2,079
Operating profit	641

Disposals of businesses acquired with Mannesmann AG

Following the acquisition of Mannesmann AG, the Group has agreed the sale of certain acquired businesses including Orange plc, Atecs Mannesmann AG, Mannesmann's watches and tubes businesses, Infostrada S.p.A., tele.ring Telekom Service GmbH and Ipulsys. In accordance with Financial Reporting Standard 7, "Fair Values in Acquisition Accounting", the fair value of the Group's investment in these businesses at acquisition has been deemed to equal the value of the subsequent net sale proceeds. The results of these businesses have been excluded from the Group's consolidated profit and loss account for the year and no gain or loss on disposal has been recorded. No ownership interests in these businesses have been retained by the Group, except in the case of Atecs Mannesmann AG where the Group holds a remaining interest of 50% less two shares over which certain put and call options exist which may be exercised before 31 December 2003. A balancing payment in respect of France Telecom shares received as part of the consideration for the sale of Orange plc is receivable in March 2002 and is held as a current asset investment at 31 March 2001.

Acquisition of an interest in Verizon Wireless

On 21 September 1999, the Group announced an agreement with Bell Atlantic and GTE to combine their US cellular operations to create the largest mobile operator in the United States, Verizon Wireless. The first stage of the transaction, involving the contribution of the US cellular operations of Vodafone and Bell Atlantic was completed on 3 April 2000, with the Group holding an initial stake of 65.1% of Verizon Wireless. Following the completion of the merger of Bell Atlantic and GTE to form Verizon Communications, the second stage of the transaction completed with the contribution of the US cellular operations of GTE to Verizon Wireless on 10 July 2000, reducing the Group's interest to 45%. The Group's assets contributed to the joint venture partnership have been treated as having been disposed, including the attributed goodwill of £19.5 billion, and the Group's interest in the new venture has been accounted for as an acquisition and is included within investments in associated undertakings. The Group also contributed its interest in Primeco Personal Communications LLP to the venture and was required to dispose of certain conflicting properties. No gain or loss has been recorded in the Group's consolidated profit and loss account in respect of the disposal of the US cellular and paging businesses or the disposal of the conflicting properties.

22 Acquisitions and disposals continued

The net assets contributed to Verizon Wireless were as follows:

	£m
Intangible fixed assets	18,329
Tangible fixed assets	2,755
Investments in joint ventures	2,543
Investments in associated undertakings	61
Other investments	1
Net current assets	586
Long term borrowings	(2,500)
Minority interests	(68)
Net assets	21,707
Proceeds on disposal of conflicted properties and interests in fixed assets	(1,898)
	19,809

The share of assets/(liabilities) acquired on formation of Verizon Wireless were:

	Book value at acquisition £m	Accounting policy conformity £m	Revaluations[1] £m	Fair value at acquisition £m
Fixed assets	14,152	(11,245)[2]	(262)[3]	2,645
Current assets	890	–	(26)[4]	864
Liabilities due within one year	(1,601)	–	(9)[4]	(1,610)
Liabilities due after more than one year	(2,643)	686[5]	–	(1,957)
Minority interests	(112)	–	–	(112)
	10,686	(10,559)	(297)	(170)
Goodwill				19,979
Cost of investment in Verizon Wireless				19,809

Notes

1. The revaluations are provisional and may be subject to adjustment in the year ending 31 March 2002.
2. Elimination of acquired intangibles, including goodwill, of £11,209m and capitalised interest in tangible fixed assets of £36m.
3. Revaluation of certain tangible fixed assets to fair value.
4. Revaluation of certain current assets and liabilities to fair value.
5. Restatement of deferred tax liabilities.

Pre-acquisition results of Verizon Wireless

Verizon Wireless was formed on 3 April 2000 and therefore pre-acquisition results cannot be provided. In order to illustrate the effects on the Group's profit and loss account of the formation of the partnership, the following unaudited pro forma financial information is provided for the year ended 31 March 2000. This information is based on the unaudited results of the Group's contributed businesses for the year ended 31 March 2000, the unaudited results of the Cellco partnership (comprising Bell Atlantic and GTE) for the year ended 31 December 1999 and the unaudited results of Primeco Personal Communications, LLP, for the year ended 31 December 1999.
The Group's share of results as shown below have been adjusted to conform materially to the Group's accounting policies under UK GAAP. The pro forma financial information does not include any amounts for taxation.

	Year ended 31 March 2000 £m
Share of:	
Operating profit	748
Disposal of fixed asset investments	2
Interest payable	(180)
Profit on ordinary activities	570
Minority interests	(34)
Profit for the financial year	536

22 Acquisitions and disposals continued

Acquisition of Airtel Móvil S.A.

On 29 December 2000, approval was received from the European Commission for the acquisition of 52.1% of Airtel Móvil S.A. The acquisition increased the Group's stake in Airtel Móvil S.A. to 73.8%. Prior to the acquisition of this additional stake, the Group's interest of 21.7% was accounted for as an associated undertaking. As described on page 47, the piecemeal approach to calculating goodwill has been adopted in accordance with Financial Reporting Standard 2. Adopting the statutory method would not give a true and fair view because it would result in the Group's share of retained reserves, during the period that Airtel Móvil S.A. was an associated undertaking, being recharacterised as goodwill. The effect of this departure is to increase retained profits, and purchased goodwill, by £57m. The table below sets out the details of the acquisition which has been accounted for as an acquisition.

	At acquisition £m	Accounting policy conformity £m	Revaluations [1] £m	Fair value £m
Intangible fixed assets	374	(270) [2]	–	104
Tangible fixed assets	1,010	–	–	1,010
Cash at bank and in hand	7	–	–	7
Other net current liabilities	(130)	–	1 [3]	(129)
Short term borrowings	(268)	–	–	(268)
Long term borrowings	(372)	–	–	(372)
Net assets	621	(270)	1	352
Minority interests				(92)
Share of net assets previously held as investments in associated undertakings				(85)
Goodwill				7,740
Consideration – Vodafone Group ordinary shares				7,915

Notes

1. The revaluations are provisional and may be subject to adjustment in the year ending 31 March 2002.
2. Elimination of certain acquired intangibles, including goodwill.
3. Net fair value adjustment in respect of working capital balances.

Impact on cash flows

Airtel contributed £135m to the Group's net operating cash flows, paid £9m in respect of returns on investments and servicing of finance, paid £5m in respect of taxation and utilised £70m for investing activities, following the Group's acquisition.

Pre-acquisition results of Airtel Móvil S.A.

The profit after tax of Airtel Móvil S.A. for the years ended 31 December 2000 and 31 December 1999 was £167m and £97m, respectively, prepared under Spanish GAAP and translated at the average exchange rates for the years of £1 = ESP273.66 and £1 = ESP252.66, respectively.

Other acquisitions

The Group undertook a number of other acquisitions during the year as summarised below:

	Consideration £m	Fair value of net assets acquired £m	Goodwill capitalised £m
Swisscom Mobile SA	1,828	57	1,771
Other	84	(119)	203
	1,912	(62)	1,974

The goodwill has been allocated as follows:

Subsidiary undertakings	5
Customer bases	14
Associated undertakings	1,955
	1,974

The Group completed the acquisition of a 25% interest in Swisscom Mobile SA for a total consideration of £1,828m. The consideration will be settled in two tranches. The first tranche was settled with the issue of new ordinary shares with a value of £840m and £10m in cash. The second tranche of approximately £978m will be satisfied in ordinary shares or cash, or a combination of both, at the Group's discretion and is payable by March 2002. The share of net assets acquired is provisionally calculated as £57m, resulting in goodwill of £1,771m, and no significant fair value adjustments have been made.

Other acquisitions include the purchase of a further stake in the UK service provider, Uniqueair, the acquisition of an interest in Mobitel, a Greek service provider, and further fair value adjustments made in the year in respect of the AirTouch Communications, Inc. transaction in the prior year which have revised the provisional value of goodwill from £40,968m to £41,102m.

23 Leased assets

Operating leases

Commitments to non-cancellable operating lease payments within one year are as follows:

	2001		2000	
In respect of leases expiring:	**Land and buildings £m**	**Other assets £m**	Land and buildings £m	Other assets £m
Within one year	**59**	**214**	29	145
Between two and five years	**50**	**28**	71	60
After five years	**73**	**27**	118	35
	182	**269**	218	240

Finance leases

Tangible fixed assets at 31 March 2001 include the following amounts in respect of finance leases:

	Equipment, fixtures and fittings £m	Network infra-structure £m	Total £m
Cost	19	373	392
Accumulated depreciation	(19)	(148)	(167)
Net book value	**–**	**225**	**225**
31 March 2000			
Net book value	3	144	147

Liabilities under leases for network infrastructure assets, with an original cost of £226m and net book value at 31 March 2001 of £89m, have been unconditionally satisfied by call deposits and other assets, trust deed and set-off arrangements. Accordingly, lease liabilities and the corresponding financial assets in respect of these network infrastructure assets are not included in the Group's balance sheet.

24 Capital commitments

	2001 £m	2000 £m
Tangible and intangible fixed asset expenditure contracted for but not provided	**861**	442

Details of business acquisitions completed after 31 March 2001 are included in note 31 – Subsequent events.

25 Contingent liabilities

	2001 £m	2000 £m
Guarantees and indemnities of bank or other facilities including those in respect of the Group's joint ventures, associated undertakings and investments	**1,339**	1,155

Guarantees and indemnities include £1,221m in respect of a letter of indemnity provided by the Company, in September 1999, and subsequently extended, to a co-investor in certain operating companies in which the Group has equity interests. The co-investor has provided the lending institutions to the operating companies with certain credit support documents, which are not legally binding obligations on the co-investor.

26 Analysis of cash flows

Net cash inflow from operating activities

	2001 £m	2000 £m
Operating (loss)/profit	**(6,439)**	981
Exceptional items	**176**	30
Depreciation	**1,593**	746
Amortisation of goodwill	**9,585**	674
Amortisation of other intangible fixed assets	**24**	12
	4,939	2,443
Decrease/(increase) in stocks	**15**	(65)
Increase in debtors	**(350)**	(271)
Increase in creditors	**67**	433
Payments in respect of exceptional items	**(84)**	(30)
	4,587	2,510

Net cash outflow for returns on investments and servicing of finance

	2001 £m	2000 £m
Interest received	**296**	57
Termination of hedging instruments	**901**	–
Dividends from investments	**102**	–
Interest paid	**(1,254)**	(370)
Interest element of finance leases	**(11)**	–
Dividends paid to minority shareholders in subsidiary undertakings	**(81)**	(93)
	(47)	(406)

Net cash outflow for capital expenditure and financial investment

	2001 £m	2000 £m
Purchase of intangible fixed assets	**(13,163)**	(185)
Purchase of tangible fixed assets	**(3,698)**	(1,848)
Purchase of investments	**(3,254)**	(17)
Disposal of interests in tangible fixed assets	**275**	294
Disposal of investments	**513**	991
Loans to joint ventures	**(85)**	–
Loans repaid by associated undertakings	**5**	9
Loans to acquired businesses held for sale	**(1,509)**	–
Loans repaid by acquired businesses held for sale	**1,905**	–
	(19,011)	(756)

Net cash inflow/(outflow) from acquisitions and disposals

	2001 £m	2000 £m
Purchase of subsidiary undertakings	**(219)**	(4,062)
Net cash acquired with subsidiary undertakings	**542**	4
Proceeds on formation of joint venture	**2,544**	-
Purchase of interests in associated undertakings	**(79)**	(717)
Purchase of customer bases	**(15)**	(9)
Disposal of interests in joint ventures and associated undertakings	**1,878**	28
Disposal of acquired businesses held for sale	**26,002**	-
	30,653	(4,756)

Net cash outflow for returns on investments and servicing of finance includes exceptional cash inflows of £261m in respect of the termination of the Infostrada hedge transaction (note 3) and £640m realised from the closure of interest and currency swap instruments.

Material non-cash transactions during the year comprise the issue of new ordinary shares in relation to increased ownership interests in Mannesmann AG, the acquisition of a controlling shareholding in Airtel Móvil S.A. in December 2000 and the acquisition of a minority interest in Swisscom Mobile SA in March 2001. In addition, the formation of Verizon Wireless in April 2000 involved the contribution of the Group's US wireless assets to a US partnership. Further details of these transactions are included in notes 19 and 22.

27 Analysis of net debt

	1 April 2000 £m	Cash flow £m	Acquisitions (excluding cash & overdrafts) £m	Other non-cash changes & exchange movements £m	**31 March 2001 £m**
Liquid investments	30	7,541	–	22	**7,593**
Cash at bank and in hand	159	(98)	–	7	**68**
Bank overdrafts	(43)	43	–	(5)	**(5)**
	116	(55)	–	2	**63**
Debt due within one year (other than bank overdrafts)	(751)	4,765	(7,167)	(443)	**(3,596)**
Debt due after one year	(6,038)	2,026	(6,406)	(212)	**(10,630)**
Finance leases	–	9	(153)	(8)	**(152)**
	(6,789)	6,800	(13,726)	(663)	**(14,378)**
	(6,643)	14,286	(13,726)	(639)	**(6,722)**

Cash flows in respect of the Commercial Paper programme are shown net within cash outflows from debt financing.

28 Directors

Aggregate emoluments of the directors of the Company were as follows:

	2001 £000	2000 £000
Salaries and fees	**4,332**	3,422
Bonuses	**11,000**	695
Incentive schemes	**2,402**	2,468
Other benefits	**558**	194
Compensation for loss of office	**10,272**	–
	28,564	6,779

Aggregate gains on the exercise of share options in the year to 31 March 2001 by serving directors were £6,330,000 (2000 – £93,910,000) and by former directors were £1,999,000 (2000 – £Nil).

More detailed information concerning directors' remuneration, compensation for loss of office, payments to former directors, pension benefits, incentive schemes, share options and interests in shares is shown in the Board's Report to Shareholders on Directors' Remuneration on pages 14 to 22.

Following approval by the Board, on 19 June 2000 Vodafone Americas Asia Inc. (formerly AirTouch Communications, Inc.), a subsidiary undertaking of the Company, entered into an agreement for the sale of a Gulfstream III aircraft to Salt Aire Associates, LLC and Mill Creek Systems, LLC. The price agreed by the Board for the sale of the aircraft was $10m based on three independent market valuations at the time of sale. The sole member of Salt Aire Associates, LLC is the Ginn 1985 Family Trust and Sam Ginn, who was Chairman of the Company until his resignation on 23 May 2000, is a trustee and beneficiary of the Trust. There were no other material transactions during the year involving directors or former directors of the Company.

29 Employees

The average number of persons employed by the Group during the year was:	**2001 Number**	2000 Number
Operations	**13,963**	9,058
Selling and distribution	**10,642**	5,484
Administration	**28,720**	14,923
	53,325	29,465

The cost incurred in respect of these employees (including directors) was:	**2001 £m**	2000 £m
Wages and salaries	**1,408**	774
Social security costs	**113**	65
Other pension costs	**47**	42
	1,568	881

30 Pensions

The Group operates a number of pension plans for the benefit of its employees throughout the world, which vary with conditions and practices in the countries concerned. The pension plans are provided through defined benefit or defined contribution arrangements. Defined benefit schemes provide pensions based on the employees' length of pensionable service and their final pensionable salary. Defined contribution schemes offer employees individual funds that are converted into pension benefits at the time of retirement.

For non-UK employees the Group provides, in most cases, defined contribution schemes. For employees in the UK and certain businesses acquired as part of the Mannesmann acquisition, the Group generally provides defined benefit schemes.

Defined benefit schemes

United Kingdom

The UK scheme is a funded scheme subject to a triennial valuation by independent actuaries. The assets of the scheme are held in separate trustee administered funds. The last formal valuation was carried out as at 1 April 1998. The valuation used the projected unit funding method of valuation in which allowance is made for projected earnings growth. The triennial formal valuations are supplemented by annual reviews by independent actuaries.

At 1 April 1998, the market value of the three principal schemes was £98m and their actuarial value was sufficient to cover 87.6% of the benefits accrued to members calculated on an ongoing basis, and 99.4% of accrued benefits based on the Minimum Funding Requirement basis. The deficiency is dealt with by payment of contributions at the rate advised by the actuary.

The main assumptions used in the last valuations were that the average long term rate of return earned by the scheme assets would be 8.5% and that this will exceed the general rate of salary growth by between 0.5% and 1.5% per annum, and that equity dividend growth would be 4.5% per annum.

The three UK defined benefit pension schemes were merged on 1 April 1999 to form the Vodafone Group Pension Scheme. The Vodafone Group Pension Scheme will be subject to a full valuation at 1 April 2001, the results of which will be available to the Trustee later in the year. These results will be made available in next year's report.

The pension cost for this year amounted to £23m (2000 – £17m). A net prepayment of £24m (2000 – £17m) is included in debtors due after more than one year and represents the excess of the amounts funded over accumulated pension costs.

Germany

The Group's pension obligations in relation to employees in Germany are not generally funded with any shortfall in external funding being accrued within provisions. At 31 March 2001, the scheme provided benefits for approximately 16,000 participants.

The last formal valuation of the German scheme was prepared at 1 April 2001 by independent actuaries using the projected unit funding method of valuation. The total pension liability was £140m and the market value of the scheme's assets amounted to £7m representing a percentage cover of accrued benefits for members of 5.3%.

The main assumptions used in the valuation were that salaries would increase at an average of 4% per annum, wages would increase at 2.5% per annum and pension payments would increase by 2% per annum. The discount rate used was 6.5%.

The pension cost for the year amounted to £14m. A provision of £136m is included in provisions for liabilities and charges.

Defined contribution schemes

The pension cost for the year was £10m (2000 – £25m). The decrease this year is primarily in respect of contributions charged in the year ended 31 March 2000 in relation to the AirTouch defined contribution plan which was transferred to Verizon Wireless during the year.

31 Subsequent events

On 4 April 2001, the Group completed its acquisition of a 34.5% stake in Grupo Iusacell, S.A. de C.V., for a cash consideration of $973 million.

On 12 April 2001, following the second payment of Yen 125.1 billion (£0.7 billion), the acquisition of a 15% stake in Japan Telecom from West Japan Railway Company and Central Japan Railway Company was completed. The initial payment of Yen 124.6 billion (£0.7 billion) for 7.5% of the 15% interest being acquired was made on 31 January 2001. On 26 April 2001, the Group completed the acquisition of a further 10% stake in Japan Telecom from AT&T for a cash consideration of $1.35 billion (£0.9 billion).

On 2 May 2001, the Group announced that it had agreed to acquire BT's ownership interests in Japan Telecom and the J-Phone Group for a cash consideration of £3.7 billion, assuming the exercise by BT of its option over shares in the operating subsidiaries of the J-Phone Group, and the acquisition of BT's 17.8% shareholding in Airtel Móvil S.A. for a cash consideration of £1.1 billion. The acquisition of BT's interests in Japan Telecom and the J-Phone Group is conditional upon regulatory approvals and procedural requirements under agreements to which BT is a party and the exercise of certain options by BT. The Airtel transaction is conditional upon EU regulatory approval. Neither transaction is conditional upon the other.

In an offering on 2 May 2001, the Company raised approximately £3.5 billion through the issue of 1.825 billion new Vodafone ordinary shares at 194p per share (equivalent to $27.83 per ADS, representing ten Vodafone ordinary shares). The new Vodafone shares issued represented approximately 2.8% of Vodafone's issued ordinary share capital prior to the offering.

On 8 May 2001, the Group announced that agreement had been reached to sell its 100% equity stake in the Austrian telecommunications company, tele.ring Telekom Service GmbH. The transaction is subject to regulatory approval.

On 21 December 2000, eircom plc announced the proposed demerger of eircom plc's mobile communications business, Eircell, to a new company, called Eircell 2000, and Vodafone announced a separate offer for the entire share capital of Eircell 2000. Eircell is the leading provider of mobile communications in Ireland, with over 1.5 million customers at 31 March 2001. At the date it was launched, the offer valued Eircell at approximately €3.6 billion, including the assumption of €250 million of net debt. The offer was declared unconditional on 14 May 2001 following the receipt of valid acceptances representing approximately 79.6% of the total shareholding in Eircell. The offer remained open for acceptance until 27 May 2001 and, in accordance with the Articles of Association of Eircell, all shareholders were deemed to have accepted the offer at that date.

	Note	2001 £m	2000 £m
Fixed assets			
Investments	32	**103,658**	55,416
Current assets			
Debtors	33	**24,180**	7,554
Cash at bank and in hand		**4**	-
		24,184	7,554
Creditors: amounts falling due within one year	34	**(65,843)**	(11,610)
Net current liabilities		**(41,659)**	(4,056)
Total assets less current liabilities		**61,999**	51,360
Creditors: amounts falling due after more than one year	35	**(5,263)**	(4,694)
		56,736	46,666
Capital and reserves			
Called up share capital	19	**4,054**	3,797
Share premium account	20	**48,292**	39,577
Capital reserve		**88**	88
Other reserve	20	**1,024**	1,120
Profit and loss account	36	**2,300**	2,084
Shares to be issued	19	**978**	-
Total equity shareholders' funds		**56,736**	46,666

C C GENT Chief Executive

K J HYDON Financial Director

29 May 2001

32 Fixed asset investments

	Subsidiary undertakings £m	Joint ventures £m	Associated undertakings £m	Other investments £m	Total £m
Cost					
1 April 2000	53,552	–	16	1,848	55,416
Exchange movements	–	–	(1)	–	(1)
Additions	50,010	–	–	720	50,730
Transfers	1,848	–	–	(1,848)	–
Disposals	(1,848)	–	(4)	(720)	(2,572)
Loans to joint ventures	–	85	–	–	85
31 March 2001	**103,562**	**85**	**11**	**–**	**103,658**

Loans to joint ventures and associated undertakings included above amounted to £85m and £11m, respectively, at 31 March 2001 (2000 – £Nil and £16m). The Company's subsidiary and associated undertakings, joint ventures and other investments are detailed on pages 59 and 60.

33 Debtors

	2001 £m	2000 £m
Due within one year:		
Amounts owed by subsidiary undertakings	**23,947**	7,455
Group relief receivable	**–**	37
Other debtors	**115**	62
	24,062	7,554
Due after more than one year:		
Deferred taxation	**118**	–
	24,180	7,554

The deferred tax asset of £118m (2000 – £Nil) is in respect of the closure of derivative instruments. Deferred tax assets not recognised amounted to £37m at 31 March 2001 (2000 – £1m) and arose from other timing differences.

34 Creditors: amounts falling due within one year

	2001 £m	2000 £m
Bank loans, other loans and overdrafts	**3,376**	12
Commercial paper	**4**	703
Amounts owed to subsidiary undertakings	**61,872**	10,224
Amounts owed to associated undertakings	**1**	–
Taxation	**31**	1
Other creditors	**66**	7
Accruals and deferred income	**29**	246
Proposed dividend	**464**	417
	65,843	11,610

vodafone

35 Creditors: amounts falling due after more than one year

	2001 £m	2000 £m
Other loans	**4,835**	4,694
Accruals and deferred income	**428**	–
	5,263	4,694

	2001 £m	2000 £m
Other loans are repayable as follows:		
Between one and two years	**–**	305
Between two and five years	**2,402**	1,337
After five years	**2,433**	3,052
	4,835	4,694

Other loans include £248m (2000 – £248m) of sterling bonds with a coupon rate of 7.5%, £928m (2000 – £893m) of eurobonds with a coupon rate of 5.75%, and £1,226m (2000 – £1,089m), £1,917m (2000 – £1,702m) and £516m (2000 – £459m) of US Dollar bonds with coupon rates of 7.625%, 7.75% and 7.875%, respectively. The bonds are repayable in 2004, 2006, 2005, 2010 and 2030, respectively.

36 Profit and loss account

	£m
1 April 2000	2,084
Retained profit for the year	53
Transfer to the profit and loss account in relation to unvested option consideration	96
Scrip dividends	67
31 March 2001	**2,300**

In accordance with the exemption allowed by section 230 of the Companies Act 1985 no profit and loss account has been presented by the Company. The profit for the financial year dealt with in the accounts of the Company is £940m (2000 – £1,145m).

37 Contingent liabilities

	2001 £m	2000 £m
Guarantees and indemnities of bank or other facilities of associated undertakings and investments	**1,223**	979

Guarantees and indemnities include £1,221m in respect of a letter of indemnity provided by the Company, in September 2000 and subsequently extended, to a co-investor in certain operating companies in which the Group has equity interests. Further details are included in note 25.

Principal subsidiary undertakings

Vodafone Group Plc had at 31 March 2001 the following subsidiary undertakings carrying on businesses which principally affect the profits and assets of the Group. They all have the same year end date as the Company and have been included in the Group consolidation.

Unless otherwise stated Vodafone Group Plc'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	Activity	Country of incorporation or registration	Percentage[1] shareholdings
Airtel Móvil S.A.	Cellular network operator	Spain	73.8
Europolitan Holdings AB	Holding company for cellular network operator	Sweden	71.1
Libertel NV	Cellular network operator and service provider	Netherlands	70.0
Mannesmann AG	Holding company	Germany	98.8
Mannesmann Arcor AG & Co KG	Fixed line operator	Germany	72.8
Mannesmann Mobilfunk GmbH	Cellular network operator	Germany	99.2
Misrfone Telecommunications Company SAE	Cellular network operator	Egypt	60.0
Omnitel Pronto Italia S.p.A.	Cellular network operator	Italy	76.1
Panafon Hellenic Telecommunications Company S.A.	Cellular network operator and telecommunications company	Greece	55.0
Telecel Comunicacoes Pessoais S.A.	Cellular network operator	Portugal	50.9
Vodafone Americas Asia Inc.[2]	Holding company	USA	100.0
Vodafone Deutschland GmbH	Holding company	Germany	100.0
Vodafone Europe B.V.	Holding company	Netherlands	100.0
Vodafone Finance Limited[3]	Financial trading company	England	100.0
Vodafone International B.V.	Holding company	Netherlands	100.0
Vodafone International Holdings B.V.	Holding company	Netherlands	100.0
Vodafone International Inc.	Holding company	USA	100.0
Vodafone Limited	Cellular network operator	England	100.0
Vodafone Malta Limited	Cellular network operator	Malta	80.0
Vodafone Network Pty Limited	Cellular network operator	Australia	91.0
Vodafone New Zealand Limited	Cellular network operator	New Zealand	100.0
Vodafone Pacific Limited[4]	Licence holder and holding company	Australia	91.0
Vodafone Telecommerce GmbH	Holding company	Germany	98.8
Vodafone UK Limited[3]	Holding company	England	100.0
VRAM Telecommunications Company Limited	Cellular network operator	Hungary	50.1

(1) To nearest tenth of one percent.

(2) Share capital consists of 597,379,729 ordinary shares and 1.65 million Class D and E redeemable preference shares of which 100% of the ordinary shares were held by the Group.

(3) Directly held.

(4) Share capital consists of 1,309,252,000 ordinary shares and 24,798 redeemable preference shares of which 91% of both the ordinary shares and the redeemable preference shares were indirectly held by Vodafone Group Plc. The Company changed its name from Vodafone Pacific Pty Limited on 12 May 2000.

Vodafone Group Plc had, at 31 March 2001, the following principal joint ventures, associated undertakings and investments.

Principal joint ventures

The country of incorporation or registration of the Group's joint venture is also its principal place of operation.

Name	Activity	Percentage shareholding	Latest financial accounts	Country of incorporation or registration
Vizzavi Limited	Internet and mobile data provider	50.0	31.3.01	UK

The Group's investment is subject to an arrangement that confers joint control. The registered or principal office of the company is 80 Strand, London, WC2R 0RJ.

Principal associated undertakings

Vodafone Group Plc'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.

Name	Activity	Percentage(1) shareholding/ partnership interest	Par value of issued equity	Latest financial accounts	Country of incorporation or registration
Belgacom Mobile S.A.	Cellular network operator	25.0	BEF 2.82m	31.12.00 (6)	Belgium
Cellco Partnership (2)	Cellular network operator	45.0	–	31.12.00 (6)	USA
Cegetel Groupe S.A.	Holding and telecommunications company	15.0	€1,432.867m	31.12.00 (6)	France
J-Phone Communications Ltd (3)	Holding company	26.0	Yen 3,200m	31.3.01	Japan
J-Phone Central Co Limited (3),(4)	Cellular network operator	10.0	Yen 16,150m	31.3.01	Japan
J-Phone East Co Limited (3),(4)	Cellular network operator	14.0	Yen 21,176.5m	31.3.01	Japan
J-Phone West Co Limited (3),(4)	Cellular network operator	10.1	Yen 18,876.5m	31.3.01	Japan
Mobifon S.A.	Cellular network operator	20.1	ROL 10,000	31.12.00 (6)	Romania
Polkomtel S.A.	Cellular network operator	19.6	PLN 1,500m	31.12.00 (6)	Poland
RPG Cellular Services Limited	Cellular network operator	20.6	490m Rupees	31.3.01	India
Safaricom Limited	Cellular network operator	40.0	1,000 Shs	31.3.01	Kenya
Société Française du Radiotéléphone S.A. (5)	Cellular network operator	20.0	€964.25m	31.12.00 (6)	France
Swisscom Mobile S.A.	Cellular network operator	25.0	CHF100m	– (7)	Switzerland
Vodacom Group (Pty) Limited	Holding company	31.5	ZAR 100	31.3.01	South Africa
Vodafone Fiji Limited	Cellular network operator	49.0	F$ 6m	31.3.01	Fiji

(1) To nearest tenth of one percent.
(2) Cellco Partnership trades under the name Verizon Wireless. The registered or principal office of the partnership is 180 Washington Valley Road, Bedminster, New Jersey 07921, USA.
(3) The Group also holds an indirect interest in these companies through its investment in Japan Telecom Co., Ltd.
(4) The Group holds a further indirect interest in these companies through its interest in J-Phone Communications Ltd.
(5) The Group also holds an indirect interest in Société Française du Radiotéléphone S.A. through its interest in Cegetel Groupe S.A.
(6) Accounts are drawn up to 31 March 2001 for consolidation in the Group's financial statements.
(7) The first financial year of Swisscom Mobile SA is for the period to 31 December 2001.

Principal investments

The shareholdings in investments consist solely of ordinary shares and are indirectly held. The principal country of operation is the same as the country of incorporation or registration.

Name	Activity	Percentage(1) shareholding	Country of incorporation or registration
Atecs Mannesmann AG (2)	Engineering and automotive products	50.0	Germany
China Mobile (Hong Kong) Limited (3)	Cellular network operator	2.2	China
Japan Telecom Co., Ltd (4)	Holding and telecommunications company	7.5	Japan
Shinsegi Telecom, Inc	Cellular network operator	11.7	Korea

(1) To nearest tenth of one percent.
(2) The Group has not consolidated or equity accounted for its ownership interest in Atecs Mannesmann AG during the year since the rights conferred by the Group's shareholding do not satisfy the definitions of a subsidiary or associated undertaking under UK GAAP.
(3) China Mobile (Hong Kong) Limited is listed on the Hong Kong and New York stock exchanges and is incorporated under the laws of Hong Kong.
(4) Japan Telecom Co., Ltd is listed on the Tokyo stock exchange.

Full details of all subsidiary undertakings, joint ventures, associated undertakings and investments will be attached to the Company's Annual Return, to be filed with the Registrar of Companies.

The following is a summary of the effects of the differences between US Generally Accepted Accounting Principles ("US GAAP") and UK Generally Accepted Accounting Principles ("UK GAAP") that are significant to Vodafone Group Plc. The principles are set out on pages 62 and 63. For convenience, a translation of the pounds sterling amounts into US dollars is provided based on the exchange rate at 31 March 2001 of £1 = $1.42.

	2001 $m	2001 £m	2000 £m
Revenues as reported in accordance with UK GAAP	**21,306**	**15,004**	7,873
Items decreasing revenues:			
Non-consolidated subsidiaries	**(4,841)**	**(3,409)**	–
Deferral of connection revenues	**(699)**	**(492)**	–
Revenues in accordance with US GAAP	**15,766**	**11,103**	7,873

	2001 $m	2001 £m	2000 £m
Net (loss)/income as reported in accordance with UK GAAP	**(13,863)**	**(9,763)**	487
Items (increasing)/decreasing net loss:			
Goodwill and other intangibles amortisation	**(7,516)**	**(5,293)**	(425)
Deferral of connection income	**(77)**	**(54)**	–
Reorganisation costs	**119**	**84**	25
Capitalised interest	**518**	**365**	–
Income taxes	**10,950**	**7,711**	439
Minority interests	**(50)**	**(35)**	35
Other	**(122)**	**(86)**	(8)
Net (loss)/income in accordance with US GAAP	**(10,041)**	**(7,071)**	553
Basic (loss)/earnings per ordinary share in accordance with US GAAP	**(16.34)¢**	**(11.51)p**	2.04p
Diluted (loss)/earnings per ordinary share in accordance with US GAAP	**(16.35)¢**	**(11.52)p**	2.02p

	2001 $m	2001 £m	2000 £m
Shareholders' equity as reported in accordance with UK GAAP	**206,458**	**145,393**	140,833
Items increasing/(decreasing) shareholders' equity:			
Goodwill and other intangibles – net of amortisation	**93,815**	**66,067**	10,283
Fixed asset investments	**–**	**–**	9,054
Deferral of connection income	**(121)**	**(85)**	–
Capitalised interest	**518**	**365**	–
Cumulative deferred income taxes	**(73,053)**	**(51,446)**	(12,334)
Minority interests	**(7,357)**	**(5,181)**	(1,939)
Proposed dividends	**659**	**464**	417
Other	**(78)**	**(55)**	20
Shareholders' equity in accordance with US GAAP	**220,841**	**155,522**	146,334

	2001 $m	2001 £m	2000 £m
Total assets as reported in accordance with UK GAAP	**244,332**	**172,065**	153,368
Items (decreasing)/increasing total assets:			
Non-consolidated subsidiaries	**(4,234)**	**(2,982)**	–
Goodwill and other intangibles – net of amortisation	**93,815**	**66,067**	10,283
Fixed asset investments	**–**	**–**	9,054
Deferral of connection costs	**1,943**	**1,368**	–
Capitalised interest	**518**	**365**	–
Deferred tax asset	**251**	**177**	616
Other	**(132)**	**(93)**	26
Total assets in accordance with US GAAP	**336,493**	**236,967**	173,347

Summary of differences between accounting principles generally accepted in the UK and the US

The consolidated financial statements are prepared in accordance with UK generally accepted accounting principles ("UK GAAP"), which differ in certain material respects from those generally accepted in the US ("US GAAP"). The differences that are material to the Group relate to the following items and the necessary adjustments are shown on page 61.

Non-consolidated subsidiaries

Under UK GAAP, the results and assets of Omnitel Pronto Italia S.p.A. and Airtel Móvil S.A. have been consolidated in the Group's financial statements from 12 April 2000 and 29 December 2000, respectively. Under US GAAP, as a result of the significant participating rights held by minority shareholders, the Group's interests in Omnitel Pronto Italia S.p.A. and Airtel Móvil S.A. have been accounted for as associated undertakings under the equity method of accounting.

Deferral of connection revenues and income

Under Vodafone's UK GAAP accounting policy, connection revenues and related costs are recognised upon activation of a mobile handset on a cellular network. Under US GAAP, connection revenues are recognised over the period that a customer is expected to remain connected to a network. Connection costs directly attributable to the income deferred are recognised over the same period. Where connection costs exceed connection revenues, the excess costs are charged in the profit and loss account immediately upon activation of the handset.

Goodwill and other intangibles

Under UK GAAP, the policy followed prior to the introduction of FRS 10, "Goodwill and Intangible Assets" (which is effective for accounting periods ended on or after December 23, 1998 and was adopted on a prospective basis) was to write off goodwill against shareholders' equity in the year of acquisition. FRS 10 requires goodwill to be capitalised and amortised over its estimated useful economic life. Under US GAAP, intangibles arising on the acquisition of an equity stake would be capitalised and amortised over their useful lives.

Investments in associated undertakings, under US GAAP, can also include an element of goodwill in the amount of the excess investment over the acquirer's share in the fair value of the net assets at the date of the investment. Under UK GAAP, the treatment followed prior to the implementation of FRS 10 was to write off the excess of the purchase consideration over the fair value of the stake in the associated undertaking acquired against shareholders' equity in the year of purchase.

Under UK GAAP and US GAAP the purchase price of a transaction accounted for as an acquisition is based on the fair value of the consideration. In the case of share consideration, under UK GAAP the fair value of such consideration is based on the share price at completion of the acquisition or the date when the transaction becomes unconditional. Under US GAAP the fair value of the share consideration is based on the average share price over a reasonable period of time before and after the proposed acquisition is announced. This will result in a difference in the fair value of the consideration for the acquisition and consequently in the amount of goodwill capitalised and amortised.

Mannesmann was recorded as a fixed asset investment under both UK GAAP and US GAAP at 31 March 2000 as the Group did not have the right to control or the ability to exercise significant influence over Mannesmann prior to receiving European Commission approval on April 12, 2000. As a result of the difference in the determination of the purchase price between UK GAAP and US GAAP, the amount recorded at 31 March 2000 for the investment in Mannesmann was £9,054m greater under US GAAP than under UK GAAP.

Reorganisation costs

Under UK GAAP, costs incurred in reorganising acquired businesses are charged to the profit and loss account as post-acquisition expenses. Under US GAAP, certain of such costs are considered in the allocation of purchase consideration and thereby the determination of goodwill arising on acquisition.

Capitalised interest

Under UK GAAP, the Group's policy is not to capitalise interest costs on borrowings in respect of the acquisition of tangible and intangible fixed assets. Under US GAAP, the interest cost on borrowings used to finance the construction of network assets is capitalised during the period of construction until the date that the asset is placed in service. Interest costs on borrowings to finance the acquisition of licences are also capitalised until the date that the related network service is launched. Capitalised interest costs are amortised over the estimated useful economic lives of the related assets.

Income taxes

Deferred taxation – Under the UK GAAP partial provision method, deferred taxation is only provided where timing differences are expected to reverse in the foreseeable future. For US GAAP, under the liability method, deferred taxation is provided for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at enacted rates expected to be in effect when these amounts are realised or settled.

Tax benefit on option exercises – Under UK GAAP, the tax benefit received on the exercise of share options by employees, being the tax on the difference between the market value on the date of exercise and the exercise price, is shown as a component of the tax charge for the period. Under US GAAP, the tax benefit is shown as a component of paid-in capital on issue of shares.

Minority interests

The adjustments in respect of minority interests relate to provisions for deferred tax which have been recognised for US GAAP purposes by a less than 100% owned subsidiary undertaking.

Other adjustments

Licence fee amortisation – Under UK GAAP, Vodafone has adopted a policy of amortising licence fees in proportion to the expected usage of the network during the start up period and then on a straight line basis. Under US GAAP, licence fees are amortised on a straight line basis from the date that operations commence to the date the licence expires.

Pension costs – Under both UK GAAP and US GAAP pension costs are provided so as to provide for future pension liabilities. However, there are differences in the prescribed methods of valuation, which give rise to GAAP adjustments to the pension cost and the pension prepayment.

Defeasance of liabilities – Under UK GAAP, liabilities which have been unconditionally satisfied by monetary assets placed in trust and other set off arrangements are considered to be extinguished. Under US GAAP, the offsetting of assets and liabilities is generally not allowed and, therefore, the non-recognition of a liability is permissible only if the liability has been legally extinguished.

Capitalisation of computer software costs – Under UK GAAP, costs that are directly attributable to the development of computer software for continuing use in the business, whether purchased from external sources or developed internally, are capitalised. Under US GAAP data conversion costs and costs incurred during the research stage of software projects are not capitalised.

Gain on disposal of fixed assets and fixed asset investments – Under US GAAP, the net gain on disposal of fixed assets and fixed asset investments of £6m and £6m, respectively (2000 – £Nil and £954m) would be included within operating income.

Investments in own shares – Investments in the Company's own shares are included within other fixed asset investments under UK GAAP. US GAAP requires investments in own shares to be shown as a deduction from equity.

Proposed dividends

Under UK GAAP, final dividends are included in the financial statements when recommended by the Board of directors to the shareholders in respect of the results for a financial year. Under US GAAP, dividends are included in the financial statements when declared by the Board of directors.

Equity accounting

UK GAAP requires the investor's share of operating profit or loss, exceptional items and interest income or expense of associated undertakings and joint ventures to be shown separately from those of the Group on the face of the profit and loss account. The charges for interest and taxation for associated undertakings and joint ventures may be aggregated within the Group interest and taxation amounts shown on the face of the profit and loss account, but must be disclosed in the notes to the accounts. The Group's share of the turnover of joint ventures and associated undertakings is also permitted to be disclosed on the face of the profit and loss account. In addition, the Group's share of gross assets and gross liabilities of joint ventures are shown on the face of the consolidated balance sheet. Under US GAAP, the after-tax profits or losses (i.e. operating results after exceptional items, interest and taxation) are included in the income statement as a single line item and the investments in associated undertakings and joint ventures are included in the consolidated balance sheet as a single line item. US GAAP does not permit the Group's share of turnover of joint ventures and associated undertakings to be disclosed on the face of the income statement, nor does it permit the Group's share of gross assets and gross liabilities of joint ventures to be shown on the face of the consolidated balance sheet.

Earnings per ordinary share

Earnings per ordinary share information is calculated based on:

	2001 $m	**2001 £m**	2000 £m
Net (loss)/income in accordance with US GAAP	**(10,041)**	**(7,071)**	553
Weighted average number of ordinary shares in issue	**61,439**	**61,439**	27,100
Basic (loss)/earnings per ordinary share	**(16.34)¢**	**(11.51)p**	2.04p
Diluted weighted average number of ordinary shares	**61,398**	**61,398**	27,360
Diluted (loss)/earnings per ordinary share	**(16.35)¢**	**(11.52)p**	2.02p

The presentation of adjusted basic earnings per share is not permitted under US GAAP.

Pro forma proportionate financial information

The following tables of unaudited pro forma financial information are presented on a proportionate basis. The basis of preparation of pro forma information is given below. Proportionate presentation is not required by UK GAAP and is not intended to replace the consolidated financial statements prepared in accordance with UK GAAP. However, since significant entities in which the Group has an interest are not consolidated, proportionate information is provided as supplemental data to facilitate a more detailed understanding and assessment of the consolidated financial statements prepared in accordance with UK GAAP.

UK GAAP requires consolidation of entities controlled by the Group and the equity method of accounting for entities in which the Group has significant influence but not a controlling interest. Proportionate presentation is a pro rata consolidation, which reflects the Group's share of turnover and expenses in both its consolidated and unconsolidated entities. Proportionate results are calculated by multiplying the Group's ownership interest in each entity by each entity's results.

Proportionate information includes results from the Group's equity accounted investments and investments held at cost. The Group does not have control over the turnover, expenses or cash flow of these investments and is only entitled to cash from dividends received from these entities. The Group does not own the underlying assets of these investments.

Basis of preparation of unaudited pro forma information

Pro forma financial information for the year ended 31 March 2000 has been derived from the audited consolidated financial statements of the Group for the relevant period, the unaudited financial results of AirTouch Communications, Inc. for the three month period ended 30 June 1999 and the unaudited financial results of Mannesmann AG for the year ended 31 March 2000. The financial results of Mannesmann AG for the relevant periods have been adjusted to exclude the results of businesses held for resale on acquisition. The financial statements of AirTouch Communications, Inc. and Mannesmann AG, previously prepared under US GAAP and German GAAP, respectively, have been adjusted to conform materially with Vodafone Group's accounting policies under UK GAAP.

The pro forma adjustments for the year ended 31 March 2000 have been determined as if the merger with AirTouch Communications, Inc. and the acquisition of Mannesmann AG took place on 1 April 1999.

Pro forma financial information for the year ended 31 March 2001 has been derived from the Group's consolidated financial results for the year then ended and the unaudited financial results of Mannesmann AG, excluding the results of businesses held for resale on acquisition, for the period from 1 April 2000 to 12 April 2000.

Pro forma adjustments include assumptions made by Vodafone Group's management that it believes to be reasonable. The unaudited pro forma financial information does not take into account any synergies, including cost savings, or any severance and restructuring cost, which may or are expected to occur as a result of the merger with AirTouch Communications, Inc. or the acquisition of Mannesmann AG, except insofar as such costs and savings have been included in the financial statements of the Vodafone Group for each of the periods presented.

Pro forma proportionate turnover

	2001 £m	2000 £m
Mobile telecommunications:		
Continental Europe	**9,743**	8,063
United Kingdom	**3,458**	2,945
United States	**5,008**	3,650
Asia Pacific	**2,771**	1,537
Middle East and Africa	**448**	395
	21,428	16,590
Other operations	**802**	825
	22,230	17,415

Pro forma proportionate EBITDA*

	2001 £m	2000 £m
Mobile telecommunications:		
Continental Europe	**3,534**	2,906
United Kingdom	**1,068**	934
United States	**1,627**	1,145
Asia Pacific	**587**	377
Middle East and Africa	**227**	142
	7,043	5,504
Other operations	**(27)**	17
Pro forma proportionate EBITDA*	**7,016**	5,521
Less: Depreciation and amortisation, excluding goodwill	**(2,234)**	(1,715)
Mobile telecommunications	**5,019**	3,977
Other operations	**(237)**	(171)
Pro forma proportionate total Group operating profit before goodwill and exceptional items	**4,782**	3,806

* Proportionate EBITDA (earnings before interest, tax, depreciation and amortisation) is defined as operating profit before exceptional reorganisation costs plus depreciation and amortisation of subsidiary undertakings, joint ventures, associated undertakings and investments, proportionate to equity stakes. Proportionate EBITDA represents the Group's ownership interests in the respective entities' EBITDA. As such, proportionate EBITDA does not represent EBITDA available to the Group.

Vodafone Group Plc
Annual Report & Accounts
for the year ended
31 March 2001

We want to keep the environmental impact of the documents in our annual report package to a minimum. We have therefore given careful consideration to the production process. For the first time this year we have not laminated any covers, saving 477kg of polythene and 1,905kg of polypropylene. The paper used was manufactured by Zanders at a mill which has the Nordic Swan accreditation for environmental excellence in production. It is 50% Totally Chlorine Free and recycled, and any wastage in the finishing process has been addressed and minimised. It has been printed using vegetable based inks which are 100% free of mineral oils and Volatile Organic Compounds. Our printers were all accredited to the ISO 14001 environmental management system. All the steps we have taken were intrinsically more efficient and demonstrate our commitment to making sustainable choices.

50%

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Vodafone Group Plc

Annual Review & Summary Financial Statement

For the year ended 31 March 2001

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Vodafone Group Plc
Annual Review &
Summary Financial
Statement 2001

hello

Welcome to the world's largest mobile community™

Vodafone Group Plc
Annual Review &
Summary Financial
Statement 2001

Another outstanding year

	Year ended 31 March 2001	Year ended 31 March 2000	Increase/ (decrease) %
Pro forma proportionate basis – mobile businesses[(1)(2)]			
Proportionate turnover	**£21,428m**	£16,590m	29
Proportionate EBITDA – before exceptional items[(3)]	**£7,043m**	£5,504m	28
Proportionate Group operating profit – before goodwill and exceptional items[(3)]	**£5,019m**	£3,977m	26
Proportionate registered customers	**82,997,000**	53,327,000	56
Statutory basis[(1)]			
Total Group operating profit – before goodwill and exceptional items[(3)]	**£5,204m**	£2,538m	105
Profit on ordinary activities before taxation – before goodwill and exceptional items[(3)]	**£4,027m**	£2,154m	87
Basic earnings/(loss) per share			
– before goodwill and exceptional items[(3)]	**3.75p**	4.71p	(20)
– after goodwill and exceptional items[(3)]	**(15.89)p**	1.80p	
Dividends per share	**1.402p**	1.335p	5

(1) Pro forma proportionate customer and financial information is calculated on the basis that the merger with AirTouch Communications, Inc. (now Vodafone Americas Asia Inc.) and the acquisition of Mannesmann AG took place on 1 April in each period presented, which is further described on page 43. Statutory financial information is calculated on the basis required by accounting standards and includes the results of AirTouch Communications, Inc. from 30 June 1999, the date of closure of the merger, the results of Verizon Wireless from 3 April 2000, the date on which the Group's US wireless assets were contributed to the joint venture partnership, and the results of Mannesmann AG from 12 April 2000, the date that clearance for the acquisition was received from the European Commission.

(2) Pro forma proportionate customer and financial information is presented for the Group's mobile telecommunications businesses only, excluding paging customers and Mannesmann businesses held for resale on acquisition.

(3) Exceptional items comprise exceptional operating costs totalling £320m, compared with £30m for the year ended 31 March 2000, and an exceptional non-operating profit (net) of £80m, compared with £954m last year. Further details are included on pages 36 and 42.

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Vodafone has just completed a highly successful year against a background of volatile world market conditions. I am very pleased to report that the results for the year ended 31 March 2001 mark another record in the progress of the Group.

Lord MacLaurin of Knebworth, DL
Chairman

Responding to our customers' needs

The beginning of the financial year saw the completion of our acquisition of Mannesmann and the formation of Verizon Wireless. These transactions contributed to the substantial increases in mobile pro forma proportionate turnover (up 29%), EBITDA (up 28%), operating profit (up 26%) and registered customers (up 56%) achieved by the Group this year. Underlying EBITDA growth in our mobile operations was 25%.

At the year end, the Group had almost 83 million proportionate registered customers, with over 188 million registered customers in ventures in which it either has control or invests. Non-voice services, which include SMS, data and Internet services, in the Group's controlled businesses increased to over 8% of service revenues for the year and more than 9% of service revenues in the month of March 2001. Group net debt of £6.7 billion at the year end, after payment for 3G licences, represented 5.4% of the Company's market capitalisation. Your Board has recommended a final dividend of 0.714p, up 5%.

Since my last report to you, we have extended our global footprint to six new territories, with 100% ownership of Eircell in Ireland, a 25% stake in Swisscom Mobile in Switzerland and a 34.5% interest in Grupo Iusacell in Mexico. We have acquired a 40% stake in Safaricom in Kenya, a 2.18% stake in China Mobile and control of a consortium awarded the second GSM licence in Albania.

During the year we also increased the level of our ownership in companies in which we previously had an interest. Our investment in Airtel Móvil in Spain increased to 73.8% in December 2000 and we agreed to increase our ownership in J-Phone in Japan through

the acquisition of a 25% stake in Japan Telecom. Since the year end we have agreed to purchase BT's stakes in these businesses, which will further increase the Group's ownership interests to 91.6% in Airtel and 45% in Japan Telecom, giving us an approximate 60% interest in the J-Phone companies, including indirect ownership interests.

During the year we agreed the sales of non-core businesses acquired as part of the Mannesmann transaction for an aggregate value of approximately £33.3 billion.

We have introduced organisational changes to ensure that we achieve a number of critical business objectives; to maintain our business momentum and focus on customers, following the four-fold increase in size of the Group in the last two years, to concentrate on sustaining margins and cashflow growth, as markets become more highly penetrated and as competition intensifies and to continue the process of internationalising the management of the Group, bringing forward high calibre staff who are likely to be candidate successors for the current top team.

Accordingly, in April 2001 we reorganised our European business into three regions: Southern Europe, Central Europe and Northern Europe, Middle East and Africa. Vittorio Colao, Chief Executive of Omnitel Vodafone, was appointed Chief Executive for Southern Europe and Jurgen von Kuczkowski, Chief Executive of D2 Vodafone, was appointed Chief Executive with responsibility for Central Europe. Both appointees joined the Executive Committee. Peter Bamford became Chief Executive for Northern Europe, Middle East and Africa. The Group's other regions have been redesignated as the Americas and Asia region and the Pacific region.

Additionally, the Group formed, under the overall supervision of the Main Board, three management committees to oversee the execution of the Board's strategy and policy and to ensure that Vodafone remains at the forefront of its industry. Chris Gent, as before, chairs the Group Executive Committee and now also chairs the newly formed Group Policy Committee. On 1 April 2001, Julian Horn-Smith was appointed to the newly created position of Group Chief Operating Officer and now chairs the Group Operational Review Committee.

We also established a new programme, Project Momentum, to ensure that we respond to our customers' needs and drive home the benefits and synergies we should derive from our global presence. The purpose of this programme is to achieve a much closer level of co-operation across the controlled operating companies in the Group. It will ensure that we can both develop an appropriate local focus whilst realising maximum benefit from our global initiatives. It will also encourage effective co-ordination of the Group's resources as we develop products and services for our customers to use on the new GPRS and 3G technology platforms, and it will enable us to focus on achieving best value from suppliers of infrastructure, terminals, IT systems and content. This significant project is led by Thomas Geitner, Chief Executive, Group Products and Services, a new position.

A Group Corporate Responsibility team was also formed during 2000 to help manage the environmental and social impacts of the Group. We believe that all these organisational changes substantially improve the Group's ability to face and address the business challenges ahead of us.

After last year's momentous events in the development of Vodafone, this year has proved no less exciting. We are still a young group of companies, built on a 'can-do' culture. It is the spirit, drive and determination with which our people approach opportunities that has enabled us to maintain our position as the leading mobile telecommunications provider in the world, in rapidly changing and sometimes adverse market conditions. On behalf of the shareholders and the Board, I wish to record our thanks and appreciation to all of our staff throughout our companies across the world.

Notwithstanding our very strong business performance, the Company's share price has been a disappointment this year. Vodafone shares have traded roughly in line with market trends and have consistently out-performed the majority of the European and US Wireless comparables, as well as the European incumbent comparables. However, in common with all other telecommunications companies, Vodafone's share price suffered as market sentiment moved away from technology and telecommunications stocks. Nevertheless, investor support is admirably demonstrated by the strong demand for the recent record placing of the Company's shares, which raised over £3.5 billion in one day, and I hope that we will move forward strongly from here.

The developments within Vodafone this year have confirmed that we have created a truly global company, with a strong brand and a reputation for innovation and customer service. We intend to build upon this solid foundation and to continue to develop our company – a company with which shareholders, staff, customers, suppliers and all with whom we do business can continue to be pleased and proud to be associated.

Ian MacLaurin

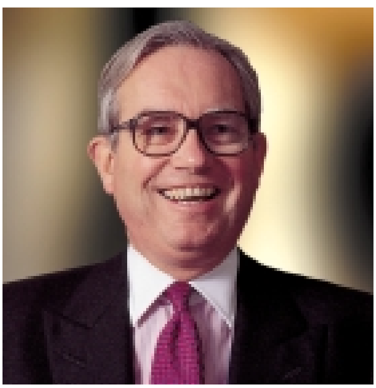
Chairman

Vodafone Group Plc
Annual Review & Summary Financial Statement 2001

Establishing our global community

Peter Bamford
Chief Executive, Northern Europe, Middle East and Africa Region

Thomas Geitner
Chief Executive, Group Products and Services



Chris Gent
Chief Executive

During a year in which the Vodafone Group has again returned record results, we have continued to implement our three-pronged strategy of strong customer growth, continued geographic expansion and strong data revenue growth from the introduction of new services.

Chris Gent
Chief Executive

Julian Horn-Smith
Group Chief Operating Officer

Ken Hydon
Financial Director

Record customer growth has seen 29.7 million registered customers added this year, the fourth year of compound growth in excess of 50%. Given this very strong performance and the intensity of competition, it was pleasing to maintain EBITDA margins in our core mobile business at 32.9% and the business overall at 31.6%, a similar level to last year, before exceptional costs.

Geographic expansion has continued following the Mannesmann acquisition with the conclusion of transactions in China, Ireland, Mexico, Switzerland, Kenya and Albania.

In new services, it is encouraging that data represented over 8% of revenues in our controlled subsidiaries during the year and for the month of March 2001 this figure was over 9%. If we take the Group's overall figure, including our associates and investments, it was over 6% for the year and 7% in March. This is before the introduction of GPRS services, which have now commenced in all of our major European subsidiaries.

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Our target is for between 20% and 25% of revenues to come from data by March 2004 and to achieve this objective we have introduced the organisational changes described in the Chairman's Statement. In particular, the appointments of Julian Horn-Smith as Group Chief Operating Officer and Thomas Geitner as Chief Executive, Group Products and Services have the aim of sustaining our high growth as we introduce new services and newer and more complex technologies.

In the coming financial year, the operational priorities for the Group will be the rollout of the Vodafone brand, the introduction of new services for both data and voice, the achievement of our financial targets and the completion of the integration process of our recent acquisitions.

We expect to see customer growth moderate as most of our markets have now reached a high level of penetration. This means that the rate of future growth will slow, although the potential for more rapid growth still exists in the US, Japan and China, where penetration rates are still at relatively low levels. We envisage net growth in customer numbers, including the effect of acquisitions and the reduction of our ownership level in Verizon Wireless upon completion of its proposed IPO, to be approximately half the level, on a proportionate basis, of the customer growth in the last financial year.

Emphasis will move from market growth to the retention of our customers, particularly those of highest value. In addition, we will aim to stimulate more usage of voice traffic and introduce a new range of data applications, to increase the value of our service to our customer base. We must be able to respond to the changing needs of our customers and the new and different services they require, as we move from the relatively straightforward world of nationally operated voice services to the complex world of globally provided voice and data.

We will be launching several new important data and voice service initiatives, either through Vizzavi, our 50:50 joint venture with Vivendi Universal, or directly by our European operating companies. In this financial year we start to construct our 3G networks in preparation for the launch of commercial service, coincident with the delivery of dual mode GSM/3G handsets expected in the second half of 2002.

We are committed to the single Vodafone brand because we believe it will create significant brand equity, not only from rationalisation of advertising and promotion but, more importantly, it will become a powerful differentiator. It will reinforce our identity with customers, our service delivery capability and our market leadership.

Alongside the drive on new data services in the year ahead and the rollout of the Group's brand identity, the priority will be margin improvement and cashflow growth. With most markets entering a phase of maturity we have begun to move our emphasis away from customer growth to gaining and retaining quality customers, winning market share of these customers being of a higher priority than overall market share.

We anticipate that these measures will lead to a more balanced growth in the marketplace and, above all, a greater level of profitability. We expect that further margin improvement can also be achieved through the global purchasing programme that we have launched, as well as from best practice on overall cost control measures from our Group-wide benchmarking.

We expect the coming year to be one of geographic consolidation and do not anticipate acquisition activity to be anything like the scale of the recent past. Indeed, unless an exceptional value creating opportunity occurs, we do not envisage adding new territories. If circumstances allow, we will focus on improving ownership in businesses where we have an existing presence, mindful of the interests of our shareholders. We have over the last few months rejected several opportunities to expand our geographic presence, either because the return on the investment looked inadequate or the transaction was not of sufficient strategic significance.

The process of integrating our newly acquired businesses into the Group is nearly complete. We will shortly be articulating the development of our vision and values, agreed by the unified management team, to all of our employees, emphasising those things that are most important to us as a Company and which motivate our endeavours. Increasingly, we are bound together by core values which run through the Group – professionalism, excellence in service, customer focus and a determination to deliver the benefits which corporate social responsibility can bring for us all. We are passionate about our customers, passionate about our people, passionate about achieving results and passionate about the role we play in the community at large. We hope and expect that this will be manifest in everything we do.

In the immediate future, the emphasis on cost control and margin management should enable good cashflow growth while the market starts to encompass the full impact of the new data services, technologies and spectrum capacity of 3G. We believe that more and more calls will migrate from fixed to wireless and that there will be a multiplier effect from networking and from communities of interest which will increase both voice and data traffic. With our unrivalled global position and our significant and high quality customer base, we are ideally placed to take advantage of this increase and to sustain our leadership in the exciting growth opportunity that lies ahead for the benefit of our customers, our employees and our shareholders.

Chris Gent

Chief Executive

Delivering value today and tomorrow

Julian Horn-Smith
Group Chief Operating Officer

I am delighted to report to you for the first time as Group Chief Operating Officer that each of the Vodafone Group regions has produced results in line with our expectations notwithstanding rapidly changing, and sometimes adverse, market conditions.

The four primary value drivers of the mobile business are customer growth, ARPU, cost-to-connect and churn.

Customer growth over the past year was the strongest yet and was the fourth successive year of growth in excess of 50%. We are forecasting a lower rate of growth in the current year, due to high penetration rates and reduced handset subsidies.

Over the past two years blended ARPU in our controlled markets has continued to decline, due to the change in mix of the customer base with the growing proportion of prepay customers who use their mobiles less frequently. Annualised quarterly ARPU for contract customers began to stabilise in the second half of the financial year at over £400. Consequently the gap between prepay and contract ARPU continued to widen, which prompted our review of prepay connection bonuses and led to the introduction of new commercial policies.

In our major markets the blended cost-to-connect of a new customer remained broadly stable. However, given lower prepay sales and the competitive nature of our business, it is likely to rise. In the fourth quarter of the financial year we took the first step in reducing handset subsidies and this has led to a similar increase in the retail prices of handsets, notably in Germany and the UK.

The old business model based on high handset subsidies for prepay is not sustainable in maturing markets where many customers simply wish to upgrade their handset. A subsidy can only be justified by the payback of a particular customer. Therefore, Vodafone has led the way in several key markets in shifting the emphasis away from pure customer growth to a focus on value as well as customer retention.

Over the past two financial years the contract churn rate has declined as we focused on retaining higher value customers. Intensifying competition, combined with our reduction in prepay subsidies, drove prepay churn up during the fourth quarter of the financial year and, given last year's high prepay growth, it is likely this year that prepay churn will increase. Despite this, our focus this year is not on market share of prepay connections.

To gain a more accurate view of the fundamentals of our business we have begun reporting the level of active customers, that is those who have made or received a call in the last three months. In our largest controlled markets the average number of active customers is around 87% to 88%, with the exception of Italy, with lower prepay connection bonuses, where the level is closer to 93%. The percentage of active prepay customers is much lower than contract customers.

If we focus on the active users in our customer base, then ARPU is correspondingly higher than the registered ARPU and penetration rates are, in reality, not as high as widely reported. In most markets there is still headway for further customer growth.

Continental Europe

Our Continental Europe region made good progress during the year, both in terms of customer growth and financial performance. Pro forma proportionate registered customers increased by 73% in the year to close at over 49.6 million at 31 March 2001. Regional turnover, EBITDA and operating profit, calculated on a pro forma proportionate basis before goodwill and exceptional items, increased by 21%, 22% and 14%, respectively, compared with the pro forma proportionate results for the previous financial year. The completion of the Mannesmann acquisition on 12 April 2000 had a major impact on the region, bringing in both D2 Mobilfunk and Omnitel Pronto Italia as controlled subsidiaries in two of Europe's most important markets. We have since re-branded the businesses D2 Vodafone and Omnitel Vodafone, respectively.

D2 Vodafone – Germany

Customer growth in the German cellular market was approximately 95% in the year to 31 March 2001, a rate which exceeded that of previous years and all other European markets. D2 Vodafone had 20,968,000 registered customers at 31 March 2001, representing growth of 89% in the year. This explosive growth was attributable principally to prepaid product, which represented 60% of the closing customer base, up from 32% at 31 March 2000. Active customers represented 87% of the total registered customer base.

Best deals on the phone – Germany

D2 Vodafone customers in Germany can now have local bargains and information brought directly to their mobile phone, courtesy of location-based services. Customers can use their WAP-compatible mobile phones as local traffic congestion guides, shopping catalogues or hotel listings. Knowing where the user is, an on-line hotel directory can search, on request, for accommodation in the vicinity or a dedicated mobile shopping guide can seek out special offers just around the corner.

Hello, here's the bus – Italy

HELLOBUS is the SMS service created by Omnitel Vodafone in collaboration with ATC, Bologna's public transport company. Travellers can find out the exact time the bus that they are waiting for will arrive at any of ATC's 1300 stops, 24 hours a day. All they have to do is send an SMS with the number of the stop and the chosen line. In a few seconds the reply arrives on their mobile indicating the bus's actual time of arrival.

D2 Vodafone maintained its market leadership throughout the year in a four-operator market, its closing customer base representing a market share of approximately 39%.

The unprecedented customer growth in this highly competitive market resulted in a substantial increase in total customer acquisition costs. As a consequence, EBITDA margin reduced by eleven percentage points to 30% in the first six months of the year, recovering to 39% in the second half to give an EBITDA margin of 35% for the full year.

D2 Vodafone leads our European networks in terms of messaging and data revenues, which represented over 16% of total monthly service revenues in March 2001. SMS comprises the largest element of data-related revenues at present, although we anticipate good growth in other data revenues as data speeds and product offerings increase in a GPRS and 3G environment.

In August 2000, the German government licensed six operators to offer third generation mobile services. D2 Vodafone paid approximately £5.1 billion for a twenty year licence. GPRS commercial service was launched on 28 February 2001. Infrastructure rollout for 3G services is proceeding according to plan and, subject to handset availability, should be available in 2002.

Omnitel Vodafone – Italy

Omnitel Pronto Italia is the second largest of four operators in Italy and, operating under the brand name Omnitel Vodafone, had a market share at 31 March 2001 of approximately 35%. The Italian market is characterised by a high level of prepaid product and relatively low ARPU.

However, customer acquisition costs and churn are also low in comparison with other major markets in Europe.

EBITDA margin increased from 42% in the previous financial year to 45%. The company's registered customer base grew by 40% in the year and totalled 15,680,000 at 31 March 2001. A successful advertising campaign has made Omnitel Vodafone the most recognisable brand of all the mobile operators in Italy.

It is also amongst our leading European networks in terms of messaging and data revenues, which represented 7.2% of total monthly service revenues in March 2001. GPRS service is now being tested with corporate customers and the commercial launch, subject to handset availability, is anticipated later in 2001.

Following an auction, Omnitel Vodafone acquired a fifteen year UMTS licence for approximately £1.6 billion and 3G services are anticipated to be available in the second half of 2002.

Rest of Continental Europe

At the year end we had majority shareholdings in four European subsidiaries listed on public stock exchanges, each of which now trades under the Vodafone brand; Europolitan Vodafone in Sweden (71.1% ownership interest), Libertel Vodafone in the Netherlands (70.0%), Panafon Vodafone in Greece (55.0%) and Telecel Vodafone in Portugal (50.9%).

Our other European subsidiaries include Vodafone Hungary (50.1%), Vodafone Malta (80.0%) and Airtel Móvil in Spain (73.8%). Additionally, the Group has interests in Proximus in Belgium (25.0%), Société Française du Radiotéléphone (SFR) in France (31.9%), Plus GSM in Poland (19.6%), Connex GSM in Romania (20.1%) and Swisscom Mobile in Switzerland (25.0%).

Pro forma proportionate EBITDA growth of 69% for the rest of Continental Europe includes the impact of the increase in our ownership interests in Airtel Móvil and the acquisition of Swisscom Mobile during the year. After adjusting for the changes in stake arising from these transactions, organic growth in pro forma proportionate EBITDA was 61%.

Europolitan Vodafone, the third network operator in Sweden, traded in line with expectations. Its registered customer base increased by 14% during the year to 1,008,000, reflecting the high levels of market penetration in Sweden.
The company, which has traditionally targeted high value customers through tailored service offerings, began to actively address the prepaid market at the end of 2000. It was awarded a fifteen year third generation licence, for no fee, in November 2000.

Libertel Vodafone, one of five GSM operators in the Netherlands, traded satisfactorily in a highly competitive market. Despite the difficult trading environment, the company increased its total registered customer base by 34% to 3,281,000 and recorded year-on-year EBITDA growth of almost 42%.
Libertel was successful in winning one of five fifteen year 3G licences, auctioned in July 2000, at a cost of approximately £467 million.

The communicating car – Sweden

Europolitan Vodafone and Volvo Cars in Sweden are collaborating to provide in-car management systems that can help drivers with many routine and emergency situations. These could include automatically placing an emergency call in the case of an accident, assistance with navigation or recommending and booking a garage appointment when the car is due for servicing. At the touch of a button, drivers will also be able to send an emergency signal to call for help, which will automatically give their location.

Vodafone Group Plc
Annual Review & Summary Financial Statement 2001

Corporate Intranet on the move – Spain

Airtel has launched its Conecta set of WAP integrated solutions for corporate customers. By using an intuitive WEB interface, any Airtel corporate client can create a fully personalised WAP service for their employees. This allows the employee immediate access to their company's Intranet at a level defined by different access profiles. E-mail, agenda, internal messaging, corporate and personal directories, bulletin boards and WAP-to-fax are all available on the move.

Panafon Vodafone performed satisfactorily, increasing its registered customer base by 32% to close at 2,340,000, of which 68% were connected to prepaid services. In October 2000, Panafon launched CU, a prepaid product aimed at the youth market, with low SMS and CU to CU charges. The Greek government is expected to conduct an auction of four 3G licences in the summer of 2001.

Telecel Vodafone traded in line with our expectations, increasing its registered customer base by 38% to 2,478,000 at 31 March 2001. It is the second largest operator in Portugal and was awarded one of four 3G licences in January 2001 for a fee of approximately £65 million.

Vodafone Hungary, which is the third operator in Hungary, connected 176,000 net new customers to its network during the year, increasing its registered customer base to 223,000 at the end of the year. Network rollout is progressing satisfactorily and reliance on domestic roaming has now been largely eliminated.

Through a number of agreements entered into during January, July and September 2000 we increased our shareholding in Airtel Móvil, Spain's second largest network, from 21.7% to 73.8% in December 2000. In May 2001, we agreed to acquire BT's 17.8% stake in the company, increasing the Group's ownership interest to approximately 91.6%. The transaction is conditional upon EC regulatory approval. Airtel Móvil had 7,148,000 registered customers at 31 March 2001, representing growth of 27% in the year. We expect to re-brand the business as Airtel Vodafone in the second half of 2001.

We have significant minority interests in Proximus in Belgium, SFR in France and the recently acquired Swisscom Mobile in Switzerland. Third generation licences have not yet been awarded in France, although SFR was one of only two applicants for four licences offered in an auction abandoned by the French Government. Swisscom Mobile is the clear market leader in Switzerland with a market share of approximately 69% and a customer base of over 3.3 million at 31 March 2001. All three businesses traded according to expectations.

In February 2001, the Group was successful in winning a licence to operate a GSM network in Albania. Panafon Vodafone is managing the network start-up and the Group has an effective ownership interest in the new venture of approximately 78%.

The Group's other operations in Europe mainly comprise interests in Mannesmann Arcor, a German fixed line business, Telecommerce, a German IT and data services business, Cegetel, the second largest fixed line operator in France, and Vizzavi Europe.

Dial-a-Coke – Switzerland

Dial-a-Coke enables customers to buy a Coke at a vending machine, without using money or credit/debit cards, just by pressing the keys on their mobile phone. It is the first service of Swisscom Mobile, in co-operation with Coca-Cola Beverages, which allows customers to use their mobile telephone as a payment card. It is a very quick and easy way to buy and opens up the vast potential for purchases of low cost goods and services.

United Kingdom

Vodafone – UK

The UK mobile phone market grew by 16.3 million net new customers in the year to 31 March 2001, resulting in a total market of 43.4 million registered customers. On this basis, market penetration was 72% compared with 46% at the beginning of the year.

Vodafone UK has maintained its clear leadership in this highly competitive market place with a market share of 28.3%, 1.1 million customers ahead of the nearest competitor. Net customer connections during the year were 3,488,000, giving a registered customer base of 12,279,000 at 31 March 2001. There were 1,499,000 inactive customers, approximately 12% of the registered base, of which 1,455,000 were prepaid customers.

Strong growth in the contract customer base continued throughout the year, resulting in net additions of 582,000 and giving a closing contract customer base of 4,294,000. Continued focus on high value customers ensured that our share of the corporate market was maintained at over 50%. At 31 March 2001, Vodafone UK's service provider companies accounted for 59% of the contract customer base.

Prepaid products continued to drive the growth in the UK mobile market. The introduction of new tariffs and products stimulated this growth, with the result that 2,906,000 net connections were made in the twelve months ended 31 March 2001. Prepaid customers totalled 7,985,000 at 31 March 2001, representing 65% of Vodafone's UK customer base.

The company has recently announced significant reductions in distribution incentives for prepaid products in order to improve the profitability of this market segment.

An investment of £610 million in network infrastructure improved network quality significantly and ensured our position as the UK's leading network. This, together with improvements to customer service, has helped to reduce network churn in the last 12 months to 25% compared with 29.8% in the previous 12 months. Vodafone was rated number one in the latest customer satisfaction survey in October 2000 by the UK's telecommunications regulator, Oftel.

Vodafone Corporate On-line – United Kingdom

A new service from Vodafone UK enables business users direct access to the working details of their mobile service agreement using Vodafone Corporate On-line. Instead of the potential problems of telephone relayed messages to call centres, customers can now deal on-line to place orders for new product and accessories, arrange for upgrades, report phone problems or request equipment recoveries. This contract driven relationship management system has already proved a great success with users.

Rocky Mountain Hi – United States

In a $4 billion national investment programme to improve service in its extensive wireless network, Verizon Wireless has expanded its digital service to popular mountain communities and ski resorts. Skiers can now maximise their time on the slopes by using their mobile phones to check in with their families, get in touch with friends in a neighbouring condo, receive the latest snow report or make reservations at a nearby restaurant, whether they're in the lodge or on a ski lift.

United States

Verizon Wireless

Verizon Wireless was formed at the beginning of the year by the combination of the US cellular operations of Vodafone, Bell Atlantic and GTE. The joint venture created a nationwide network using CDMA digital technology, covering nearly 90% of the US population and 96 of the top 100 US wireless markets.

Verizon Wireless is the leading mobile telecommunications provider in the United States in terms of number of customers, network coverage, revenues and cash flow, achieving a 24% share of the market with over 6.5 million more customers than its nearest competitor. Vodafone owns a 45% interest in the venture.

Verizon Wireless has focused on gaining high value customers through new customer additions and migration of existing analogue customers to digital price plans. The increase in the company's digital customer base contributed to a strong financial performance for the year. Proportionate turnover for the Group's US operations increased to £5,008 million for the year to 31 March 2001 and proportionate EBITDA, before exceptional items, was £1,627 million, an EBITDA margin of 32%.

Annualised churn on the Verizon Wireless network increased to 31% from 29% last year. During the year, the company has taken steps to reverse this trend by launching an innovative churn

Encouraging responsible driving – United States

In October 2000, Verizon Wireless launched a campaign urging Americans to "Drive responsibly. Call with care". As the U.S. wireless industry leader, Verizon Wireless has made the responsible use of in-vehicle wireless phones a top priority. The aim is to improve customers' attentiveness to driving through the use of convenient hands-free technologies, such as headsets, earpieces and voice-activated systems.

Verizon's mission is to put its strength behind enhancing the availability, affordability and awareness of hands-free technologies. This effort includes spearheading hands-free educational programmes among drivers and wireless users of all ages and mandating handset manufacturers to ensure hands-free, voice-activated compatibility for their handsets by 2002 or risk losing Verizon business.

management programme to increase customer loyalty. The company was the winning bidder for 113 licences in the FCC's auction of 1.9 GHz spectrum for a total price of $8.8 billion. Verizon Wireless now has spectrum in all of the top 50 Metropolitan Statistical Areas in the United States.

An Initial Public Offering of a minority stake in the business may be undertaken. Market conditions will be monitored to assess the optimal timing for such an offering.

Mexico

On 4 April 2001 we acquired a 34.5% equity interest in Grupo Iusacell in Mexico for $973 million. Iusacell has over 1,700,000 customers.

Asia Pacific

Japan

Japan Telecom is one of Japan's leading telecommunications companies and the parent company of J-Phone Communications which, together with its three subsidiary operating companies, comprises the J-Phone Group. Japan is the second largest mobile telecommunications market in the world.

In transactions completed before and after 31 March 2001, we acquired shareholdings in Japan Telecom through the acquisition of an aggregate 15% equity interest from West Japan Railway Company and Central Japan Railway Company for ¥249.7 billion (£1.4 billion). The Group completed the acquisition of a further 10% shareholding in Japan Telecom from AT&T for a cash consideration of $1.35 billion on 26 April 2001. On 2 May 2001, we announced that we had agreed to acquire BT's ownership interests in Japan Telecom and the J-Phone Group for approximately £3.7 billion. BT's aggregate interest of 4.9% in the J-Phone operating companies is the subject of a call option and the payment of £0.65 billion of the consideration is only payable upon delivery of the shares to Vodafone.

On completion, our total effective ownership interest in the J-Phone Group will increase to between approximately 58% and 63%. Vodafone has not, however, acquired control of the J-Phone Group through these transactions.

Japan's cellular market remained robust as mobile services continued to expand. The number of mobile phone users increased by 9.8 million, or 19.2%, year-on-year to 60.9 million at 31 March 2001 and market penetration was 48%. J-Phone added 1,859,000 new customers during the year, increasing its customer base by 23% to 9,966,000 at 31 March 2001, representing a market share of approximately 16%. Almost 6,200,000 (62%) of its customers now have Internet-capable phones, a higher proportion of its customer base than that of any other operator.

A combination of competitor activity and the Japanese consumers' appetite for Internet-access phones resulted in a substantial increase in customer upgrade and connection costs compared with the previous year. The decrease in EBITDA margin from 27% to 19% resulted from the increased competitiveness of the market.

In July 2000, J-Phone was awarded one of three 3G licences available in Japan for which no fee was required by the Japanese government.

Digital Imaging by Mobile Phone – Japan

Led by the Department of Neurosurgery of Yamagata University Hospital, 11 hospitals in Yamagata Prefecture have created an information network for exchanging e-mail with images on mobile telephones. The network allows the users to transmit, for example, CT brain scans or X-ray images using the photography function on mobile telephones. The service is particularly useful when a prompt and accurate decision must be made on a medical treatment or transfer of patient to another hospital.

Vodafone Pacific

Our operations in Australia, New Zealand and Fiji have achieved solid operating results during the financial year. The customer base increased by 58% in the year to 31 March 2001, with proportionate EBITDA increasing by 35% to £162 million and EBITDA margin improving to 24% in the year.

In Australia, a highly competitive market with six mobile networks, our customer base increased by 47% in the year, attracting 671,000 net new customers. Total customers now number 2,111,000, representing 19% of the market. Customers have been enthusiastic adopters of SMS, data and Internet services and more than 5% of average customer revenues come from these services.

In New Zealand, strong growth continued with an 88% increase in the customer base to 889,000, an addition of 416,000 net new customers during the year. We launched Vizzavi, our global wireless Internet and data platform, in New Zealand in December 2000.

In Fiji, Vodafone's strong growth continues, with a total of 55,000 customers at 31 March 2001.

Australia and New Zealand acquired 3G spectrum for A$254 million (£87 million) and NZ$29 million (£8 million), respectively, in the recent auctions and both expect to introduce 3G services by 2004.

China

On 4 October 2000, Vodafone and China Mobile (Hong Kong) Limited announced that they had entered into a memorandum of understanding setting out the principal terms for a strategic alliance and co-operation between the two parties in mobile services, technology, operations and management. Concurrent with the signing of the memorandum of understanding, we agreed to purchase a 2.18% equity interest in China Mobile, which, at the year end, had approximately 52 million customers. The Strategic Alliance Agreement was completed on 27 February 2001.

Mission critical response – Australia

Vodafone Australia's Orchid telematics service has been used by a leading IT provider to improve services to its customers and to save costs. Hewlett Packard's Enterprise Services Support has 'mission critical' response times built into many service contracts and needs a system that ensures resources are used where and when required. Orchid simplifies the task of HP's despatch co-ordinators, achieving significant savings through productivity improvements and reduced overtime.

More rural coverage – Australia

One of the biggest frustrations for drivers travelling the long stretches of Australia's rural highways is the lack of continuous mobile coverage. The Australian Government chose Vodafone to improve coverage along major rural highways. By mid-2002 Vodafone will extend its GSM network to fill the 'black spots' along approximately 9,500 kilometres of road, providing vital communications in emergencies and making the long driving hours more productive for business travellers.

Middle East & Africa

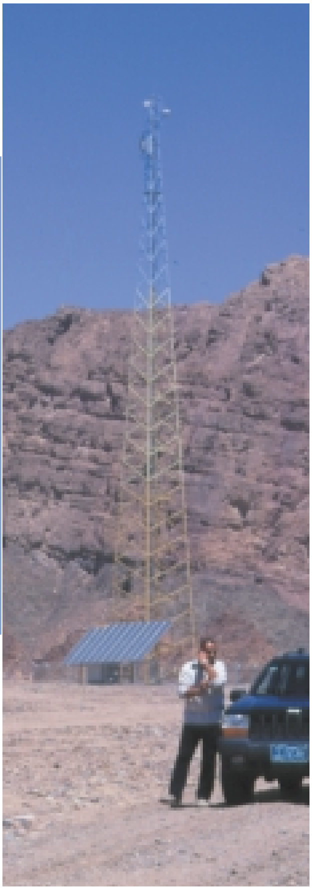
At 31 March 2001, the Middle East & Africa region had network operations in three countries; Egypt, South Africa and Kenya. We sold our investment in Celtel (Uganda) for a profit during the year and acquired a 40% stake in Safaricom in Kenya.

Proportionate customers in the region increased to 2,349,000, which represents growth of 93%, or 1,131,000, on the closing customer base at 31 March 2000. Growth was particularly strong in Egypt where the Group's 60% subsidiary, Misrfone Telecommunications, which trades as Click GSM Vodafone, almost trebled its customer base in the period from 405,000 to 1,171,000 customers.

Solar panel base stations – Egypt

The Sinai Peninsula consists mostly of harsh, remote terrain in rugged desert mountains, much of which is under government environmental protection. Click GSM Vodafone is using an innovative approach to ensure coverage on the roads in the Sinai using solar-powered base stations which are both environmentally friendly and maximise benefit from the desert conditions. 30 sites are currently in operation with a total of 50 planned.

In South Africa, Vodacom, in which we have a 31.5% shareholding, grew its customer base to 5,108,000 from 3,069,000 at the beginning of the period. Safricom has progressed well and by 31 March 2001 had 93,700 customers.



Other business developments

Project Momentum

Project Momentum is intended to achieve co-ordination across the Group and to ensure we drive home the economies of scale, which we should realise as we move from being a series of national operating companies into a global company. Through the effective integration and management of key areas of our operations on a global basis, we will be able to offer our customers innovative products and services seamlessly across our worldwide footprint.

Significant progress has been made over the last year and is focused on five key topics of product management and innovation, technical and IT implementation and co-ordination, multi-national account co-ordination, supply chain management and brand development.

Product management and innovation: We have begun to offer our customers Group-wide product capability, with services such as short-code dialling, Eurocall, Assisted Roaming and Prepaid Roaming being successfully launched on Vodafone networks in Europe. GPRS roaming will be launched in many of our controlled networks during the course of 2001.

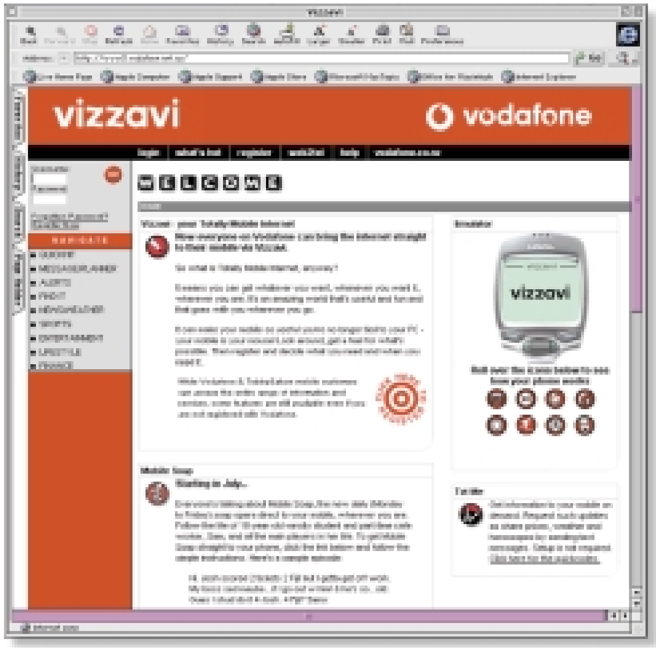
The enhanced data capabilities of GPRS and 3G, together with the deployment of new handsets, will allow a new range of innovative products to be delivered to customers. These will include location-based services, mobile payment facilities with micro-payment and e-Wallet functionality, prepaid and GPRS roaming, unified messaging and instant messaging.

Technical and IT implementation and co-ordination: The next generation of mobile services will be accompanied by the development and implementation of standardised platforms across our networks. The initial focus will be to offer the benefits of GPRS technology by the launch of an expanded data services portfolio, with harmonised technologies and a common billing system. The launch of 3G services will provide even more capacity, bandwidth and speed.

Multinational account co-ordination: Multinational account management fits well with our strong and increasing presence in the corporate sector. We have begun to serve multinational accounts across markets with competitive price plans and unique pan-European services. Major contracts signed so far are with business customers in the Accountancy and Consumer Goods segments. We expect demand for multinational services to grow in the coming years.

Supply chain management: Global procurement initiatives, initially concentrating on handsets, interconnect agreements, IT and network infra-structure, will enable us to leverage our purchasing strength and to improve supply chain processes across Group companies.

Brand development: We have a well-defined strategic framework in place in order to achieve our aim of becoming one of the top 10 global brands. Our brand migration plan, which is well underway, is based on an interim period of dual branding. This will enable the smooth transfer from the valuable and successful operating names of our subsidiaries to the single Vodafone brand. One of the best vehicles for achieving brand awareness is through sponsorship, hence our choice of Formula 1 motor racing as well as other well-known sponsorships.



Internet and Mobile Data

During the year we continued to implement our strategy to develop a global Internet platform. This development is the responsibility of the Vodafone Global Internet and Platform Services organisation located in California. We reached important milestones during the year, including completion of the long-term platform road map and architecture, building the development and deployment team and identifying key technology partners. The first version of the platform has been deployed by Vodafone New Zealand.

During 2001, we expect to add increased functionality including unified and instant messaging, mobile commerce, voice navigation, mobile-PIM (Personal Information Management) synchronisation, personal account consolidations, enhanced m-commerce and fully integrated shopping and location-based services. At the same time we will deploy the platform for Vodafone operators in Australia, Egypt and Romania. We are in discussions with affiliates in Japan, the United States, China and Europe for their use of the entire platform or key elements of it.

Vizzavi Europe, Vodafone's 50:50 joint venture with Vivendi Universal to develop a multi-access portal for the European market, was created in May 2000. Vizzavi is already available in The Netherlands, the UK and France as a PC and mobile portal and will roll out its services to Germany, Italy, Greece, Spain and Portugal by the end of 2001. It will be well placed to take advantage of the growth in wireless services expected with the rollout of GPRS. At 31 March 2001 Vizzavi Europe had more than 700,000 registered customers.

In addition to its core offering, Vizzavi has launched services such as WAP games, e-mail, picture mail, music streaming, news and finance content and location-based services. Later this year, functionality such as unified messaging, instant messaging and e-commerce capabilities will be added to the portal.

We recognise the benefits of creating a strong portal offering which will serve to increase airtime usage, reduce churn and create additional value. Vizzavi forms a core part of achieving the data ARPU targets that the Group has set itself.

Julian Horn-Smith

Group Chief Operating Officer

Corporate Social Responsibility

Vodafone Group Plc
Annual Review &
Summary Financial
Statement 2001

Vodafone has grown into one of the world's leading mobile telecommunications companies and in doing so we recognise the responsibilities that accompany such success. The highest standards of environmental and social behaviour are not only integral to our business but fundamental to its future. We have a passion for excellence which, wherever we operate, applies as much to environmental and social responsibility as it does to serving our customers.

Last year's annual review outlined Vodafone's determination to take up a leading position on environmental and community issues. We have made considerable progress since then – reshaping management structures for the Group, recruiting key personnel and looking afresh at our social and environmental impacts. Over the next two years we will build on this so that we have the right systems to fulfil our responsibilities and deliver the benefits that our business can bring to people and places throughout the world. This year, for the first time, we have published a separate report on corporate social responsibility. Voda**fone future** sets out how, across the Group, we are measuring

Getting entrepreneurs on the move – South Africa

Official figures indicate that fewer than 7 out of every 100 young South Africans will find employment in the business sector after leaving high school. To help address this, Vodacom, has sponsored an initiative called 'Entrepreneurs on the Move'. The aim is to encourage school leavers to create their own employment opportunities by becoming the budding business people of tomorrow. Initially they will have access to support through their teachers and thereafter through a call centre, which is also part-funded through Vodacom sponsorship.

vodafone

up to our social, environmental and economic impact. It is a reflection both of the importance Vodafone ascribes to these issues and of our determination to address them fully.

Within our report we express the core values and principles that have always been part of the Vodafone philosophy. It clearly sets out what we aspire to achieve and the commitments on which we intend to be judged. It traces what we believe is the power

of mobile communications as a force for positive social and environmental change. That is why we are committed to engaging with the communities we serve around the world, through partnership and through consultation. The Voda**fone drive for change** section of the report exemplifies a small selection of the wide range of activities that Vodafone undertook during 2000. They range from supporting rescue operations after the flooding of the River Tisza in Hungary, to supporting those carefully designed social initiatives which help young people to help themselves and each other – from South Africa to Germany.

The Voda**fone standard of responsibility** section specifies the commitments which will ensure the Group delivers on corporate social responsibility and plays its part in helping deliver essential elements of sustainable development. A section in the report entitled **Managing our Social Impact** then goes on to outline the steps we are taking to make a positive contribution to the societies in which we operate. It covers social investment, human rights, employment issues and health and safety.

The impact of Vodafone's operations on the environment is relatively small compared to other industry sectors. However, we take our responsibility to reduce that impact seriously. The **Managing our Environmental Impact** section details issues of waste, energy use, supply chain management and travel and logistics. Telecommunications technology has raised some public concern about safety, which the report addresses in **Facing Health Concerns**.

Looking forward, we recognise the long term, continuing nature of corporate social responsibility. We believe a lot of good work has already been done, more is in hand and still more is to come. We will measure, monitor and report publicly on our further progress.

Helping street kids through "Buddy-Projekt" – Germany

D2 Vodafone supports non-profit organisations helping children in need in Germany. One of these is Off-Road-Kids, which looks after street children. As well as providing communications infrastructure and funding for community workers, D2 Vodafone has worked with Off-Road-Kids to develop the "Buddy-Projekt". The core of this project is educational material for schools consisting of a video documentary about the lives of street children, a teacher's book and a pupil's brochure designed to promote awareness of the problems of street life.

Backing winners worldwide

Sponsorship is evolving into a more and more important element of Vodafone’s total marketing mix. Our policy of backing winners such as Manchester United, the England Cricket Team and Formula 1 is more than simply generating brand awareness.

These premium sponsorships are actually powerful communication platforms that provide important links with Vodafone’s brand values. By aligning with these winning organisations Vodafone is able to integrate elements of the sponsorship into all its marketing activities and communicate with customers in an environment that is both relevant and exciting.The sponsorships can be integrated into our marketing plans via advertising, public relations, sales promotion, retail merchandising and event activation. By combining sponsorship with our marketing activities we are able to enhance and differentiate our communication, build stronger relationships with our customers and deliver more value to them by providing access to the unique rights that we have acquired. In addition to these benefits, the sponsorships are also leveraged to provide the Group with worldwide exposure that help to establish Vodafone as a global brand.

The Australian Rugby Union Team

Vodafone has recently announced a renewal of its existing sponsorship of Rugby Union’s World Champions, which will mean our logo will continue to be clearly seen on the green and gold shirts when the Australians take on the British Lions this summer.

The England Cricket Team

Following four successive series victories since last summer, Vodafone’s association with the England Cricket Team has witnessed a dramatic resurgence in the team’s performance and it is now ranked third in the world.

Formula 1

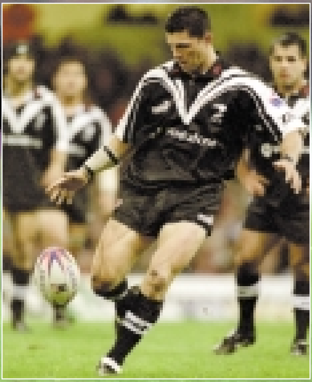
The Group has recently announced a three year partnership with the Ferrari Formula 1 team which will include extensive branding on the cars as well as the opportunity to provide Ferrari fans with Vodafone’s products and services.

Manchester United

Vodafone's association with England's Premiership Champions is a strategic alliance enabling all the news and action from Old Trafford to be sent direct to fans' mobile phones.

The Vodafone Derby

This year sees the 222nd running of the richest horserace in Europe, the Vodafone Derby. Vodafone's involvement with this prestigious race began in 1996.



The New Zealand Rugby League Team

As sponsors of the Kiwis, the Vodafone logo worn on their jerseys was highly prominent during the final of the 2000 Rugby League World Cup held in the UK.

Lord MacLaurin of Knebworth, DL
Non-Executive Chairman

Lord MacLaurin of Knebworth, DL, Chairman, aged 64, has been a member of the Board of directors of Vodafone Group since January 1997. He is Chairman of the Nominations Committee and a member of the Remuneration Committee. He was Chairman of Tesco Plc from 1985 to 1997 and has been a director of Enterprise Oil Plc Guinness Plc, National Westminster Bank Plc and Whitbread Plc. Lord MacLaurin is Chairman of the England and Wales Cricket Board and is a member of the Supervisory Board of Mannesmann AG.

Paul Hazen
Non-Executive Deputy Chairman

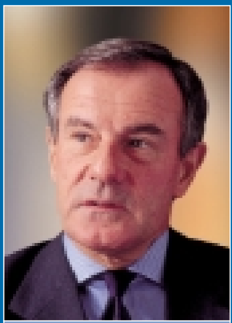
Paul Hazen, non-executive Deputy Chairman, aged 59, has been a member of the Board since June 1999 and became a Deputy Chairman and the Board's nominated senior non-executive director in May 2000. He is also Chairman of the Audit Committee. He became a director of AirTouch in April 1993. He has recently retired as Chairman and Chief Executive Officer of Wells Fargo & Company and its principal subsidiary, Wells Fargo Bank, N.A. Mr Hazen is a director of Safeway Inc., Phelps Dodge Corporation, Xstrata AG and E.piphany and he is Chairman of Accel-KKR.

Chris Gent*
Chief Executive

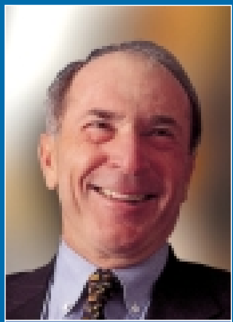
Chris Gent, Chief Executive, aged 53, has been a member of the Board of directors of Vodafone Group since August 1985 and the Chief Executive of the Company since January 1997. He is a member of the Nominations Committee. He was the managing director of Vodafone Limited, the UK network operator, from January 1985 to December 1996. He is Chairman of the Supervisory Board of Mannesmann AG, a member of the Board of Representatives of the Verizon Wireless partnership and a non-executive director of China Mobile (Hong Kong) Limited.

Julian Horn-Smith*
Group Chief Operating Officer

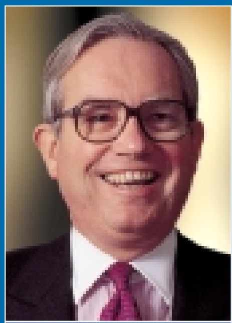
Julian Horn-Smith, Group Chief Operating Officer, aged 52, has been a member of Vodafone Group's Board of directors since June 1996. He was appointed Group Chief Operating Officer on 1 April 2001, having been Chief Executive of Vodafone's Continental Europe businesses and a director of several of the Group's overseas operating companies. He is the Chairman of the Management Board of Mannesmann AG. He is also a non-executive director of Smiths Group Plc.



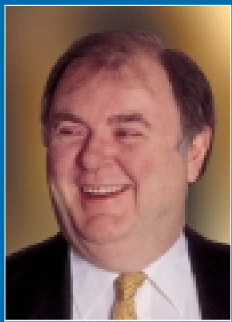
Lord MacLaurin of Knebworth, DL



Paul Hazen

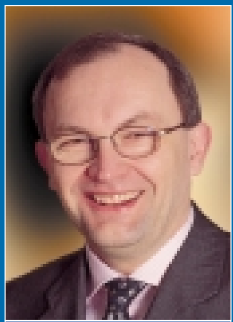


Chris Gent



Julian Horn-Smith

Peter Bamford



Thomas Geitner

Ken Hydon

Peter Bamford*
Chief Executive Northern Europe, Middle East and Africa Region

Peter Bamford, Chief Executive for the Northern Europe, Middle East and Africa region, aged 47, has been a member of the Company's board of directors since April 1998. He has responsibility for the Group's Northern Europe, Middle East and Africa businesses. He was managing director of Vodafone UK Limited until April 2001. Before joining Vodafone Group in 1997, Mr Bamford was a director of WH Smith Group Plc.

Thomas Geitner*
Chief Executive Group Products and Services

Thomas Geitner, Chief Executive, Group Products and Services, aged 46, has been a member of the Board of directors of Vodafone Group since May 2000. He is responsible for the development of pan-European products and services and the achievement of revenue and cost synergies between the operating companies in the Group's European region. He is a non-executive director of Vizzavi Limited. Prior to joining Vodafone, he was a member of the management board of RWE AG and Chief Executive of o.tel.o GmbH. He is Deputy Chairman of the Management Board of Mannesmann AG.

Ken Hydon*
Financial Director

Ken Hydon, Financial Director, aged 56, has been a member of the Board of directors since 1985. He is director of several subsidiaries of Vodafone, including Vodafone International Holdings BV, and promotes US investor relations. Mr Hydon is a member of the Supervisory Board of Mannesmann AG and is a member of the Board of Representatives of the Verizon Wireless partnership.

* Member of the Group Executive Committee

Dr. Josef Ackermann
Non-Executive Director

Dr. Josef Ackermann, non-executive director, aged 53, has been a member of the Board of directors since May 2000 and is a member of the Audit Committee. He has been a member of the Board of Managing Directors of Deutsche Bank AG since 1996 and, in addition, he serves on the supervisory boards of Linde AG, Stora Enso Oyj, EUREX Frankfurt AG and EUREX Zurich AG. He was also a member of the Sair Group from May 1995 to April 1999 and Winterthur Group from May 1996 to November 1996. He has recently become a member of the Board of the Nasdaq Stock Market, Inc.

Dr. Michael Boskin
Non-Executive Director

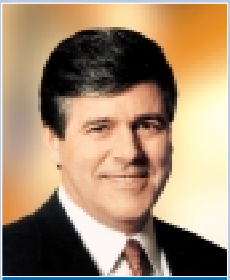
Michael Boskin, non-executive director, aged 55, has been a member of the Board of directors since June 1999 and is a member of the Remuneration Committee and the Audit Committee. He was a director of AirTouch from August 1996 to June 1999. He has been a Professor of Economics at Stanford University since 1971 and was Chairman of the President's Council of Economic Advisers from February 1989 until January 1993. He is also a director of ExxonMobil Corporation, First Health Group Corp. and Oracle Corporation.

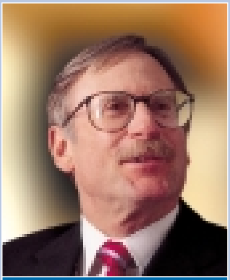
Professor Sir Alec Broers
Non-Executive Director

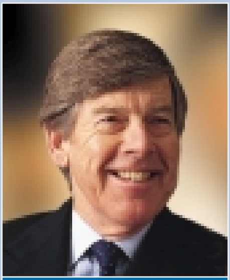
Professor Sir Alec Broers, non-executive director, aged 62, is the Vice-Chancellor of Cambridge University. He first joined the Board in January 1998. He is a member of the Nominations Committee and chairs the Group's Charitable Trust. He spent many years with IBM and is a fellow of the Royal Society, the Royal Academy of Engineering, the Institute of Electrical Engineers and the Institute of Physics. He is also a Foreign Associate of the US National Academy of Engineering.

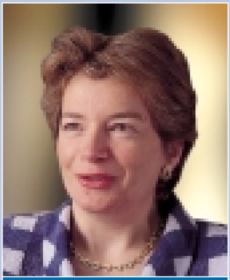
Penny Hughes
Non-Executive Director

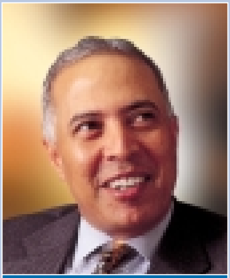
Penny Hughes, non-executive director, aged 41, has been a member of the Board of directors since September 1998 and will take the chair of the Remuneration Committee in August 2001. She also chairs the Company's pension trustee company. Mrs Hughes has held posts with The Coca-Cola Company, Next Plc and Body Shop Plc and is currently a non-executive director of Skandinaviska Enskilda Banken A.B. and Trinity Mirror plc and Chairman of Web-Angel plc.


Dr. Josef Ackermann


Dr. Michael Boskin


Professor Sir Alec Broers


Penny Hughes


Arun Sarin


Sir David Scholey CBE


Jürgen Schrempp


Dr. Henning Schulte-Noelle

Arun Sarin
Non-Executive Director

Arun Sarin, non-executive director, aged 46, has been a member of the Board since June 1999 and was Chief Executive Officer for the United States and Asia Pacific Region until he resigned on 15 April 2000, when he became a non-executive director. He is a member of the Nominations Committee. He was a director of AirTouch from July 1995 and was President and Chief Operating Officer from February 1997 to June 1999. He is a director of The Gap, Inc., The Charles Schwab Corporation and Cisco Systems, Inc.

Sir David Scholey CBE
Non-Executive Director

Sir David Scholey, CBE, non-executive director, aged 65, has been a member of the Board since March 1998. He is Chairman of the Remuneration Committee and a member of the Audit Committee. He is also senior advisor to UBS Warburg, Chairman of Close Brothers Group plc, Deputy Chairman of Anglo American plc and a director of the Chubb Corporation, USA. Sir David was formerly a director of The Bank of England and J Sainsbury Plc and a governor of the British Broadcasting Company.

Jürgen Schrempp
Non-Executive Director

Jürgen Schrempp, non-executive director, aged 56, has been a member of the Board of directors since May 2000 and is a member of the Remuneration Committee. He has been Chairman of the Board of Management of DaimlerChrysler AG since 1998. From 1995 until 1998 he was Chairman of the Board of Management of Daimler-Benz AG. He serves on the Supervisory Board of Allianz AG and HypoVereinsbank AG and he is a member of the Board of Directors of the New York Stock Exchange and Sasol, Ltd. He was a member of the Supervisory Board of Mannesmann AG until May 2000.

Dr. Henning Schulte-Noelle
Non-Executive Director

Dr. Henning Schulte-Noelle, non-executive director, aged 58, has been a member of the Board of directors since May 2000 and is a member of the Nominations Committee. He was appointed Chairman of the board of management of Allianz AG in 1991. He was a member of the Supervisory Board of Mannesmann AG from 1994 to 2000 and is a member of the supervisory boards of BASF AG, Dresdner Bank AG, Linde AG, Muenchener Rueckversicherungs AG, Siemens AG, Thyssen Krupp AG and E.ON.

vodafone

The following Board members of Vodafone Group Plc are also members of the Group Executive Committee

Chris Gent (Chairman) • Peter Bamford • Thomas Geitner • Julian Horn-Smith • Ken Hydon

Brian Clark
Chief Executive Pacific Region

Brian Clark, Chief Executive, Vodafone Pacific Limited, aged 52, took up this position on joining Vodafone in 1997. He is based in Australia and was previously Managing Director and Chief Executive Officer of Telkom SA Ltd, South Africa.

Vittorio Colao
Chief Executive Southern Europe Region

Vittorio Colao, Chief Executive Southern Europe Region, aged 39, was appointed to the position on 1 April 2001. He is currently Chief Executive and was formerly Chief Operating Officer of Omnitel Pronto Italia S.p.A., before which he was a partner at McKinsey & Co. He is currently a member of The Aspen Institute and a non-executive director of Finmeccanica.

Alan Harper
Group Strategy Director

Alan Harper, Group Strategy Director, aged 44, joined Vodafone in 1995 as Group Commercial Director and he subsequently became Managing Director of Vodafone Ltd, the UK network operating company. He was appointed to his current position in July 2000. Prior to joining Vodafone he held the post of Business Strategy Director with Mercury One2One and senior roles with Unitel and STC Telecoms.

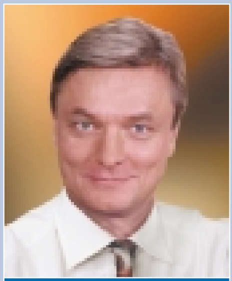
Tomas Isaksson
President Global Platform and Internet Services

Tomas Isaksson, President Global Platform and Internet Services, aged 46, was appointed to the position in February 2000. Previously he was Chief Executive of Europolitan Holdings AB, Vodafone's Swedish operating company, and before that he was the President and Chief Executive Officer of Ericsson Radio Systems Inc., USA.

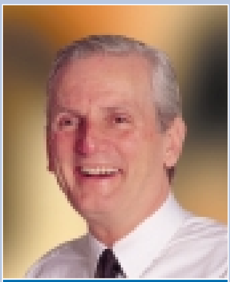

Brian Clark

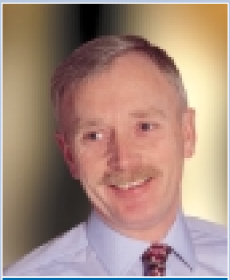

Vittorio Colao


Alan Harper


Tomas Isaksson


Bill Keever


Jurgen von Kuczkowski


Stephen Scott


Phil Williams

Bill Keever
President Americas Asia Region

Bill Keever, President, Americas Asia Region, aged 55, was appointed to this position in April 2000. He joined the business in 1965, holding positions in Pacific Bell and subsequently AirTouch. Immediately prior to his current appointment he was an Executive Vice President of AirTouch Communications and President of AirTouch International. He is a member of the Board of Representatives of the Verizon Wireless partnership.

Jurgen von Kuczkowski
Chief Executive Central Europe Region

Jurgen von Kuczkowski, Chief Executive, Central Europe Region, aged 60, was appointed to the position on 1 April 2001. He joined Mannesmann Mobilfunk GmbH in October 1990 as Director of Sales and Distribution and was Chairman of the Board of Management.

Stephen Scott
Company Secretary and Group Legal Director

Stephen Scott, Company Secretary and Group Legal Director, aged 47, was appointed to this position in the Vodafone Group in 1991, prior to which he was employed in the Racal Group legal department having moved into industry in 1980 from private law practice in London. He is a director of the Group's pension trustee company.

Phil Williams
Group Human Resources Director

Phil Williams, Group Human Resources Director, aged 50, was appointed to this position in the Vodafone Group in 1989. He is a director of several group companies and is also a director of the Group's pension trustee company and the Vodafone Group Charitable Trust. Prior to joining Vodafone he was Personnel Director with Costain and Burmah Castrol.

Review of the Group's business

The Company, and its subsidiary, joint venture and associated undertakings (the "Group"), is involved principally in the provision of mobile telecommunication services. A review of the development and performance of the Group's businesses in the financial year ended 31 March 2001 and its future prospects is contained in the Chairman's Statement on pages 3 to 5, the Chief Executive's Statement on pages 6 to 9, the Group Chief Operating Officer's Statement on pages 10 to 23, the Corporate Social Responsibility report on pages 24 and 25 and in the summary financial review on pages 36 to 38.

Dividends

The directors have proposed a final dividend for the year of 0.714p per ordinary share, amounting to £464m, payable on 10 August 2001 to shareholders on the register of members at close of business on 8 June 2001. An interim dividend of 0.688p per ordinary share was paid during the year, producing a total for the year of 1.402p per ordinary share. A scrip dividend alternative to the cash dividend is available and further details of the Company's Scrip Dividend Scheme can be found on pages 46 and 47.

Subsequent events

Details of subsequent events are contained on page 38.

Corporate Governance

The Company has been in compliance with the Combined Code provisions on Corporate Governance throughout the year ended 31 March 2001, except for a minor matter in relation to the training of new directors.

The standing Board committees are the Audit Committee, the Nominations Committee and the Remuneration Committee. Details of the composition of the Committees are set out in the Annual Report and Accounts, together with a full statement on how the Company applies the principles and complies with the provisions of the Combined Code.

Directors

Details of the current members of the Board are shown on pages 28 and 29. Other directors who served on the Board during the year were Sam Ginn, who served as Chairman until 23 May 2000, Charles Schwab and Don Fisher, who resigned as non-executive directors in May 2000 and October 2000, respectively, and Klaus Esser, who joined the Board as a Deputy Chairman on 5 June 2000 and resigned on 30 September 2000.

The summary directors' report, the summary remuneration report on pages 32 to 35, and the summary financial review and summary accounts on pages 36 to 44, are a summary of the information contained in the Vodafone Group Plc Annual Report and Accounts for the year ended 31 March 2001. This is intended to simplify annual communication with shareholders. The Summary Financial Statement does not contain sufficient information to allow a full understanding of the results of the Vodafone Group and the state of affairs of the Company and Vodafone Group.

For more detailed information, the Directors' Report, the full accounts and the Auditors' Report on those accounts, which was unqualified, contained in the Vodafone Group Plc Annual Report and Accounts for the year ended 31 March 2001, should be consulted. Copies may be obtained, free of charge, by writing to the Investor Relations Department at The Courtyard, 2-4 London Road, Newbury, Berkshire RG14 1JX, England or, for ADR holders, The Bank of New York, Investor Relations, Church Street Station, P.O. Box 11009, New York, NY 10286-1009.

Shareholders wishing to receive the Annual Report and Accounts as well as the Annual Review and Summary Financial Statement in future years should write to the Registrars at the address on page 47 or the Bank of New York at the above address.

Auditors' Statement to the Shareholders of Vodafone Group Plc

We have examined the summary financial statement set out on pages 39 to 44, and the amounts relating to directors' emoluments, share options and beneficial interests in shares on pages 33 to 35.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Review and Summary Financial Statement. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Review and Summary Financial Statement with the full annual accounts and directors' report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board.

Opinion

In our opinion, the summary financial statement is consistent with the full accounts and directors' report of Vodafone Group Plc for the year ended 31 March 2001 and complies with the applicable requirements of Section 251 of the Companies Act 1985, and the regulations made thereunder.

Deloitte & Touche
Chartered Accountants and Registered Auditors
London
29 May 2001

Remuneration Policy

It is vital for the Group to employ people of the high calibre essential to the successful leadership and efficient management of a global business at the leading edge of the telecommunications industry. The scale and complexity of the Group continues to grow, with operations in 29 countries in five continents.

The executive talent needed to maximise returns for shareholders in this industry is very scarce and the future success of the Group will depend on its ability to provide remuneration packages which are competitive in actual and prospective value when measured against the best in the industry.

In determining the Group's policy, and in constructing the remuneration arrangements of each executive director, the Board, advised by the Remuneration Committee consisting entirely of independent non-executive directors, aims to provide remuneration which ensures the retention, motivation and incentivisation of the senior executives.

The key principles of the Global Market-related Remuneration programme (GMR), which was implemented following shareholders' approval of the Remuneration Policy at last year's Annual General Meeting, are as follows:

- the remuneration of executives with global responsibilities is set by reference to a global peer group, with a high proportion contingent upon a demanding level of corporate performance and compliance with share ownership requirements;
- base salary and short term incentive plans (at 100% of base salary target level) represent approximately 20% of total stretch target remuneration;
- approximately 80% of total stretch target remuneration will be delivered by share incentive awards which will only vest on the achievement of very demanding performance targets.

The award levels are determined using the Black-Scholes formula, an internationally accepted methodology of valuing options, and as and when vested will be exercisable at the market price at the time of grant.

Components of executive directors' remuneration

The components of executive directors' remuneration packages, details of which are given in the tables that follow, are salary, on which pension benefits are calculated, short term incentives, long term incentives, pension benefits and a car.

Salary

Salaries are reviewed annually with effect from 1 July. If the responsibilities of executive directors change during the year, the Remuneration Committee reviews remuneration packages at that time. Only base salary is used to determine pensionable salary.

Five previously disclosed exceptional cash payments and three restricted share awards were made as part of a special bonus in April and July 2000 to address an under-provisioning under then current remuneration arrangements, relative to market competitive remuneration levels, following the transactions with AirTouch and Mannesmann. The payments and awards are included in the following tables that detail directors' remuneration for the year to 31 March 2001.

Pensions

Chris Gent, Julian Horn-Smith, Ken Hydon and Peter Bamford are contributing members of the Vodafone Group Pension Scheme. Peter Bamford, whose benefits under the scheme are restricted by Inland Revenue earnings limits, also participates in the defined contribution Vodafone Group Funded Unapproved Retirement Benefits Scheme. Thomas Geitner participates in the Essener Verband Retirement Scheme.

Short Term Incentives

Executive directors are eligible to participate in the Vodafone Group Short Term Incentive Plan (STIP). The STIP comprises two elements: a base award and an enhancement award. Awards are contingent on achievement of a one year performance target. An enhancement award of up to 50% of the original value of the base award may be payable, subject to the achievement of a further two year performance target. No enhancement awards vested during the year.

Long Term Incentives

Long term incentives are provided to executive directors in the form of restricted shares and share options. GMR has been introduced for all executive directors, in accordance with the policy set out above. The size of the GMR option grant is determined by a calculation based upon the three year historical total shareholder return (TSR) performance of the Company relative to global peer group companies, the remuneration of the Chief Executives of these companies, the sum of other components of the participant's remuneration and the Black-Scholes formula.

For options granted in July 2000, compound pro forma proportionate EBITDA growth in excess of 30% per annum and TSR performance equal to or above the 90th percentile will have to be attained in order that the options may be exercised in full. No part of the option is exercisable if EBITDA growth is less than 15% and if TSR performance is below median.

In addition to awards under the GMR programme executive directors are entitled to receive grants of share options under the Group Share Option Schemes, whereby they will receive a grant of options if participants hold unexercised options worth in aggregate less than four times salary at the date of grant. All options are exercisable only upon the achievement of performance targets. Awards of restricted shares are made to executive directors annually under the Vodafone Group Long Term Incentive Plan (LTIP) by the Trustees of the Vodafone Group Employee Trust. If and to the extent that the LTIP performance targets are achieved over the three year performance period the shares are released to participants. No LTIP awards vested during the year.

All-employee share incentive schemes

Sharesave Options

UK based executive directors are eligible to participate in the Vodafone Group 1998 Sharesave Scheme. This is an Inland Revenue approved scheme open to all UK permanent employees. The maximum that can be saved each month is £250.

Profit Sharing Scheme

Executive directors are also eligible to participate in the Vodafone Group Profit Sharing Scheme. This is an Inland Revenue approved scheme open to all UK permanent employees. Eligible employees may contribute up to 5% of their salary each month, up to a maximum of £665 per month.

Non-executive directors' remuneration

The remuneration of non-executive directors is established by the whole Board. Certain non-executive directors hold share options relating to their service with AirTouch Communications, Inc. whose policy was to grant share options to non-executive directors. No options have been granted to non-executive directors in their capacity as non-executive directors of Vodafone. The appointment of the Chairman is subject to the terms of an agreement between the Company and Lord MacLaurin with a three year term that began on 23 May 2000. The other non-executive directors are engaged on letters of appointment which set out their duties and responsibilities and confirm their remuneration. The Company may terminate each of these appointments at any time without the payment of compensation.

Service Contracts

Service contracts for the UK based executive directors were granted on the basis that they could be terminated on one year's notice at the end of an initial term of two years or at any time thereafter. The contracts also contained a provision increasing the notice period to two years in the event of termination by the Company within one year of a change of control of the Company. Each of the directors has now waived this provision and accordingly all their contracts are terminable by the Company on one year's notice.

Thomas Geitner entered into a fixed term five year contract with Mannesmann AG on 15 May 2000, the normal contract arrangement for Mannesmann AG board members. He has now agreed to replace this contract, without separate recompense, with one for an initial three year term and then until terminated by either party on one year's notice.

Summary Emoluments for the year to 31 March 2001

	Salary/ fees 2001 £000	Bonuses 2001 £000	Incentive schemes [1] 2001 £000	Benefits 2001 £000	Compensation for loss of office 2001 £000	**Total 2001 £000**	Total 2000 £000	**Transfer value of increase in accrued pension during the year [2] £000**	**Accumulated total accrued pension at year end [2] £000**
Chairman									
Ian MacLaurin [3]	397	–	–	17	–	**414**	216	–	–
Deputy Chairman									
Paul Hazen [4]	89	–	–	–	–	**89**	39	–	–
Chief Executive									
Chris Gent	1,069	5,000	783	31	–	**6,883**	1,358	**1,161**	**411**
Executive directors									
Peter Bamford	582	1,000	426	31	–	**2,039**	563	**29**	**12**
Thomas Geitner [5]	414	–	341	12	–	**767**	–	**105**	**10**
Julian Horn-Smith	582	2,000	426	23	–	**3,031**	722	**578**	**226**
Ken Hydon	582	2,000	426	28	–	**3,036**	762	**842**	**283**
Non-executive directors									
Josef Ackermann [6]	57	–	–	–	–	**57**	–	–	–
Michael Boskin	62	–	–	–	–	**62**	39	–	–
Alec Broers	62	–	–	–	–	**62**	35	–	–
Penny Hughes	62	–	–	–	–	**62**	52	–	–
Arun Sarin [7]	81	1,000	–	14	1,119	**2,214**	871	**3,507**	**269**
David Scholey	62	–	–	–	–	**62**	52	–	–
Jürgen Schrempp [6]	57	–	–	–	–	**57**	–	–	–
Henning Schulte-Noelle [6]	57	–	–	–	–	**57**	–	–	–
Klaus Esser [8]	31	–	–	4	9,153	**9,188**	–	–	–
Don Fisher [9]	35	–	–	–	–	**35**	39	–	–
Sam Ginn [10]	42	–	–	2	–	**44**	201	–	–
Charles Schwab [11]	9	–	–	–	–	**9**	39	–	–
Former directors [12]	–	–	–	396	–	**396**	1,791	–	–
	4,332	11,000	2,402	558	10,272	**28,564**	6,779		

Notes

1. These figures are the value of awards under the Vodafone Group Short Term Incentive Plan applicable to the year ended 31 March 2001 or, in the case of Thomas Geitner, under the Vodafone-Mannesmann Short Term Incentive Plan.
2. The pension benefits earned by the directors are those which would be paid annually on retirement, on service to the end of the year, at the normal retirement age. Salaries have been averaged over 3 years in accordance with Inland Revenue regulations. The transfer value has been calculated on the basis of actuarial advice in accordance with the Faculty and Institute of Actuaries' Guidance Note GN11.
3. Ian MacLaurin was appointed Chairman on 23 May 2000, prior to which he was Deputy Chairman.
4. Following Ian MacLaurin's appointment as Chairman, Paul Hazen was appointed Deputy Chairman on 23 May 2000.
5. Thomas Geitner joined the Board on 15 May 2000. Salary and benefits for Thomas Geitner have been translated at the average exchange rate for the year of DM3.19 : £1.
6. Appointed to the Board on 1 May 2000.
7. Information for Arun Sarin covers both the period 1 April 2000 to 15 April 2000, when he was an executive director, and the period 16 April 2000 to 31 March 2001 as a non-executive director. Payments made for Arun Sarin's services as a non-executive director comprised fees of £60,000 and benefits of £13,000. Compensation for loss of office payments to Arun Sarin were based on final salary at the date of his resignation as an executive director and were made in accordance with the terms of his service contract. Salary and benefits for Arun Sarin have been translated at the average exchange rate for the year of $1.48 : £1.
8. Klaus Esser, Chairman of the Management Board of Mannesmann AG at the time of the Company's acquisition of Mannesmann, joined the Board of the Company on 5 June 2000 as Deputy Chairman. He resigned on 30 September 2000 to pursue other interests. Fees and benefits in the table relate to his services as a director of the Company. Compensation for loss of office comprises a payment of DM25,500,000 by Mannesmann, to which Dr Esser was entitled under his agreement with Mannesmann AG, and a payment of €2,000,000 in final settlement of lifetime benefits awarded to him by the Supervisory Board of Mannesmann in February 2000. The accrued pension for Klaus Esser at the date of his resignation was DM980,000 (£307,000) per annum. There was no increase in accrued pension during his period of service as a director.
9. Fees for Don Fisher are for the period to 19 October 2000, when he resigned from the Board.
10. Salary and benefits for Sam Ginn are for the period to 23 May 2000, when he resigned from the Board.
11. Fees for Charles Schwab are for the period to 23 May 2000, when he resigned from the Board.
12. Under the terms of an agreement Sam Ginn provides consultancy services to the Group and is entitled to certain benefits. The estimated value of benefits received by him from the date of his resignation to 31 March 2001 was £65,000, translated at the average exchange rate for the year of $1.48 : £1. Payments totalling £311,000 were made to a former director during the year pending recovery of the sum under the terms of an insured long-term disability plan. Under the terms of the Life President arrangements of Sir Ernest Harrison the estimated value of benefits received by him in the year ended 31 March 2001 was £20,000 (2000: £20,000).

Short Term Incentives

Conditional awards of ordinary shares made to executive directors under the Vodafone Group Short Term Incentive Plan (STIP), and dividends on those shares paid under the terms of the Company's scrip dividend scheme, are shown below. No STIP shares vested during the year for any director.

	Total interest in STIP at 1 April 2000		Shares conditionally awarded during the year as base award in respect of 1999/2000 STIP awards		Shares conditionally awarded during the year as enhancement shares in respect of 1999/2000 STIP awards		Number of shares added during the year through scrip dividend scheme		Total interest in STIP at 31 March 2001		
	Number of shares as base award	Number of enhancement shares	Number	Value at date of award (1),(2) £000	Number	Value at date of award (2) £000	In respect of base awards	In respect of enhancement shares	Number of shares as base award	Number of enhancement shares	Total value (3) £000
Chris Gent	62,789	31,397	52,048	162	26,024	81	451	226	115,288	57,647	334
Julian Horn-Smith	35,055	17,530	29,060	90	14,530	45	252	125	64,367	32,185	186
Ken Hydon	33,382	16,688	27,671	86	13,835	43	239	119	61,292	30,642	177

Notes

1. Included within directors' emoluments for the year ended 31 March 2000.
2. Value at date of award is based on the purchase price of the Company's ordinary shares on 6 July 2000 of 311.25p.
3. The value at 31 March 2001 is calculated using the closing middle market price of the Company's ordinary shares of 193p.

Long Term Incentives

Conditional awards of ordinary shares made to executive directors under the Vodafone Group 1998 Long Term Incentive Plan and Vodafone Group 1999 Long Term Stock Incentive Plan, and dividends on those shares paid under the terms of the Company's scrip dividend scheme, are shown below. No shares vested during the year for any director.

		Total interest in LTIP at 1 April 2000	Number of shares conditionally awarded during the year		Number of shares added during the year through scrip dividend scheme	Total interest in LTIP at 31 March 2001	
	Plan (1),(2)	Number	Number	Value at date of award (3) £000	Number	Number of shares	Total value (4) £000
Chris Gent	1	285,830	209,627	675	1,980	497,437	960
	2	–	1,600,000	5,000	4,432	1,604,432	3,097
Peter Bamford	1	147,282	114,130	368	1,035	262,447	507
	2	–	–	–	–	–	–
Julian Horn-Smith	1	159,586	114,130	368	1,097	274,813	530
	2	–	640,000	2,000	1,772	641,772	1,239
Ken Hydon	1	151,958	114,130	368	1,060	267,148	516
	2	–	640,000	2,000	1,772	641,772	1,239

Notes

1. Restricted share awards under the Vodafone Group 1998 Long Term Incentive Plan.
2. Restricted share awards under the Vodafone Group 1999 Long Term Stock Incentive Plan.
3. The value of awards under the Vodafone Group 1998 Long Term Incentive Plan is based on the purchase price of the Company's ordinary shares on 2 June 2000 of 322p. The value of awards under the Vodafone Group 1999 Long Term Stock Incentive Plan is based on the purchase price of the Company's ordinary shares on 14 April 2000 of 312.5p.
4. The value at 31 March 2001 is calculated using the closing middle market price of the Company's ordinary shares of 193p.

Arun Sarin received £434,000 on termination of his employment as an executive director. This was payable under the accelerated vesting bonus of the AirTouch Long Term Cash Incentive Program in respect of awards made in 1998, 1999 and 2000.

On 5 July 1999, Arun Sarin was granted a Restricted Stock Award (the "Award") over 3,040,150 Vodafone shares under the Vodafone Group 1999 Long Term Stock Incentive Plan. The Award was split into three tranches. The first tranche of 1,040,150 vested immediately on grant. The second and third tranches, which were due to vest on 5 July 2000 and 5 July 2001, vested on 15 April 2000, when he resigned as an executive director and was appointed a non-executive director. The value of the shares at the date of vesting was £6,005,000, based on the middle market price of the Company's ordinary shares of 300.25p.

Sam Ginn holds 1,135,935 phantom ADRs awarded under the AirTouch Communications, Inc. 1993 Long Term Stock Incentive Plan, which expire on 28 January 2007, and which are payable in the form of ADRs. Don Fisher's interest in 16,230 phantom ADRs was released to him on 20 December 2000, on which date their value was £398,000 based on the middle market price of the Company's ordinary shares of 245p.

Summary of Directors' Interests in Shares and Share Options

The following information summarises the directors' options, and pre-tax gains on options exercised, during the year under the Vodafone Group Savings Related Share Option Scheme, the Vodafone Group 1998 Sharesave Scheme, the Vodafone Group Executive Share Option Scheme, all Inland Revenue approved schemes, the Vodafone Group Share Option Scheme, which is not Inland Revenue approved, the AirTouch Communications, Inc. 1993 Long Term Stock Incentive Plan and the Vodafone Group 1999 Long Term Stock Incentive Plan. Only under the Vodafone Group 1998 Sharesave Scheme may shares be offered at a discount in future grants of options.

	Options held at 1 April 2000 or date of appointment Number	Options granted during the year Number	Options exercised during the year Number	Options held at date of resignation Number	**Options held at 31 March 2001 Number**	**Pre-tax gain on options exercised in the year £000**	**Beneficial interests in ordinary shares of the Company at 31 March 2001 No. of shares**
Chairman							
Ian MacLaurin	–	–	–	–	**–**	**–**	**65,100**
Deputy Chairman							
Paul Hazen [(1)]	473,050	–	473,050	–	**–**	**1,029**	**422,450**
Chief Executive							
Chris Gent [(2)]	2,576,145	5,892,664	1,231,270	–	**7,237,539**	**2,918**	**1,904,759**
Executive directors							
Peter Bamford	1,497,670	2,797,255	776,000	–	**3,518,925**	**1,997**	**67,576**
Thomas Geitner	–	2,933,055	–	–	**2,933,055**	**–**	**12,350**
Julian Horn-Smith	2,062,440	2,816,455	145,500	–	**4,733,395**	**364**	**781,337**
Ken Hydon	1,434,020	2,888,248	9,270	–	**4,312,998**	**22**	**1,217,314**
Non-executive directors							
Josef Ackermann	–	–	–	–	**–**	**–**	**–**
Michael Boskin	–	–	–	–	**–**	**–**	**212,500**
Alec Broers	–	–	–	–	**–**	**–**	**5,000**
Penny Hughes	–	–	–	–	**–**	**–**	**22,500**
Arun Sarin [(1),(3)]	11,250,000	–	–	–	**11,250,000**	**–**	**5,408,416**
David Scholey	–	–	–	–	**–**	**–**	**50,000**
Jürgen Schrempp	–	–	–	–	**–**	**–**	**–**
Henning Schulte-Noelle	–	–	–	–	**–**	**–**	**–**
Don Fisher [(1),(4)]	350,000	–	–	350,000	**–**	**–**	
Sam Ginn [(1),(5)]	18,875,000	–	–	18,875,000	**–**	**–**	
Charles Schwab [(1),(4)]	709,150	–	–	709,150	**–**	**–**	
	39,227,475	17,327,677	2,635,090	19,934,150	**33,985,912**	**6,330**	

Notes

1. All options held by Paul Hazen, Arun Sarin, Don Fisher, Sam Ginn and Charles Schwab are in respect of American Depositary Shares, each representing ten ordinary shares of the Company, which are traded on the New York Stock Exchange.
2. In July 2000 Chris Gent undertook to acquire and maintain a shareholding of 2 million shares within twelve months. He expects to attain this figure from shares to be released to him in July from the STIP and through shares acquired through the Group Profit Sharing Scheme.
3. The terms of Arun Sarin's stock options allow exercise until the earlier of the date on which Arun Sarin ceases to be a director of Vodafone and the seventh anniversary of the respective dates of grant.
4. Don Fisher and Charles Schwab exercised all outstanding options after their date of resignation. The pre-tax gains on exercise, translated at the average exchange rate for the year of $1.48 : £1, were £679,000 and £1,320,000, respectively.
5. The latest expiry dates for the exercise of Sam Ginn's outstanding share options are 15 April 2005 and 28 January 2007 in respect of options over 15,000,000 ordinary shares and 3,875,000 ordinary shares, respectively.

The Company's register of director's interests (which is open to inspection) contains full details of directors' shareholdings and options to subscribe.

There have been no changes in the interests of the directors of Vodafone Group Plc in the ordinary shares of the Company during the period from 1 April 2001 to 29 May 2001, except that Julian Horn-Smith and Ken Hydon acquired one share each through Vodafone Group Personal Equity Plans and the following directors acquired interests in shares of the Company under the Vodafone Group Profit Sharing Scheme:

	Interests in Ordinary Shares		Interests in Ordinary Shares
Chris Gent	1,136	Julian Horn-Smith	1,260
Peter Bamford	1,260	Ken Hydon	1,260

No director had, since 1 April 2000, any interest in the shares of any subsidiary company except Julian Horn-Smith who, at the end of the financial year, owned 18,000 ordinary shares of Panafon SA, the Group's Greek subsidiary company.

Profit and loss account

The profit and loss account on page 39 has been prepared on the basis required by accounting standards and includes the results of a number of significant transactions completed during the year.

The results and net assets of Mannesmann have been consolidated in the Group's financial statements with effect from 12 April 2000, the date the acquisition was completed. Non-core businesses sold following the acquisition of Mannesmann, including Atecs Mannesmann, Orange, Mannesmann's watches and tubes businesses, Ipulsys, Infostrada and tele.ring, have not been consolidated in the results for the year.

The results and net assets of Airtel have been fully consolidated with effect from 29 December 2000. Prior to the acquisition of a controlling interest, the Group's 21.7% interest in Airtel was accounted for as an associated undertaking within continuing operations under the equity accounting method.

The Group's interest in Verizon Wireless, which was formed on 3 April 2000, has been accounted for using equity accounting in the current year and the Group's share of results is disclosed within continuing operations. In the year ended 31 March 2000, turnover of £2,585m and operating losses of £100m (after goodwill amortisation) in respect of the Group's US businesses were fully consolidated.

Group turnover and total Group operating (loss)/profit

Group turnover increased to £15,004m from £7,873m last year. This reflects growth in continuing operations from £5,288m to £6,637m, after adjusting for the results of US operations in prior year turnover, and includes £8,367m in respect of acquired businesses. Turnover from continuing operations, including the Group's share of joint ventures and associated undertakings, increased from £11,521m to £15,155m, reflecting the strong growth of these businesses.

Total Group operating loss of £6,998m for the year (31 March 2000: profit of £796m) is after charging exceptional operating costs of £320m (31 March 2000: £30m) and goodwill amortisation of £11,882m (31 March 2000: £1,712m). Total Group operating profit, before exceptional operating costs and amortisation of goodwill, increased to £5,204m, compared with £2,538m last year. Acquisitions represented £2,087m of the increase with a further increase of £579m to £3,117m from continuing operations.

Exceptional operating items of £320m primarily comprise impairment charges of £91m in relation to the carrying value of certain assets within the Group's Globalstar service provider businesses, exceptional reorganisation costs of £85m relating to the restructuring of the Group's operations in Germany and the US, and £141m in relation to the Group's share of the restructuring costs incurred by Verizon Wireless.

The increase in the goodwill amortisation charge from £1,712m to £11,882m is primarily due to amortisation of the goodwill arising from the acquisition of Mannesmann, provisionally calculated to be £83 billion, goodwill on formation of the Verizon Wireless joint venture partnership and a full year's amortisation charge for goodwill relating to the acquired AirTouch operations (excluding US businesses contributed to Verizon Wireless). These charges for goodwill amortisation do not affect the cash flows of the Group or the ability of the Group to make dividend payments.

Exceptional non-operating items

	2001 £m	2000 £m
Profit on termination of hedging instrument	261	–
Impairment of fixed asset investments	(193)	–
Profit on disposal of fixed assets	6	–
Profit on disposal of fixed asset investments	6	954
	80	954

The profit on termination of the hedging instrument arose in March 2001 upon the settlement of a hedging transaction entered into by the Group in order to obtain protection against an adverse market-related price adjustment included in the original terms of the agreement for the sale of Infostrada S.p.A. This hedging transaction was terminated with cash proceeds to the Group of approximately €410 million. The impairments of fixed asset investments are in relation to the Group's interests in Globalstar and Shinsegi Telecom, Inc.

The profit of £954m in the prior year arose mainly on disposal of the Group's interest in E-Plus Mobilfunk GmbH as a condition of the European Commission's approval of the merger with AirTouch Communications, Inc.

Interest

Total Group interest, including the Group's share of the net interest expense of joint ventures and associated undertakings, increased by £776m to £1,177m. Net interest costs in respect of the Group's net borrowings increased by £517m to £850m, compared with £333m (before exceptional finance costs of £17m) in the year to 31 March 2000. The increase includes interest on Mannesmann's debt of £12,551m, which was assumed at acquisition on 12 April 2000. Group interest, excluding the Group's share of the net interest expense in joint ventures and associated undertakings, is covered 6.2 times by Group EBITDA (before exceptional operating costs) plus dividends received from joint ventures and associated undertakings.

Taxation

The effective rate of taxation for the year, before goodwill and exceptional non-operating items, increased to 33.9% from 32.5% in the year ended 31 March 2000. The 1.4% increase in the effective tax rate is primarily the result of the integration of the Mannesmann businesses into the Group's result.

Pro forma proportionate financial information

Due to the significance of the acquisition of Mannesmann and the merger with AirTouch on the results for each of the years ended 31 March 2001 and 31 March 2000, unaudited pro forma proportionate financial information has been presented on the basis that these transactions took place on 1 April in each financial year. The following discussion of pro forma proportionate Group turnover and EBITDA, before exceptional items, provides a more direct comparison of year on year operating performance.

Pro forma proportionate turnover for the Group's mobile businesses increased by over 29% to £21,428m and pro forma proportionate EBITDA, before exceptional items, increased by 28% from £5,504m to £7,043m, reflecting the strong progress of the business following the Mannesmann transaction and formation of Verizon Wireless.

After making adjustments for acquisitions completed in the year, primarily the increased stakes in Airtel in Spain, the J-Phone Group in Japan and the acquisition of shareholdings in Swisscom Mobile and China Mobile, underlying organic growth in both mobile pro forma proportionate turnover and EBITDA, at constant exchange rates, was 25%.

In Continental Europe pro forma proportionate turnover grew by almost 21% to £9,743m. This increase reflects the rapid growth in customer numbers in all major markets, the Group's increased shareholding in Airtel and the acquisition of an equity interest in Swisscom Mobile.

Pro forma proportionate EBITDA for Continental Europe increased by almost 22% to £3,534m. In Germany, the costs of connection and marketing associated with the near doubling of the customer base lowered the EBITDA margin of D2 Vodafone by six percentage points to 35%. This represents an improvement on the 30% margin reported in the first half of the financial year, partially due to the implementation of changes to commercial policies. In Italy, which has much lower equipment subsidies, customer growth of 40% during the year contributed to an EBITDA margin of 45%, an increase of three percentage points over last year. In the rest of Continental Europe, the 69% increase in pro forma proportionate EBITDA reflects strong trading throughout the region with particularly strong margin improvements in the Group's subsidiaries in Greece, the Netherlands and Spain, and the increase in the Group's ownership interests in Airtel and the acquisition of an interest in Swisscom Mobile during the year.

Proportionate turnover in the UK increased by 17% to £3,458m and proportionate EBITDA increased by 14% to £1,068m, reflecting further strong prepaid customer growth and the increased usage of data services, offset by the impact of tariff reductions.

In the United States, proportionate turnover and EBITDA were £5,008m and £1,627m, respectively, resulting in an EBITDA margin of 32%. This reflects the profitable trading of Verizon Wireless during the year, as the business has focused on gaining high value customers through new customer additions and the migration of existing analogue customers to digital price plans.

The Asia Pacific region saw an increase in pro forma proportionate turnover of over 80% to £2,771m and an increase in pro forma proportionate EBITDA of almost 56% to £587m. This comprised underlying organic growth of 50% and 28%, respectively, with the balance being primarily due to the acquisition of increased stakes in the J-Phone Group and the acquisition of a 2.18% stake in China Mobile during the year.

The Middle East and Africa region reported an increase in pro forma proportionate EBITDA of almost 60% to £227m. Strong growth occurred in both the Group's subsidiary in Egypt and associated undertaking in South Africa.

The Group's other non-mobile operations mainly comprise interests in Mannesmann Arcor, a German fixed line business, Telecommerce, a German IT and data services business, Cegetel, the second largest fixed line operator in France and Vizzavi Europe, the Group's 50% owned multi-access consumer portal joint venture with Vivendi Universal. These other operations recorded pro forma proportionate turnover of £802 million, pro forma proportionate EBITDA losses of £27m and proportionate operating losses of £237m. These results include the Group's share of the start-up losses incurred by Vizzavi.

Exchange rates

The net impact of movements in exchange rates was not significant to the year on year increases in pro forma proportionate turnover and EBITDA, with the effect of adverse exchange rate movements against the Euro being offset by favourable movements against the US dollar and Japanese yen.

Earnings per share

Basic earnings per share, before goodwill and exceptional items, decreased by 20% from 4.71p to 3.75p, primarily reflecting the dilution arising from the issue of new shares in connection with the Mannesmann acquisition.

Basic earnings per share, after goodwill and exceptional items, fell from 1.80p last year to a loss per share of 15.89p in the year to 31 March 2001. The loss per share of 15.89p includes a charge of 19.34p per share (2000: 6.32p per share) in relation to the amortisation of goodwill.

Dividends

The proposed final dividend of 0.714p produces a total for the year of 1.402p, an increase of 5% over last year, and reflects the continuing strong trading performance and operating cash flow generation of the Group's operations. The dividend was covered 2.4 times by Group earnings, before goodwill amortisation, compared with 3.5 times in the year ended 31 March 2000.

Employees

The Company and its subsidiary undertakings employed approximately 56,800 people at 31 March 2001, including 29,800 employees in businesses acquired during the year. This compares with 25,600 employees at 31 March 2000, after excluding 15,100 people employed in the US wireless businesses transferred to Verizon Wireless. Of the total employees at 31 March 2001, 81% worked outside the United Kingdom.

Balance sheet

Total fixed assets have increased in the year from £150,851m last year to £154,375m at 31 March 2001.

At 31 March 2000, the Group's interest in Mannesmann AG was included in fixed asset investments at a cost of £101,246m. Following completion on 12 April 2000, and the consolidation of the acquired net assets, goodwill has been provisionally calculated to be £83,028m.

The assets of the US businesses contributed to Verizon Wireless have been treated as having been disposed, including attributed goodwill of £19.5 billion arising from the AirTouch transaction that was previously included in intangible fixed assets. The Group's interest in the new venture has been equity accounted within investments in associated undertakings at an initial value of £19,809m.

The remaining increase in intangible assets primarily comprises £13,347m in respect of 3G licences acquired in the year and goodwill on the acquisition of a controlling interest in Airtel of approximately £7,740m. The increase in tangible fixed assets from £6,307m to £10,586m includes fixed assets from acquisitions of £4,840m.

Other fixed asset investments at 31 March 2001 include the Group's equity interests in China Mobile and Japan Telecom. In an offering that closed on 3 November 2000, Vodafone acquired newly issued shares representing approximately 2.18% of China Mobile's share capital for a cash consideration of US$2.5 billion and, on 31 January 2001, the Group acquired a 7.5% shareholding in Japan Telecom for a cash consideration of approximately £0.7 billion.

Current asset investments with an aggregate value of £13,211m primarily comprise the Group's remaining interest in Atecs Mannesmann, a balancing payment of approximately £3,092m receivable from the exercise of a put option over France Telecom shares and liquid investments with a value of £7,593m. The liquid investments arose primarily from the receipt of sales proceeds following the disposal of Infostrada and receipts in relation to the France Telecom shares and loan notes received from the disposal of Orange.

Equity shareholders' funds

Total equity shareholders' funds at 31 March 2001 had increased from £140,833m at 31 March 2000 to £145,393m. The movement primarily comprises new share capital and share premium of £9,950m, including shares issued as consideration for acquisitions completed during the year, net currency translation gains of £5,197m, offset by a loss for the year of £9,763m (after goodwill amortisation of £11,882m) and dividends paid and declared in respect of the year totalling £887m.

On 29 December 2000, the Group completed the acquisition of approximately 52.1% of the issued share capital of Airtel, increasing the Group's stake to 73.8%. Vodafone issued 3,097,446,624 new listed ordinary shares to the transferring Airtel shareholders, representing a transaction value of approximately £7.9 billion for the acquired shares. Additionally, a 25% equity interest in Swisscom Mobile was acquired for CHF4.5 billion during the first quarter of 2001, the first tranche of consideration being satisfied by the issue of 422,869,008 new Vodafone shares and the payment of CHF25 million in cash. The second tranche of £0.98 billion will be satisfied in cash or Vodafone Group Plc shares, or a combination of both, at Vodafone's discretion and is payable by March 2002. The deferred consideration is shown as shares to be issued.

Cash flows and funding

Cash generated from operating activities increased by £2,077m from £2,510m to £4,587m for the year, due primarily to the growth in the Group's operations and the inclusion of the operating cash flows of acquired businesses. The principal cash outflows in the period related to the purchase of intangible assets (£13,163m), primarily 3G licences, purchases of tangible fixed assets (£3,698m), acquisitions of fixed asset investments (£3,254m), primarily China Mobile and Japan Telecom and the payment of taxation (£1,585m) and equity dividends (£773m).

Following the Mannesmann transaction, the Group agreed the sale of a number of businesses for an aggregate value of approximately £33.3 billion. Cash proceeds during the year totalled approximately £27.9 billion, including loan repayments to the Group of approximately £1.9 billion, as set out below:

	£billion
Orange	18.7
Infostrada	5.2
Atecs Mannesmann	2.9
Mannesmann's watches and clocks businesses	1.1
	27.9

In addition, the formation of Verizon Wireless in April 2000 resulted in net proceeds to the Group of approximately £2.5 billion from a debt push-down arrangement agreed with the other parties. Further proceeds of £1.8 billion have been realised following the disposal of conflicted properties in the US, such disposals being a condition of the regulatory approval of the transaction.

The resulting net cash inflow, before repayment of debt and management of liquid resources, was £13,744m. This cash inflow was offset by the consolidation of the net debt of Mannesmann and Airtel, totalling £13,184m at acquisition, and other non-cash movements of £639m, primarily relating to exchange movements. These movements resulted in a small increase in net debt at 31 March 2001 to £6,722m, compared with £6,643m last year.

Net debt at 31 March 2001 represented 5.4% of the Group's market capitalisation. This represented a reduction of £6.5 billion from net debt of £13.2 billion at 30 September 2000, primarily due to proceeds received in the second half of the year from the disposal of non-core businesses, offset by payments for 3G licences and other investments.

The Group remains committed to maintaining a strong financial position as demonstrated by its credit ratings of P-1/F1/A-1 short term and A2/A/A long term from Moody's, Fitch Ratings and Standard and Poor's, respectively. The credit ratings reflect the financial strength of the Group and were reconfirmed by each of the rating agencies on 2 May 2001, following the announcement of the acquisition of further equity interests in Japan and Spain, which is being financed in part by an offering of 1.825 billion new Vodafone ordinary shares raising approximately £3.5 billion.

The Group's preservation of its credit ratings has enabled it to access a wide range of debt finance including commercial paper, bonds and committed bank facilities. The Group has dollar and Euro commercial paper programmes for US$15 billion and £2 billion, respectively, which it uses to meet its short term liquidity requirements. The commercial paper facilities are backed by a US$14.55 billion (£10.2 billion) committed bank facility, which expires in September 2001, with a one year term-out option. The Group also has £13.5 billion (sterling equivalent) of capital market debt in issue, with maturities from June 2001 to February 2030.

Subsequent events

On 4 April 2001, the Group completed its acquisition of a 34.5% stake in Grupo Iusacell, S.A. de C.V. for a cash consideration of US$973 million.

On 12 April 2001, the second payment of Yen 125.1 billion (£0.7 billion) was made for the acquisition of an additional 7.5% stake in Japan Telecom from West Japan Railway Company and Central Japan Railway Company. On 26 April 2001, the Group completed the acquisition of a further 10% stake in Japan Telecom from AT&T for a cash consideration of $1.35 billion (£0.9 billion).

On 2 May 2001, Vodafone announced that it had agreed to acquire BT's ownership interests in Japan Telecom and the J-Phone Group for a cash consideration of £3.7 billion, assuming the exercise by BT of its option over shares in the operating subsidiaries of the J-Phone Group, and the acquisition of BT's 17.8% shareholding in Airtel Móvil S.A. for a cash consideration of £1.1 billion. The acquisition of BT's interests in Japan Telecom and the J-Phone Group are conditional upon regulatory approvals and procedural requirements under agreements to which BT is a party and the exercise of certain options by BT. The Airtel transaction is expected to close by the end of June 2001 and is conditional upon regulatory approval. Neither transaction is conditional upon the other.

On 8 May 2001, the Group announced that agreement had been reached to sell its 100% equity stake in the Austrian telecommunications company, tele.ring Telekom Service GmbH. The transaction is subject to regulatory approval.

Vodafone's offer for the entire share capital of Eircell, which is the leading provider of mobile telecommunications in Ireland, was declared unconditional on 14 May 2001 following the receipt of valid acceptances representing approximately 79.6% of the total shareholding in Eircell. The offer remained open for acceptance until 27 May 2001 and, in accordance with the Articles of Association of Eircell, all shareholders were deemed to have accepted the offer at that date.

SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 March 2001

	2001 £m	2000 £m
Turnover: Group and share of joint ventures and associated undertakings		
Continuing operations	15,155	11,521
Acquisitions	8,838	–
	23,993	11,521
Less: Share of joint ventures and associated undertakings	(8,989)	(3,648)
	15,004	7,873
Group turnover		
Continuing operations	6,637	7,873
Acquisitions	8,367	–
	15,004	7,873
Operating (loss)/profit		
Continuing operations	1,044	981
Acquisitions	(7,483)	–
	(6,439)	981
Share of operating loss in joint ventures and associated undertakings		
Continuing operations	(26)	(185)
Acquisitions	(533)	–
Total Group operating (loss)/profit	(6,998)	796
Exceptional non-operating items	80	954
(Loss)/profit on ordinary activities before interest	(6,918)	1,750
Net interest payable	(1,177)	(401)
(Loss)/profit on ordinary activities before taxation	(8,095)	1,349
Tax on (loss)/profit on ordinary activities	(1,290)	(685)
(Loss)/profit on ordinary activities after taxation	(9,385)	664
Minority interests	(378)	(177)
(Loss)/profit for the financial year	(9,763)	487
Equity dividends	(887)	(620)
Retained loss for the Group and its share of joint ventures and associated undertakings	(10,650)	(133)
Basic (loss)/earnings per share	(15.89)p	1.80p
Diluted (loss)/earnings per share	(15.90)p	1.78p
Adjusted basic earnings per share	3.75p	4.71p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2001

	2001 £m	2000 £m
(Loss)/profit for the financial year		
Group	(8,658)	914
Share of joint ventures and associated undertakings	(1,105)	(427)
	(9,763)	487
Currency translation		
Group	2,743	(355)
Share of joint ventures and associated undertakings	2,454	(775)
	5,197	(1,130)
Total recognised gains and losses relating to the year	(4,566)	(643)

	2001 £m	2000 £m
Fixed assets		
Intangible assets	108,839	22,206
Tangible assets	10,586	6,307
Investments	34,950	122,338
Investments in joint ventures	85	2,671
Investments in associated undertakings	31,910	17,979
Other investments	2,955	101,688
	154,375	150,851
Current assets		
Stocks	316	190
Debtors	4,095	2,138
Investments	13,211	30
Cash at bank and in hand	68	159
	17,690	2,517
Creditors: amounts falling due within one year	(12,377)	(4,441)
Net current assets/(liabilities)	5,313	(1,924)
Total assets less current liabilities	159,688	148,927
Creditors: amounts falling due after more than one year	(11,235)	(6,374)
Provisions for liabilities and charges	(671)	(193)
Investments in joint ventures	(58)	–
Other provisions	(613)	(193)
	147,782	142,360
Capital and reserves		
Called up share capital	4,054	3,797
Share premium account	48,292	39,577
Merger reserve	96,914	96,914
Other reserve	1,024	1,120
Profit and loss account	(5,869)	(575)
Shares to be issued	978	–
Total equity shareholders' funds	145,393	140,833
Minority interests	2,389	1,527
	147,782	142,360

The summary financial statement was approved by the Board on 29 May 2001 and was signed on its behalf by:

C C Gent   Chief Executive

K J Hydon   Financial Director

	2001 £m	2000 £m
Net cash inflow from operating activities	4,587	2,510
Dividends received from joint ventures and associated undertakings	353	236
Net cash outflow for returns on investments and servicing of finance	(47)	(406)
Taxation	(1,585)	(325)
Net cash outflow for capital expenditure and financial investment	(19,011)	(756)
Net cash inflow/(outflow) from acquisitions and disposals	30,653	(4,756)
Equity dividends paid	(773)	(221)
Cash inflow/(outflow) before management of liquid resources and financing	14,177	(3,718)
Management of liquid resources	(7,541)	(33)
Net cash (outflow)/inflow from financing	(6,691)	3,867
(Decrease)/increase in cash in the year	(55)	116

Reconciliation of net cash flow to movement in net debt

	2001 £m	2000 £m
(Decrease)/increase in cash in the year	(55)	116
Cash outflow/(inflow) from decrease/(increase) in debt	6,800	(3,468)
Cash outflow from management of liquid resources	7,541	33
Decrease/(increase) in net debt resulting from cash flows	14,286	(3,319)
Debt acquired on acquisition of subsidiaries	(13,726)	(2,133)
Translation difference	(629)	316
Other movements	(10)	1
Increase in net debt in the year	(79)	(5,135)
Opening net debt	(6,643)	(1,508)
Closing net debt	(6,722)	(6,643)

Vodafone Group Plc
Annual Review & Summary Financial Statement 2001

Analysis of Net Debt

	2001 £m	2000 £m
Liquid investments	7,593	30
Cash at bank and in hand	68	159
Bank overdrafts	(5)	(43)
	63	116
Debt due within one year (other than bank overdrafts)	(3,606)	(751)
Debt due after one year	(10,772)	(6,038)
	(14,378)	(6,789)
	(6,722)	(6,643)

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Segmental analysis

The Group's principal business is the supply of mobile telecommunications services and products. Other operations primarily comprise fixed line telecommunications businesses acquired as part of the acquisition of Mannesmann AG and the Vizzavi Europe joint venture. Analyses of turnover and total Group operating profit by geographical region and class of business are as follows:

	Year ended 31 March 2001 £m	Year ended 31 March 2000 £m
Group turnover		
Mobile telecommunications:		
Continental Europe	9,577	1,705
United Kingdom	3,444	2,901
United States	9	2,585
Asia Pacific	713	565
Middle East and Africa	308	117
	14,051	7,873
Other operations:		
Continental Europe	953	–
	15,004	7,873
Total Group operating profit/(loss) (before goodwill and exceptional items)		
Mobile telecommunications:		
Continental Europe	3,035	955
United Kingdom	795	706
United States	1,237	541
Asia Pacific	205	188
Middle East and Africa	213	148
	5,485	2,538
Other operations:		
Continental Europe	(281)	–
	5,204	2,538
Subsidiary undertakings	3,322	1,685
Share of joint ventures and associated undertakings	1,882	853
Amortisation of goodwill	(11,882)	(1,712)
Exceptional operating items	(320)	(30)
Total Group operating (loss)/profit	(6,998)	796

Exceptional operating items of £320m primarily comprise impairment charges of £91m in relation to the carrying value of certain assets within the Group's Globalstar service provider businesses, exceptional reorganisation costs of £85m relating to the restructuring of the Group's operations in Germany and the US, and £141m in relation to the Group's share of the restructuring costs incurred by Verizon Wireless.

Earnings per share

	Year ended 31 March 2001 £m	Year ended 31 March 2000 £m
(Loss)/earnings for basic (loss)/earnings per share	(9,763)	487
Amortisation of goodwill	11,882	1,712
Exceptional operating items, net of attributable taxation	230	19
Exceptional non-operating items, net of attributable taxation	(45)	(954)
Exceptional finance costs, net of attributable taxation	–	12
Earnings for adjusted earnings per share	2,304	1,276
Weighted average number of shares (millions):		
Basic and adjusted	61,439	27,100

Equity dividends

The directors propose a final dividend of 0.714p per share for the year ended 31 March 2001, making a total of 1.402p (2000 – 1.335p) for the year. The record date for the final dividend is 8 June 2001 and the dividend is payable on 10 August 2001.

Pro forma proportionate financial information

The following tables of unaudited pro forma financial information are presented on a proportionate basis. UK GAAP requires consolidation of entities controlled by the Group and the equity method of accounting for entities in which the Group has significant influence but not a controlling interest. Proportionate presentation is a pro rata consolidation, which reflects the Group's share of turnover and expenses in both its consolidated and unconsolidated entities. Proportionate results are calculated by multiplying the Group's ownership interest in each entity by each entity's results, excluding the Group's ownership interests in businesses held for resale on the acquisition of Mannesmann. Proportionate presentation is not required by UK GAAP and is not intended to replace the consolidated financial statements prepared in accordance with UK GAAP.

Pro forma financial information for the year ended 31 March 2000 has been derived from the audited consolidated financial statements of the Group for the relevant period, the unaudited financial results of AirTouch Communications, Inc. for the three month period ended 30 June 1999 and the unaudited financial results of Mannesmann AG for the year ended 31 March 2000. Pro forma financial information for the year ended 31 March 2001 has been derived from the Group's consolidated financial results for the year and the unaudited financial results of Mannesmann AG for the period from 1 April 2000 to 12 April 2000. The financial statements of AirTouch and Mannesmann have been adjusted to conform materially with Vodafone Group's accounting policies under UK GAAP.

	Year ended 31 March 2001 £m	Year ended 31 March 2000 £m
Pro forma proportionate turnover		
Mobile telecommunications:		
Continental Europe	9,743	8,063
United Kingdom	3,458	2,945
United States	5,008	3,650
Asia Pacific	2,771	1,537
Middle East and Africa	448	395
	21,428	16,590
Other operations	802	825
	22,230	17,415
Pro forma proportionate EBITDA*		
Mobile telecommunications:		
Continental Europe	3,534	2,906
United Kingdom	1,068	934
United States	1,627	1,145
Asia Pacific	587	377
Middle East and Africa	227	142
	7,043	5,504
Other operations	(27)	17
Pro forma proportionate EBITDA*	7,016	5,521
Less: depreciation and amortisation, excluding goodwill	(2,234)	(1,715)
Mobile telecommunications	5,019	3,977
Other operations	(237)	(171)
Pro forma proportionate total Group operating profit before goodwill and exceptional items	4,782	3,806

* Proportionate EBITDA (earnings before interest, tax, depreciation and amortisation) is defined as operating profit before exceptional items plus depreciation and amortisation of subsidiary undertakings, joint ventures, associated undertakings and investments, proportionate to equity stakes. Proportionate EBITDA represents the Group's ownership interests in the respective entities' EBITDA. As such, proportionate EBITDA does not represent EBITDA available to the Group.

Summary of differences between UK GAAP and US GAAP

The Group's results have been prepared in accordance with UK Generally Accepted Accounting Principles ("UK GAAP"), which differ in certain significant respects from US Generally Accepted Accounting Principles ("US GAAP"). A summary of the relevant accounting principles which differ materially is provided below and the effects of these differing accounting principles are set out in the following table. For convenience, a translation of the pounds sterling amounts into US dollars is provided based on the exchange rate at 31 March 2001 of £1 = $1.42.

	Year ended 31 March 2001 $m	Year ended 31 March 2001 £m	Year ended 31 March 2000 £m
Revenues in accordance with UK GAAP	**21,306**	**15,004**	7,873
Items decreasing revenues:			
Non-consolidated subsidiaries	**(4,841)**	**(3,409)**	–
Deferral of connection revenues	**(699)**	**(492)**	–
Revenues in accordance with US GAAP	**15,766**	**11,103**	7,873
Net (loss)/income in accordance with UK GAAP	**(13,863)**	**(9,763)**	487
Items (increasing)/decreasing net loss:			
Goodwill and other intangibles amortisation	**(7,516)**	**(5,293)**	(425)
Deferral of connection income	**(77)**	**(54)**	–
Reorganisation costs	**119**	**84**	25
Capitalised interest	**518**	**365**	–
Income taxes	**10,950**	**7,711**	439
Minority interests	**(50)**	**(35)**	35
Other	**(122)**	**(86)**	(8)
Net (loss)/income in accordance with US GAAP	**(10,041)**	**(7,071)**	553
US GAAP basic (loss)/earnings per ordinary share	**(16.34)¢**	**(11.51)p**	2.04p

Non-consolidated subsidiaries

Under UK GAAP, the results and assets of Omnitel Vodafone and Airtel Móvil have been consolidated in the Group's financial statements from 12 April 2000 and 29 December 2000, respectively. Under US GAAP, as a result of significant participating rights held by minority shareholders, the Group's interests in Omnitel Vodafone and Airtel Móvil have been accounted for as associated undertakings under the equity method of accounting.

Deferral of connection revenues and income

Under Vodafone's UK GAAP accounting policy, connection revenues and related costs are recognised upon activation of a mobile handset on a cellular network. Under US GAAP, connection revenues are recognised over the period that a customer is expected to remain connected to a network. Connection costs directly attributable to the income deferred are recognised over the same period. Where connection costs exceed connection revenues, the excess costs are charged in the profit and loss account immediately upon activation of the handset.

Goodwill and other intangibles

Under UK GAAP, the policy followed prior to the introduction of FRS 10, "Goodwill and Intangible Assets" (which is effective for accounting periods ended on or after December 23, 1998 and was adopted on a prospective basis) was to write off goodwill against shareholders' equity in the year of acquisition. FRS 10 requires goodwill to be capitalised and amortised over its estimated useful economic life. Under US GAAP, intangibles arising on the acquisition of an equity stake would be capitalised and amortised over their useful lives.

Under UK GAAP and US GAAP the purchase price of a transaction accounted for as an acquisition is based on the fair value of the consideration. In the case of share consideration, under UK GAAP the fair value of such consideration is based on the share price at completion of the acquisition or the date when the transaction becomes unconditional. Under US GAAP the fair value of the share consideration is based on the average share price over a reasonable period of time before and after the proposed acquisition is announced. This will result in a difference in the fair value of the consideration for the acquisition and consequently in the amount of goodwill capitalised and amortised.

Reorganisation costs

Under UK GAAP, costs incurred in reorganising acquired businesses are charged to the profit and loss account as post-acquisition expenses. Under US GAAP, certain of such costs are considered in the allocation of purchase consideration and thereby the determination of goodwill arising on acquisition.

Capitalised interest

Under UK GAAP, the Group's policy is not to capitalise interest costs on borrowings in respect of the acquisition of tangible and intangible fixed assets. Under US GAAP, the interest cost on borrowings used to finance the construction of network assets is capitalised during the period of construction. Interest costs on borrowings used to finance the acquisition of cellular licences are also capitalised.

Income taxes

Deferred taxation: Under the UK GAAP partial provision method, deferred taxation is only provided where timing differences are expected to reverse in the foreseeable future. For US GAAP, under the liability method, deferred taxation is provided for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at enacted rates expected to be in effect when these amounts are realised or settled.

Tax benefit on option exercises: Under UK GAAP, the tax benefit received on the exercise of share options by employees is shown as a component of the tax charge for the period. Under US GAAP, the tax benefit is shown as a component of paid-in capital on issue of shares.

Minority interests

The adjustments in respect of minority interests relate to provisions for deferred tax which have been recognised for US GAAP purposes by a less than 100% owned subsidiary undertaking.

Earnings per ordinary share

Basic (loss)/earnings per ordinary share has been calculated by dividing net (loss)/income of £(7,071)m and £553m for the years ended 31 March 2001 and 2000, respectively, by 61,439 million and 27,100 million, being the approximate weighted average number of ordinary shares outstanding for the years ended 31 March 2001 and 2000, respectively.

Profit and loss

	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Turnover	15,004	7,873	3,360	2,471	1,749
Total Group operating profit – before goodwill and exceptional items	5,204	2,538	972	706	539
(Loss)/profit on ordinary activities before taxation	(8,095)	1,349	935	650	539
Taxation	(1,290)	(685)	(252)	(203)	(172)
(Loss)/profit on ordinary activities after taxation	(9,385)	664	683	447	367
	Pence	Pence	Pence	Pence	Pence
Basic (loss)/earnings per share [1]	(15.89)	1.80	4.12	2.73	2.38
Adjusted basic earnings per share [1]	3.75	4.71	3.77	2.65	2.21
Dividends for the year [1]	1.402	1.335	1.272	1.106	0.962

Balance sheet

	£m	£m	£m	£m	£m
Fixed assets	154,375	150,851	2,851	1,912	1,927
Other net liabilities	(6,593)	(8,491)	(1,927)	(1,532)	(1,098)
Total net assets	147,782	142,360	924	380	829
Equity shareholders' funds	145,393	140,833	815	283	770

Proportionate information

	£m	£m	£m	£m	£m
Proportionate turnover	22,016	10,951	3,837	2,874	2,234
Proportionate EBITDA	6,955	3,375	1,218	919	717
	Number	Number	Number	Number	Number
Proportionate customers	82,997,000	39,139,000	10,445,000	5,844,000	4,016,000

(1) Earnings per share and dividend information has been restated for the capitalisation (bonus) issue on 30 September 1999.

Financial calendar

Vodafone Group Plc usually announces results semi-annually in May and November and pays dividends in August and February.

Listings

Ordinary shares of Vodafone Group Plc are traded on the London Stock Exchange, the Frankfurt Stock Exchange and, in the form of American Depository Shares (ADSs), on the New York Stock Exchange, all under the symbol 'VOD'.

American Depository Receipts

ADSs, each representing ten ordinary shares, are represented by American Depository Receipts (ADRs). The ADR programme is administered on behalf of the Company by The Bank of New York, ADR Division, 101 Barclay Street, New York, N.Y. 10286 or telephone +1 800 233 5601.

ADS holders are not members of the Company but may instruct The Bank of New York on the exercise of voting rights relative to the number of ordinary shares represented by their ADRs. ADS holders are permitted to attend, vote and speak at general meetings of the Company.

Reports to ADR holders

ADR holders receive the Annual Review & Summary Financial Statement and Interim Report issued to ordinary shareholders. Vodafone Group Plc will file with the Securities and Exchange Commission in the US its annual report on Form 20-F (which corresponds to the 10-K for a US corporation) and other information as required. A copy of the Form 20-F may be obtained by writing to the Investor Relations Department, Vodafone Group Plc, The Courtyard, 2-4 London Road, Newbury, Berkshire RG14 1JX, England.

Dividends and ADR holders

ADR holders are generally eligible for all dividends or other entitlements attaching to the underlying shares of Vodafone Group Plc and receive all cash dividends in US dollars. Following a reduction in the UK tax credit to one-ninth of the net dividend, qualifying US holders now receive a payment equal to the net dividend declared. UK withholding tax, being 15% of the sum of the net dividend and UK tax credit, is restricted to the value of the UK tax credit.

Dividends and any related UK tax credit will generally be ordinary income to the holder for Federal income tax purposes. Subject to certain limitations, UK withholding tax will be treated as a foreign income tax. ADR holders unsure of their tax position should consult their independent tax adviser.

The Bank of New York maintains a Global BuyDIRECT Plan for the Company, which is a direct purchase and sale plan for depository receipts, with a dividend reinvestment facility. For additional information, please call +1 800 345 1612, The Bank of New York's Global BuyDIRECT number, or write to The Bank of New York, Shareholder Relations Department, Global BuyDIRECT, Church Street Station, P.O. Box 11009, New York, N.Y. 10286-1009, USA.

Annual General Meeting

The seventeenth Annual General Meeting of the Company will be held at the Hotel Inter-Continental London, One Hamilton Place, Hyde Park Corner, London W1 on 25 July 2001 at 11.00 a.m. The Notice of Meeting, together with details of the business to be conducted at the Meeting, is being circulated to shareholders with this Annual Review & Summary Financial Statement.

The Annual General Meeting will be transmitted via a live webcast and can be viewed at the Company's website – www.vodafone.com – on the day of the meeting and for one month after the end of the meeting.

Shareholders at 31 March 2001

Number of ordinary shares held	Number of accounts	% of total issued shares
1 – 1,000	83,830	0.06
1,001 – 5,000	77,772	0.30
5,001 – 50,000	33,984	0.74
50,001 – 100,000	2,212	0.24
100,001 – 500,000	2,174	0.75
More than 500,000	2,561	97.91
	202,533	100.00

Type of shareholder at 31 March 2001

	Number of accounts	% of total issued shares
Private individuals	142,981	1.63
Banks or nominee companies	48,120	72.72
Investment trusts and funds	1,006	0.02
Insurance companies	669	0.52
Commercial and industrial companies	9,588	3.60
Other corporate bodies	75	2.85
Pension funds and trustees	92	0.57
Bank of New York Nominees – ADRs	1	3.81
Bearer warrants	1	14.28
	202,533	100.00

With the exception of nominee companies, most of which are institutional investors, stated shareholdings are only those directly held.

Geographical analysis of shareholders

At 31 March 2001, 48% of the Company's shares were held in the United Kingdom, 26% in North America, 23% in Continental Europe and 3% in the rest of the world.

Consolidation of share accounts

Shareholders whose total registered shareholding is represented by more than one account, evidenced by the receipt of duplicate copies of communications from the Company to shareholders, and who wish to have their holdings consolidated should send an appropriate letter of instruction to the Company's Registrars.

Scrip dividend scheme

The Company's scrip dividend scheme enables shareholders to take new shares in lieu of cash dividends. The value of new shares issued under the scheme, the 'cash equivalent', is the average middle market price of the Company's shares on the London Stock Exchange for the five business days beginning with the date the shares are first quoted 'ex-dividend'. If on the first day of dealing on the London Stock Exchange in the new shares the cash equivalent was to differ substantially (interpreted by the Inland Revenue to be 15 per cent or more) from the market value of a new share, for tax purposes the Inland Revenue may substitute that market value as the 'cash equivalent', in which case the Company will issue amended tax vouchers.

The table below shows the figures for the last two dividends in relation to new shares issued under the scheme.

	Cash equivalent	Market value
Final dividend 2000 (11 August 2000)	320.1p	270.0p
Interim dividend 2001 (9 February 2001)	248.65p	216.25p

Set out below is information relevant to the final dividend for the financial year ended 31 March 2001:

Shares first traded ex-dividend	6 June 2001
Offer price calculation period	6-12 June 2001
Record date	8 June 2001
Return date for mandates and variations	11 July 2001
Annual General Meeting	25 July 2001
Dividend payment date and first day of dealings in new shares	10 August 2001

Information on the 'cash equivalent' of the final dividend for the year ended 31 March 2001 can be obtained by telephoning +44 (0)8700 707909 before 10 August 2001.

For further details of the scrip dividend scheme, shareholders should contact the Company's Registrars. The Company intends to replace the scrip dividend scheme with a dividend reinvestment plan in respect of and with effect from the interim dividend payable in February 2002.

Dividend mandates

Shareholders who wish to receive cash dividends directly into their bank or building society account should contact the Company's Registrars for a mandate form.

Share values

Upon flotation of the Company on 11 October 1988 the ordinary shares were valued at 170p each. On 16 September 1991, when the Company was finally demerged, for UK taxpayers the base cost of Racal Electronics Plc shares was apportioned between the Company and Racal Electronics Plc for Capital Gains Tax purposes in the ratio of 80.036% and 19.964% respectively. Opening share prices on 16 September 1991 were 332p for each Vodafone share and 223p for each Racal share.

On 21 July 1994 the Company effected a bonus issue of two new shares for every one then held and on 30 September 1999 it effected a bonus issue of four new shares for every one held at that date. The flotation and demerger share prices, therefore, may be restated as 11.333p and 22.133p respectively.

Sharegift

The Company supports Sharegift, a registered charity share donation scheme administered by the Orr Mackintosh Foundation. Through Sharegift, shareholders who have only a small number of shares which might be considered uneconomic to sell are able to donate them to charity. Donated shares are aggregated and sold by Sharegift, the proceeds being passed on to a wide range of UK charities. Donating shares to charity gives rise neither to a gain nor a loss for UK Capital Gains Tax purposes and, following changes in recent budgets, UK taxpayers may also be able to claim income tax relief on such gifts of shares.

Transfer forms specifically for Vodafone shareholders are available from the Company's registrars, Computershare Investor Services PLC, and even if the share certificate has been lost or destroyed the gift can be completed. Further details about Sharegift can be obtained from its website at www.sharegift.org or at The Orr Mackintosh Foundation, 24 Grosvenor Gardens, London SW1W 0DH (telephone: 0207 337 0501).

The Unclaimed Assets Register

The Company participates in the Unclaimed Assets Register, which provides a search facility for financial assets which may have been forgotten and which donates a proportion of its public search fees to a group of three UK charities (Age Concern, NSPCC and Scope). For further information, contact The Unclaimed Assets Register, 8 Devonshire Square, London EC2M 4PL (telephone: 0870 241 1713), or its website at www.uar.co.uk.

Share price information

The current share price for Vodafone Group Plc can be obtained in the UK by dialling the Financial Times Cityline service on 0906 0035555. Calls are charged at 50p per minute.

Internet websites

This Annual Review & Summary Financial Statement and other information on Vodafone Group Plc is available on the Company's website at www.vodafone.com

The Company's Registrars have recently introduced a facility to enable shareholders to access details of their shareholding, subject to passing an identity check. This service is available at www.computershare.com and the website also includes information on recent trends in the Company's share price.

Registered Office

The registered office of the Company is at The Courtyard, 2-4 London Road, Newbury, Berkshire RG14 1JX, England (telephone: +44 (0) 1635 33251).

Registrars and Transfer Office

The Company's Registrars are Computershare Investor Services PLC, who can be contacted by telephone on +44 (0)870 702 0198 or by writing to PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, England.

Customer information at 31 March 2001

COUNTRY	OPERATOR	PERCENTAGE OWNERSHIP [1]	VENTURE CUSTOMERS AT 31 MARCH 2001 (thousands)	PROPORTION PREPAID (%)	VENTURE CUSTOMER GROWTH [2] (percent)	REGISTERED PROPORTIONATE CUSTOMERS (thousands)
CONTINENTAL EUROPE						
Germany	D2 Vodafone	99.2	20,968	60	89	20,807
Greece	Panafon Vodafone	55.0	2,340	68	32	1,287
Hungary	Vodafone	50.1	223	89	375	112
Italy	Omnitel Vodafone	76.1	15,680	90	40	11,937
Malta	Vodafone	80.0	107	88	138	86
Netherlands	Libertel Vodafone	70.0	3,281	69	34	2,297
Portugal	Telecel Vodafone	50.9	2,478	75	38	1,261
Spain	Airtel	73.8	7,148	56	27	5,275
Sweden	Europolitan Vodafone	71.1	1,008	23	14	717
Belgium	Proximus	25.0	3,662	57	59	915
France	SFR	31.9	10,347	44	31	3,297
Poland	Plus GSM	19.6	2,641	38	56	518
Romania	Connex GSM	20.1	1,315	57	72	264
Switzerland	Swisscom	25.0	3,314	40		828
TOTAL			**74,512**	63		**49,601**
UNITED KINGDOM	Vodafone	100.0	**12,279**	65	40	**12,279**
UNITED STATES	Verizon Wireless [3]	45.0	**27,122** [4]	8		**11,570** [3]
ASIA PACIFIC						
Australia	Vodafone	91.0	2,111	33	47	1,921
New Zealand	Vodafone	100.0	889	77	88	889
China	China Mobile [5]	2.2	52,000	34		1,134
Fiji	Vodafone	49.0	55	87	129	27
India	RPG Cellular	20.6	67	49	49	14
Japan	J-Phone	26.6 – 30.9	9,966	3	23	2,826
Korea	Shinsegi	11.7	3,315	–	(7)	387
TOTAL			**68,403**	29		**7,198**
MIDDLE EAST AND AFRICA						
Egypt	Click GSM Vodafone	60.0	1,171	85	189	703
Kenya	Safaricom	40.0	94	100		37
South Africa	Vodacom	31.5	5,108	79	66	1,609
TOTAL			**6,373**	81		**2,349**
GROUP TOTAL			**188,689**	**43**		**82,997**

(1) All ownership percentages are stated as at 31 March 2001 and exclude options, warrants or other rights or obligations of Vodafone Group Plc to increase or decrease ownership in any venture. Ownership interests have been rounded to the nearest tenth of one percent.

(2) Venture customer growth is for the twelve month period to 31 March 2001.

(3) The Group's proportionate customer base has been adjusted for Verizon Wireless's proportionate ownership of its customer base of approximately 94.8%.

(4) This number has been amended to reflect Verizon Wireless's recent adjustment of 900,000 to their venture customer base.

(5) Venture customers for China Mobile are based on estimates prepared at the time of the 5 April 2001 publication of the Group's customer numbers.

Contents

Glossary

"Registered or venture customer"
A mobile handset connected to a cellular network.

"Active customer"
A registered customer who has made or received a call in the last three months or, where information on incoming calls is not available, defined as a customer who has made a chargeable call in the last three months.

"Proportionate customers"
The number of customers of a venture multiplied by Vodafone Group's percentage ownership in the venture.

"ARPU"
Average revenue per customer.

"Churn"
Customer disconnections from the Group's mobile telephone networks. The "churn rate" is the number of customers who disconnect from a network in a given period or have had their service terminated, divided by the average number of customers for the same period.

"EBITDA"
Earnings before interest, tax, depreciation and amortisation.

"GPRS"
General Packet Radio Service, an enhancement to the GSM mobile communications system that supports data packets, enabling continuous flows of data packets over the system for such applications as web browsing and file transfer.

"Multi-access portal"
Service which provides web access from a range of mobile, fixed and cable television devices.

"SMS"
Short Message Service.

"UMTS"
Universal Mobile Telecommunications System, also known as 3G, the third generation digital standard for mobile telecommunications.

"WAP"
Wireless application protocol, a standard for providing mobile phones, pagers and other handheld devices with secure access to e-mail and text-based web pages.

"3G"
Third generation wireless service or UMTS, the new digital standard for mobile telecommunications.

We want to keep the environmental impact of the documents in our annual report package to a minimum. We have therefore given careful consideration to the production process. For the first time this year we have not laminated any covers, saving 477kg of polythene and 1,905kg of polypropylene. The paper used was manufactured by Zanders at a mill which has the Nordic Swan accreditation for environmental excellence in production. It is 50% Totally Chlorine Free and recycled, and any wastage in the finishing process has been addressed and minimised. It has been printed using vegetable based inks which are 100% free of mineral oils and Volatile Organic Compounds. Our printers were all accredited to the ISO 14001 environmental management system. All the steps we have taken were intrinsically more efficient and demonstrate our commitment to making sustainable choices.

50%

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