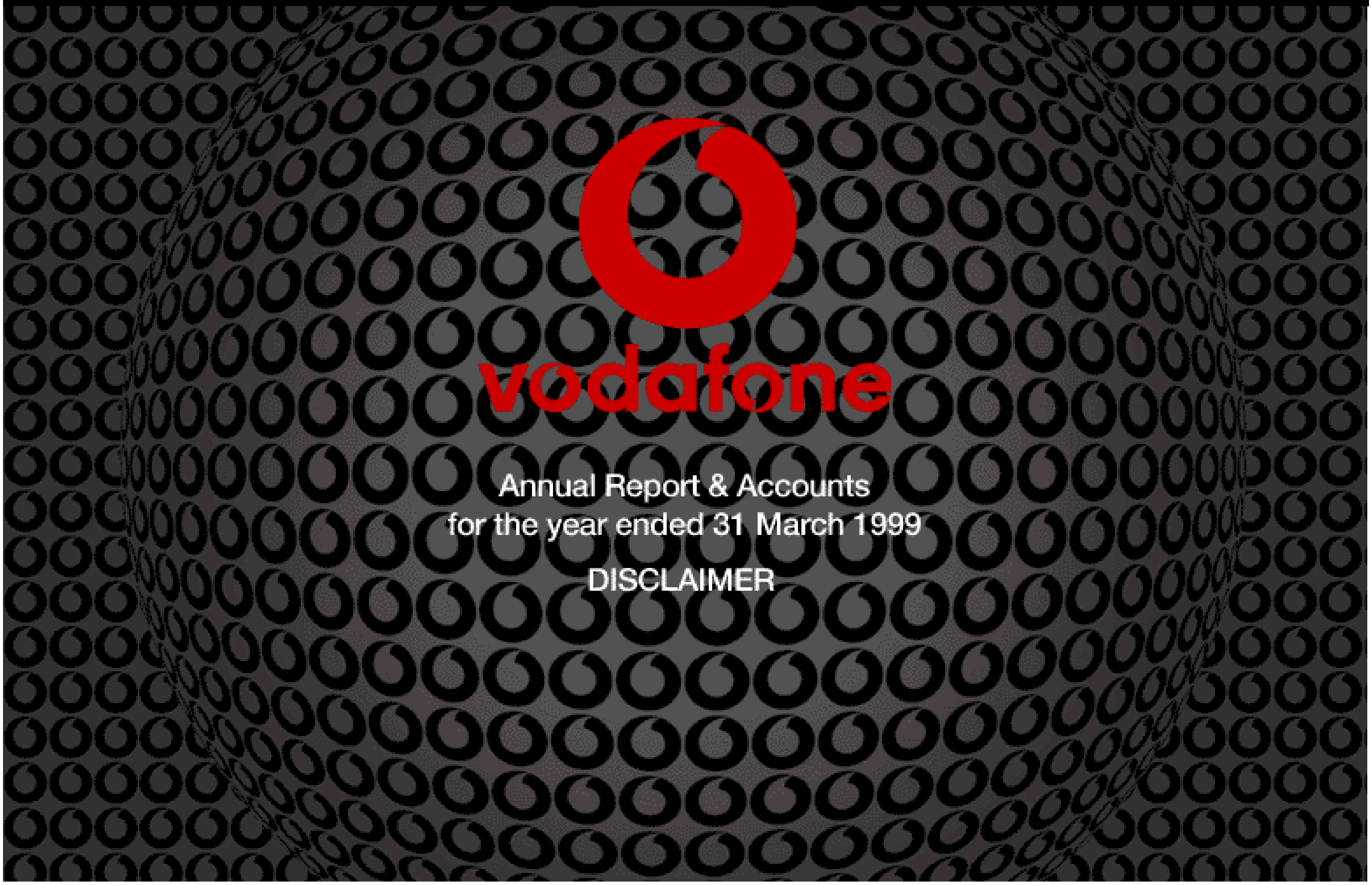
vodafone

Annual Report & Accounts for the year ended 31 March 1999



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Results for the Year

	1999	1998	% increase	Trend Analysis
Turnover	**£3,360m**	£2,471m	36	●
Total Group operating profit: Group and share of associated undertakings	**£963m**	£686m	40	
Profit on ordinary activities before taxation	**£935m**	£650m	44	●
Basic earnings per share before investment disposals and goodwill amortisation	**18.82p**	12.82p	47	
Basic earnings per share	**20.61p**	13.63p	51	●
Dividends per share	**6.36p**	5.53p	15	
Proportionate turnover	**£3,837m**	£2,874m	34	
Proportionate EBITDA	**£1,218m**	£919m	33	●
Proportionate customers at year end	**10,445,000**	5,844,000	79	

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Chairman's Statement

Lord MacLaurin of Knebworth, DL, Chairman

I am delighted, in my first report to you as Chairman of Vodafone, to be able to confirm record results for the year and the excellent prospects for your Company. Group turnover increased by 36% to £3,360m (1998 – £2,471m) and profit before tax was £935m (1998 – £650m), an increase of 44%. Proportionate EBITDA rose by 33%, from £919m last year to £1,218m.

During the year, proportionate to equity stakes, the Group added over 4,600,000 new customers to its networks, ending the year with a world-wide customer base of 10,445,000. International customers totalled 4,870,000, representing over 46% of the Group's total proportionate customer base, and the total operating profit contribution from international operations increased to £319m from £122m in 1998.

Basic earnings per share increased by 51% from 13.63p to 20.61p and the Board has declared a second interim dividend of 3.24p per share (1998 final dividend – 2.82p), making a total for the year of 6.36p.

The results for the year show that Vodafone remains at the head of an exciting industry which continues to develop at a tremendous pace in all its markets. The investments made in networks outside the UK, a process which continued in the year with the acquisition of the only GSM network in New Zealand and the opening for service of a new network in Egypt, provided a substantially increased contribution to total Group operating profits. Total UK operating profit also grew, by 14%, in an increasingly competitive marketplace and the UK businesses continued to provide strong cash flow to finance the Group's expansion both nationally and internationally.

The increase in the number of customers connected to the UK network was exceptional, although the dramatic growth experienced in the final three months of 1998 did cause some problems to the Company's customer service operations. A record 933,000 new customers joined the UK network in the October to December quarter, over three times more than in any previous quarter. Customer service remains a priority for the Company and in the last six months of the financial year over £20m was invested in customer care systems and staff in the UK, including the acquisition of a new 500 seat call centre in Birmingham, to ensure that the overall level of customer service improves with the growth. In the UK, Vodafone is the market leader with over 1,000,000 more customers than any other network. Maintaining this leadership requires careful attention to be paid to the needs of customers and Vodafone remains committed to continuous improvement in the quality and value of its services.

The most exciting development for the Group in the year was the announcement in January 1999 of its intended merger with AirTouch Communications, Inc. of San Francisco, California.

At the Company's Extraordinary General Meeting on 24 May 1999, the merger was approved by over 99% of shareholders who submitted votes on proxy cards and by almost everyone who attended the meeting.

The combination of Vodafone and AirTouch will create the world's largest mobile telecommunications company and it will initially operate, either itself or through associates or investments, in 23 countries. The two companies share a common vision of mobile telecommunications as a major platform for voice and data communications in the next century as, over time, mobile voice telephony will replace large amounts of telecommunications traffic presently carried by fixed line networks. The combined group's operational strength and scale are expected to enhance its ability to develop existing networks, to be at the forefront of the provision of technologically advanced products and services and to make strategic acquisitions.

It gives me great pleasure to be able to thank you, our shareholders, for your overwhelming support for the merger. At the Company's Extraordinary General Meeting on 24 May 1999, the merger was approved by over 99% of shareholders who submitted votes on proxy cards and by almost everyone who attended the meeting. I am also pleased to be able to report good progress towards the completion of the formalities of the merger and, subject to receipt of final regulatory approvals, Vodafone AirTouch Plc, the new name of your Company, will begin to operate in late June or July. I recently visited AirTouch in California and found its staff to be just as enthusiastic as Vodafone's. I believe the combination will be a winning formula.

Having recently held a General Meeting, there is not a great deal of business to conduct at this year's Annual General Meeting. However, as the Company's share and ADR prices are standing close to their highest ever levels and as the Company will have substantial reserves after the completion of the merger, your Board is proposing, subject to completion of the merger by 30 September 1999, a bonus issue of four new ordinary shares for every share held at that date. Further details of the proposal, which I believe will be welcomed by all shareholders, are set out in the Notice of Annual General Meeting which accompanies this Annual Report.

My letter to you in April explained the composition of the Board following the merger, but at the end of the financial year David Channing Williams, Managing Director of Vodafone Limited and a director of the Company since 1996, retired from the Board. David has made a major contribution to the Group in the fourteen years he has been involved and we wish him and his family well in the future.

On behalf of you and your Board I would like to thank all Vodafone staff for their contribution to the successes of the year. Their professionalism, commitment and dedication has been tremendous.

Finally, on completion of the merger I shall become Deputy Chairman. Sam Ginn, the Chairman and CEO of AirTouch, will be Chairman of your Company and I should like to take this opportunity to wish him, Chris Gent, the Chief Executive, and all the management team every success in facing the challenges and the opportunities of the new millennium. Shareholders, business partners, suppliers, customers and staff can look forward with great optimism to the future of the Group. The Board remains committed to the delivery of excellence in both customer service and shareholder value and I am confident that it will continue to do so.

Ian MacLaurin

Chairman

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Chief Executive's Statement

The very strong overall progress shown in the last financial year results from our determination to increase the rate of growth as we fulfil our vision of mobile communications becoming the preferred means of personal communication. We cut tariffs, stimulated usage and increased distribution to ensure that penetration rates accelerated. It is now clear that over half the population will have adopted mobile telephony in most of our major markets by the end of the year 2002.

Chris Gent, Chief Executive

Overall penetration rates for the services currently available are eventually likely to exceed 65% of the population in most developed countries. However, this year will see the launch of new services that will further widen the appeal of mobile communications by embracing the Internet. The launch of Vodafone Interactive will signal Vodafone's determination to be a world leader in the wireless information age that we expect to develop over the next few years.

On 15 January 1999 it was announced that Vodafone and AirTouch had agreed to join forces to create the world's largest mobile telecommunications group. The merger with AirTouch will facilitate a major step in Vodafone's declared strategy; to extend the reach, range and penetration of mobile services to as many customers as possible, in as many geographical territories throughout the world that can sustain viable and profitable operating environments.

Our transaction with AirTouch more than doubles our potential for growth in both conventional cellular and in the new services which will mark the arrival of the wireless information age. The enlarged Company will have access to 60 million customers, through ventures we invest in or control. Last year, our combined customer base grew by over 65% and growth remains strong this year. Vodafone AirTouch will have the scope and scale for substantial cost reductions but, above all, will create an unparalleled platform for enhanced growth in what will be the unrivalled world leader in mobile communications.

Vodafone AirTouch will create an unparalleled platform for enhanced growth in what will be the unrivalled world leader in mobile communications.

Planning is at an advanced stage for the full integration of the two businesses. We expect the transaction to close by the end of June or in July. Vodafone AirTouch has the clear aim of becoming, over the next decade, one of the world's largest companies. The last year has been a dramatic one for Vodafone and we now believe that we are on the threshold of a new and exciting stage in the development of one of the best business opportunities available in the world today.

Chris Gent

Chief Executive

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UK Operations

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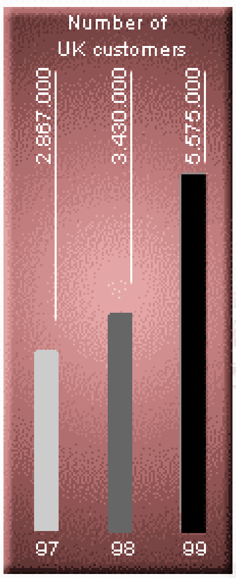
Network operations

Vodafone Limited had a record year with its customer base growing by 2,145,000 to 5,575,000 at the year end. This was achieved in a fiercely competitive market and, with over 1,000,000 more customers than its nearest competitor, the company increased its leadership position and achieved a market share of 37.4%.



Vodafone continues to have more roaming agreements than any other UK operator. 47 networks in 10 countries were added during the year, taking the total number of roaming agreements to 174 in 91 countries, giving over 120 million customers access to Vodafone's network.

During the last financial year, Vodafone continued its policy of reducing its tariffs to offer corporate customers and individuals better value than any other national mobile phone operator.

From June 1998, Vodafone cut its off-peak calling rates by 50%, with the cheapest calls costing only 2p per minute. These reductions have stimulated greater use of the network in the evenings and at weekends.

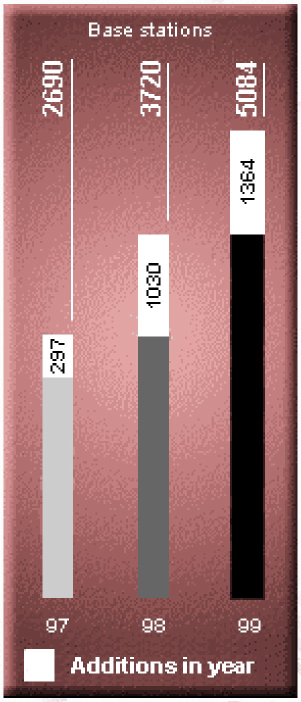
During the year, the company launched a new entry level tariff for high off-peak users and adjusted 'Pay As You Talk' tariffs, offering even more value for money to Vodafone customers.

The 'Pay As You Talk' (PAYT) pre-paid service contributed significantly to the company's spectacular customer growth, with more than 1,800,000 customers using the service by the year end, an eight-fold increase from the 198,000 customers at 31 March 1998. PAYT has achieved a 44% share of the pre-paid market, making Vodafone the market leader. The success of the service continued after an outstanding Christmas period driven by an attractive tariff, effective advertising and enhanced distribution channels. In response to this sudden increase in demand, Vodafone opened a major call centre in Birmingham and invested heavily in expanding its customer care facilities through increased staff numbers and improved systems.

In the last financial year network churn reduced by 3.0% to 26.0%. This figure reflects both a 1.2% reduction in contract customer churn and the impact of PAYT churn, which averaged around 20% for the year, although this is expected to rise.

The average revenue per contract customer remained relatively stable at £423 for the financial year, a figure which reflects increased average usage as both outgoing and incoming call charges were reduced during the year. PAYT revenue per customer has shown growth from the half year, up 10% to £159 per annum (£178 before trade discounts). The overall average revenue per customer declined to £378 from £419 in the previous year, reflecting the increase in the PAYT base.

The average cost per gross contract connection, excluding migrations, was £88, a reduction from £99 for the year ended 31 March 1998, as bonus levels have been reduced in line with falling handset prices. The average cost per gross PAYT activation was £43.



In order to maintain the highest quality of service and to keep pace with the enormous customer growth the company's capital expenditure increased by 28% to £343 million. 1,364 new base stations were added to the Vodafone network, which at the year end had 5,084 in operation. Quality of service measurements, endorsed by the British Approvals Board for Telecommunications, confirmed that the Vodafone network provides a call success rate in declared coverage areas of greater than 95%.

Future Developments

On 6 May 1999, the UK Government announced that it proposed to auction five third generation mobile telephone licences. The auction is now expected to take place in the second half of the 1999/2000 financial year and Vodafone intends to bid for one of the licences.

Third generation technology will offer users increased bandwidth connections to their mobile handsets, allowing them to access an extensive range of new services. These will include video telephony, high-speed access to corporate intranets and the internet and the provision of electronic mail services which allow the user to access and control a range of messaging options, including e-mail and voice mail.

During the last year Vodafone announced several collaborations with suppliers to develop third generation wireless technology that will enable the transmission of multimedia communications using hand-held devices. Vodafone is currently conducting trials with several partners and on different manufacturers' equipment to assess a number of technical issues and evaluate the performance of the new technology. These trials will keep Vodafone at the forefront of third generation mobile communications technology as the world enters the wireless information age.

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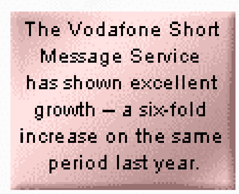
Value Added and Data Services

Vodafone Value Added and Data Services is a leader in the field of wireless data and providing solutions to customer requirements, using both current and newly emerging technologies. The company also provides value added voice services, including the highly successful Recall voicemail service, which now has over 4,000,000 users.



The Vodafone Short Message Service has shown excellent growth in usage, with approximately 15 million messages being billed in March 1999 – a six-fold increase on the same period last year. During May 1999, messaging to the other UK networks was opened, resulting in a further increase in traffic. As of June 1999, over 750,000 messages per day were being billed. Unlike services offered by other UK operators, the Vodafone Short Message Service is available on all tariffs and the pre-paid PAYT service alone now accounts for over 50% of messages, as many of its users are young people who make greater use of text messages to communicate.

The number of data customers continued to grow, with successes in telemetry and gaming for the company's unique packet technology, increasing the total number of customers on the network to over 65,000 at the year end and making it the largest such specialised data network in the UK. Managed GSM data communication services continue to be provided to over 5,000 British Gas engineers and a number of other major customers and two key contracts have been secured for parcel carrier logistics. Further orders have been received from the vehicle telematics/positioning industry where the company is the principal supplier for managed services and this is expected to be a significant contributor to growth in the future.

A unique GSM product has been launched which will allow managed data services to be extended directly to customers' premises. The product has been type approved and has been well received in the market place both for its remote management and its user programmeability features. It is especially suited to unattended locations where site visits are difficult or costly. A number of units are currently on trial by customers.

Paging

Vodafone Paging had another successful year, maintaining its market share and profitability in an increasingly competitive market. The total units supplied are now approaching 500,000, including 'subscription' and 'calling party pays' pagers. During the year a new network was installed, providing increased capacity and enhanced services.

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Distribution

The re-organisation of Vodafone's distribution companies, which was announced in July 1997, placed the Group in an excellent position to capitalise on the explosive growth of the mobile telecommunications market. In the last financial year, the distribution businesses generated a net growth of customers at over five times the level of the previous year.

In Vodafone Retail, average connections per store grew steadily throughout the year to more than double the rate achieved in the previous year. Improvements in customer service and productivity enabled the stores to increase sales despite considerable competition from the distribution of pre-paid products by traditional high street retailers. Over 80 Vodafone Retail stores currently offer electronic top-ups at point of sale to Pay As You Talk customers. It is expected that this service will be rolled out to all Vodafone Retail shops during the summer and will be launched with a number of multiple retailers over the next year.

Vodafone Retail has continued its programme of new store openings and re-locations aimed at improving Vodafone's presence in major cities and key shopping malls. Many of the new flagship stores are in locations such as Oxford Street, London, Bluewater Park in Kent, and the Trafford Centre, Manchester.

In August 1998, Vodafone Retail opened the doors of its virtual store, making 24 hour shopping via the internet a reality for its customers. Expanding into the field of e-commerce, the virtual store - at www.vodafone.co.uk – offers a comprehensive on-line mobile phone store. Adding to customer convenience, the store now offers almost any Vodafone product found on the high street, including 'Pay As You Talk' phones, all-in-one mobile phone packages, contract phones, accessories and pagers, all delivered direct.

Vodafone Retail has made 24 hour shopping via the internet a reality at www.vodafone.co.uk

Vodafone Connect spearheads the Group's distribution of 'Pay As You Talk' pre-paid products and services to third party retailers and in the last year the company was successful in recruiting several more major retailers to distribute PAYT products. The huge increase in PAYT customers, particularly in the Christmas period, has been largely due to these new distribution outlets, which include Tesco, Toys R Us, Somerfield, Sainsbury's SavaCentre and Boots, together with significant growth in business through established retailers of PAYT including Woolworths, Comet and Argos. There has also been rapid expansion of outlets for PAYT top-up cards. This type of new distribution has been key in enabling Vodafone to build and sustain leadership in the pre-paid market.

The independent dealer market achieved a strong first half performance, with weaker growth in the second half due to the development of pre-paid services through new distribution outlets which affected traditional specialist sales channels. The Mobile Phone Centre (MPC) specialist franchise operation grew from 64 to 92 outlets during the year.

In order to support these new levels of business Vodafone Connect opened a substantial new call centre in Croydon in April 1998 with the capacity to accommodate 500 personnel.

Vodafone Connect received the prestigious industry Mobile News Award, 'Service Provider of the Year', for its achievements during the year.

Vodafone Corporate maintained its market leadership successfully in an increasingly competitive corporate sector. The company has introduced a number of new initiatives to provide its customers with greater and easier access to information, such as individual billing information to assist in the administration of multi-phone accounts.

In April 1999, Vodafone Corporate and Cable & Wireless Communications announced that Vodafone Corporate had acquired the Cable & Wireless UK cellular service provider business and that they had entered into an agreement to jointly offer corporate customers fixed and mobile communications solutions. The two companies will each be able to offer their respective customers tailored solutions from a combined product portfolio, including managed voice solutions, with all products and services sourced from the two suppliers working in unison.

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International Operations

Continental Europe **Pacific Rim** **Middle East and Africa** **Globalstar**

This was another record year in which the Vodafone Group's international operations grew strongly both in terms of turnover and operating profit, and accounted for one third of the Group's total operating profit.

The proportionate customer base grew from 2,414,000 at the start of the year to 4,870,000 at the year end, representing over 46% of the Group's proportionate customer base. Pre-paid services continued to grow strongly and accounted for 30% of the proportionate international customer base at the year end.

Over the last two years, the Group's proportionate international customers have increased more than three-fold as penetration of its markets has increased. Expectations are for penetration rates in most major markets to reach 50% by the end of the year 2002.

During the year, the Group acquired the only GSM network in New Zealand and the consortium in which the Group has a major shareholding opened a network in Egypt, bringing to twelve the number of overseas countries in which Vodafone has cellular network interests.

Average revenue per customer was £369, a reduction of 19% over the previous year at constant exchange rates, reflecting the increased proportion of customers using prepaid services. The higher customer numbers produced improved profits, more than offsetting the impact of the lower average revenue per customer.

Continental Europe

Panafon, Vodafone Group's subsidiary in Greece, maintained its market leadership and reported significantly increased profits. Panafon had 1,190,000 customers at the end of a financial year which saw the introduction of a third competitor into the Greek market.

> Over the last two years, the Group's proportionate international customers have increased more than three-fold as penetration of its markets has increased.

A 15% minority shareholding in Panafon was successfully listed on the Athens Stock Exchange in December 1998 and Panafon's shares also trade in the form of Global Depository Shares on the London and NASDAQ Stock Exchanges. The Vodafone Group has retained its 55% shareholding in the company.

In the Netherlands, Libertel increased its customers by 800,000 to 1,429,000, of whom 49% have chosen pre-paid tariffs. ING, owner of 30% of the company, has announced its intention, subject to market conditions, to offer a minority shareholding in Libertel on the Amsterdam Stock Exchange through an Initial Public Offering. The Vodafone Group's shareholding will remain unchanged at 70%.

The French mobile phone market continued to show good growth after the dramatic increase in customers reported in the previous year. SociŽtŽ Fran•aise du RadiotŽlŽphone (SFR), in which the Vodafone Group has a 20% shareholding, held a 38% market share at the end of the year with 4,620,000 customers, an increase of 83% on the previous year.

E-Plus Mobilfunk, in which the Vodafone Group has a 17.2% interest, continued to grow rapidly and at the year end the company had more than 2,352,000 customers connected to its network, an increase of 92% on the previous year end figures. Following the completion of the merger with AirTouch, the Group will dispose of its interest in E-Plus as AirTouch has a 34.8% interest in Mannesmann Mobilfunk (D2) in Germany.

Europolitan increased its customer base by over 40% in a market where over 50% of the population owns a mobile phone.

In Sweden, the Vodafone Group has a 20% interest in Europolitan. The company increased its customer base by over 40% to 667,000 by the end of the financial year in a market where over 50% of the population owns a mobile phone. AirTouch has a 51.1% shareholding in Europolitan.

Vodafone Malta continued to make good progress in the last year, with a closing customer base of 24,000. The majority of customers are now on the GSM digital network and the company benefits from visitors using the network in Malta.

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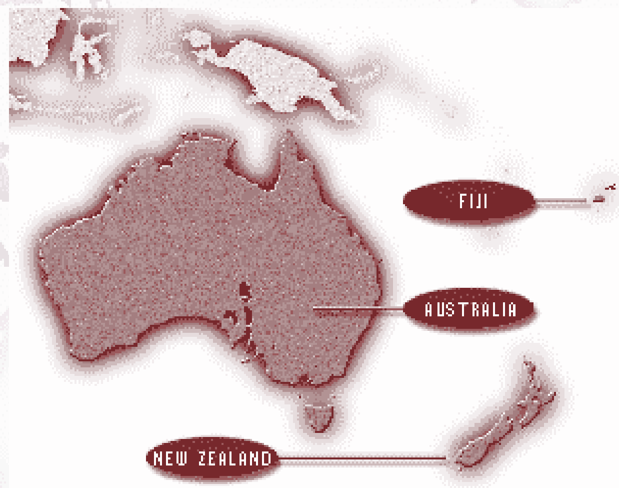
Pacific Rim



In spite of intense activity from two competitors, the Group's Australian network continued to report strong customer growth. By 31 March 1999, the customer base had increased organically by 78% to 971,000. The Australian distribution business also experienced excellent growth, with its customer base increasing to 557,000. The Group is considering an Initial Public Offering in the first half of 2000 but will maintain its controlling shareholding after any such offering.

Vodafone Fiji, Vodafone Group's 49% owned associate, ended the year with 8,000 customers and is profitable and cash generative.

On 30 October 1998, the Group completed the purchase of New Zealand's only GSM network. Since acquisition, and the complete rebranding to Vodafone New Zealand, the number of customers rose by 51,000 to 181,000 at the year end. The New Zealand network complements the Group's other operations in the Pacific Rim area as they all use GSM technology.

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Middle East and Africa

Vodacom, in which the Group has a 31.5% shareholding, is one of two GSM operators in the Republic of South Africa. The company had another strong trading year and continued to lead the market. The pre-paid services continued to be popular and customers opting for this type of product accounted for 55% of the 2,000,000 customer base, which grew by over 104% in the last financial year.

Celtel, in which the Group has a 36.8% shareholding, is one of two GSM network

Misrfone's trading performance has exceeded expectations and is expected to report a profit in the 1999/2000 financial year.

operators in Uganda, following the launch of a competitor in October 1998. The company increased its customer base to nearly 16,000 in the financial year.

In May 1998, the Misrfone consortium, in which the Group has a 30% shareholding, received a network licence from the Egyptian Government to operate the second GSM network in the country. The network commenced service on 30 November 1998 and by the end of the financial year had 97,000 customers.

The company's trading performance has exceeded expectations and it is expected to report a profit in the 1999/2000 financial year. AirTouch also has a 30% interest in the Misrfone consortium.

Globalstar

In May 1998, the Group reduced its interest from 5.2% to 3.0% in Globalstar, which is developing a worldwide digital telecommunications service based on a constellation of low earth orbit satellites. Currently, twenty of the forty eight satellites required have been launched and full commercial service is planned for the third quarter of 1999. AirTouch has a 5.2% interest in Globalstar.

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Community and the Environment

Environment **Community**

Environment

As a successful member of the international business community, the Vodafone Group recognises its corporate responsibilities towards both the environment and the community, as an investor, employer, consumer and service provider. The Group's business activities affect the environment both directly and indirectly and it is committed to a programme of continuous improvement to minimise any impacts on the environment.

The Group's policy remains to actively manage environmental issues using established guidelines. It is intended that a new environmental handbook will be issued following the merger with AirTouch. This will draw on best practice and experience from around the world.

The Group has continued to develop and evaluate smaller and less visually intrusive masts, control equipment and antennas. These devices are used by Vodafone operating companies throughout the world. During 1998, Vodafone introduced a further design of antenna disguised as a tree. This has been installed in an environmentally sensitive area of Scotland and complements the highly successful design operational in Berkshire which is sited amongst trees in an Area of Outstanding Natural Beauty. The Group has established a National Parks Project Group to ensure that the visual impact of base stations is minimised whilst providing improved coverage required for rural areas. Vodafone Limited has also become the first UK company to join the Corporate Forum for National Parks. In urban areas, further developments to miniaturise antennas have taken place. These have been successfully deployed using Closed Circuit Television (CCTV) poles to provide support and height. Techniques operational in the film industry have been used to disguise equipment now based in a number of churches, most notably in the centre of Bristol.

Vodafone Retail's stores have joined a national UK scheme aimed at the environmentally friendly return and recycling of old mobile telephone handsets and batteries. The stores act as collection points for the general public to return old, disused or broken handsets. Industry estimates are that there could be more than two million such handsets.

The Group uses video conferencing facilities in a number of locations. These facilities substantially reduce the need for executives to travel between countries.

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Community

The Group supports ongoing community programmes around the world, ensuring a continued commitment to the prosperity and safety of the locality in which it has a presence. This support is not only financial; it is also cultivated through the provision of products and services and the personal involvement of its employees in their community, both by private arrangement and through the Group.

The Group operating companies support cultural and sporting activities and local fund-raising events across a broad spectrum, to the benefit of individual areas and communities. Links are maintained between the Group's business units and the education sector through Group representation on local educational bodies at all levels. Industrial placements within the Group are offered to teachers and work experience placements to students to strengthen this link. In addition, community based activities are undertaken by younger employees through the Duke of Edinburgh Award Scheme in the UK.

Adaptations of Vodafone's mobile communications services provide wide ranging benefits to serve the special needs of a number of different sections of the community, including the disabled, police community initiatives and a variety of innovative 'Watch' schemes aimed at preventing crime.

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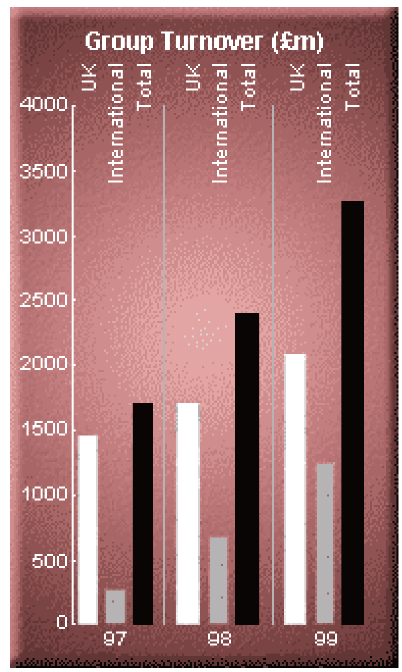
Financial Review

Profit and loss account



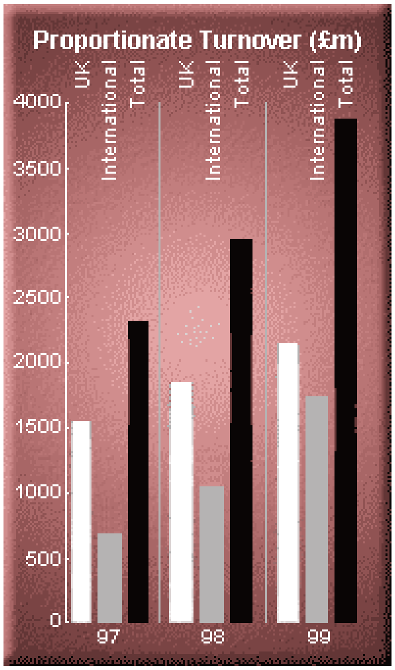
Turnover

Group turnover for the financial year has increased by 36% to £3,360.0m. This increase includes a full year's turnover from the acquisition in January 1998 of a controlling interest in the Dutch network operator, Libertel, and its service provider, Libertel Verkoop en Services (formerly Liberfone), and turnover in relation to the acquisition in October 1998 of New Zealand's only GSM cellular network business.

Turnover in the UK increased by 18%, principally as a result of the strong growth in the number of customers connected to the network, together with increased usage, offset by the impact of tariff reductions. In addition, higher roaming revenues from both visitors using the UK digital network and UK customers using overseas networks were realised.

In Continental Europe, turnover increased by 88% to £944.9m due to the acquisition in January 1998 of the Dutch network operator, Libertel, and strong turnover growth in both the Netherlands and Greece. In the Pacific Rim, turnover grew by 67% to £327.6m, mostly in Australia where Vodafone Holdings Australia Pty's customer base grew organically by 78%.

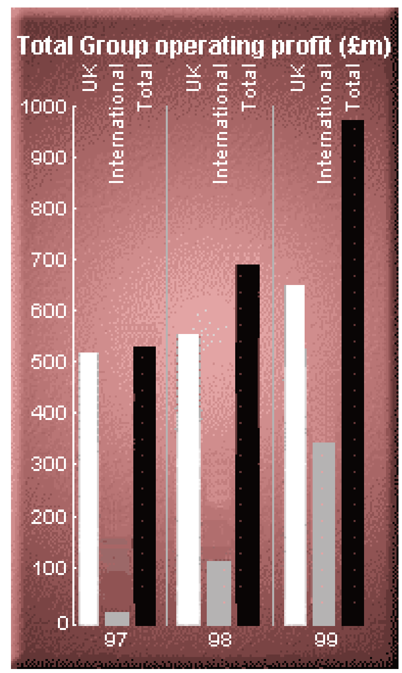
Total Group proportionate turnover, which reflects the Group's ownership interests in its world-wide operations, increased by 34% to £3,837.3m in the year, whilst total proportionate customers increased by 79% to 10,445,000. International businesses increased proportionate turnover by 61% to £1,666.9m as proportionate customers increased by 102% to 4,870,000.



Proportionate share of network customers

	31 March 1999 ('000)	31 March 1998 ('000)	Growth %
UK	5,575	3,430	63
Australia	884	491	80
Egypt	29	–	–
France	924	506	83
Germany	406	212	92
Greece	655	343	91
Malta	19	15	27
Netherlands	1,000	439	128
New Zealand	181	–	–
South Africa	629	308	104
Sweden	133	95	40
Uganda and Fiji	10	5	100
TOTAL	**10,445**	**5,844**	**79**
TOTAL International	**4,870**	**2,414**	**102**

Total Group operating profit



Total Group operating profit increased by 40% to £962.6m.

In the UK, total operating profit rose by 14% to £643.2m, and by £59.5m (10%) after adjusting for last year's exceptional costs of £19.7m for the reorganisation of the UK service provider businesses. The growth in total operating profit was less than the growth in turnover as increased usage was off-set by tariff reductions and connection costs associated with exceptional customer growth.

International operations made a total operating profit of £319.4m (1998 – £122.4m). This increase has arisen from stronger trading in all of the Group's principal overseas interests.

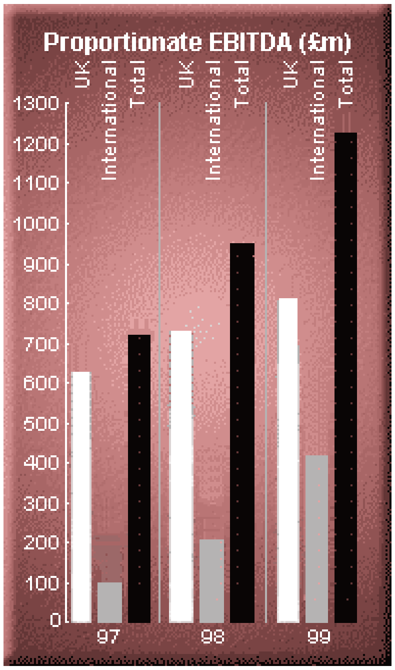
Total operating profit in Continental Europe rose by £119.5m due to strong growth in the profitability of all of the Group's European operations and the benefit of a full year's trading from Libertel as a subsidiary. The improved trading performance of the Pacific Rim businesses, which made a total operating profit of £8.9m, compared to losses of £59.2m in the previous year, was due to the Australian businesses moving through break-even and achieving an overall profit in the financial year. Profits increased in the Rest of the World to £53.1m, up by 22%.

Currency	Year to 31 March 1999	Year to 31 March 1998	Percentage change %
Australian Dollar	2.68	2.30	16.5
Dutch Guilder	3.26	3.28	(0.6)
French Franc	9.68	9.80	(1.2)
German Mark	2.89	2.92	(1.0)
Greek Drachma	488.69	462.40	5.7
South African Rand	9.61	7.75	24.0
Swedish Krona	13.18	12.85	2.6

Average exchange rates

The adverse impact of exchange rates on total Group operating profit was £22.7m, due primarily to the strength of sterling against the South African Rand and Greek Drachma.

Proportionate EBITDA, which reflects the cash flow of all the Group's activities, increased by 33% to £1,218.0m from £919.0m. Proportionate EBITDA is defined as operating profit before exceptional reorganisation costs plus depreciation and amortisation of subsidiaries, associated undertakings and investments, proportionate to equity stakes.



Profit on disposal of fixed asset investments and businesses

The profit on disposal of fixed asset investments of £66.7m arose principally from the part-disposal of the Group's interest in Globalstar, reducing its interest from 5.2% to 3.0%. The Group also disposed of the business and net assets of its French service provider business, which was operated by Vodafone SA, in November 1998.

Interest

The Group's net interest cost increased by £33.0m as net borrowings increased by £391.0m to finance international acquisitions.

Taxation

The effective tax rate decreased by 4.3% to 27.0% primarily as a result of the utilisation of brought forward losses in overseas operations. Excluding the effect of disposals, the effective rate decreased from 32.5% to 28.7%.

Minority interests

The increase in the minority interests in profit on ordinary activities after taxation is primarily due to the impact of the increased profits arising in the Group's 55% owned Greek subsidiary, Panafon.

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Future results

There are many factors that will influence the Group's future performance, the most significant of these being the proposed merger with AirTouch.

In respect of the Group's continuing operations, factors affecting future turnover and profit performance are the potential for growth of the mobile telecommunications markets, the Group's market share, revenue per customer, the costs of providing and selling existing services and start up costs of new businesses.

The global market for mobile telecommunications continues to provide the potential for significant growth. Cellular penetration is expected to exceed 50% in most of the Group's major markets by the end of the year 2002 as consumers endorse the benefit of mobile telephony, enhanced by increasingly lightweight, secure and attractive equipment. Mobile telephony is also expected to replace a large proportion of telecommunications traffic currently carried by fixed networks and will act as a major platform for both voice and data communications.

Potential for growth

	Population million	Market penetration 98/99 %	Penetration added in 98/99 %
UK	58.4	25.5	10.0
Australia	18.7	32.2	3.7
Egypt	63.0	0.6	0.4
Fiji	0.8	1.0	0.4
France	58.6	21.4	10.1
Germany	82.3	18.8	7.5
Greece	10.5	22.8	12.6
Malta	0.4	6.3	1.2
Netherlands	15.7	26.4	13.4
New Zealand	3.8	20.8	4.0
South Africa	40.6	8.2	3.6
Sweden	8.9	54.0	16.4
Uganda	21.0	0.1	0.0

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Balance sheet

Fixed assets

Total fixed assets increased by £940.6m, primarily due to the effect of continued capital investment in network operations, goodwill arising on acquisitions and investment in new businesses. Intangible fixed assets, which are capitalised in accordance with the Group's accounting policy, increased by £191.7m, of which £172.6m related to goodwill, net of amortisation charges, arising on acquisitions completed during the year. Tangible fixed assets increased by £578.7m, primarily as a result of capital expenditure on digital networks in the UK, Australia, the Netherlands and Greece and the inclusion of Vodafone New Zealand's fixed assets on acquisition. The movement in investments, which includes equity investments and loans advanced to associated undertakings and other investments, is analysed in the table below.

Investments	£m
At 1 April 1998	202.2
Net new investments	101.4
Share of profits in associated undertakings	71.5
Currency translation and other movements	(2.7)
At 31 March 1999	**372.4**

Working capital

Working capital (excluding amounts included within Group net debt) decreased by £5.5m, primarily as a result of an increase in creditors due within one year of £215.4m offset by a £194.1m increase in debtors. These changes are due to the inclusion of working capital balances of subsidiaries acquired in the year and the growth of the business.

Equity shareholders' funds

The Group's equity shareholders' funds do not include any valuations that could be placed on licences that were acquired for no initial cost. Licences that have an initial cost to the Group are capitalised at cost and written-off in accordance with the Group's accounting policy. The balance sheet also excludes any value attributable to future income streams that are anticipated from existing customers.

Equity shareholders' funds increased by £532.1m to £814.6m, mainly due to retained profits of £439.9m and the benefit of scrip dividends of £64.8m.

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Cash flows and net borrowings

Net cash flow generated from operating activities increased by £158.8m to £1,045.2m and was used mainly to fund capital expenditure of £754.4m, primarily to enhance and expand the digital networks in the UK, Australia, the Netherlands and Greece, pay tax of £194.6m and finance interest and dividends to minority shareholders of £89.8m and £118.5m of equity dividends. Net new investments of £264.8m comprised a cash outflow of £343.9m in respect of acquisitions and investments offset by a cash inflow of £79.1m from investment and business disposals. As a result, net borrowings increased by £391.0m to £1,508.0m. An analysis of net cash outflows in respect of investments is set out in the table below.

Net cash outflow – investments	£m
Vodafone New Zealand	234.6
Misrfone	63.1
Other	46.2
	343.9

Future investment

Vodafone companies in the Group at 31 March 1999 expect to spend approximately £1,000m on tangible fixed assets in 1999/2000. About half of this expenditure will be in the UK, where capacity continues to be added to the digital network to accommodate growth in customer numbers and traffic generated by visitors. The balance will be expended mainly on the digital networks in the Netherlands, Australia and Greece to enhance capacity and improve quality of service. The Group also intends to bid for third generation mobile phone licences, the UK auction for which is currently scheduled for early 2000.

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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 funding, foreign exchange, interest rate management and counterparty risk management.

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed annually by the Board. The treasury function provides regular update reports 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 change during the year, or since the year end, to the major financial risks faced by the Group or the Group's approach to the management of those risks.

Funding and liquidity

The Group has a strong financial position, demonstrated by credit ratings of A-1/P-1 short term and A+/A2 long term from Standard and Poor's and Moody's respectively, which enables the Group to access a wide range of debt finance, including Eurobonds, commercial paper and committed bank facilities. Following completion of the merger with AirTouch it is anticipated that these ratings will continue to be investment grade at A-1/P-1 short term and A/A2 long term.

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 net cash flow to net debt, which establish internal limits for the maximum level of debt that the Group may have outstanding. Total Group interest, excluding that of associated undertakings, is covered 15 times by Group EBITDA (adjusted to exclude the Group's share of the profit of associated undertakings).

The Group's policy is to borrow centrally, using a mixture of long term and short term loans 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 Group's net debt profile at the end of the year is shown below:

Net debt profile at 31 March 1999

Analysis by repayment year	**£m**
Less than 1 year	371.1
Between 2-5 years	1,136.9
	1,508.0

A substantial proportion of the debt maturing within one year is commercial paper, issued under the Group's £800m multi-currency Euro commercial paper programme, which is fully supported by committed bank facilities that expire in the period to 30 November 2003.

The maturities of the committed facilities available to the Group at 31 March 1999 are shown below:

Maturities of committed facilities			
Analysis by year of expiry	Committed bank facilities £m	Bonds £m	Total £m
Within 1 year	50.0	–	50.0
Between 1-2 years	495.0	250.0	745.0
Between 2-5 years	1,023.6	250.0	1,273.6
	1,568.6	**500.0**	**2,068.6**

Syndication has commenced on a facility for $10.0 billion to finance the merger with AirTouch. The facility is split into three tranches. Tranche A is a $4 billion revolving loan facility and Tranche B is a $2.5 billion term loan facility, each of which is available for 364 days with the option to extend the repayment of advances under those tranches for a further year. Tranche C is a $3.5 billion revolving loan facility, available for five years. Advances may be drawn in US Dollars, Sterling or Euros.

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 assets represent a small proportion of the market value of the Group and international operations provide risk diversity. However, 52% of gross borrowings were denominated in currencies other than sterling in anticipation of dividend streams from profitable international operations and this provides a partial hedge against profit and loss account translation exposure.

Interest rate management

The Group’s main interest rate exposure is to Sterling, Euro and Australian Dollar interest rates.

Under the Group’s interest rate management policy, interest rates are fixed when net interest is forecast to have a significant impact on profits. 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, 51% of the Group’s gross borrowings were fixed for a period of at least one year. A one percent rise in market interest rates would affect profits before tax by less than one percent.

Counterparty risk management

Cash deposits and other financial instrument transactions give rise to credit risk on the amounts due from counterparties. The Group regularly 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, it considers the possibility of material loss to be minimal because of these control procedures.

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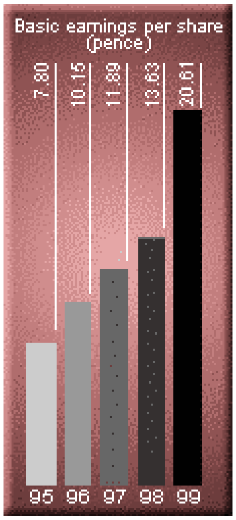
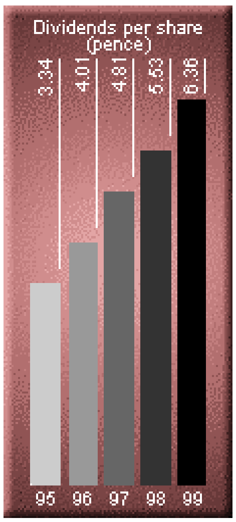
Shareholder returns



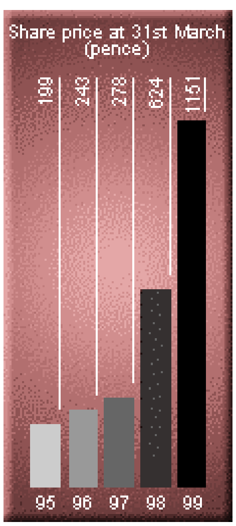
Basic earnings per share

Basic earnings per share increased by 51% from 13.63p to 20.61p. Basic earnings per share before fixed asset investment disposals and goodwill amortisation increased by 47% from 12.82p to 18.82p.



Dividends

The second interim dividend declared by the Board of 3.24p produces a total for the year of 6.36p, an increase of 15%, and reflects the Group's underlying profitability and liquidity. Dividend cover increased to 3.2 times compared to 2.5 times in the year ended 31 March 1998.



Share price

The share price has shown healthy growth since the Company floated in 1988 at an issue price of 170p, which is now equivalent to 56.7p following the capitalisation issue in July 1994. Annual compound growth in the share price over the five year period to 31 March 1999 was 46%.

This increase in the share price in the year reflected the general rise in equity prices and increased confidence in the Group's prospects, particularly given the strong customer growth and the proposed merger with AirTouch.

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Year 2000

The Group is giving high priority to the impact of the millennium and is taking significant and positive steps to minimise the effect of the date change issues before, after and during the year 2000 on its ability to maintain its networks and to continue to provide services to customers. The Group initiated a comprehensive millennium programme, which seeks to ensure that the Group does not experience difficulties resulting from failures of hardware, software and electronic equipment or of services due to any date change around the transition into the new millennium and beyond. The millennium programme covers the cellular, paging and data networks, billing and administrative functions, as well as buildings, power, security, air conditioning and other similar functions. Critical suppliers are being checked for assurance that the continuity of supply of products and services will be maintained by them.

The millennium programme is being implemented by each subsidiary within the Group whose activities are being managed through an executive steering committee chaired by a director of that company. The programme is monitored on a monthly basis by the Executive Committee of Vodafone Group Plc.

The Group is operating to policies which seek to ensure that the businesses and all operations of the Group meet the definition of Year 2000 conformity, as set out in DISC PD2000-1:1998 ‘A Definition of Year 2000 Conformity Requirements’ issued by the British Standards Institute. The Group’s planned remediation and millennium testing activities were successfully completed for all essential systems by the target date of 31 December 1998. Rollout of these systems is already largely complete with a target end date in the second quarter of 1999. Activities still to be completed in 1999 include transition and contingency planning, business scenario testing and completing millennium activities for all non-critical systems.

It is the Group’s policy that all developments and all new systems and applications which may be affected must be demonstrated to be Year 2000 compliant on entering service and that changes to existing systems do not adversely affect the compliance status achieved. It is also the Group’s policy to monitor, through its board representation, the steps taken by its principal associated undertakings and investments to be Year 2000 compliant. Representatives of some of these companies have attended conferences organised by the Group to address Year 2000 issues.

The Group incurred costs in relation to Year 2000 compliance of approximately £14m in the financial year to 31 March 1999, and £4m in the previous financial year, although many costs are not separately identifiable as millennium modifications are often embodied in software purchased and developed in the normal course of business. The Group is satisfied that the total future amount will not be material to the future profitability or liquidity of the Group.

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Introduction of the single European currency

The Group recognises the importance of Economic and Monetary Union (EMU), particularly for its businesses operating in countries which either introduced the single European currency, the Euro, on 1 January 1999 or are committed to the introduction of Euro at a future date.

The Executive Committee of Vodafone Group Plc has established a steering group to assess the impact of EMU on the Group and to monitor the progress of the Group’s subsidiaries on relevant strategic and operational issues.

The Group’s subsidiaries that operate in countries where the Euro was introduced on 1 January 1999 have prepared and are implementing detailed EMU project plans. In countries committed to adopting the Euro at a later date, preliminary assessments have been carried out. The financial cost of preparations for EMU are not material to the Group.

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Basis of preparation of the financial statements

The financial review complies with the ‘Operating and Financial Review’ statement issued by the Accounting Standards Board. During the year the following Financial Reporting Standards (‘FRS’) issued by the Accounting Standards Board became effective and have been adopted in these financial statements:

FRS 10 – Goodwill and Intangible Assets;

FRS 11 – Impairment of Fixed Assets and Goodwill;
FRS 12 – Provisions, Contingent Liabilities and Contingent Assets;
FRS 13 – Derivatives and Other Financial Instruments: Disclosures; and
FRS 14 – Earnings Per Share.

Comparative amounts have been restated, where appropriate.

The Group's accounting policies are conservative and appropriate to the business.

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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.

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Board of Directors and Secretary

Lord MacLaurin of Knebworth, DL
Chairman

Aged 62, he was appointed to the Board in January 1997 and became non-executive Chairman in July 1998. He was formerly Chairman and Chief Executive of Tesco PLC and is Chairman of the England and Wales Cricket Board. He is also Deputy Chairman of Whitbread PLC. Upon completion of the merger with AirTouch, Lord MacLaurin will become Deputy Chairman of Vodafone AirTouch Plc.

Chris Gent

Professor Sir Alec Broers
Non-executive Director

Aged 60, he is the Vice-Chancellor of Cambridge University and he joined the Board in January 1998. He spent many years with IBM and is a fellow of the Royal Society, the Royal Academy of Engineering, the Institution of Electrical Engineers, the Institute of Physics and is a Foreign Associate of the US National Academy of Engineering. Sir Alec will become a Director Emeritus, an advisory position without formal

Chief Executive

Aged 51, he joined the Board in 1985 and was appointed Chief Executive in January 1997. Chris was formerly Managing Director of Vodafone Limited, the UK network operator, and is now Chairman of most of the Group's principal operating subsidiaries. He will be the Chief Executive of Vodafone AirTouch Plc.

Peter Bamford
Director

Aged 45, he was appointed to the Board in April 1998. He is Chief Executive of Vodafone UK Limited, with responsibility for the Group's UK operations. Before joining the Company in

director status, following the merger with AirTouch.

John Gildersleeve
Non-executive Director

Aged 54, he joined the Board in October 1998. After 17 years with Tesco he became Managing Director, Retail Operations in 1982. He was appointed to the Tesco PLC board in 1984 and became Commercial and Trading Director in 1992. He has commercial responsibility for Tesco's operations in six countries outside the UK. He is also a non-executive Director of Gallaher Group plc. John will resign from the Board on completion

1997, he was a director of WH Smith Group Plc. Peter will continue in his present role after the merger with AirTouch.

Julian Horn-Smith
Director

Aged 50, he joined the Group in 1984 and was appointed to the Board in June 1996. He is Managing Director of Vodafone Group International Limited, with responsibility for the Group's overseas operations, and is a director of many of the Group's overseas operating companies. Julian will be Chief Executive, Europe, Middle East and Africa region, after the merger with AirTouch.

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of the merger with AirTouch.

Penny Hughes
Non-executive Director

Aged 39, she joined the Board in September 1998. Formerly President, GB and Ireland, for The Coca-Cola Company, she now holds a number of non-executive directorships, including Berisford Plc, Body Shop Plc and Mirror Group Plc. Chairman of the Group's pension trustee companies, Penny will be a non-executive Director of Vodafone AirTouch Plc.

Sir David Scholey CBE
Non-executive Director

Ken Hydon
Director

The Financial Director, aged 54, he was appointed to the Board in 1985. He is a director of several Group companies, including the Group's international holding company Vodafone Europe Holdings BV, and he also deals with US investor relations. Ken will be the Financial Director of Vodafone AirTouch Plc.

Sir David, aged 63, joined the Board in March 1998. He is Senior Adviser to Warburg Dillon Read, a Governor of the BBC and a non-executive director of J Sainsbury plc, Close Brothers Group Plc and the Chubb Corporation, USA. Sir David will remain a non-executive Director following the merger with AirTouch.

Stephen Scott
Secretary

Aged 45, he was appointed to his present position in 1991. Head of the Group Legal Department, he is also a director of the Group's pension trustee companies, positions he will retain after the

merger with
AirTouch.

vodafone Annual Report & Accounts for the year ended 31 March 1999

Directors' Report

Review of the Group's business

The Company and its subsidiary 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 and associated undertakings is contained in the Chairman's statement, the Chief Executive's statement and the operating and financial reviews (being the review of UK Operations, International Operations, Community and Environment and the Financial Review). Details of the Company's principal subsidiary undertakings, associated undertakings and investments can be found here.

Future developments

The Group is currently involved in the expansion and development of its cellular telecommunications and related businesses as described in the Chairman's statement, the Chief Executive's statement and the operating and financial reviews (being the review of UK Operations , International Operations , Community and Environment and the Financial Review). Details of the Company's principal subsidiary undertakings , associated undertakings and investments can be found here.

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 here.

Share capital

A statement of changes in the share capital of the Company is set out in note 18 of the financial statements.

Purchase by the Company of its own shares

At the Extraordinary General Meeting of the Company held on 24 May 1999, and conditional upon and with effect from the merger agreement with AirTouch becoming unconditional, shareholders gave the Company permission, until the conclusion of the Annual General Meeting to be held in 2000 or 24 August 2000, whichever is the earlier, to purchase up to 315,072,629 ordinary shares of the Company.

Results and dividends

The consolidated profit and loss account is set out here in the financial statements .

Given the timing of the completion of the merger with AirTouch, rather than propose a final dividend for the year the directors have declared a second interim dividend of 3.24p per ordinary share, amounting to £100.3m, payable on 13 August 1999 to shareholders on the register of members at close of business on 18 June 1999. An interim dividend of 3.12p per ordinary share was paid during the year, producing a total for the year of 6.36p 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 here .

Charitable and political contributions

During the year, the Group made charitable donations amounting to £0.4m principally through the Vodafone Group Charitable Trust which makes contributions primarily to medical research, the disabled, the socially disadvantaged, education, the arts and environmental causes. Recipients of major donations during the year included Tommy's Campaign, the Meridian Broadcasting Charitable Trust, the Knight Foundation for Cystic Fibrosis, RNIB, HYPE, the Multiple Sclerosis Society and the British Dyslexia Association. The Trust also made donations to registered charities through the sponsorship of employees who participated in fund-raising events for the charity of their choice. Professor Sir Alec Broers has been the Chairman of the trustees since 31 March 1998.

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 27 days in aggregate for the Group. The Company did not have any trade creditors at 31 March 1999.

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 Remuneration Report of the Board details the directors' interests in the shares of Vodafone Group Plc.

Directors' interests in contracts

None of the directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the financial year.

Employee involvement

Employee involvement is actively encouraged throughout the Group. In practice, the managing director of each of the subsidiary companies is responsible for evolving a consultative policy, supported by the Board.

Employee communication is achieved through:
• Chief Executive and Directors' presentations;
• Team briefing – a systematic method of employee communication covering all employees, at which employees are encouraged to put forward their ideas;
• Internal written communications – comprising company newsletters, briefing notes, staff notices and bulletins and the internal distribution of press releases;
• Social functions – the Company actively encourages and financially supports a wide range of sports and social functions across the Group for its employees.

UK employee share schemes

The directors are committed to the principle that all employees should be able to participate in the Company's success by assistance with share ownership. Two schemes approved by the Inland Revenue have been established which allow all employees, irrespective of their length of service, to acquire Vodafone Group Plc shares on an advantageous basis. These schemes are highly regarded by staff and over 50% of staff currently participate in one or both of them.

• Vodafone Group Profit Sharing Scheme – This enables staff to contribute up to 5% of their basic salary each month to buy shares in the Company. Subject to agreeing that the purchased shares are held for at least two years by the Trustees of the scheme, for each share the employee buys the Company buys a matching share for the employee. The shares paid for by the Company are not subject to income tax on their value, provided the employee leaves them with the Trustees for three years.

• Sharesave Scheme – This enables staff to acquire shares in the Company through monthly savings of up to £250 over a three or five year period, at the end of which they also receive a tax free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the savings contract and usually at a discount to the then prevailing market price of the Company's shares. Invitations to participate in this scheme are normally made annually. This scheme replaced the Vodafone Group Savings Related Share Option Scheme in 1998, as that scheme had then operated for 10 years.

In addition to the two schemes just described, the Company also has two discretionary share option schemes. The directors used these schemes to award share options to all UK based staff on the Company's payroll on 1 July 1998. These special 'Millennium Options' were granted in July 1998 and are exercisable from July 2001.

At the Annual General Meeting in July 1998, the discretionary schemes were replaced with similar schemes known as The Vodafone Group 1998 Company Share Option Scheme, approved by the Inland Revenue, and The Vodafone Group 1998 Executive Share Option Scheme, which is not Inland Revenue approved.

Employee education, training and development

Continuing education, training and development are important to ensure the future success of the Group. Policies have been adopted to assist all employees to reach their full potential and a wide variety of schemes and programmes are offered, aimed at ensuring that relevant education, training and development opportunities are available. Many courses are provided by the Group's Training Services department, which has well equipped technical and development training facilities and a broad range of expertise.

The Group, as a Charter Member of the Duke of Edinburgh's Award Scheme, has established a sponsored scheme for all employees of Award Scheme age to encourage young employees to develop their confidence and important skills such as communication, planning and working in teams. A programme of business related further education is also sponsored by the Group and programmes exist to help employees meet the training and qualification requirements of their chosen professional institution, thereby continuing to raise the existing professionalism of the Group.

Employment policies

The Group's businesses operate progressive employment policies and all vacancies are filled on the basis of individual competence, experience and qualifications. Employees at all levels and in all companies are encouraged to make the greatest possible contribution to the Group's success. Internationally, the Group's employment policies are developed to reflect the legal, cultural and employment requirements of the country concerned.

Equal opportunities
The Group operates an equal opportunities policy. All employees accept the commitment within this policy that the Group will not allow discrimination, pressure to discriminate or harassment by staff or others acting on the Group's behalf, in respect of sex, race, marital status, nationality, disability or religious or political beliefs.

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. The Group is a member of the Employers' Forum on Disability.

Health, safety and welfare

The directors recognise the high standards required to ensure the health, safety and welfare of the Group's employees at work, its customers and the general public. The maintenance of safe working conditions is a high priority and a programme of regular risk assessment ensures that there are continuous improvements in safety performance. Group policies and practices are regularly reviewed with the objective that high standards of health and safety are achieved and maintained.

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.

It is the Group's policy to employ Deloitte & Touche on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally tax advice and due diligence reporting on acquisitions, or where they win work on a competitive basis. During the year Deloitte & Touche charged £4.1m (1998 – £2.6m) for non audit assignments compared to £6.2m (1998 – £1.4m) charged by the six other audit firms employed by the Group. The fees for non audit assignments include amounts for corporate finance activities (£1.3m), tax services (£0.7m) and IT consultancy and other services (£2.1m). The increase in non audit fees over the prior year is primarily due to corporate finance related costs associated with the proposed merger with AirTouch.

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 8 June 1999, exceeds 3% except that Mercury Asset Management Limited has a holding of 5.8%, Schroder Investment Management Limited has a holding of 5.1%, Legal and General Investment Management Limited has a holding of 3.1%, and the Prudential Corporation group of companies has a holding representing 3.0%.

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Corporate Governance

Introduction

The Combined Code on Corporate Governance issued by the London Stock Exchange requires companies listed on the 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 1999 was a momentous year for the Company and the matters described below and in the Remuneration Report relate to the position throughout the year and prior to completion of the merger with AirTouch. Upon completion, the Board intends to review all aspects of the Company's and the Board's future operation.

With the minor exceptions explained below, relating to the appointment of a senior non-executive director, the question of training for directors and the disclosure of proxy votes at the 1998 Annual General Meeting, the Company has been in compliance with the Code provisions set out in Section 1 of the Combined Code throughout the year ended 31 March 1999. As permitted by the London Stock Exchange, the Company has complied with Code provision D.2.1 on internal controls by reporting on internal financial control in accordance with the guidance for directors on internal controls and financial reporting which was issued in December 1994. The Turnbull Committee has issued draft guidance on the wider aspects of internal control, which the Board is considering.

Directors and organisation

The Company presently has nine directors, seven of whom served throughout the year ended 31 March 1999. Their biographical details are set out briefly at the Board of Directors and Secretary. Five of the directors, Lord MacLaurin (the Chairman), Professor Sir Alec Broers, John Gildersleeve, Penny Hughes and Sir David Scholey, served as non-executive directors. Penny Hughes and John Gildersleeve joined the Board on 1 September 1998 and 1 October 1998 respectively. The Company considers all its non-executive directors to be fully independent. The four executive directors are Chris Gent (the Chief Executive), Peter Bamford, Julian Horn-Smith and Ken Hydon. Sir Ernest Harrison and Sir Gerald Whent retired from the Board on 21 July 1998 and David Channing Williams retired from the Board on 31 March 1999.

Following the merger with AirTouch, which is expected to be completed in late June or July 1999, the number of directors of the Company will increase to 14, seven of whom will be designated by Vodafone and seven of whom will be designated by AirTouch. Professor Sir Alec Broers and John Gildersleeve will resign with effect from the date of the merger.

As each of the Company's present directors has been elected or re-elected by the Company's shareholders within the last three years, none is required to retire at the Company's Annual General Meeting to be held on 21 July 1999. The Company's new 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.

The Board, which meets eleven 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 discharge 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, and has no present intention of introducing, a training programme for directors. Similarly, the relatively small size and the cohesive nature of the Board, and the fact that the Board has an independent non-executive Chairman, has led the directors to believe that the functioning of the Board would not be enhanced by the formal designation of one of their number as a senior non-executive director. Provisions A.1.6 and A.2.1 of the Combined Code have, for these reasons, not been complied with.

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. To date, no director has felt the need to take advantage of this resolution.

The executive directors, together with certain other Group functional heads and the Chief Executive of Vodafone Australasia, meet each month as the Executive Committee under the chairmanship of the Chief Executive. This Committee is primarily responsible for the ongoing management of the Group's businesses and also reviews strategic plans, operating and financial performances and the administrative functions of the Group. It is likely that the composition of the Executive Committee will change after the merger with AirTouch.

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 Sir David Scholey and the other members of the Committee are Lord MacLaurin, Professor Sir Alec Broers and Penny Hughes. 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, review the Company's statutory accounts and other published financial statements and information, to monitor compliance with statutory and Stock Exchange 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 under the chairmanship of Lord MacLaurin. Professor Sir Alec Broers, Penny Hughes, Sir David Scholey and Chris Gent also serve on this Committee, which provides a formal and transparent procedure for the appointment of new directors to the Board. The Committee generally engages external consultants to advise on prospective Board appointees.

The Remuneration Committee is chaired by Lord MacLaurin and he is joined on the Committee by Professor Sir Alec Broers, Penny Hughes and Sir David Scholey. The Remuneration Report of the Board provides further information on this Committee.

Internal financial controls

Responsibility for internal financial controls

The Board of directors has overall responsibility for the Group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's systems have been designed to provide the directors with reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or detected within a timely period.

Control environment

The directors have established an organisation structure with clear operating procedures, lines of responsibility and delegated authority. The directors have delegated to executive management the establishment and implementation of financial control systems appropriate for the various businesses.

Assessment of business risk

Major business risks are identified and evaluated by the directors when setting strategy, approving budgets and monitoring progress against budget. Subsidiary management identifies and evaluates business risks when allocating resources to minimise those risks.

Financial reporting system

The Group's operating procedures include a comprehensive system for reporting financial information to the directors. The principal elements of this include the formal review by the directors of:
• Detailed budgets prepared by subsidiary management and reviewed by the executive directors before formal adoption;
• Forecasts, revised on a quarterly basis, compared against budget;
• Monthly management accounts with a comparison against latest quarterly forecast and budget.

Main control procedures

Written financial policies and procedures have been issued which specify the minimum requirements for financial and administrative matters within the Group. These policies and procedures address the areas of significant business risk and include:
• Financial limits on delegated authority;
• Detailed policies and procedures regulating treasury activities, approved annually.
Associated undertakings are monitored closely through attendance at their board meetings and review of key financial information. It is the Group's policy that its auditors be appointed as auditors of associated undertakings, where possible. Detailed post investment reviews of all the Group's investments are conducted on a regular basis.

Monitoring process

There are clear procedures for monitoring the system of internal financial control. The significant components of these are:
• Formal annual confirmation by subsidiary managing directors concerning the operation of financial control systems for which they are responsible;
• A Group Internal Audit Department, reporting directly to the Audit Committee, which on a risk assessment basis undertakes periodic examination of business processes and reports on financial controls throughout the Group;
• Reports from the external auditors, Deloitte & Touche, on internal controls and relevant financial reporting matters.

Review of effectiveness

The directors believe that the Group's system of internal financial 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 financial 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 financial control during the period covered by this report.

Relations with shareholders

The Company holds briefing meetings with its major institutional shareholders in the UK, the USA 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 principal communication with private investors is through the provision of the annual report and accounts, 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 it was not then a Code requirement, the proxy votes cast in relation to the resolutions proposed at the 1998 Annual General Meeting were not announced to shareholders at the meeting. However, the proxy voting at the Company's Extraordinary General Meeting held on 24 May 1999 were disclosed to those in attendance at the meeting and the Company will follow this policy at future general meetings.

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

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Remuneration Report of the Board

Composition of the Remuneration Committee

The Remuneration Committee of the Board is chaired by Lord MacLaurin and consists only of non-executive directors of the Company.

Lord MacLaurin is assisted by Professor Sir Alec Broers, Penny Hughes and Sir David Scholey.

Remuneration policy

In determining the Company's broad policy for executive remuneration, and in particular the remuneration package for each of the executive directors, the Committee aims to provide remuneration which is competitive and appropriate in the local markets in which the Company operates and which ensures the right rewards are given to motivate, incentivise and retain the senior executives of the Group.

The Company requires to employ people of a calibre consistent with those at the leading edge of the telecommunications industry. The talent needed to maximise returns for shareholders in the international business of telecommunications is in relatively short supply and the future performance of the Company will depend upon its ability to incentivise all its employees and to deliver remuneration packages which are competitive in value terms when measured against the best in the industry.

When appropriate, the Committee invites the views of the Chief Executive and the Group Director of Human Resources 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 and to comply with best practice.

Salaries and benefits

The remuneration package of the executive directors is made up of a number of elements. Each is paid an annual salary, on which pension benefits are calculated, and is provided with a car, health care benefits and a mobile telephone. The executive directors participate in the Company's executive share option schemes and are entitled to participate in its all-employee share schemes, the savings related share option scheme and the profit sharing share scheme, further details of which are provided below and in the Directors' Report.

In 1998, the Remuneration Committee recommended to the Board the introduction of two new incentive schemes, a Short-Term Incentive Plan ("STIP") and a Long-Term Incentive Plan ("LTIP"). These recommendations were put to the Company's shareholders at the Annual General Meeting on 21 July 1998 and were approved. Under the terms of the STIP participants may, subject to the achievement of performance criteria for the year as set by the Remuneration Committee (for the year to 31 March 1999 the target was the achievement of Group budgeted profit), receive a provisional award of ordinary shares in Vodafone Group Plc. The provisional award of shares is in two parts: an original award of "Initial Shares" worth up to 25% of salary and an additional award of "Enhancement Shares", worth 50% of the value of the original award. The Initial Shares will normally be released, subject to the participant remaining with the Group, two years after the provisional allocation is made. The Enhancement Shares may also be released at this time, although this is conditional upon the achievement of additional performance criteria. In relation to awards for the year ended 31 March 1999, the condition is that the growth in earnings per share must exceed the growth in the UK retail price index by an average of 3 per cent per year for the two financial years ending 31 March 2001. If an executive chooses not to accept the provisional award of shares, he may receive a cash bonus up to 25% of salary.

For the LTIP, the independent trustee of the Vodafone Group Employee Trust, a discretionary trust, purchases ordinary shares in Vodafone Group Plc in the market. Shares are then awarded conditionally to eligible executive directors and senior executives at the beginning of a three year period, the ultimate vesting of the award being conditional upon the achievement of performance criteria set by the Remuneration Committee for that three year period. If the performance criteria are met, the shares will be transferred from the Vodafone Group Employee Trust to the executive directors and senior executives at nil consideration. Details of the benefits provided to the executive directors under the STIP and the LTIP are in tables here.

All executive directors are contributing members of the Vodafone Group Pension Scheme, which is a scheme approved by the Inland Revenue. P R Bamford, whose benefits under the scheme are restricted by Inland Revenue earnings limits, also participates in a defined contribution funded unapproved retirement benefits scheme in order to bring his benefits into line with those of the other executive directors. Details of the salaries and benefits of all the directors are set out in the table here. A separate table shows the pension benefits earned by the directors in the year.

Annual salaries are reviewed each year with effect from 1 July and the Remuneration Committee takes into account not only the individual performances and contributions of each of the executive directors but also the overall performance of the Group, the earnings per share of the Group, the level of increases awarded to staff throughout the Group and information provided to it on the salaries for similar roles in comparable companies. If the responsibilities of executive directors change during the year, the Committee meets to discuss and review remuneration packages, including salaries, at that time.

Executive share ownership

The Remuneration Committee believes that share ownership by executive directors increases the link between the interests of the directors and the interests of the Company's shareholders. The Company's executive share option schemes, in which over three hundred of the Group's directors, executives and senior managers participate, are operated on the basis that options over the Company's shares may be granted once each year at, for directors, a multiple of one times taxable earnings subject to an overall maximum holding equivalent to four times taxable earnings at the date of grant. The savings related share option scheme permits employees to save a fixed sum each month, up to a maximum of £250 per month, for three or five years and to use the proceeds of the savings to exercise options granted at a price 20% below the market price of the shares at the beginning of the savings period. The profit sharing share scheme similarly permits eligible employees to contribute up to 5% of their salary each month, up to a maximum of £665 per month, to enable trustees of the scheme to purchase shares on their behalf, with an equivalent number of shares being purchased for the employee by the Company. All the executive directors participate in each of the share schemes. Share options are analysed in the table here.

Service contracts

The Remuneration Committee has determined that new appointments of executive directors 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 such a basis were granted to J M Horn-Smith on 4 June 1996, to C C Gent and K J Hydon on 1 January 1997 and to P R Bamford on 1 April 1998, each of which is now, therefore, terminable by the Company on one year's notice. The service contracts of all the executive directors contain a provision increasing the period of notice required from the Company to two years in the event that the contract is terminated by the Company within one year of a change of control of the Company. The directors are required to give the Company one year's notice if they wish to terminate their contracts.

Non-executive directors

The remuneration of the non-executive directors, including the Chairman, is established by the Board of directors as a whole and details of each individual non-executive director's remuneration are included in the table below. The 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.

The appointment of Lord MacLaurin is subject to the terms of an agreement between the Company and Lord MacLaurin with a three year term commencing on 21 July 1998. Lord MacLaurin is provided with a car.

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

Remuneration for the year to 31 March 1999

	Salary/fees		Incentive schemes (6)		Benefits		Total	
	1999 £000	1998 £000	**1999 £000**	1998 £000	**1999 £000**	1998 £000	**1999 £000**	1998 £000
Chairman (Non-executive) Lord MacLaurin(1)	**166**	48	**–**	–	**9**	–	**175**	48
Chief Executive C C Gent	**636**	587	**162**	–	**26**	26	**824**	613
Executive directors								
P R Bamford(2)	**329**	–	**83**	–	**25**	–	**437**	–
J M Horn-Smith	**356**	326	**90**	–	**18**	18	**464**	344
K J Hydon	**339**	319	**86**	–	**26**	25	**451**	344
D Channing Williams(3)	**366**	344	**93**	–	**26**	25	**485**	369
Non-executive directors								
Professor Sir Alec Broers	**50**	12	**–**	–	**–**	–	**50**	12
J Gildersleeve(4)	**25**	–	**–**	–	**–**	–	**25**	–
P L Hughes(4)	**29**	–	**–**	–	**–**	–	**29**	–
Sir David Scholey	**50**	4	**–**	–	**–**	–	**50**	4
Sir Ernest Harrison(5)	**66**	213	**–**	–	**7**	25	**73**	238
Sir Gerald Whent(5)	**32**	104	**–**	–	**–**	–	**32**	104
Former directors	**–**	331	**–**	–	**–**	36	**–**	367
	2,444	2,288	**514**	**–**	**137**	**155**	**3,095**	**2,443**

Notes
1. Lord MacLaurin was appointed Chairman of the Board on 21 July 1998.
2. P R Bamford joined the Board on 1 April 1998.
3. Salary and benefits for D Channing Williams are for the period to 31 March 1999 when he retired from the Board.
4. Information for J Gildersleeve and P L Hughes is stated from the dates of their appointment to the Board.
5. Information for Sir Ernest Harrison and Sir Gerald Whent is stated for the period to 21 July 1998, when they retired from the Board. Under the terms of their respective Life President arrangements, the estimated value of benefits received by them from the date of their retirement to 31 March 1999 were £20,153 and £29,599 respectively.
6. These figures relate to the market value of the original award of shares expected to be made under the Vodafone Group Short Term Incentive Plan for the year ended 31 March 1999.

Pension benefits earned by the directors in the year to 31 March 1999

Name of Director	Increase in accrued pension during the year (£)	Transfer value of increase in accrued pension and change in retirement age (£)	Accumulated total accrued pension at year end (£)
C C Gent	54,300	679,000	231,100

P R Bamford	3,100	26,000	5,300
J M Horn-Smith	18,200	214,000	134,500
K J Hydon	30,700	432,000	168,900
D Channing Williams(2)	19,300	236,000	141,600

Contributions paid to a funded unapproved retirement benefit scheme for the benefit of P R Bamford amounted to £56,850 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. Pension benefits for D Channing Williams are for the period to 31 March 1999 when he retired from the Board.

Directors' interests in the shares of Vodafone Group Plc

Share options

The following information summarises the directors' options under the Vodafone Group Savings Related Share Option Scheme ('savings related scheme'), the Vodafone Group Executive Share Option Scheme ('executive scheme'), both Inland Revenue approved schemes, and the Vodafone Group Share Option Scheme ('unapproved scheme'), which is not Inland Revenue approved. The non-executive directors, Lord MacLaurin, Professor Sir Alec Broers, John Gildersleeve, Penny Hughes and Sir David Scholey, have no options under any of these schemes. Only under the savings related scheme may shares be offered at a discount in future grants of options.

	Options held at 1 April 1998	Options granted during the year	Options exercised during the year	**Options held at 31 March 1999**	Weighted average exercise price at 31 March 1999 (£)	Date from which exercisable	Latest expiry date
CC Gent	912,586	133,100	603,000	**442,686**	4.25	7/99	7/05
PR Bamford	185,300	85,134	–	**270,434**	4.46	7/00	7/07
JM Horn-Smith	470,019	42,400	117,300	**395,119**	3.30	7/98	7/05
KJ Hydon	537,104	45,000	208,800	**373,304**	3.34	7/98	7/05
	2,105,009	305,634	929,100	**1,481,543**			

These options by exercise price were:

Option price (pence)	Options held at 1 April 1998	Options granted during the year	Options exercised during the year	**Options held at 31 March 1999**
Executive scheme and unapproved scheme				
124.7	25,200	–	25,200	**–**
141.7	1,500	–	1,500	**–**
146.3	75,600	–	75,600	**–**
166.3	384,300	–	384,300	**–**
176.3	291,900	–	291,900	**–**
198.5	127,000	–	120,000	**7,000**
233.5	77,400	–	30,600	**46,800**
241.5	256,100	–	–	**256,100**
293.5	838,600	–	–	**838,600**
779.5	–	304,100	–	**304,100**

Savings related scheme

142.0	9,714	–	–	**9,714**
186.0	3,708	–	–	**3,708**
193.0	5,362	–	–	**5,362**
240.0	8,625	–	–	**8,625**
635.5	–	1,534	–	**1,534**
	2,105,009	305,634	929,100	**1,481,543**

Note
D Channing Williams retired as a director on 31 March 1999 at which date he held options under the discretionary approved and unapproved share option schemes over 316,300 shares, with a weighted average exercise price of £4.19, and options under the savings related scheme over 9,519 shares with a weighted average exercise price of £1.81.

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 earnings per share of the Company and options granted at a discount to market value may not be exercised unless the growth in the 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 executive scheme and the unapproved scheme in the year to 31 March 1999, the following options were exercised by directors of the Company:

	Options exercised during the year	Option price (p)	Market price at date of exercise (p)	Gross pre-tax gain (£)
C C Gent	46,800	146.3	919.5	361,842
	15,600	124.7	919.5	123,994
	154,500	176.3	779.0	931,120
	235,500	166.3	779.0	1,442,830
	30,600	233.5	919.5	209,916
	120,000	198.5	919.5	865,200
	603,000			3,934,902
J M Horn-Smith	115,800	166.3	835.0	774,316
	1,500	141.7	835.0	10,400
	117,300			784,716
K J Hydon	28,800	146.3	835.0	198,336
	9,600	124.7	835.0	68,192
	137,400	176.3	835.0	905,008
	33,000	166.3	835.0	220,660
	208,800			1,392,196
D Channing Williams	92,100	233.5	820.0	540,167
	50,100	198.5	820.0	311,372
	142,200			851,539

The aggregate gross, pre-tax gains made on the exercise of share options in the year by the Company's directors was £6,963,353 (1998 – £3,344,769).

The closing middle market price of Vodafone Group Plc's shares at the year end was 1151p, its highest closing price in the year having been 1225.5p and its lowest closing price having been 551p.

Long Term Incentive Plan

Conditional awards of ordinary shares made to executive directors under the LTIP for the year to 31 March 1999, its first year operation, and dividends payable on those shares taken under the terms of the Company's scrip dividend scheme were as follows:

	Number of shares conditionally awarded	**Shares added through scrip dividend scheme**	**Total interest in LTIP**
C C Gent	19,332	68	19,400
P R Bamford	9,961	35	9,996
J M Horn-Smith	10,794	38	10,832
K J Hydon	10,277	36	10,313

D Channing Williams retired from the Board on 31 March 1999, at which time he had a total interest in 11,107 shares in the LTIP.

Beneficial interests

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

	31 March 1999	1 April 1998
Lord MacLaurin	**6,500**	6,500
C C Gent	**122,173**	120,313
P R Bamford	**1,090**	Nil
J M Horn-Smith	**117,908**	100,108
K J Hydon	**216,427**	212,843
Professor Sir Alec Broers	**Nil**	Nil
J Gildersleeve	**3,850**	3,850
P L Hughes	**Nil**	Nil
Sir David Scholey	**10,000**	10,000

D Channing Williams retired from the Board on 31 March 1999, at which time he had an interest in 34,635 shares (1998 – 32,610 shares).

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 8 June 1999 except that the following directors acquired interests in shares of the Company under the Vodafone Group Profit Sharing Scheme, as follows:

	Interests in Ordinary Shares
C C Gent	200
P R Bamford	222
J M Horn-Smith	222
K J Hydon	222

No director had, since 1 April 1998, any interest in the shares of any subsidiary company except J M Horn-Smith who acquired 9,000 ordinary shares of Panafon SA, the Group's Greek subsidiary company, upon its flotation in December 1998. He owned 9,000 ordinary shares of Panafon SA at the end of the financial year.

By Order of the Board

Stephen Scott
Secretary
8 June 1999

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Statement of Directors' Responsibilities

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 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;
- 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.

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Report of the Auditors

Auditors' report to the members of Vodafone Group Plc
We have audited the financial statements, which have been prepared under the historical cost convention and the accounting policies, and the detailed information disclosed in respect of any directors' remuneration and share options set out in the Remuneration Report of the Board. We have also audited the financial information prepared in accordance with accounting principles generally accepted in the United States and the selected proportionate data.

Respective responsibilities of directors and auditors
As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, 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 reflects compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the governance procedures or the Group's internal controls.

We read the other information contained in the Annual Report, 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.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom. 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 presentation of information in the financial statements.

Opinion
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 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the financial information prepared in accordance with accounting principles generally accepted in the United States, and the selected proportionate data, have been properly prepared on the bases set out in the notes here.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR
8 June 1999

vodafone Annual Report & Accounts for the year ended 31 March 1999

Consolidated Profit and Loss Account

for the year ended 31 March 1999

	Note	1999 £m	1998 £m
Turnover			
Continuing operations		**3,302.3**	2,470.8
Acquisitions		**57.7**	–
	1	**3,360.0**	2,470.8
Operating profit/(loss)			
Continuing operations		**849.3**	626.8
Acquisitions		**(2.6)**	–
	2	**846.7**	626.8
Share of operating profit in associated undertakings		**115.9**	59.6
Total Group operating profit:			
Group and share of associated undertakings		**962.6**	686.4
Disposal of fixed asset investments	3	**66.7**	24.9
Profit on ordinary activities before interest	1	**1,029.3**	711.3
Net interest payable			
Group	4	**(76.2)**	(49.4)
Associated undertakings	4	**(17.9)**	(11.7)
Profit on ordinary activities before taxation		**935.2**	650.2
Tax on profit on ordinary activities	5	**(252.1)**	(203.2)
Profit on ordinary activities after taxation		**683.1**	447.0
Equity minority interests		**(46.4)**	(28.2)
Profit for the financial year		**636.7**	418.8
Equity dividends	6	**(196.8)**	(170.3)
Retained profit for the Group and its share of associated undertakings	19	**439.9**	248.5
Basic earnings per share	7	**20.61p**	13.63p
Adjusted basic earnings per share	7	**18.82p**	12.82p
Diluted earnings per share	7	**20.52p**	13.59p

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Consolidated Balance Sheet

at 31 March 1999

	Note	1999 £m	1998 Restated £m
Fixed assets			
Intangible assets	8	**329.3**	137.6
Tangible assets	9	**2,150.4**	1,571.7
Investments	10	**372.4**	202.2
		2,852.1	1,911.5
Current assets			
Stocks	11	**44.7**	28.9
Debtors	12	**740.7**	546.6
Liquid investments		**–**	0.4
Cash at bank and in hand		**6.1**	14.9
		791.5	590.8
Creditors: amounts falling due within one year	13	**1,529.9**	1,426.4
Net current liabilities		**(738.4)**	(835.6)
Total assets less current liabilities		**2,113.7**	1,075.9
Creditors: amounts falling due after more than one year	14	**1,179.4**	685.1
Provisions for liabilities and charges	17	**10.0**	11.3
		924.3	379.5
Capital and reserves			
Called up share capital	18	**155.0**	154.3
Share premium account	19	**96.1**	78.0
Profit and loss account	19	**563.5**	50.2
Total equity shareholders' funds		**814.6**	282.5
Equity minority interests		**105.3**	73.8
Non-equity minority interests	21	**4.4**	23.2
		924.3	379.5

The financial statements and notes to the accounts were approved by the Board of directors on 8 June 1999 and were signed on its behalf by:

C C GENT Chief Executive

K J HYDON Financial Director

vodafone Annual Report & Accounts for the year ended 31 March 1999

Consolidated Cash Flow

for the year ended 31 March 1999

	Note	1999 £m	1998 £m
Net cash inflow from operating activities	25	**1,045.2**	886.4
Dividends received from associated undertakings		**2.9**	2.9
Net cash outflow for returns on investments and servicing of finance	25	**(89.8)**	(43.4)
Taxation		**(194.6)**	(162.9)
Net cash outflow for capital expenditure and financial investment	25	**(688.4)**	(509.6)
Net cash outflow for acquisitions and disposals	25	**(316.8)**	(364.4)
Equity dividends paid		**(118.5)**	(124.1)
Cash outflow before management of liquid resources and financing		**(360.0)**	(315.1)
Management of liquid resources			
Short term deposits		**0.4**	10.2
Financing			
Issue of ordinary share capital		**10.6**	11.7
Issue of shares to minorities		**–**	3.2
Purchase of shares from minorities		**(17.7)**	(1.1)
Debt due within one year:			
(Decrease)/increase in commercial paper programme		**(130.3)**	207.8
(Decrease)/increase in uncommitted bank borrowings		**(0.1)**	87.1
Debt due after more than one year:			
Increase in bank loans		**489.8**	98.8
Repayment of debt acquired		**–**	(114.6)
Net cash inflow from financing		**352.3**	292.9
Decrease in cash in the year		**(7.3)**	(12.0)

	Note	1999 £m	1998 £m
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the year		**(7.3)**	(12.0)
Cash inflow from increase in debt		**(359.4)**	(279.1)
Cash inflow from decrease in liquid resources		**(0.4)**	(10.2)
Increase in net debt resulting from cash flows		**(367.1)**	(301.3)
Debt acquired on acquisition of subsidiary undertaking		**–**	(119.8)
Deferred consideration on acquisition of associated undertaking		**–**	(21.4)
Accrued interest on discounted financial instruments		**(4.7)**	(3.0)
New finance leases		**(0.2)**	–
Translation difference		**(19.0)**	9.1
Increase in net debt in the year		**(391.0)**	(436.4)
Opening net debt		**(1,117.0)**	(680.6)
Closing net debt	26	**(1,508.0)**	(1,117.0)

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Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 March 1999

	1999	1998
	£m	£m
Profit for the financial year	636.7	418.8
Currency translation	5.9	(147.2)
Total recognised gains and losses relating to the year	642.6	271.6

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Movements in Equity Shareholders' Funds

for the year ended 31 March 1999

	1999	1998
	£m	£m
Profit for the financial year	**636.7**	418.8
Equity dividends	**(196.8)**	(170.3)
	439.9	248.5
Currency translation	**5.9**	(147.2)
New share capital subscribed	**18.8**	24.3
Goodwill written-off directly to reserves	**–**	(709.7)
Goodwill transferred to the profit and loss account in respect of business disposals	**10.9**	74.5
Scrip dividends	**64.8**	34.7
Other	**(8.2)**	(12.6)
Net movement in equity shareholders' funds	**532.1**	(487.5)
Opening equity shareholders' funds	**282.5**	770.0
Closing equity shareholders' funds	**814.6**	282.5

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Statement of Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards. During the financial year, the Group has adopted the following Financial Reporting Standards issued by the Accounting Standards Board:

FRS 10 – "Goodwill and Intangible Assets";
FRS 11 – "Impairment of Fixed Assets and Goodwill";
FRS 12 – "Provisions, Contingent Liabilities and Contingent Assets";
FRS 13 – "Derivatives and Other Financial Instruments: Disclosures"; and
FRS 14 – "Earnings Per Share".

Adoption of FRS 10 has necessitated a change in accounting policy in relation to the treatment of goodwill arising from acquisitions, which is now capitalised and amortised over its estimated useful economic life. As permitted by FRS 10, goodwill arising on acquisitions prior to 31 March 1998 has not been reinstated.

The implementation of FRS 12 has required certain balances previously reported within "Creditors: amounts falling due within one year" to be reanalysed and disclosed within "Provisions for liabilities and charges". Accordingly, the comparative balances at 31 March 1998 have been restated by £5.9 million.

The implementation of FRS 13 has required additional disclosures to be made in relation to derivatives and other financial instruments. Where appropriate, comparative amounts for the year ended 31 March 1998 have also been presented in these financial statements.

The implementation of FRS 14 has required changes to the methodology for calculating diluted earnings per share and the disclosure of both basic and diluted earnings per share, regardless of whether the difference is material. Accordingly, diluted earnings per share has also been calculated and disclosed for the year ended 31 March 1998 in these financial statements.

The particular accounting policies adopted are described 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 subsidiaries and include the Group's share of results of associated undertakings for financial statements made up to 31 March 1999.

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, including the Group's interest in the underlying net assets of associated undertakings, are translated into sterling at year end rates.

The results of the international subsidiary 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 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.

Derivative financial instruments

Transactions in derivative financial instruments are 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.

Turnover

Turnover represents the invoiced value, excluding value added tax, of services and goods supplied by the Group.

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 have been credited to reserves. The nominal value of the shares issued has been 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 or associated undertakings acquired.

Following the introduction of FRS 10, goodwill in respect of acquisitions made after the financial year ended 31 March 1998 has been capitalised and amortised 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 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
Plant and machinery	10 years
Motor vehicles	4 years
Computers and software	3 – 5 years
Furniture and fittings	10 years

Tangible fixed assets include overheads incurred in the acquisition, establishment and installation of base stations.

Investments

The consolidated financial statements include investments in associated undertakings using the equity method of accounting. An associated undertaking is a company in which the Group owns a material share of the equity 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 companies. The balance sheet shows the Group's share of the net assets or liabilities of those companies, together with loans advanced and attributed goodwill.

Other investments, held as fixed assets, comprise equity shareholdings, partnership interests and long term loans. They are stated at cost less provision for any impairment in value. 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 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.

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Notes to the Consolidated Financial Statements

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Company Balance Sheet at 31 March 1999

	Note	1999 £m	1998 £m
Fixed assets			
Investments	30	**3,221.6**	3,210.9
Current assets			
Debtors	31	**572.0**	529.2
Creditors: amounts falling due within one year	32	**901.2**	1,611.8
Net current liabilities		**(329.2)**	(1,082.6)
Total assets less current liabilities		**2,892.4**	2,128.3
Creditors: amounts falling due after more than one year	33	**1,120.6**	626.8
		1,771.8	1,501.5
Capital and reserves			
Called up share capital	18	**155.0**	154.3
Share premium account	19	**96.1**	78.0
Capital reserve		**87.9**	87.9
Profit and loss account	35	**1,432.8**	1,181.3
Total equity shareholders' funds		**1,771.8**	1,501.5

C C GENT Chief Executive

K J HYDON Financial Director

8 June 1999

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Notes to the Company Balance Sheet

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Subsidiary Undertakings

Principal subsidiary undertakings

Vodafone Group Plc had at 31 March 1999 the following subsidiary undertakings carrying on businesses which principally affect the profits and assets of the Group.

Unless otherwise stated Vodafone Group Plc's principal subsidiary undertakings all have share capital consisting solely of ordinary shares and all subsidiary undertakings are directly held; sub-subsidiary undertakings are shown inset. The country of incorporation or registration of all subsidiary undertakings is also their principal place of operation, unless otherwise stated.

Name	Activity	Country of incorporation or registration	Percentage shareholdings
Vodafone UK Limited(1)	Holding company	England	100
Vodafone Limited	Cellular network operator	England	100
Vodafone Distribution Limited	Holding company	England	100
Vodafone Corporate Limited	Service provider	England	100
Vodafone Connect Limited	Service provider	England	100
Vodafone (NI) Limited	Service provider	Northern Ireland	100
Vodafone Retail (Holdings) Limited	Holding company	England	100
Vodafone Retail Limited	Holding company	England	100
Peoples Phone Limited	Service provider	England	100
Astec Communications Limited	Service provider	England	100
Vodafone Europe Holdings BV(2)	Holding company	Netherlands	100
Vodafone Malta Limited	Cellular network operator	Malta	80
Vodafone Gibraltar Limited(2)	Investment company	Gibraltar	100
Vodafone Financial Services Limited	Financial services company	Gibraltar	100
Vodafone Australasia Pty Limited	Holding company	Australia	100
Vodafone Holdings Australia Pty Limited(3)	Cellular network operator	Australia	91
Vodafone Pty Limited	Service provider	Australia	91
Talkland Retail Australia Limited	Service provider	England(4)	91
Vodac Pty Limited(5)	Service provider	Australia	100
Vodacall Pty Limited(6)	Service provider	Australia	100
Vodafone New Zealand Limited	Cellular network operator	New Zealand	100
Vodafone Mobile NZ Limited	Licence holder	New Zealand	100
Vodafone SA	Holding company	France	100
Vodafone GmbH	Holding company	Germany	100
Vodafone Holdings (SA) (Pty) Limited	Holding company	South Africa(7)	100

CV Gemeenschapplijk Bezit Libertel(8)	Holding partnership	Netherlands	70
Libertel Groep BV	Holding company	Netherlands	70
Libertel BV	Cellular network operator	Netherlands	70
Libertel Verkoop en Services BV	Service provider	Netherlands	70
Data Holdings SA	Holding company	Greece	100
Panafon SA	Cellular network operator	Greece	55
Panavox SA(9)	Service provider	Greece	55
Vodafone Finance Limited	Financial trading company	England	100
Vodafone Group Services Limited	Provision of central services	England	100
Vodafone Investments Limited	Holding company	England	100
Vodafone Paging (Holdings) Limited	Holding company	England	100
Vodafone Paging Limited	Radiopaging network operator	England	100
Vodafone Satellite Services Limited	Globalstar satellite consortium	England	100
Vodafone Value Added and Data Services Limited	Supply of value added services and packet radio network operator	England	100

1. The company changed its name from Vodafone (Holdings) Limited on 13 April 1999.
2. Indirectly held.
3. Share capital consists of 62,516,783 ordinary shares, 24,798 redeemable preference shares and 2,945,817 A Class shares, of which 95.3% of the ordinary shares and 91% of the redeemable preference shares were indirectly held by Vodafone Group Plc. The company changed its name from Vodafone Network Pty Limited on 1 April 1999.
4. Incorporated in England, principal place of business in Australia.
5. Share capital consists of 2 ordinary shares and 14,950 redeemable preference shares.
6. Share capital consists of 2 ordinary shares and 817 redeemable preference shares.
7. Incorporated in South Africa, principal place of business in the Netherlands.
8. Partnership.
9. Statutory accounts drawn up to 31 December due to local statutory requirements.

Associated Undertakings and Investments

Principal associated undertakings

Vodafone Group Plc's principal associated undertakings all have share capital consisting solely of ordinary shares unless otherwise stated. The country of incorporation or registration of all associated undertakings is also their principal place of operation.

Name	Activity	Percentage of shareholdings(1)	Par value of issued equity	Latest financial accounts	Country of incorporation or registration
Celtel Limited(2)	Cellular network operator	37	Shilling 608m	31.3.99	Uganda
Comfone AG(2)	GSM billing and roaming bureau	50	CHF250,000	31.12.98	Switzerland
Europolitan Holdings AB (2)	Holding company for cellular network operator	20	SKR102.2m	31.12.98	Sweden
Martin Dawes Telecommunications Limited	Service provider	20	£632,601	31.12.98	England
Misrfone Telecommunications Company(2) SAE	Cellular network operator	30	LE1,200 million	First period ends 31.12.99	Egypt
Mobile Telecom Group Limited(2)	Holding company	20	£7,000	31.3.99	England
Page UK Limited(2)	Paging service provider	50	£20,000	31.3.99	Scotland
Société Française du Radiotéléphone SA(2)	Cellular network operator	20	FFR6,336.5m	31.12.98	France
Vodafone Fiji Limited(2)	Cellular network operator	49	F$ 6.0m	31.12.98	Fiji
Vodacom Group (Pty) Limited(2)	Holding company	32	Rand 100	31.3.99	South Africa

1. To nearest whole percentage.
2. Indirectly held.

Principal investments

The shareholdings in investments consist solely of ordinary shares unless otherwise stated. The principal country of operation for the investments is the same as the country of incorporation or registration.

Name	Activity	Percentage shareholdings(1)	Country of incorporation or registration
E-Plus Mobilfunk GmbH (2)	Cellular network operator	17	Germany
Globalstar L.P.(3)	Development of satellite telecommunications service	3	USA

1. To nearest whole percentage.
2. Indirectly held.
3. Indirectly held partnership interest.

United States Accounting Principles

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 below.

Net income and earnings per ordinary share

	1999 £m	1998 £m
Net income as reported in accordance with UK GAAP	**636.7**	418.8
Items (decreasing)/increasing net income:		
Goodwill amortisation	**(99.1)**	(62.0)
Profit on disposal of fixed asset investments	**4.4**	14.5
Deferred income taxes	**(28.0)**	3.0
Other	**(3.6)**	(0.1)
Net income in accordance with US GAAP	**510.4**	374.2
Basic earnings per ordinary share in accordance with US GAAP	**16.52p**	12.18p
Diluted earnings per ordinary share in accordance with US GAAP	**16.45p**	12.14p

Shareholders’ equity

	1999 £m	1998 £m
Shareholders’ equity as reported in accordance with UK GAAP	**814.6**	282.5
Items increasing/(decreasing) shareholders’ equity:		
Goodwill – net of amortisation	**1,031.1**	1,136.7
Licence fee amortisation	**(12.5)**	(10.7)
Cumulative deferred income taxes	**(71.3)**	(43.3)
Dividends not declared during the year	**100.3**	86.9
Minority interests	**(3.0)**	(7.9)
Other	**(0.9)**	(4.7)
Shareholders’ equity in accordance with US GAAP	**1,858.3**	1,439.5

Total assets

	1999 £m	1998 £m
Total assets as reported in accordance with UK GAAP	**3,643.6**	2,502.3
Items increasing/(decreasing) total assets:		
Goodwill – net of amortisation	**1,031.1**	1,136.7
Defeased assets	**8.7**	340.5
Deferred tax asset	**44.1**	57.0
Licence fee amortisation	**(12.5)**	(10.7)
Other	**4.3**	0.2
Total assets in accordance with US GAAP	**4,719.3**	4,026.0

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

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the UK ("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.

Goodwill and other intangibles

Under UK GAAP, the policy followed by the Group prior to the introduction of FRS 10, (which is effective for accounting periods ended on or after 23 December 1998 and has been adopted by the Group on a prospective basis) was to write-off goodwill against shareholders' funds in the year of acquisition. FRS 10 now requires goodwill to be capitalised and amortised over its estimated useful economic life. Under US GAAP, goodwill and other intangibles arising on acquisitions are capitalised and amortised over their estimated useful economic lives, but for a period not in excess of 40 years.

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

Licence fee amortisation

Under UK GAAP, the Group 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 to the end of the licence period. Under US GAAP, licence fees are amortised on a straight line basis from the date that operations commence to the date the licence expires.

Deferred taxation

Under the UK GAAP partial provision method, deferred taxation is only provided for 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 such amounts are realised or settled.

Capitalisation of interest costs

Under UK GAAP, the policy of the Group is not to include interest on borrowings used to finance the construction of an asset in the cost of the asset. Under US GAAP, the interest cost on borrowings used to finance the construction of an asset is capitalised during the period of construction until the date that the asset is placed in service. This interest cost is amortised over the estimated useful life of the related asset.

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.

Employee share trusts

Under UK GAAP, the tax benefits receivable in relation to employee share trust arrangements are shown as a component of the tax charge for the year. Under US GAAP this tax benefit is allocated to shareholders' equity.

Dividends

Under UK GAAP, 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 not included in the financial statements until declared by the Board of directors.

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, non-recognition of a liability is allowed only if the liability has legally been extinguished.

Earnings per ordinary share

Basic earnings per ordinary share has been calculated by dividing net income of £510.4m and £374.2m for the years ended 31 March 1999 and 1998 respectively, by 3,089 million and 3,073 million, which are the approximate weighted average number of ordinary shares outstanding for the years ended 31 March 1999 and 1998 respectively. For diluted earnings per share, the approximate weighted average number of ordinary shares outstanding for the years ended 31 March 1999 and 1998 was 3,102 million and 3,082 million respectively.

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Proportionate Information

The following table is presented on a proportionate basis. 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. Vodafone Group Plc's principal subsidiary undertakings, associated undertakings and investments, together with the Group's ownership interest, are listed here. 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.

(a) Proportionate financial information

	Year ended 31 March 1999	Year ended 31 March 1998
	£m	£m
Proportionate turnover	**3,837.3**	2,874.2
Proportionate EBITDA(1)	**1,218.0**	919.0

(b) Proportionate customer information

	At 31 March 1999	At 31 March 1998
Proportionate number of customers	**10,445,000**	5,844,000

Note:
(1) 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, 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.

Five Year Financial Summary

Profit and loss

	1999	1998	1997	1996	1995
	£m	£m	£m	£m	£m
Turnover	**3,360**	2,471	1,749	1,402	1,153
Profit on ordinary activities before taxation	**935**	650	539	475	371
Taxation	**252**	203	172	165	133
Profit on ordinary activities after taxation	**683**	447	367	310	238
	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	**20.61**	13.63	11.89	10.15	7.80
Dividends for the year	**6.36**	5.53	4.81	4.01	3.34

Balance sheet

	£m	£m	£m	£m	£m
Fixed assets	**2,852**	1,912	1,927	1,422	1,102
Other net liabilities	**(1,928)**	(1,532)	(1,098)	(398)	(284)
Total net assets	**924**	380	829	1,024	818
Equity shareholders' funds	**815**	283	770	1,022	817

Proportionate information(1)

	£m	£m	£m
Proportionate turnover	**3,837**	2,874	2,234
Proportionate EBITDA	**1,218**	919	717
	Number	Number	Number
Proportionate customers	**10,445,000**	5,844,000	4,016,000

(1) Proportionate information has only been presented since 1997.

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Information for Investors

Registered Office
The registered office of the Company, whose registered number is 1833679, is at:

The Courtyard
2-4 London Road
Newbury
Berkshire RG14 1JX
Telephone 01635 33251

Registrars and Transfer Office
The Company's Registrars are Computershare Services PLC, who can be contacted by telephone on 0117 930 6600 or by writing to P.O. Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH.

Financial calendar
Vodafone Group Plc usually announces results semi-annually in May or June and November and pays dividends in August and February.

Listings
Ordinary shares of Vodafone Group Plc are traded on the London Stock Exchange and, in the form of American Depository Shares (ADSs), on the New York Stock Exchange, both under the symbol 'VOD'. The trading symbol will continue to be 'VOD' after the Company's name changes to Vodafone AirTouch Plc upon completion of the merger with AirTouch.

American Depository Receipts
ADSs, each representing ten ordinary shares, are traded on the New York Stock Exchange under the symbol 'VOD'. ADSs 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.

ADR 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. Upon completion of the merger with AirTouch, the Company's new Articles of Association, as approved by shareholders at the Extraordinary General Meeting on 24 May 1999, will become effective. These will permit ADS holders to attend, vote and speak at general meetings of the Company.

Reports to ADR holders
ADR holders receive the annual and interim reports issued to ordinary shareholders. Vodafone Group Plc will file with the Securities and Exchange Commission in the USA 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, NY 10286-1009
USA

The Global BuyDIRECT Plan will continue after the merger with AirTouch.

Annual General Meeting
The fifteenth Annual General Meeting of the Company will be held at The Institution of Electrical Engineers, Savoy Place, London WC2 on 21 July 1999 at 11.30 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 Report.

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'. The average middle market price of the ordinary shares of the Company will be available until 13 August 1999 by telephoning 08700 707909. 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'.

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 1998 (14 August 1998)	731.2p	787.0p
First interim dividend 1999 (12 February 1999)	887.2p	1114.25p

Set out below is information relevant to the second interim dividend for the financial year ended 31 March 1999:

Shares first traded ex-dividend	14 June 1999
Offer price calculation period	14-18 June 1999
Record date	18 June 1999
Return date for mandates and variations	14 July 1999
Annual General Meeting	21 July 1999
Dividend payment date and first day of dealings in new shares	13 August 1999

For further details of the scrip dividend scheme, shareholders should contact the Company's Registrars.

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.

Shareholders

Numbers of ordinary shares held at 31 March 1999			Number of accounts	% of total issued shares
1	–	1,000	24,880	0.35
1,001	–	5,000	19,917	1.51
5,001	–	50,000	7,840	3.26
50,001	–	100,000	574	1.33
100,001	–	500,000	861	6.46
More than	–	500,000	595	87.09
			54,667	100.00

Type of shareholder at 31 March 1999

	Number of accounts	% of total issued shares
Private individuals	36,264	3.90
Banks or nominee companies	16,457	85.50
Investment trusts and funds	595	0.10
Insurance companies	21	0.22
Commercial and industrial companies	701	0.89
Other corporate bodies	594	1.80
Pension funds and trustees	34	0.93
Bank of New York Nominees – ADRs	1	6.66
	54,667	100.00

With the exception of nominee companies, most of which are institutional investors, stated shareholdings are only those directly held.

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.

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 Vodafone Group Plc 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. The flotation and demerger share prices, therefore, may be restated as 56.667p and 110.667p respectively.

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 0336 435555. Calls are charged at 50p per minute.

Internet website

This Annual Report and other information on the Vodafone Group is available on the Company's website at http://www.vodafone.co.uk.

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