Vodafone Group Plc

Annual Report & Accounts

For the year ended 31 March 2001

vodafone

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

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

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

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

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

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

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

Profit and loss account

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

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

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

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

Group turnover and total Group operating (loss)/profit

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

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

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

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

Exceptional non-operating items

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

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

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

Interest

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

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

Taxation

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

Pro forma proportionate financial information

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

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

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

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

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

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

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

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

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

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

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

Exchange rates

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

Average exchange rates

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

Employees

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

Future results

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

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

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

Balance sheet

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

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

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

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

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

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

Equity shareholders' funds

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

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

Cash flows and funding

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

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

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

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

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

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

Future investment

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

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

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

Treasury management and policy

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

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

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

Funding and liquidity

The Group's policy is to borrow centrally, using a mixture of long term and short term capital market issues and borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are lent or contributed as equity to subsidiaries.

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

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

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

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

Foreign exchange management

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

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

Interest rate management

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

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

Counterparty risk management

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

Shareholder returns

Basic earnings per share

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

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

Dividends

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

Share price

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

Introduction of the single European currency

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

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

Basis of preparation of financial statements

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

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

FRS 17 – Retirement Benefits; and

FRS 19 – Deferred Tax.

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

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

Going concern

After reviewing the Group's and Company's budget for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Review of the Group's business

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

Future developments

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

Corporate governance

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

Share capital

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

Purchase by the Company of its own shares

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

Results and dividends

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

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

Subsequent events

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

Charitable contributions

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

Political donations

No political donations were made during the year.

Creditor payment terms

It is the Group's policy to agree terms of transactions, including payment terms, with suppliers and, provided suppliers perform in accordance with the agreed terms, it is the Group's normal practice that payment is made accordingly.

The number of days outstanding between receipt of invoices and date of payment, calculated by reference to the amount owed to trade creditors at the year end as a proportion of the amounts invoiced by suppliers during the year, was 40 days in aggregate for the Group. The Company did not have any trade creditors at 31 March 2001.

Research and development

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

Directors' interests in the shares of Vodafone Group Plc

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

Directors' interests in contracts

None of the current directors had a material interest in any contract of significance to which the Company or any of its subsidiary undertakings was a party during the financial year. Details of a transaction with Sam Ginn, who was Chairman of the Company until 23 May 2000, are given in note 28 on page 54.

Employee involvement

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

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

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

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

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

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

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

Employee education, training and development

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

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

Employment policies

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

Equal Opportunities

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

The disabled

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

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

Health, safety and welfare

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

Corporate social responsibility

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

Auditors

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

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

The Audit Committee reviews both the level of the audit fee against other comparable companies, including those in the telecommunications industry, and the level and nature of non-audit fees, as part of its review of the adequacy and objectivity of the audit process.

Substantial shareholdings

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

Introduction

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

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

Directors and Organisation

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

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

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

The Board, which meets six times each year and on one other occasion in the year to consider strategy, provides the effective leadership and control required for a listed company. Actual financial results are presented to each meeting, together with reports from the executive directors in respect of their areas of responsibility. From time to time, the Board receives detailed presentations from non-Board members on matters of significance or on new opportunities for the Group. Financial budgets and forecasts are regularly discussed at Board meetings. The non-executive directors periodically visit different parts of the Group and are provided with briefings and information to assist them to perform their duties.

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

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

The executive directors, together with certain other Group functional heads and regional Chief Executive Officers, meet on ten occasions each year as the Executive Committee under the chairmanship of the Chief Executive. This Committee is responsible for the day-to-day management of the Group's businesses, the overall financial performance of the Group in fulfilment of strategy, plans and budgets and Group capital structure and funding. It also reviews major acquisitions and disposals.

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

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

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

Committees of the Board

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

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

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

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

Internal control

Introduction

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

Responsibility

The Board has overall responsibility for the system of internal control. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Control Structure

The Board sets the policy on internal control that is implemented by management. This is achieved through a clearly defined operating structure with lines of responsibility and delegated authority. This is managed on a day to day basis by the Executive Committee chaired by the Chief Executive.

Written policies and procedures have been issued which clearly define the limits of delegated authority and provide a framework for management to deal with areas of significant business risk. These policies and procedures are reviewed and where necessary updated at meetings of the Group Policy Committee chaired by the Chief Executive.

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

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

Control Environment

The Group's operating procedures include a comprehensive system for reporting information to the directors. This system is properly documented and regularly reviewed.

Budgets are prepared by subsidiary management and subject to review by both regional management and the directors. Forecasts are revised on a quarterly basis and compared against budget. When setting budgets and forecasts management identifies, evaluates and reports on the potential significant business risks.

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

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

Directors are appointed to associated undertakings and attend the board meetings and review the key financial information of those undertakings. Clear guidance is given to those directors on the preparation that should take place before these board meetings and their activity at the board meeting. It is the Group's policy that its auditors are appointed as auditors of associated companies, where possible.

The acquisition of any business requires a rigorous analysis of the financial implications of the acquisition and key performance figures. A sensitivity analysis takes place of the key assumptions made in the analysis. Post investment appraisals of the Group's investments are conducted on a periodic and timely basis.

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

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

The Group Policy Committee monitors legal, environmental and regulatory matters and approves appropriate responses or amendments to existing policy.

Monitoring and Review Activities

There are clear processes for monitoring the system of internal control and reporting any significant control failings or weaknesses together with details of corrective action.

A formal annual confirmation is provided by the chief executive officer and chief financial officer of each Group company detailing the operation of their control systems and highlighting any weaknesses. Regional management, the Audit Committee and the Board review the results of this confirmation.

A Group Internal Audit Department, reporting directly to the Audit Committee, undertakes periodic examination of business processes on a risk basis and reports on controls throughout the Group.

Reports from the external auditors, Deloitte & Touche, on certain internal controls and relevant financial reporting matters are presented to the Audit Committee and management.

Review of Effectiveness

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

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

Relations with shareholders

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

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

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

Remuneration policy

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

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

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

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

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

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

Components of executive directors' remuneration

Overview

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

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

Salary

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

Short Term Incentives

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

Remuneration Committee

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

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

STIP Performance Targets

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

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

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

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

Long Term Incentives

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

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

Restricted Shares

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

Executive Share Options (ESOS)

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

Global Market-related Remuneration (GMR)

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

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

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

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

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

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

(iv) the Black-Scholes formula.

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

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

LTIP Performance Targets

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

ESOS Performance Target

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

Global Peer Group

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

Pay for Performance

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

Share Ownership Guidelines

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

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

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

All-employee share incentive schemes and pensions

Sharesave Options

UK based executive directors are eligible to participate in the Vodafone Group 1998 Sharesave Scheme. This is an Inland Revenue approved scheme open to all UK permanent employees. The maximum that can be saved each month is £250 and savings plus interest may be used to acquire shares by exercising the related option. The options have been granted at up to a 20% discount to market value. Participants can elect either a three or five year savings term.

Profit Sharing Scheme

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

US Share Plans

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

Pensions

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

GMR Performance Targets

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

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

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

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

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Non-executive directors' remuneration

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

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

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

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

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

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

Service contracts

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

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

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

Remuneration for the year to 31 March 2001

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

Notes

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

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

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

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

Notes

1. The pension benefits earned by the directors are those which would be paid annually on retirement, on service to the end of the year, at the normal retirement age. Salaries have been averaged over 3 years in accordance with Inland Revenue regulations. The increase in accrued pension during the year excludes any increase for inflation. The transfer value has been calculated on the basis of actuarial advice in accordance with the Faculty and Institute of Actuaries' Guidance Note GN11. No director elected to pay Additional Voluntary Contributions.
2. In respect of Thomas Geitner the amounts have been translated at the average exchange rate for the year of DM3.19 : £1.
3. In respect of Arun Sarin the amounts have been translated at the average exchange rate for the year of $1.48 : £1.

Directors' interests in the shares of Vodafone Group Plc

Short Term Incentives

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

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

Notes

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

Long Term Incentives

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

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

Notes

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

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

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

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

Share options

The following information summarises the directors' options under the Vodafone Group Savings Related Share Option Scheme, the Vodafone Group 1998 Sharesave Scheme, the Vodafone Group Executive Share Option Scheme, all Inland Revenue approved schemes, the Vodafone Group Share Option Scheme, which is not Inland Revenue approved, the AirTouch Communications, Inc. 1993 Long Term Stock Incentive Plan and the Vodafone Group 1999 Long Term Stock Incentive Plan. No other directors have options under any of these schemes. Only under the Vodafone Group 1998 Sharesave Scheme may shares be offered at a discount in future grants of options.

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

Notes

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

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

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

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

These options by exercise price were:

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

Notes

1. Share options which take the form of American Depository Shares, each representing ten ordinary shares in the Company, which are traded on the New York Stock Exchange. The number and option price have been converted into the equivalent amounts for the Company's ordinary shares, with the option price being translated at the average exchange rate for the year of $1.48 : £1.

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

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

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

Note

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

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

Beneficial interests

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

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

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

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

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

By Order of the Board
Stephen Scott
Secretary
29 May 2001

Auditors' report to the members of Vodafone Group Plc

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

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

Respective responsibilities of directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance statement on pages 11 to 13 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's Corporate Governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report & Accounts, including the directors' report on Corporate Governance, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Bases of opinions

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board which are similar to auditing standards in the United States. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

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

Opinions

In our opinion:

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

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

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

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

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

C C GENT Chief Executive
K J HYDON Financial Director

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

Reconciliation of net cash flow to movement in net debt

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

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

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

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

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

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Basis of accounting

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

The particular accounting policies adopted are stated below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

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

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

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

Foreign currencies

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

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

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

Turnover

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

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

Derivative financial instruments

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

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

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

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

Pensions

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

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

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

Research and development

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

Scrip dividends

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

Goodwill

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

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

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

Other intangible fixed assets

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

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

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

Investments

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

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

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

Stocks

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

Deferred taxation

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

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

Leases

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

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

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

1 Segmental analysis

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

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

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

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

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

1 Segmental analysis continued

Joint ventures and associated undertakings

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

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

2 Operating profit

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

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

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

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

Joint ventures and associated undertakings

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

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

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

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3 Exceptional non-operating items

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

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

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

4 Net interest payable

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

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

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

5 Tax on (loss)/profit on ordinary activities

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

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

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

6 Equity dividends

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

7 Earnings per share

Weighted average number of shares (millions) in issue during the year and used to calculate:	2001	2000
Basic and adjusted basic earnings per share	**61,439**	27,100
Dilutive effect of share options	**(41)**	260
Diluted earnings per share	**61,398**	27,360

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

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

8 Intangible fixed assets

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

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

9 Tangible fixed assets

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

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

Network infrastructure at 31 March 2001 comprises:

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

10 Fixed asset investments

Joint ventures and associated undertakings

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

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

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

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

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

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

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

10 Fixed asset investments continued

Joint ventures and associated undertakings continued

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

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

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

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

10 Fixed asset investments continued

Other fixed asset investments

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

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

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

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

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

11 Stocks

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

12 Debtors

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

13 Investments

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

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

14 Creditors: amounts falling due within one year

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

15 Creditors: amounts falling due after more than one year

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

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

Other loans are repayable as follows:

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

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

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

Finance leases are repayable as follows:

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

16 Financial liabilities

Net debt

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

Maturity of financial liabilities

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

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

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

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

Borrowing facilities

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

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

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

Interest rate and currency of financial liabilities

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

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

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

16 Financial liabilities and assets continued

Financial assets

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

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

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

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

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

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

17 Financial instruments

Fair values of financial assets and liabilities

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

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

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

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

17 Financial instruments continued

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

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

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

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

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

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

Hedges

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

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

Currency exposures

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

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

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

18 Provisions for liabilities and charges

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

Deferred taxation

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

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

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

The amounts unprovided for deferred taxation are:

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

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

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

Other provisions

Other provisions primarily comprise amounts provided for legal claims.

19 Called up share capital

Authorised

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

Ordinary shares allotted, issued and fully paid

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

Allotted during the year

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

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

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

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

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

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

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

19 Called up share capital continued

Options

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

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

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

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

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

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

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

20 Reserves

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

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

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

21 Non-equity minority interests

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

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

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

22 Acquisitions and disposals

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

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

Further details of these transactions are given below.

Acquisition of Mannesmann AG

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

22 Acquisitions and disposals continued

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

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

Notes

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

Impact on cash flows

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

22 Acquisitions and disposals continued

Pre-acquisition results of Mannesmann AG

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

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

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

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

Disposals of businesses acquired with Mannesmann AG

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

Acquisition of an interest in Verizon Wireless

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

22 Acquisitions and disposals continued

The net assets contributed to Verizon Wireless were as follows:

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

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

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

Notes

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

Pre-acquisition results of Verizon Wireless

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

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

22 Acquisitions and disposals continued

Acquisition of Airtel Móvil S.A.

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

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

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

Impact on cash flows

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

Pre-acquisition results of Airtel Móvil S.A.

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

Other acquisitions

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

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

The goodwill has been allocated as follows:

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

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

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

23 Leased assets

Operating leases

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

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

Finance leases

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

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

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

24 Capital commitments

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

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

25 Contingent liabilities

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

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

26 Analysis of cash flows

Net cash inflow from operating activities

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

Net cash outflow for returns on investments and servicing of finance

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

Net cash outflow for capital expenditure and financial investment

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

Net cash inflow/(outflow) from acquisitions and disposals

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

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

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

27 Analysis of net debt

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

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

28 Directors

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

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

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

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

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

29 Employees

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

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

30 Pensions

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

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

Defined benefit schemes

United Kingdom

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

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

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

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

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

Germany

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

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

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

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

Defined contribution schemes

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

31 Subsequent events

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

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

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

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

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

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

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

C C GENT Chief Executive

K J HYDON Financial Director

29 May 2001

32 Fixed asset investments

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

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

33 Debtors

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

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

34 Creditors: amounts falling due within one year

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

35 Creditors: amounts falling due after more than one year

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

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

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

36 Profit and loss account

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

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

37 Contingent liabilities

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

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

Principal subsidiary undertakings

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

Unless otherwise stated Vodafone Group Plc's principal subsidiary undertakings all have share capital consisting solely of ordinary shares and are indirectly held. The country of incorporation or registration of all subsidiary undertakings is also their principal place of operation.

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

(1) To nearest tenth of one percent.

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

(3) Directly held.

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

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

Principal joint ventures

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

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

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

Principal associated undertakings

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

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

(1) To nearest tenth of one percent.

(2) Cellco Partnership trades under the name Verizon Wireless. The registered or principal office of the partnership is 180 Washington Valley Road, Bedminster, New Jersey 07921, USA.

(3) The Group also holds an indirect interest in these companies through its investment in Japan Telecom Co., Ltd.

(4) The Group holds a further indirect interest in these companies through its interest in J-Phone Communications Ltd.

(5) The Group also holds an indirect interest in Société Française du Radiotéléphone S.A. through its interest in Cegetel Groupe S.A.

(6) Accounts are drawn up to 31 March 2001 for consolidation in the Group's financial statements.

(7) The first financial year of Swisscom Mobile SA is for the period to 31 December 2001.

Principal investments

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

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

(1) To nearest tenth of one percent.

(2) The Group has not consolidated or equity accounted for its ownership interest in Atecs Mannesmann AG during the year since the rights conferred by the Group's shareholding do not satisfy the definitions of a subsidiary or associated undertaking under UK GAAP.

(3) China Mobile (Hong Kong) Limited is listed on the Hong Kong and New York stock exchanges and is incorporated under the laws of Hong Kong.

(4) Japan Telecom Co., Ltd is listed on the Tokyo stock exchange.

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

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

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

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

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

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

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

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

Non-consolidated subsidiaries

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

Deferral of connection revenues and income

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

Goodwill and other intangibles

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

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

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

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

Reorganisation costs

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

Capitalised interest

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

Income taxes

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

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

Minority interests

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

Other adjustments

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

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

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

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

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

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

Proposed dividends

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

Equity accounting

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

Earnings per ordinary share

Earnings per ordinary share information is calculated based on:

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

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

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Pro forma proportionate financial information

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

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

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

Basis of preparation of unaudited pro forma information

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

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

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

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

Pro forma proportionate turnover

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

Pro forma proportionate EBITDA*

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

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

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

50%

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