SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: March 31, 1999

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: ____________ to ____________

Commission file number: 1-10086

VODAFONE AIRTOUCH PUBLIC LIMITED COMPANY

(formerly VODAFONE GROUP PUBLIC LIMITED COMPANY)

(Exact Name of Registrant as specified in its Charter)

England

(Jurisdiction of incorporation or organization)

The Courtyard, 2-4 London Road, Newbury, Berkshire RG14 1JX, England

(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary shares of $0.10 each*	New York Stock Exchange**

* In connection with the merger with AirTouch Communications, Inc. the nominal value of the Ordinary shares was redenominated from 5p each to $0.10 each on June 30, 1999.

** Listed, not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares of 5p each 3,099,406,734

Indicate by check mark whether the registrant (I) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes ☒ No ☐

Indicate by check mark which financial statements item the registrant has elected to follow:

Item 17 ☐ Item 18 ☒

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Definitions

"ADS"	American Depositary Share.
"ADR"	American Depositary Receipt.
"AirTouch"	AirTouch Communications, Inc. and its subsidiaries.
"BT"	British Telecommunications plc.
"BT Cellnet"	Telecom Securicor Cellular Radio Limited.
"Cable & Wireless Communications"	Cable & Wireless Communications plc.
"Company"	Vodafone Group Plc, not including its subsidiary undertakings and its interests in joint ventures and associated undertakings. Vodafone Group Plc changed its name to Vodafone AirTouch Plc on June 29, 1999.
"Director General"	the UK Director General of Telecommunications.
"Directors"	the directors of the Company
"GSM"	Global System for Mobile Telecommunications.
"Merger"	The merger of Apollo Merger Sub, Inc., a wholly owned subsidiary of the Company, with and into AirTouch, pursuant to an agreement and plan of merger dated as of January 15, 1999, whereby AirTouch became a subsidiary of the Company.
"MTX"	Computerized Mobile Telephone Exchange.
"NYSE"	The New York Stock Exchange Inc.
"Oftel"	the UK Office of Telecommunications.
"One-2-One"	Mercury Personal Communications Limited.
"Orange"	Orange Personal Communications Services Limited.
"PCN"	Personal Communication Network.
"PTO"	Public Telecommunications Operator.
"Secretary of State"	the UK Secretary of State for Trade and Industry.
"UK"	the United Kingdom.
"Vodafone"	Vodafone Limited.
"Vodafone AirTouch"	The Company and its subsidiary undertakings (and, where the context requires, its interests in joint ventures and associated undertakings) after the Merger.
"Vodafone Group" or "Group"	The Company and its subsidiary undertakings (and, where the context requires, its interests in joint ventures and associated undertakings) as constituted before the Merger and, where the context requires, after the Merger, excluding AirTouch.

Introduction

On June 30, 1999 the merger of Apollo Merger Sub, Inc., a wholly owned subsidiary of Vodafone Group Plc, with and into AirTouch Communications, Inc. was completed, with the result that AirTouch then became a subsidiary of Vodafone Group Plc. On June 29, 1999 Vodafone Group Plc changed its name to Vodafone AirTouch Plc.

Vodafone Group publishes its Consolidated Financial Statements in pounds sterling. In this Annual Report, references to "US dollars", "$", "cents" or "¢" are to United States currency and references to "pounds sterling", "£", "pence" or "p" are to UK currency. Merely for convenience, this Annual Report contains translations of certain pound sterling amounts into US dollars at specified rates. These translations should not be construed as representations that the pound sterling amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated or at any other rate. Unless otherwise indicated, the translations of pounds sterling into US dollars have been made at $1.6140 per £1.00, the noon buying rate in the City of New York for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on March 31, 1999. The Noon Buying Rate on July 14, 1999 was $1.6075 per £1.00.

See "Exchange rates" in "Item 8. Selected Financial Data" of this Annual Report for information regarding the Noon Buying Rate for the fiscal years ended March 31, 1995 through March 31, 1999.

This document contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, with respect to the financial condition, results of operations and business of the Vodafone Group and/or Vodafone AirTouch and certain of the plans and objectives of the Vodafone Group and/or Vodafone AirTouch with respect to these items. In particular, among other statements, certain statements in "Item 1. Description of Business" and in "Item 9. Management's Discussion and Analysis of Financial Condition and Results of Operations" including, without limitation, those concerning Vodafone AirTouch's expectations and plans, strategy, management's objectives, trends in market shares, market standing, overall market trends, risk management, exchange rates and revenues and general and administration expenses, contain forward-looking statements concerning Vodafone AirTouch's operations, performance and financial condition. Such statements may generally, but not always, be identified by their use of words such as "anticipates", "should", "expects" or "believes". By their nature, forward-looking statements 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 Vodafone Group and/or Vodafone AirTouch which would adversely affect the level of demand for wireless 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, requiring increased investment in network capacity,

- the impact of new business opportunities requiring significant up-front investments,

- the impact on capital spending from the deployment of new technologies, and

- the possibility that technologies will not perform according to expectations or that vendors' performance will not meet the requirements of Vodafone Group and/or Vodafone AirTouch.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Vodafone AirTouch is the world's largest mobile telecommunications company. Following the Merger, which was completed on June 30, 1999, the Company now operates in 23 countries and had almost 28 million proportionate customers, excluding paging customers, at the date of the Merger through ventures it invests in or controls. The company is organized under the laws of England and Wales.

Because this Annual Report on Form 20-F relates to the fiscal year ended March 31, 1999, the majority of this report addresses the business and results of operations and financial condition of Vodafone Group prior to the Merger. For a description of AirTouch, see "— AirTouch" below.

Vodafone Group

Vodafone Group was formed in 1984 as a subsidiary of Racal Electronics Plc. Approximately 20% of Vodafone Group, then known as Racal Telecom Limited, was offered to the public in October 1988. Vodafone Group was fully demerged from Racal Electronics Plc and became an independent company in September 1991.

At March 31, 1999, Vodafone Group operated in the UK and 12 other countries through its equity interests. The number of customers connected to its cellular networks worldwide (proportionate to Vodafone Group's equity stakes) increased in the year by 4,601,000 to 10,445,000 at March 31, 1999.

Its principal business continues to be the operation of digital and analog cellular radio telephone networks of Vodafone, which is one of four UK cellular telephone operators. Service on Vodafone's digital network was introduced in December, 1991 while service on the analog network was introduced on January 1, 1985. The number of customers on the Vodafone digital network has now grown to approximately 4.7 million out of a total of 5.6 million UK customers at March 31, 1999.

Service on the Vodafone digital and analog networks is sold to customers by service providers or retailers who also sell or rent cellular telephone equipment. At March 31, 1999, there were in excess of 30 service providers connecting to the Vodafone networks. Vodafone Group's three wholly owned UK service provider businesses, Vodafone Retail Limited, Vodafone Connect Limited and Vodafone Corporate Limited, each concentrate on a distinct market sector. The three businesses and the wholly owned shops trade under a single brand name — Vodafone.

In December 1998, Vodafone Group announced that a single entity, Vodafone Value Added and Data Services Limited (formerly Vodafone Value Added Services Limited), would operate the wireless data services which were being provided separately by Vodafone Value Added Services Limited and Vodafone Data Network Limited. Vodafone Value Added and Data Services Limited provides messaging, third-party charging and data transmission facilities and access to information services, all of which are designed to increase the utility of the Vodafone digital and analog networks, in addition to the operation of a packet radio network (the radio equivalent of a public data network) in the UK. Vodafone Paging Limited continues to operate a paging business in the UK.

Vodafone Group has a number of subsidiaries worldwide. In the Netherlands, Vodafone Group has a 70% interest in both Libertel Netwerk BV, which operates one of five GSM networks in the Netherlands, and Libertel Verkoop en Services BV (formerly Liberfone BV), which sells service on the Libertel Netwerk BV network. In Greece, Vodafone Group has a 55% interest in both Panafon SA, which operates one of three digital cellular networks in that country, and Panavox SA, which sells service on the Panafon SA network. In Malta, Vodafone Group has a 80% interest in Vodafone Malta Limited which operates the analog cellular network in that country and a GSM digital network, which opened for service in July 1997. Vodafone Group has a 91% interest in Vodafone Holdings Australia Pty Limited (formerly Vodafone Network Pty Limited), one of three digital cellular network operators in Australia. The Group's wholly owned Australian service provision businesses, Vodac Pty Limited, Vodacall Pty Limited and its 91% owned service provision businesses Vodafone Pty Limited and Talkland Retail Australia Limited, have been refocused into a single service provision business under the Vodafone brand name. In October 1998, the Group completed the purchase of a 100% interest in New Zealand's only GSM network, which now operates under the Vodafone brand name as Vodafone New Zealand Limited.

Vodafone Group also has a number of international investments. Vodafone Group has a 20% interest in Société Française du Radiotéléphone SA (''SFR''), a network operator in France. In South Africa, Vodafone Group has a 31.5% interest in Vodacom Group (Pty) Limited, the holding company of a digital network operator and service provider companies. Vodafone Group has a 20% interest in Europolitan Holdings AB, which operates one of three GSM networks in Sweden. Vodafone Group also has other interests in mobile communication networks in Fiji and Uganda, in Globalstar L.P., a US partnership developing satellite based digital communications systems, and in Comfone AG, a GSM billing and roaming bureau based in Switzerland. In March 1998, Misrfone SA , in which the Group has a 30% interest, was awarded a license to operate Egypt's second GSM network, and the network commenced service in November 1998.

Vodafone Group also has a shareholding of 17.2% in E-Plus Mobilfunk GmbH in Germany. As a condition to the European Commission's approval of the Merger, Vodafone Group entered into an undertaking to dispose of its interest in E-Plus since AirTouch has a 34.8% interest in the cellular network operator Mannesmann Mobilfunk (D2) in Germany, which is being retained by Vodafone AirTouch.

Revenues and operating income

The following table shows total turnover and total Group operating profit for Vodafone Group for the three years ended March 31, 1999.

Years ended March 31,					
Turnover			Total Group Operating Profit		
1999	1998	1997	1999	1998	1997
£m	£m	£m	£m	£m	£m
3,360.0	2,470.8	1,749.0	962.6	686.4	538.9

See Note 3 of Notes to Consolidated Financial Statements for a brief discussion of business segment and major customer information.

Vodafone

Cellular telephone technology

Cellular telephony is a radio communications system which multiplies the number of users that can be served on a limited number of channels by re-using frequencies, thereby allowing the development of a high capacity, high quality, public mobile telephone service.

On GSM digital cellular systems, the audio sound entering the telephone is digitally coded and used to modulate a series of impulses (bits). The signal is transmitted from and to the mobile phone through radio base stations. Base stations on the digital network are connected to BSCs (base station controllers) and then to MSCs (mobile switching centers) which then link to other MSCs in the network and to other telephone networks. On analog cellular systems the radio signal uses frequency modulation where the radio frequency is varied proportionally to the audio sound entering the mobile telephone. For the analog network the radio base stations are connected to MTXs (mobile telephone exchanges) which are in turn connected to other exchanges in the network and to other telephone networks.

Following the liberalization of the telecommunications industry in the UK and advances in cellular technology, the UK Government decided in 1982 to license two cellular telephone networks. One license was awarded to BT Cellnet (formerly ''Cellnet''), a company owned by BT and Securicor Plc, and tenders were invited for the second license. In 1983 this license was awarded to Vodafone and commercial service commenced on both networks in January 1985.

Both Vodafone and BT Cellnet were able to operate their networks using 300 channels each in the radio frequency band known as the TACS Band and a further 320 channels each in a different frequency known as the ETACS Band.

The Vodafone digital network

In 1985, representatives of state-owned telecommunication operators in France, Germany and Italy agreed to establish and promote a series of interlinked, compatible, digital, cellular telephone networks which could constitute a pan-European system and be used by customers throughout Europe. The UK Government, Vodafone and BT Cellnet became parties to this agreement in 1986. Vodafone's digital cellular network is designed to form part of the UK element of this pan-European system and follows the GSM specification.

The GSM standard has now been adopted by more than 130 countries world-wide in which there are more than 300 licenses. At March 31, 1999 Vodafone had roaming agreements with 174 networks in 91 countries, an increase of 47 networks in 10 countries in the year. These roaming agreements enable Vodafone digital customers to make and receive calls when visiting countries in which a licensee has an agreement with Vodafone. Similarly, it allows visitors to use their mobile phone in the UK if their network operator has signed an agreement with Vodafone.

The Vodafone license permits it to operate digital as well as analog cellular telephone networks. In addition to the 300 TACS channels originally allocated to Vodafone for the analog network, a further 200 TACS channels were reserved for Vodafone's digital network. As traffic on the digital network grows, partly due to customers moving across from the analog network, some of the 300 TACS channels used for the analog network have been reallocated for use in the digital network.

Vodafone's digital network was introduced in Central London in December 1991 and by March 31, 1999 there were 41 MSCs and over 5,000 digital base stations in service in the UK, giving declared coverage to over 99% of the population. The existing network of almost 1,100 analog base station sites has been equipped with digital electronic equipment and in addition a network of digital only sites has been constructed to increase both coverage and capacity. Connections between base stations, BSC's and MSCs consist of landline or microwave links, the majority of which are leased from BT or Cable and Wireless Communications, the two major national landline telephone network operators. The increased roll-out of the digital network is reflected in Vodafone's capital expenditure where, of a total expenditure of £343 million in the year ended March 31, 1999, £311 million was spent on the digital network infrastructure. When completed, the Vodafone digital network is expected to exceed 10,000 digital base stations and, when all frequencies that can be moved have been migrated from analog to digital, system capacity is expected to be more than 15 million customers. Vodafone is committed to minimizing the visual impact of installations on the environment.

The Government has indicated that it intends to offer five new licenses to operate a third generation mobile phone service, the Universal Mobile Telecommunications Service (UMTS). As this technology will offer significant opportunities to augment existing services and will facilitate increases in network capacity, Vodafone intends to bid for a license in the Government auctions which are expected to be held in the second half of the 1999/2000 financial year.

Tariffs and billing for the Vodafone digital network

During the financial year, Vodafone improved its recommended digital tariffs to offer increased value for existing customers and to stimulate customer growth and usage. Most digital tariffs incorporate per-second billing and ''bundles'' of free minutes, together with options to make local calls to the appropriate local dialing code on the fixed network and to other Vodafone mobile phones at the off-peak rate, and to make international calls at reduced rates.

Standard off-peak calls for the majority of Vodafone tariffs were reduced to 5 pence per minute (ppm) in June 1998 and the off-peak hours were extended by one hour to 7 p.m. For a £2.50 monthly premium customers can select the Local Call Saver option where local calls and calls to other Vodafone mobiles can be reduced to 2ppm.

Group Saver tariffs allow customers to add additional phones up to a stated maximum to a standard subscription at a reduced monthly access and then share the bundle of free calls. The Group Saver concept has been extended this year to larger bundles of up to 5,000 minutes per month to permit corporate customers to take advantage of this tariff option.

Following the success last year of tariffs which included ''bundles'' of free minutes, Vodafone Leisure 180 was launched, a new tariff that included a bundle of off peak minutes, to appeal to the consumer sector.

During the year, ''Pay As You Talk'' (PAYT) on the digital network was launched. The service provides customers with prepaid access and airtime and is attractive to those who do not want an airtime contract, with the normal minimum of a one year commitment, or who do not wish to undergo the normal credit checks. Customers can buy ''top-up vouchers'', which give them access to the network and calling time. A range of vouchers is available, which can be purchased from a number of outlets including high street retailers. For £75, PAYT customers can have access to the network for the whole year and £15 of calling credit. Major reductions in the PAYT tariff were introduced in November. Peak calls were reduced by 30% from 50ppm to 35ppm and reductions were made in the amounts payable for access periods.

Tariff initiatives are continuing. On May 1, 1999 the peak time call charges were reduced further and the bundles of free minutes were extended for most digital contract tariffs.

Vodafone charges service providers for their customers' initial connection, monthly access to, and airtime on, the Vodafone network. Tariffs to service providers are calculated at a discount from the rates Vodafone recommends be charged to customers. The service provider bears the credit risk of collecting charges from its customers.

Service providers are given a discount on the airtime rates for each tariff, the discount being increased depending on the number of customers the service provider has registered on the Vodafone network. This current scheme starts at a rate of 22.0% and reaches 27.5% when a service provider's base exceeds 200,000. A discount to service providers is allowed on connection charges at standard rates of 25% or 20% dependent upon tariff. Discount rates on access charges vary, dependent upon the tariff, from 26% to approximately 43%.

Service provider discounts for the prepay tariff start at a rate of 15% and rise to 19% if a customer base of 250,000 is exceeded. There is an extra 5% bonus if the service provider promotes the brand in accordance with set guidelines.

Monthly access charges to service providers are generally invoiced by Vodafone in advance while airtime and connection charges, and any other charges stated or referred to in Vodafone's published tariff, are generally invoiced monthly in arrears. In all cases, payment is required by the end of the month following the month in which the service provider is invoiced.

The Vodafone analog network

The Vodafone analog network currently transmits and receives calls on its voice channels by means of over 2,100 cells served by almost 1,100 base stations and the 10 MTXs currently in use. Connections between base stations and MTXs, and between MTXs, consist of landline or microwave links, the majority of which are leased from British Telecom or Cable & Wireless Communications, the two primary national landline telephone network operators.

The Vodafone analog network is complete and it is not expected that any significant capital expenditure will take place in the future.

Vodafone has reached an agreement with the Department of Trade and Industry in the UK that Vodafone would close the analog network no later than the end of 2005. The current digital network investment program will ensure that Vodafone has an alternative for its analog customers before the end of 2005.

Tariffs and billing for the Vodafone analog network

Vodafone has four significant recommended analog tariffs, ''BusinessCall'' and ''Vodafone Volume Tariff'' for the higher usage customer, ''LeisureCall'' and ''LowCall Extra'', alternative tariffs for customers with lower airtime usage. Each tariff consists of three elements: an initial connection charge, a monthly access charge and a charge for airtime used. In addition, for the LowCall Extra tariff, a credit of up to £6.50 per month (including value added tax) is given against airtime charges incurred. LeisureCall allows a credit of £5 to be used against off-peak calls only.

In September 1996, Vodafone became the first UK network operator to offer a mobile phone with no contract, Vodafone prepay on the analog network. The service was relaunched in 1997 as "Pay As You Talk" (PAYT). The analog PAYT tariff had 576,000 customers at March 31, 1999, a 378,000 increase from 198,000 at March 31, 1998.

Vodafone charges service providers who connect customers to analog tariffs on the same basis as that set out above in relation to the digital network.

Market

The UK cellular telephone market, having grown rapidly since the commencement of commercial service in January 1985, has become much more competitive. Initially, small businesses, entrepreneurs and professionals constituted a large proportion of Vodafone's customers, with large corporations subsequently becoming major users and contributing significantly to the overall growth in customer numbers. Significant numbers of lower use customers have been attracted through competitive tariffs with lower monthly access charges and inclusive calls. The successfully launched digital PAYT service has further increased this trend by offering access to the network, without being tied into the traditional contract, and the convenience of buying top-up vouchers, which provide credits for calling time, at high street stores.

The directors estimate that, during the year ended March 31, 1999 the overall UK market increased by over 5,800,000 customers, or almost 65%, from just over 9,000,000 at March 31, 1998 to over 14,800,000 customers (See "Competition"). Vodafone enjoyed growth of approximately 63% in its customer base in the year, connecting 2,145,000 net new customers to its digital and analog networks, of which 1,648,000 were PAYT customers. Vodafone has approximately 37.4% of the total market which compares with BT Cellnet's estimated 30.4%, and the two PCN operators, Orange and One-2-One, together at approximately 32.2% in aggregate

For the UK digital market alone, Vodafone increased the number of customers on its network from almost 2,562,000 at March 31, 1998 to almost 4,704,000 at March 31, 1999. This net growth of approximately 2,142,000 customers, which includes 155,000 customers who migrated from analog to digital and 1,270,000 customers on the digital PAYT tariff, represented a growth rate of 83.6%. At March 31, 1999 the total digital market was over 13,600,000. Vodafone continued to be the market leader, with approximately 540,000 more customers than BT Cellnet, approximately 2,167,000 more than Orange, and approximately 2,450,000 more than One-2-One.

This increase in the number of customers connected to the Vodafone network, particularly during the final three calendar months of 1998, did cause some problems to Vodafone's customer service operations in that period. 933,000 new customers joined the Vodafone network in the October to December quarter, over three times more than in any previous quarter. Customer service remains a priority for Vodafone and in the last six months of the financial year over £20m was invested in customer care systems and staff in the UK.

For the market as a whole, digital continues to increase in importance, from an 82% share at March 31, 1998 to 92% at March 31, 1999. Vodafone itself now has 84% of its customers on its digital service compared to 75% at March 31, 1998. The launch of digital PAYT, with its competitive call rates and low service credit charges, has been a significant factor underlying the net growth in the number of customers connected to the digital service and the increased usage of the network.

During the year, the overall rate of customers leaving the Vodafone service, known as churn, was reduced by 3.0% to 26.0%. This reflected a 1.2% reduction in contract churn to 27.8% and the impact of PAYT churn, which is presently around 20%. There is an insufficient period to assess a realistic ongoing churn level for PAYT, but it is expected to rise as Vodafone's policy is that PAYT customers are disconnected six months after the utilization of their prepay credit.

Marketing

Vodafone engages in two forms of marketing: brand marketing designed to increase general public awareness of the Vodafone brand — its values, products and services and marketing specifically directed at service providers. Brand communications include advertising on radio and television, in general circulation newspapers, magazines and in specialized publications. To sustain and modernize its competitive position, Vodafone introduced a new corporate identity last year, following this with a substantial advertising campaign to promote this identity, which has been developed around a consistent theme employed on promotional and point of sale material as well as press advertising. This theme has been developed into the successful launch of PAYT — Vodafone's new prepay service. Vodafone's agreement with the England and Wales Cricket Board to sponsor the England men's and women's cricket teams for a five year period commenced with the winter tours of 1997/98, with use of this new corporate identity. 1999 was the fifth year of sponsorship of the Epsom Derby Meeting.

Marketing to service providers includes maintaining a competitive tariff structure, providing technical and other training to their staff and providing financial incentives for service providers, their dealers and sales persons. It also entails providing assistance on advertising campaigns and supporting the development of both specialist retail outlets and programs with multiple retailers. In this regard, high street specialists and multiple retailers reinforced their position as the most effective route to market, with direct response also playing an important role.

Service providers vary considerably in terms of their strategy, size and funding ability. In selecting service providers, Vodafone takes into account their familiarity with mobile communications and their ability to broaden Vodafone's market coverage. At March 31, 1999 thirteen of Vodafone's service providers each had over 50,000 customers connected to the Vodafone network. Six of these service providers each had over 150,000 customers and accounted for approximately 81% of Vodafone's contract customers and approximately 55% of total customers, including PAYT.

Vodafone Corporate, Vodafone Retail and Vodafone Connect, which are all wholly owned by Vodafone Group, together accounted for 48% of Vodafone's contract customers at the year end (see ''Vodafone Distribution'').

In addition to the discounts set out above, service providers receive financial incentives from Vodafone related to their success in attracting new customers to the network. These comprise gross connection bonuses, airtime growth awards and other specific incentives as well as additional bonuses for the migration of customers from the analog to the digital network.

Competition

Until 1993, Vodafone's only direct competitor was BT Cellnet. When Vodafone and BT Cellnet began commercial operation of their respective networks in January 1985, BT Cellnet benefited from its association with BT, one of the UK's largest companies, and emerged as the early market leader with a market share which the directors believe to have been approximately 60% of all UK cellular telephone customers at September 1985. Vodafone has since become market leader and, based on industry and press reports, Vodafone's total market share at March 31, 1999 was approximately 37.4%. During 1998/99 the overall market for mobile communications expanded significantly with over 5,800,000 net new customers joining the networks. Net growth for Vodafone and BT Cellnet amounted to approximately 3,590,000 customers compared with 940,000 in the previous year.

The UK Department of Trade and Industry licensed three other operators to set up and run new two-way mobile PCNs in the UK in high frequency bands, intended to compete with the two existing cellular radio operators. In 1992, two of the licensed PCN operators, Unitel and Mercury, merged. The merged company, One-2-One, opened service in September 1993 and the directors believe, based on industry sources, that One-2-One had approximately 2,254,000 customers at March 31, 1999. Since March 31, 1994 a second PCN operator, under the brand name ''Orange'', has also opened service and, according to industry sources, had approximately 2,537,000 customers at March 31, 1999.

During the year, Vodafone completed the necessary work to enable the introduction of mobile number portability, whereby a customer may transfer to a different cellular network whilst retaining his or her existing number. From January 1, 1999 customers of all four cellular networks were able to port their numbers, although porting activity was not significant at March 31, 1999.

Vodafone continues to support the Oftel ''Comparative Performance Initiative'', which covers the network's reporting quality of service to its customers and is still the only network whose methodology for measuring Quality of Service has been reviewed and endorsed by the British Approvals Board for Telecommunications. Vodafone's tests confirmed that it provided a greater than 95% success rate in declared coverage areas.

Relationships with other UK Public Telecommunications Operators

Each UK PTO, including Vodafone, is obliged under its license to permit the connection of any other PTO to its network (see ''Regulation''). Vodafone has interconnection agreements with nine UK network operators. Under these interconnection agreements, Vodafone delivers calls to the interconnect operator and pays them for delivering the calls to the called parties. The interconnect operators deliver calls to Vodafone and pay Vodafone to deliver the calls to Vodafone customers.

The interconnect agreements remain in force as long as the respective parties retain their Telecommunications Act 1984 licenses, subject to certain provisions for earlier termination which include insolvency or material breach. Matters covered by these agreements, including price, are subject to renegotiation from time to time. The agreements also provide that should the parties fail to reach agreement on any renegotiation, matters in dispute may be submitted to arbitration.

Vodafone and BT signed a revised interconnect agreement which commenced April 1, 1996 and covers three main areas: Vodafone payments to BT for terminating mobile calls on its network; BT payments to Vodafone for terminating calls which start on BT's network; and the cost of the transmission between the two networks. This agreement was modified in March 1998 by BT's Network Charge Control contract which implemented the new framework of regulation to be applied by Oftel in recognition of the developing market for interconnect services in the UK. BT's charges for services are subject to different price controls depending on whether the service is deemed to be competitive, prospectively competitive within a time period or non-competitive. Vodafone and BT signed a separate agreement for the provision of transmission links within the Vodafone system, which also became effective from April 1, 1996.

In March 1997, Oftel issued a Consultative Document on the prices of calls to mobile telephones. In March 1998, the Director General of Oftel referred the matters of Vodafone's and BT Cellnet's interconnection charges and BT's retail prices to the Monopolies and Mergers Commission (MMC) for investigation, on the basis that it would not be appropriate for him to take action on the narrow issue of call termination rates without a full consideration of the wider public interest of the effects of such action.

In December 1998, the MMC reported on the references by the Director General of Oftel on the charges made for calls to mobile phones. Under the MMC proposals, interconnect charges for call termination to Vodafone and BT Cellnet are constrained for the three years ending March 31, 2002 by a price cap. This cap takes the form of a weighted average base price for the year ending March 31, 2000 of 11.7ppm adjusted by the Retail Price Index (RPI) less 9% for the two following years. BT has a similar cap in regard to its retention for calls to mobile phones. This cap takes the form of a weighted average base price for the year ending March 31, 2000 of 3.4ppm adjusted by the Retail Price Index (RPI) less 7% for the two following years. Vodafone reduced its charges at call termination to meet the price cap with effect from May 1, 1999. BT made similar reductions for calls to mobiles from April 30, 1999.

Network equipment suppliers

The majority of capital expenditure in the year ended March 31, 1999 (approximately £311 million out of a total of £343 million) has been on the digital network infrastructure. The principal components of the network, cell site network equipment, base station controllers and mobile switching center equipment, are purchased by Vodafone for the digital network and are manufactured by Ericsson and by Nokia. In the year ended March 31, 1999 Vodafone purchased digital equipment costing over £155 million from Ericsson and a lesser sum from Nokia. Other expenditure on the network principally relates to the construction and equipping of radio base station sites and switch centers, together with the establishment of links to carry telephone traffic between these sites and centers.

Future developments

On May 6, 1999, the UK Government announced that it proposed to auction five third generation mobile telephone licenses. The auction is now expected to take place in the second half of the 1999/2000 financial year and Vodafone intends to bid for one of the licenses. Third generation technology will offer users increased bandwidth connections to their mobile handsets, allowing them to access an extensive range of new services. These will include video telephony, high-speed access to corporate intranets and the internet and the provision of electronic mail services which allow the user to access and control a range of messaging options, including e-mail and voice mail.

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

Vodafone Distribution

The three UK distribution businesses have begun to show significant benefits from the previous year's re-organization, including the transfer of customer bases to a new single billing system and improvements to customer service. Vodafone Connect and Vodafone Retail continued to enhance distribution for PAYT phones and top-up vouchers, accounting for a significant proportion of PAYT sales.

At March 31, 1999 the three in-house distribution businesses had approximately 1,782,000 Vodafone contract customers and accounted for approximately 48% of the Vodafone contract customer base. Net contract connections during the year to March 31, 1999 were 158,000. Sales of PAYT phones for the year to March 31, 1999 through these distribution channels amounted to approximately 1,101,000 units, accounting for approximately 67% of the Vodafone total.

Vodafone Retail

At March 31, 1999 Vodafone Retail had 729,000 Vodafone customers, accounting for approximately 20% of Vodafone's contract customer base at that date. Vodafone Retail directs its marketing activity towards the individual customer and small to medium sized enterprises.

At the year end, the business operated through 235 shops trading under the Vodafone brand. These shops are located throughout Great Britain and sell cellular services and telephone equipment. During the year ended March 31, 1999 the store portfolio was developed further with twelve new shops opened, five relocated to much improved locations and seven stores closed. Sales of PAYT phones through the Vodafone Retail stores amounted to 303,000, approximately 18% of the Vodafone total.

Vodafone Connect

At March 31, 1999 Vodafone Connect had 682,000 Vodafone customers, accounting for approximately 18% of Vodafone's contract customer base at that date.

Vodafone Connect supplies cellular services, telephones and related equipment both directly to specialist independent dealer businesses and large multiple retailers. The objective is to provide dealers with a full range of support programs within a consistent, managed framework, whilst gaining the full benefits that come from entrepreneurial businesses.

The Mobile Phone Centre Partnership (MPC), wholly owned by Vodafone Connect, offers a franchise brand to selected dealers. By the year end the number of shops trading under this franchise had been extended to 92.

During the year Vodafone Connect continued to enhance distribution for PAYT in the general multiple retail sector, with Tesco, Comet, Argos, Woolworths, Toys R Us, Somerfield and Boots accounting for a significant proportion of PAYT sales. The total sales of PAYT phones through Vodafone Connect amounted to 795,000, approximately 48% of the Vodafone total.

Vodafone Corporate

At March 31, 1999 Vodafone Corporate had 371,000 Vodafone customers, accounting for approximately 10% of Vodafone's contract customer base at that date. Vodafone Corporate supplies cellular services, telephones and related equipment to major corporate accounts.

The company maintained its leadership in the corporate market although its competitors made increasingly aggressive bids for key accounts. The relationship with Cable and Wireless Communications to offer joint fixed and mobile tenders developed during the year and began to deliver benefits, with a number of accounts successfully won or defended through this partnership.

Other UK Service Providers

Vodafone Group has investments of 20% in Martin Dawes Telecommunications Limited and 20% in Mobile Telecom Plc. In April 1999, BT Cellnet purchased the other 80% interest in Martin Dawes Telecommunications Limited. Vodafone Group has an option to sell its 20% stake in this business to BT Cellnet and is currently planning to exercise this option.

In April 1999, Vodafone Corporate acquired 100% of the share capital of Vodafone M.C. Mobile Services Limited (formerly Cable & Wireless M.C. Mobile Services Limited) from Cable & Wireless (Enterprises) Limited. The company has approximately 120,000 customers, the majority of whom are connected to the Vodafone network.

UK Data Group

In November 1998, Vodafone Value Added Services Limited changed its name to Vodafone Value Added and Data Services Limited (''VVADS'') and, in December 1998, it acquired the business of Vodafone Data Network Limited. VVADS supplies value added services to both mobile and fixed telephone customers and operates a public radio based packet data communications network in the UK.

The value added service offering includes call completion services, information provision, ''FollowMe'' and ''Freephone'' services, text messaging and data services for mobile applications. The call completion service is provided to customers connected to the Vodafone networks and is known as ''Recall''. This receives diverted unanswered calls, digitally records them and subsequently alerts the user with a voice or text announcement. Enhancements to the voice announcement process mean users now have their messages played back to them without requiring manual intervention. VVADS's information provision services consist of a range of premium rate telephone services offering voice or facsimile services for a number of customers as well as ''charge on receipt'' text messages. The ''FollowMe'' service, launched in 1997, provides a single telephone point of contact for customers who then route the call to a specific destination, be it a fixed or mobile phone. The text messaging services, which use the digital cellular Short Message Service (SMS), are operated on behalf of Vodafone. The data services principally comprise managed data and text messaging services (Data Direct) for large corporate customers, including real-time network monitoring tools using the Vodafone digital network. The packet data network uses radio as the transmission path between the customer's terminal and a network base station and operates using the International Telecommunications Union (ITU) X.25 data standard. Applications, which are primarily static (non-mobile), include security (burglar alarm signaling), telemetry and credit or charge card transactions.

VVADS's marketing is directed in several areas, principally towards Vodafone's service providers who promote VVADS's value added services as part of a comprehensive cellular telecommunications package. The service providers retain a proportion of the fees paid by customers for VVADS's services. This is in addition to any enhancement in end user revenue brought about by the company's products increasing overall usage on the Vodafone networks. The marketing of information services is directed at third party information providers who provide the necessary information and promote the telephone numbers required for access for a proportion of the call revenue and other service fees. The ''FollowMe'' services are marketed by VVADS to specialist independent service providers who promote and distribute the service in return for a share of access and other revenues. ''Data Direct'' has a team of dedicated sales people who market and promote the service to the ultimate end user and third party data solution providers. Typically the customer will also have a relationship with one or more service providers who will bill for voice services but ''Data Direct'' will bill for data and text traffic together with other data related service fees. Marketing of the data network is to the end users either directly in the case of larger users such as public utilities, or via independent installers or solution providers. The majority of terminals supplied to customers are rented; however, in certain circumstances, terminals are sold to third parties for incorporation in their own equipment that is subsequently sold to the end user. This is primarily in the security industry.

Demand for the ''Recall'' service continues to be strong with growth in both customers and usage. The customer base was approximately 4 million at March 31, 1999, a doubling of the customer base since March 31, 1998. The ''FollowMe'' services have some 32,000 customers connected to its main product line, which is known as 07000. ''Data Direct'', in the period since its launch, has continued to grow at a steady rate and data traffic now exceeds 3 million minutes per month. With the introduction of Pay As You Talk, text messaging has grown dramatically with over 15 million messages being processed per month, and is regularly used by 800,000 customers. Data network users increased by 10,000 during the year and at March 31, 1999 totaled 72,000.

VVADS faces competition from value added service providers as well as BT and Cable & Wireless Communications. Vodafone customers often use many of VVADS's services and growth opportunities for such services lie primarily in the growth in the number of Vodafone's customers. The data network's principal competitors are three other radio data networks in the UK and cellular networks with data transmission facilities. However, as the majority of installations are for static applications, it also faces competition from fixed data network providers, including BT.

International

Vodafone Group's overseas interests grew strongly in the financial year ended March 31, 1999 and its proportionate share of customers connected to its overseas networks at the end of the year was almost 4,870,000, representing an increase of 2,456,000 during fiscal 1999. Vodafone Group's overseas customers now represent over 46% of the Group's total proportionate customers, of which 30% are connected to prepaid services. Growth is expected to continue as penetration increases, with expectations for penetration rates to reach over 50% in most major markets by the end of 2002.

It is Vodafone Group's objective to continue to invest in selected new license opportunities and to increase, when appropriate, its interest in its core cellular investments. Acquisitions will also be sought wherever they will enhance shareholder value.

Continental Europe

Société Française du Radiotéléphone SA (SFR) (France)

SFR, in which Vodafone Group has a 20% shareholding, is one of three operators in France. In the year to March 31, 1999, the French cellular market demonstrated continued strong growth, with penetration increasing to over 21% from 11% a year earlier. SFR had 4,620,000 customers at March 31, 1999, an increase of 2,093,000 (83%) in the financial year.

Vodafone SA (France)

In November 1998, Vodafone Group sold the business of Vodafone SA, which operated as a service provider to both SFR and France Télécom.

E-Plus Mobilfunk GmbH (E-Plus) (Germany)

Vodafone Group has a shareholding of 17.2% in E-Plus, the third of four cellular operators licensed in Germany. During the year the company continued to extend its network and this, together with strong growth in the German market, contributed to E-Plus increasing its customer base by 92% to 2,352,000 at March 31, 1999.

As a condition to the European Commission's approval of the Merger, Vodafone Group entered into an undertaking to dispose of its interest in E-Plus since AirTouch has a 34.8% interest in Mannesmann Mobilfunk GmbH (D2) in Germany, which is being retained by Vodafone AirTouch.

Panafon SA (Panafon) (Greece)

At March 31, 1999 Vodafone Group had a shareholding of 55% in Panafon, one of three cellular operators in Greece. Panafon reported significant growth in the financial year in spite of competition following the launch of a third operator, utilizing DCS 1800 technology, in March 1998. Panafon has maintained its market leadership and as at March 31, 1999, had a 49% market share with a total base of 1,190,000 customers, representing an increase of 567,000 customers in the year.

Panafon expects to consolidate its market position in future by focussing on value-added services for its customers. This, together with the development of its in-house management information systems, will enable the company to remain at the leading edge of mobile telecommunications in Greece.

In December 1998, a 15% minority shareholding in Panafon was successfully listed on the Athens Stock Exchange and Panafon's shares also trade in the form of Global Depositary Shares on the London and NASDAQ Stock Exchanges. Panafon is now one of the top five companies by market capitalization on the Athens Stock Exchange. Vodafone Group's shareholding has remained unchanged at 55%.

Panafon has a wholly owned subsidiary, Panavox SA (Panavox), a service provider which retails airtime and services on the Panafon network. Panavox had over 371,000 customers at March 31, 1999 which was nearly three times as many as at March 31, 1998. Panavox has a 13% shareholding in a service provider, One-Way Informatics SA.

Panafon also has shareholdings in two other service providers in Greece, Unifon SA (25%) and Radio Korassidis (30%).

Libertel NV (Libertel) (Netherlands)

Vodafone Group has a 70% shareholding in Libertel (previously Libertel Groep BV). ING, which previously owned 30% of the company, offered a minority shareholding on the Amsterdam Stock Exchange through an Initial Public Offering (IPO) in June 1999. Following the IPO, ING retained a 5% shareholding in Libertel and Vodafone Group's shareholding remained unchanged.

Libertel Netwerk BV, formerly Libertel BV, a 100% subsidiary of Libertel, performed well during the financial year, following the entry of three new competitors. The Netherlands is now the only European country to have five competing mobile telecommunications operators. In spite of this, the company more than doubled its customer base by 800,000 to 1,429,000 customers at March 31, 1999, representing a market share of approximately 35%, an increase over the previous year. Of these, just under half are now connected to the prepaid service launched at the end of 1997.

Libertel has focused its strategy on managing its distribution channels and now has a number of wholly and part-owned service provider companies. Overall, more than 75% of Libertel's customers are now managed by the company. Libertel Verkoop en Services BV (LVS) is the principal service provider to Libertel, retailing airtime and services on the Libertel network. At March 31, 1999, LVS had 658,000 customers.

Europolitan Holdings AB (Europolitan) (Sweden)

At March 31, 1999 Vodafone Group had a shareholding of 20% in Europolitan, which operates one of three GSM networks in Sweden. Europolitan's stock is listed on the Stockholm Stock Exchange. At March 31, 1999 its customer base had increased to 667,000, which was 40% higher than at the previous year end.

Vodafone Malta Limited (Vodafone Malta) (Malta)

Vodafone Malta, in which Vodafone Group has an 80% interest, is the sole cellular network operator in Malta, offering both analog and digital service. Its customer base increased from over 18,000 at March 31, 1998 to nearly 24,000 at March 31, 1999.

Pacific Rim

Vodafone Holdings Australia Pty Limited (Vodafone Holdings) (Australia)

Vodafone Holdings (formerly Vodafone Network Pty), in which Vodafone Group has a 91% shareholding, is one of three GSM 900 network operators in Australia. In spite of intense competitor activity, Vodafone Holdings achieved strong customer growth and a 5% increase in market share in the year. By March 31, 1999 the company had 971,000 customers, representing an increase of 426,000 (78%) in the year.

Vodafone Group is considering an Initial Public Offering of Vodafone Holdings during the first half of 2000 but will maintain its controlling shareholding after any such offering.

Vodafone Pty Limited (Vodafone Pty) (Australia)

Vodafone Group has a 91% shareholding in Vodafone Pty Limited, which is Vodafone Holdings' principal service provider. At March 31, 1999 the customer base of Vodafone Pty was 557,000, representing an increase of 217,000 in the financial year.

Vodafone New Zealand Limited (New Zealand)

On October 30, 1998, Vodafone Group completed the purchase of New Zealand's only GSM cellular network, together with its related assets, radio communications rights and licenses. Since acquisition, and the complete rebranding to Vodafone New Zealand, the number of customers has risen by 51,000 to 181,000 at the year end. The New Zealand network compliments Vodafone Group's other operations in the Pacific Rim area as they all use GSM technology.

Vodafone Fiji Limited (Fiji)

Vodafone Group has a 49% interest in Vodafone Fiji Limited, the sole GSM operator in Fiji. At March 31, 1999 the customer base had increased to over 8,000 from 5,000 a year earlier.

Rest of the World

Vodacom Group Pty Limited (Vodacom) (South Africa)

Vodafone Group has a 31.5% interest in Vodacom whose wholly owned subsidiary, Vodacom Pty Limited, operates one of two GSM networks in the Republic of South Africa. Customers at March 31, 1999 totaled just under 2,000,000, an increase of over 104% on the previous year. Over 55% of these customers are now connected through the ''Vodago'' prepaid product, up from 27% of the customer base at March 31, 1998.

Vodacom's largest service provider is Vodac Pty Limited, also a wholly owned subsidiary, which retails airtime and services on the Vodacom network. Its customers totaled over 582,000 at March 31, 1999, more than doubling in the financial year.

Vodacom has shareholdings in a number of service provider companies, Teljoy Cellular Holdings Pty Limited (26%), GSM Cellular Pty Limited (50%) and Cellphones Direct Pty Limited (25%). It also has two wholly owned subsidiaries, Electroversal Pty Limited and Vodacom Equipment Company Pty Limited, which supply and repair equipment.

Misrfone SA (Misrfone) (Egypt)

Vodafone Group has a 30% shareholding in Misrfone, Egypt's second GSM operator, which opened for service on November 30, 1998. Under the trading name Click GSM, initial customer uptake has been very encouraging and at March 31, 1999 the customer base had increased to over 97,000. The company's trading performance has exceeded expectations and, from the initial network coverage around Cairo, development will now focus on other major cities and the Nile Delta.

Celtel Limited (Celtel) (Uganda)

Celtel, in which the Vodafone Group has a 36.8% shareholding, is one of two GSM network operators in Uganda. Its customer base increased to nearly 16,000 at March 31, 1999.

Globalstar LP (Globalstar) (US)

Vodafone Group reduced its interest in the Globalstar partnership in May 1998 from 5.2% to 3.0%, on a diluted basis, generating a profit of £62.8m. Globalstar has launched twenty-eight low earth orbit satellites of a planned total of forty-eight. Full commercial service is planned for the third quarter of 1999.

AirTouch

On June 30, 1999, the Merger of Vodafone Group and AirTouch was completed and AirTouch became a subsidiary of Vodafone AirTouch. In the Merger, holders of AirTouch common stock received 0.5 of a Vodafone AirTouch ADS and $9.00 cash for each share held. Following the Merger, former AirTouch stockholders held slightly less than 50% of the total equity of Vodafone AirTouch.

AirTouch is a leading international mobile telecommunications company with a significant presence in the United States, Europe and Asia. As of March 31, 1999, AirTouch had over 18.8 million proportionate customers based on its ownership share of the cellular, paging and personal communications service ventures in which it has an interest. At that date, those ventures were licensed to serve an estimated 723 million people.

In the United States, AirTouch's cellular and PCS ventures had over 10.3 million customers at March 31, 1999, of which AirTouch's proportionate share was approximately 8.7 million customers. AirTouch's interests in its US cellular and PCS ventures at March 31, 1999 represented over 95 million POPs, a number reflecting the population of a market multiplied by AirTouch's ownership interest in a licensee operating in that market. AirTouch controls or shares control over cellular systems in 15 of the 30 largest cellular markets in the United States, including Los Angeles, Detroit, San Francisco, Atlanta, San Diego, Minneapolis, Phoenix, Seattle, Denver, Cleveland, Portland, San Jose, Kansas City, Cincinnati and Sacramento. In addition, through PrimeCo Personal Communications, L.P., AirTouch shares control over PCS systems operations in over 30 major US cities, including Chicago, Dallas, Tampa, Houston, Miami, New Orleans and Milwaukee.

Industry surveys indicate that AirTouch is also among the largest providers of paging services in the United States, with approximately 3.5 million units in service as of March 31, 1999.

Outside the United Sates, as of March 31, 1999, AirTouch's cellular ventures were licensed to serve more than 570 million people and had over 26 million customers, of which AirTouch's proportionate share was approximately 6.6 million. AirTouch holds significant ownership interests, with board representation, in cellular systems operating in Belgium, Egypt, Germany, India, Italy, Japan, Poland, Portugal, Romania, South Korea, Spain and Sweden.

In Egypt, both AirTouch and Vodafone Group had a 30% equity interest in Misrfone SA prior to the Merger, resulting in an equity interest of 60% for Vodafone AirTouch. In Sweden, the respective equity interests of AirTouch and Vodafone Group in Europolitan Holdings AB were 51.1% and 20%, giving Vodafone AirTouch a combined equity interest of 71.1% in Vodafone AirTouch. AirTouch also owns an approximate 5.2% interest in Globalstar and is licensed to be the exclusive service provider in Mexico and Canada. Vodafone Group has a 3.0% interest in Globalstar.

For a more complete description of AirTouch, see ''Item 1. Business'' in AirTouch's annual report on Form 10-K for the year ended December 31, 1998 which is incorporated herein by reference.

Employees

During the year ended March 31, 1999, Vodafone Group had an average of 12,642 full time employees. See Note 29 of Notes to Consolidated Financial Statements for an analysis of employees by category of activity. Vodafone Group considers its relations with its employees to be good.

Regulation

UK Telecommunications Legislation and Licenses

The principal legislation governing the provision of telecommunications services in the UK is the Telecommunications Act 1984 (the "Telecommunications Act"). In order to operate a telecommunication system in the UK, a license must generally be obtained under the Telecommunications Act. The Secretary of State for Trade and Industry (the "Secretary of State"), after consultation with the Director General of Telecommunications (the "Director General"), may grant such licenses, which may be granted to a class of persons (a "class license") or to a particular person (an "individual license").

Telecommunications systems which involve the use of wireless telegraphy must also be licensed under the Wireless Telegraphy Acts 1949-1998 (the "Wireless Telegraphy Act"), pursuant to which the operator is allocated radio frequencies. The UK Radiocommunications Agency ("RA") is responsible for licensing, monitoring and allocating frequencies of the radio spectrum. Recent enabling legislation has implemented a new regime for spectrum management and pricing. Spectrum may now be charged at more flexible rates rather than on a cost recovery basis if this is necessary to ensure efficient use of spectrum. It is anticipated that this will cause annual spectrum fees to increase to approximately £15 million by 2001.

The Telecommunications Act requires the Secretary of State and the Director General to act in the manner best calculated to secure, so far as practicable, the provision throughout the UK of telecommunications services which satisfy all reasonable demands for them, including certain community services, and to ensure the ability of operators to finance those services. Subject to this duty, they must exercize their functions to achieve various other objectives, including the promotion of the interests of UK consumers in the price, quality and variety of services and apparatus, the maintenance and promotion of competition, the promotion of efficiency and economy, the promotion of research and development and the facilitation of the provision and supply of services and apparatus by UK companies on an international basis.

The Director General, who is supported by the Office of Telecommunications ("Oftel"), is responsible for enforcing license conditions and may make orders, enforceable in the courts, to secure compliance. Contravention of an order can result in civil action and in liability for damages to third parties. The Director General is also responsible for monitoring telecommunications activities, investigating complaints about services or apparatus and exercising certain functions under the Fair Trading Act 1973 and the Competition Act 1980 relating to monopolies, restrictive practices and anti-competitive behavior in the telecommunications market. In March 2000, these powers and the current fair trading condition in licenses will be replaced by wider powers under the Competition Act 1998.

The Director General may modify license conditions with the licensee's consent and must impose modifications if, following a reference by him to the UK Competition Commission (formerly the Monopolies and Mergers Commission) ("MMC"), the MMC considers any matter so referred to operate against the public interest and recommends a modification. In either case, the Telecommunications Act provides for prior notification to persons likely to be affected by any modification and for consideration by the Director General of any representations or objections made by such persons. The UK government is currently considering making changes to the method of modifying license conditions. Any changes it finally decides to introduce are expected at the end of 1999.

Under the Telecommunications Act, it is an offence, *inter alia*, to run an unauthorized system, or to connect any unauthorized system or apparatus to an authorized system.

Vodafone Group companies may provide certain telecommunication services under various class licenses and, in addition, certain Vodafone Group companies have been granted individual licenses under the Telecommunications Act, the most important of which is the public telecommunications operator ("PTO") license.

MMC Report on Mobile Phone Charges

On March 5, 1998 the UK Director General of Telecommunications referred to the MMC the level of interconnection charges made by certain mobile operators, including Vodafone, to operators of fixed public telecommunications systems for the delivery of calls from fixed lines to mobile phones and the charges made by British Telecommunications plc ("BT") to users of its fixed lines for calls made to mobile phones.

On December 15, 1998 the MMC found that the fees charged by the mobile operators as well as their charges for unanswered and diverted calls, operated against the public interest. The MMC also found that the charges BT was making to its customers for fixed-to-mobile calls were against the public interest. The MMC recommended that changes be made to the licenses of these mobile operators to remedy the situation.

As a result of the enquiry, the Director General amended the licenses of BT and the relevant mobile operators on March 31, 1999. The relevant changes to Vodafone's license will have the result of reducing its termination charges to fixed operators for 1999/2000 to a level which does not exceed an average of 11.7 pence per minute and in each of the two following years, until March 2002, it is required to reduce the average of such termination charges on the basis of the Retail Price Index minus 9 per cent. The figure of 11.7 pence per minute for 1999/2000 is about 20 per cent lower than the average of the termination charges which were introduced by Vodafone in August 1998.

Also, Vodafone will not be able to charge for calls which terminate on a recorded announcement provided by the network informing the caller of an inability to complete the call, for unanswered calls or for unanswered calls which are diverted in respect of the period before the call is answered. The license amendments will have the effect of reducing Vodafone's notional revenue from calls to mobile phones, although its actual revenue is expected to increase due to increased volume and the mix of call traffic.

Vodafone Limited's Telecommunications Act License

A PTO license was issued to Vodafone in 1985. This license, although never revoked, was superseded by a PTO license granted to Vodafone on December 9, 1993 and Vodafone operates under the terms of this second license.

Under the 1993 license, Vodafone is licensed, subject to conditions, to run telecommunications systems of every type in the United Kingdom, which include cellular telecommunications systems, personal telecommunications networks and fixed telecommunication systems. The license does not specify the technology to be used and therefore permits Vodafone to run both digital and analog cellular networks. The license authorizes Vodafone to provide telecommunications services (including mobile and fixed telephone services) but excludes broadcasting services, certain international telecommunications services and certain wireless local loop services. International services can be authorized in certain cases by the Secretary of State on a country by country basis. A supplementary license was issued to Vodafone on December 20, 1996, which permits Vodafone to own and operate international network facilities.

Vodafone is required to provide a mobile radio telecommunications service in an area where 90 per cent of the United Kingdom population live (which target has been achieved) and is also required to ensure that the reasonable demands for such a service in the area are capable of being satisfied. If the Director General determines that Vodafone has become a "well-established operator" in the provision of any fixed telecommunication service of a particular description other than a mobile radio telecommunication service in the United Kingdom, or within any specific area or locality thereof, then in certain circumstances the Director General may direct Vodafone to provide such services within that part or locality of the United Kingdom to people who request such service. "Well-established" means that Vodafone has, for that fixed service, achieved 25 per cent or more of what is, in the opinion of the Director General, the relevant market.

Vodafone is obliged to provide emergency services, a directory information service and, in certain circumstances, public telephone call box services. The license also requires Vodafone to connect its systems to any other authorized telecommunications system run under other PTO licenses, if so requested by the operator of any such system. If Vodafone and the operator of any such telecommunications system fail to reach agreement on the terms and conditions for connection, such arrangements will, on the application of either party, be determined by the Director General.

Vodafone is obliged to publish the terms and conditions under which it provides mobile radio telecommunications services or any other telecommunication service where the Director General has made a determination that Vodafone is a well-established operator for that service according to the definition mentioned above. Vodafone is obliged not to show undue preference or exercise undue discrimination in connection with the provision of its mobile radio services or in relation to certain value added or data services. This obligation will apply to other telecommunications services if the Director General makes a determination that Vodafone is a well-established operator (as defined above) for that service. The license contains provisions concerning the planning and allocation of telephone numbers and dealing with the approval of meters for measuring the use of telecommunications services and provisions which, under certain circumstances, Vodafone must make certain technical information on interfaces available to operators of other telecommunication systems.

Vodafone is prohibited from carrying on activities when providing telecommunication services or running a telecommunications system which have, or are likely to have, the object or effect of preventing, restricting or distorting competition. This condition in the license (which was included as a license amendment in November 1997) will be taken out of Vodafone's license when the Competition Act 1998 comes into force in March 2000.

The license contains conditions under which the licensee can be required in certain cases to take action regarding the volume of incoming and outgoing international resale calls. The license requires Vodafone to notify the Director General before it enters into arrangements with persons running telecommunications systems outside the United Kingdom for the provision of international connection services. Vodafone is required not to enter into agreements, without the consent of the Director General, with persons running cellular systems outside the United Kingdom which unfairly preclude or restrict the provision of certain mobile radio telecommunication services by a public telecommunications operator of a cellular system. After consultation with Vodafone, the Director General can make a direction requiring Vodafone to introduce special billing facilities, warnings about large bills and call barring facilities.

The license enables the Director General, in certain instances, to require Vodafone to take steps to remedy unfair cross-subsidies between it and certain distinct parts of its business or other Vodafone Group companies and contains provisions on the way in which Vodafone maintains its accounting records. The Director General may in certain cases also require Vodafone to take reasonable steps to ensure that members of the Vodafone Group comply with prohibitions or requirements imposed on Vodafone. Vodafone is prevented from providing certain types of message services unless the Director General recognizes a code of practice governing the provision of these message services. The Director General is entitled to call for appropriate information from Vodafone about Vodafone's activities to enable the Director General to exercise certain functions under the Telecommunications Act. Vodafone is also obliged to give the Secretary of State information regarding certain changes in its shareholding.

Vodafone is entitled under the license to provide its mobile radio telecommunication services direct to members of the public but, if certain conditions are fulfilled, it is also obliged to provide its mobile radio telecommunication services to service providers. If Vodafone provides services directly, rather than through its service providers, it is required to carry on and account for such activities separately.

In 1997, Vodafone agreed to a license amendment requiring it to provide number portability starting in January 1999 to and from other mobile operators.

The license empowers Vodafone to carry out street works and to exercise certain powers to install apparatus on private land for the purpose of its system. These powers are subject to certain exceptions and conditions set out in the license.

The license granted on December 9, 1993 is for a minimum of 25 years from that date and is revocable by 10 years' notice given after December 9, 2008. The license may be revoked at any time upon 30 days' notice in any of the following circumstances: consent by Vodafone to the revocation, failure by Vodafone to pay license fees, failure to comply with an order of the Director General to comply with license conditions, a notifiable change in the control of the share capital of Vodafone which is not notified to the Secretary of State or which, if notified, is nevertheless considered by the Secretary of State to be against national security interests or foreign relations, or certain events relating to the insolvency of Vodafone.

The UK Government is in the process of implementing various European Directives which affect telecommunications. The European Union Interconnect Directive (97/33/EC) was intended to guarantee the rights of operators to obtain interconnection with networks and services of others. It was implemented by statutory instrument on December 31, 1997. For the purpose of this statutory instrument, Vodafone, together with another PTO mobile licensee, was identified as having significant market power in the mobile market (although not in the national market for interconnection) and, as a consequence, Vodafone's license was modified by requiring publication of, and non-discrimination in, interconnect agreements.

The European Union Licensing Directive (97/13/EC) was introduced into UK law on December 31, 1997 by the Telecommunications (Licensing) Regulations 1997 (amending the Telecommunications Act). The regulations significantly reduce the scope for introducing new licensing conditions and amending existing ones. In summary, they require the use of general authorizations (e.g. by way of class license) for many networks and services; they may limit the type of conditions which may be included in both general authorizations and individual licenses; and they require license conditions to be transparent, objective, proportionate and non-discriminatory. Under the Licensing Directive, the concept of ''well-established operator'' has been replaced by the concept of ''market influence''. In February 1999, Oftel expressed the view that Vodafone, together with another mobile PTO, had market influence in the mobile market but such determination is subject to statutory public consultation. Operators with market influence will be subject to additional obligations in their licenses, including an obligation to provide mobile radio telecommunications services to service providers, a prohibition against undue discrimination and undue preference and a requirement to publish prices.

As a result of the Licensing Directive, the number of individual licenses has decreased and they have been replaced by class licenses. However, individual licenses may still be granted in certain circumstances, including if there is a need to allocate radio spectrum and to control anti-competitive behavior.

A new version of the national PTO mobile license has been issued for consultation and it is expected that both the 1985 and the 1993 licenses will be amended (rather than revoked and re-issued) so as to replace their terms and conditions with the new PTO license terms. This is expected to occur around the end of June 1999 and will be done by regulations made under the European Communities Act 1972.

Vodafone's Wireless Telegraphy Act License

Under the Wireless Telegraphy Act license, Vodafone operates its network in specified radio frequency bands. The license continues indefinitely subject to revocation or modification in any of the following circumstances: if there is no longer in force a Telecommunications Act license to run its network, consent by Vodafone to the revocation, failure by Vodafone to pay license fees, in the interests of national security or foreign relations or for any other reason but only after giving one year's notice to Vodafone and after considering both representations made by Vodafone and the overall balance of national and commercial benefit or if there is a breach of the license.

The UK Department of Trade and Industry (''DTI'') and the RA published a consultative document in July 1997 seeking consultation on the regulatory framework and auction process for universal mobile telephone services (''UMTS'') licenses. The RA, and an industry group, are currently preparing the regulatory framework for UMTS auctions and licenses in preparation for an auction in the second half of the current financial year and the granting of a number of new third generation mobile licenses. The latest indication is that the auctions are likely to take place in January 2000. The DTI has indicated that national roaming obligations will be placed on second generation mobile licensees (including Vodafone) if such licensees obtain third generation licenses to enable new entrant third generation operators to obtain early market entry, but this will depend on the final form of the mobile PTO license and the Wireless Telegraphy Act license currently under consultation. The UK Government has also indicated that five licenses will be auctioned and the largest license in terms of spectrum will be reserved for a new entrant.

Vodafone Paging's Telecommunications Act License

Vodafone Paging's Telecommunications Act license permits it to run a national radio paging system. The license required it to offer radio paging services over an area in which 40 per cent of the UK population lives by April 1990 and over an area in which 80 per cent lives by October 1992. These targets have been met. Vodafone Paging is also required to ensure that reasonable demands for such services in the covered area are capable of being met. The London Pager radiopaging system, which was purchased in March 1997, is operated under Vodafone Paging's license.

Vodafone Paging is required under its license to supply the Director General with such information about its activities as is necessary to enable the Director General to monitor compliance with the license and with the Telecommunications Act and to notify the Director General of certain changes in its shareholders. The license may be revoked at any time in any of the following circumstances: consent by the operator to the revocation, conviction of the operator for an offence under the Telecommunications Act of connecting any unauthorized system or apparatus or providing any unauthorized service, or the operator ceasing to hold its license under the Wireless Telegraphy Act. The license may also be revoked upon 30 days' notice if the Secretary of State considers that a notifiable acquisition of shares of the operator is against national security interests or foreign relations, if the operator fails to comply with an order of the Director General, if certain events occur relating to the insolvency of the operator or if the operator fails to pay its license fees.

Vodafone Paging's Wireless Telegraphy Act Licenses

Pursuant to its Wireless Telegraphy Act licenses granted on March 19, 1997 and February 23, 1998, Vodafone Paging is allocated certain frequencies on which to operate radio paging services. The licenses are renewable yearly on payment of a fee. Either can be revoked or modified at any time upon notice to the operator.

Vodafone Value Added and Data Services

In November 1998, Vodafone Value Added Services Limited changed its name to Vodafone Value Added and Data Services Limited (''VVADS''), and in December 1998 it acquired the business of Vodafone Data Network Limited. Under its Telecommunications Act license granted on December 1, 1998 and its Wireless Telegraphy Act license granted on November 13, 1998, VVADS is authorized to run a packet-radio system and provide packet-radio data services within the United Kingdom. VVADS is also authorized to run its telecommunication systems and provide its telecommunications valued added services under various class licenses, the most important one being the Telecommunications Services license.

Dutch Regulation

Until recently, the Dutch telecommunications market operated under the regime established by the Telecommunications Act of 1996 (the ''1996 Act'') which enabled the granting of a second public mobile telecommunication services license by the Ministry of Transport, Public Works & Water Management.

This license for the GSM 900 spectrum was awarded to Libertel Groep B.V. (''Libertel''), formerly MT-2 Mobile Communications B.V., for a period of 15 years from March 15, 1996. The license established certain obligations on Libertel, including network coverage and service quality standards, network rollout requirements and interconnection requirements. All requirements have to date been complied with.

In 1997, Libertel applied for extra radio frequencies under the 1996 Act, both for GSM 900 and GSM 1800 spectrum. In February 1998, it was granted additional GSM 900 spectrum. A new act (''Veilingwet'') introduced an auction mechanism for the issue of GSM 1800 spectrum. In February 1998, Libertel successfully bid for two GSM 1800 plectrum, which were issued on February 26, 1998 and expire on February 25, 2013. This auction process for additional spectrum resulted in three new national network operators, in addition to the two existing operators. The new spectrum issued to Libertel has resulted in the company having sufficient capacity to cope with customer requirements for the foreseeable future and Libertel has sufficient spectrum to provide its services. In total, Libertel has rights to about 9x2 MHz GSM 900 and 5x2 GSM 1800 radio spectrum. It has rights to use 47 frequency channels in the 900 bandwidth and 256 channels in the 1800 bandwidth. Libertel is currently renegotiating the allocation of its channels and is hoping to enlarge its share in the 900 bandwidth to 57 in the third quarter of 1999.

On August 1, 1997 a new telecommunications regulator was established, the Independent Post and Telecommunication Authority (''OTPA''), which is responsible for regulating competitive behavior between operators, dispute settlement and the administration and issuing of telephone numbers. All radio frequency management matters are under the control of a separate regulator, the Radiocommunications Agency (the ''RDR'').

In December 1998, a new Telecommunication Act (the ''Act'') came into force. This Act implemented various European Directives relating to the harmonization and liberalization of telecommunications. Both Libertel and OPTA are in the process of implementing the new obligations under the new Act but no changes to Libertel's license are expected. Libertel has carried out an impact analysis on the new Act and, to date, has determined that there will be no significant or major impact on its business. The full impact of the new Act on Libertel's business cannot be entirely determined at present as the Dutch Government is still in the process of introducing secondary legislation under the Act.

OPTA is currently considering designating certain operators in the mobile industry as having significant market power (''SMP''). As the second largest Dutch mobile operator, Libertel may be so designated. If it is, it will be under an obligation to provide national roaming facilities to other mobile operators, although it has already reached a commercial agreement with the third Dutch mobile operator to allow its customers to roam on to Libertel's network.

Greece

The Greek Telecommunications Law, together with related presidential decrees and ministerial decisions, defines the framework for the regulation of the telecommunications sector in Greece and implements a number of European directives. On May 6, 1997 the European Commission granted Greece a derogation from the full liberalization of the telecommunications sector, for fixed line voice telephony and fixed networks, in accordance with the provisions of Directive 96/19 of the European Commission (the Full Liberalization Directive) until December 31, 2000, subject to certain conditions.

The Telecommunications Law provides for the supervision of the telecommunications sector by the Ministry of Transport and Telecommunications (''the Ministry'') which is responsible for establishing policy, promulgating regulations, initiating legislation and proclaiming ministerial decisions in the field of Telecommunications. Telecommunications activities may only be conducted pursuant to a license granted by the Ministry.

The National Telecommunications Committee (''NTC'') is the regulatory body responsible for supervising the activities of public telecommunications operators, as well as monitoring and enforcing compliance with the terms of their licenses and telecommunications regulations. The NTC makes proposals and issues opinions to the Ministry concerning the granting, renewal, amendment, suspension, extension and revocation of licenses. The NTC may also impose fines for violations of license conditions. In addition, telecommunications operators may bring before the NTC disputes arising out of the provisions of telecommunications services.

Currently, Greece is under scrutiny from the European Commission for non-adoption and non-implementation of certain liberalization and harmonization Directives including Directive 96/19/EC (Full Liberalization Directive), Directive 96/2/EC (Mobile Directive), Directive 97/33/EC (Interconnection Directive) and Directive 97/13/EC (Licensing Directive). The European Commission has alleged that the Mobile Directive has been adopted by the Greek government but not correctly implemented. The Licensing Directive and the Interconnection Directive have not yet been adopted by the Greek government. All four Directives are the subject of European Commission opinions issued under Article 106 of the Treaty of Rome.

Panafon S.A. (''Panafon'') was awarded a 20 year license to operate a GSM Network on August 4, 1992 following a competitive process by a ministerial decision. Under the license, Panafon is authorized to establish and operate a GSM network in Greece subject to the specific terms set out in the license. The license fees include a one-time fee of GRD 31 billion plus annual fees of 0.5 per cent of Panafon's revenues from cellular services. The terms of the license are identical to the terms of the GSM license granted by the Greek government to Panafon's principal competitor, STET Hellas at that time. Vodafone owns 55 per cent of Panafon.

Under the license, Panafon was granted two 10 MHz bands of GSM spectrum and was permitted to establish and operate its own transmission network using microwave transmission systems in the 2, 4, 5, 11, 15 and 18 GHz bands. Panafon was also required to provide services to some 10,000 users in the first eighteen months of operation, while the final requirement is to provide services to 85 per cent of the population and to cover 75 per cent of selected major roads within Greece. To date, and at all times during the operation of Panafon, all license obligations have been complied with.

An issue has arisen as to whether certain specific rights, particularly in relation to interconnection fees and exclusivity rights, continue to remain in force in the light of the Mobile and Interconnection Directives. Panafon has exclusive rights under its license to determine the interconnection charges which the incumbent fixed line operator, OTE Hellenic Telecommunications Organisation S.A. (''OTE''), makes for calls to its GSM network in Greece. This right is expressed to last until the end of 2000 unless a specific European Directive on interconnection is issued before that date and OTE adopts a cost accounting system for calculating interconnection costs. Although the Interconnection Directive has been issued, OTE still does not have the requisite cost accounting system. Once it does, Panafon will need to enter into commercial negotiations for interconnection charges on the cost basis set out in the Interconnection Directive, whether or not the Greek government has implemented this Directive.

In January 1996, the Greek government awarded a DCS 1800 license to OTE, which OTE transferred, in the first quarter of 1997, to its mobile subsidiary, COSMOTE. A stake in COSMOTE has since been sold to Telenor. This was done notwithstanding a provision in Panafon's license which gave it an exclusive right until September 30, 2000 and in contravention of the Full Liberalization Directive, which requires such a license to be awarded only after a competitive tender. This contravention is included in the opinion of the European Commission referred to above. On July 29, 1997 Vodafone Europe Holdings B.V., on behalf of Panafon, filed a complaint with the European Commission (DGIV) for breach of exclusivity and of Directive EU 90/388 and asking for compensation for the losses suffered by Panafon. Panafon also filed a complaint on February 1, 1996 against the Greek government in the Greek courts asking for the annulment of COSMOTE's license. Both complaints are still outstanding and discussions are being held with the European Commission and the Greek government about possible compensatory measures.

The Greek government is currently considering amendments to the Telecommunications Law and the introduction of a new regulatory framework which is likely to contain provisions regarding universal service obligations and interconnection issues. It is also considering the issue of special licenses or Presidential Decrees to, inter alia, implement the outstanding EU Directives. The Greek legal environment is, thereafter, expected to conform with the liberalization of telecommunications activities as required and applied by EU Law and practice. It seems probable that under the proposed law, the Ministry will continue to be responsible for licensing, allocation and assignment of spectrum, the NTC will be responsible for supervising the telecommunications market and other competition issues will be dealt with by the National Competition Authority. Panafon cannot determine at this time what effect, if any, such amendments to the Telecommunications Law may have on Panafon's business.

United States

For a description of regulations appropriate to Vodafone AirTouch in the United States, see ''Item 1. Business — Regulation'' in AirTouch's annual report on Form 10-K for the year ended December 31, 1998, which is incorporated herein by reference.

ITEM 2. DESCRIPTION OF PROPERTY

The properties of the Vodafone Group comprise MTXs, operator centers and ancillary commercial centers suitable for the operation of its cellular networks and related businesses together with related accommodation including retail premises. The properties are principally in the UK, Australia, Greece and the Netherlands and are either freehold or held under long-term or short-term leases. As at March 31, 1999, these properties were included in the Consolidated Balance Sheet at a net book value of £245.6 million. Approximately 11% by value of the Group's properties were owned and approximately 2% were held under leases running for 50 years or longer.

For information regarding AirTouch properties, see ''Item 2. Properties'' in AirTouch's annual report on Form 10-K for the year ended December 31, 1998, which is incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS

There were no material pending legal proceedings to which Vodafone Group was a party or to which any of its property was subject during the year ended March 31, 1999 or in the subsequent period prior to the Merger.

AirTouch is a defendant in various antitrust lawsuits filed in both US state and federal courts. In 1993, a class action complaint was filed in Orange County Superior Court. The plaintiffs are alleging price fixing in the Los Angeles cellular market. In 1994, a parallel class action complaint, filed in Orange County Superior Court, was stayed pending the resolution of the 1993 case. In 1997, the Court approved a settlement of the 1993 case. Three plaintiffs have filed an appeal challenging the adequacy of the settlement.

In 1994, two class action complaints also alleging price fixing were filed against AirTouch, one in San Diego County Superior Court and one in the US District Court. The state case was dismissed. A settlement of the federal court case was approved on November 28, 1998. Plaintiffs have filed an appeal challenging the settlement. Also, in 1994, a class action complaint was filed against AirTouch in San Francisco County Superior Court alleging price fixing. In 1996, an almost identical class action complaint was filed against AirTouch in Alameda County Superior Court. The two cases were consolidated and the court approved a settlement of the case in 1998. One plaintiff has filed an appeal. AirTouch believes that the ultimate outcome of these matters, in the aggregate, will not have a material adverse impact on the financial position or results of operations of Vodafone AirTouch.

In July 1998, customers filed a complaint in Sacramento County Superior Court against AirTouch and other cellular and PCS carriers challenging the legality of certain billing practices and claiming that the practices are not adequately disclosed in the California markets. This case was subsequently dismissed. The plaintiffs have filed a notice of appeal. In August 1998, a complaint was filed against PrimeCo, an unconsolidated subsidiary of AirTouch, in the Cook County Chancery Court. The plaintiffs are challenging the legality of certain billing practices and claiming that the practices are not adequately disclosed. The plaintiffs are seeking an unspecified amount of monetary damages and revisions of PrimeCo's billing practices. Also, in August 1998, a second complaint was filed against PrimeCo in the Cook County Chancery Court alleging certain deficiencies in PrimeCo's network performance. The plaintiffs are seeking an unspecified amount of monetary damages. These cases are in the preliminary phase. AirTouch is not currently able to assess the impact, if any, of these cases on the financial position or results of operations of Vodafone AirTouch.

In December 1998, a complaint was filed against AirTouch and other cellular service providers in the Sacramento County Superior Court on behalf of all individuals subscribing to service in the Sacramento area. The plaintiffs claim that the defendants conspired to fix prices for cellular service. The plaintiffs are seeking injunctive relief and damages in excess of $100 million. This case is in the preliminary phase and AirTouch is not currently able to assess the impact, if any, of this case on the financial position or results of operations of Vodafone AirTouch.

On January 6, 1999, a class action was filed against AirTouch in US federal court alleging claims under Section 10 (b) and 20 (a) of the Securities Exchange Act, 15 U.S.C. 78j and 78t and Rule 10b-5. The action was filed on behalf of individuals who sold AirTouch common stock or call options or purchased put options on January 4, 1999. The plaintiffs claim AirTouch's press release of January 3, 1999, was false and misleading because it confirmed AirTouch was in discussions with Bell Atlantic Corporation (''Bell Atlantic'') but did not disclose that it was in discussions with Vodafone Group. This case is in the preliminary phase and AirTouch is not currently able to assess the impact, if any, on the financial position or results of operations of Vodafone AirTouch.

Bell Atlantic filed an action against AirTouch on January 15, 1999, in US federal court seeking an injunction to void clauses of the TOMCOM, L.P. and PrimeCo partnership agreements, which restrict the partners' ability to compete against the partnerships. AirTouch has filed a counterclaim against Bell Atlantic for violations of the partnership agreements. The case is in the preliminary phase and AirTouch is not currently able to assess the impact, if any, on the financial position or results of operations of Vodafone AirTouch.

On March 24, 1999 a class action was filed on behalf of subscribers in the Los Angeles area challenging the assessment of early disconnection charges in connection with renewals of the service agreement period upon acceptance of promotional offers made to subscribers. On June 2, 1999 the Monterey District Attorney and City Attorney of Los Angeles filed a class action asserting identical claims. This case is in the preliminary phase and AirTouch is not currently able to assess the impact, if any, on the financial position or results of operations of Vodafone AirTouch.

On April 8, 1999 a class action was filed on behalf of all subscribers in Michigan challenging AirTouch's assessment of certain charges for calls that pass through wireless networks. Plaintiffs seek injunctive relief and unspecified monetary damages. This case is in the preliminary phase and AirTouch is not currently able to assess the impact, if any, on the financial position or results of operations of Vodafone AirTouch.

ITEM 4. CONTROL OF REGISTRANT

The following table sets forth certain information as of June 29, 1999, with respect to (i) any person who is known to the Company to be the owner of more than 10% of the Company's Ordinary Shares and (ii) the total amount of Ordinary Shares owned by the officers and directors of the Company as a group (10 holders).

Title of Class	Identify of Person or Group	Shares Owned	Percentage of Class
Ordinary shares	Officers and directors as a group	14,595,717	0.24%

Following the Merger and the issue of new Ordinary shares, The Bank of New York held approximately 42% of the Company's Ordinary shares of $0.10 each at July 1, 1999 as nominee for the custodian of the Company's ADR program. There is no other person known to the Company who owns more than 10% of the Ordinary shares of the Company.

ITEM 5. NATURE OF TRADING MARKET

The principal trading market for the Ordinary shares is the London Stock Exchange.

ADSs, each representing ten Ordinary shares, are listed on the NYSE. The ADSs are evidenced by ADRs issued by The Bank of New York, as Depositary under a Deposit Agreement, dated as of October 12, 1988 as amended and restated as of December 26, 1989, as further amended and restated as of September 16, 1991 and as further amended and restated as of June 30, 1999, among Vodafone AirTouch Plc, AirTouch Communications, Inc., the Depositary, and the holders from time to time of ADRs issued thereunder.

The following table sets forth, for the periods indicated, (i) the reported high and low middle market quotations and the quarterly trading volume for the Ordinary shares based on the Turnover Report of the London Stock Exchange and (ii) the reported high and low sales prices and the quarterly trading volume of the ADSs on the NYSE as reported on the composite tape.

	London Stock Exchange			NYSE		
	Pounds Per Ordinary Share		Trading Volume	US Dollars Per ADS		Trading Volume
Fiscal Year	High	Low	(Millions)	High	Low	(Millions)
1995 / 1996						
First Quarter	2.40	1.83	434.1	39.63	29.63	89.8
Second Quarter	2.80	2.31	407.9	45.00	37.38	21.6
Third Quarter	2.74	2.08	616.6	43.25	30.38	130.4
Fourth Quarter	2.52	2.12	535.4	38.50	32.60	25.0
1996 / 1997						
First Quarter	2.67	2.35	445.3	40.38	36.25	28.8
Second Quarter	2.50	2.19	420.8	38.88	34.00	19.7
Third Quarter	2.58	2.22	431.3	43.13	34.75	37.7
Fourth Quarter	2.99	2.47	485.6	48.25	42.10	14.2
1997 / 1998						
First Quarter	3.03	2.66	437.5	49.63	43.38	19.8
Second Quarter	3.34	2.90	486.1	53.81	48.63	8.3
Third Quarter	4.50	3.23	543.9	73.69	54.25	10.8
Fourth Quarter	6.25	4.29	559.6	103.88	68.56	12.5
1998 / 1999						
First Quarter	7.90	5.97	537.1	130.00	100.75	9.5
Second Quarter	9.60	6.78	691.5	154.00	112.75	11.4
Third Quarter	9.98	5.51	577.2	167.00	94.00	8.5
Fourth Quarter	12.64	9.75	1,051.2	197.75	165.75	44.4

On June 30, 1999 the merger between Vodafone Group and AirTouch was completed. At June 29, 1999, approximately 10 million ADSs (equivalent to approximately 103 million Ordinary shares of Vodafone AirTouch or approximately 3% of the total outstanding Ordinary shares) were outstanding.

In connection with the Merger, on June 30, 1999 the nominal value of the Ordinary shares of the Company was redenominated from 5p each to US$0.10 each. Under English Law, a public company is required to have issued share capital with a sterling nominal value of at least £50,000, and accordingly the Company has issued 50,000 7% cumulative fixed rate shares of £1 each in the capital of the Company at par. These shares are not listed for trading on an Exchange.

An ordinary resolution will be proposed at the Company's Annual General Meeting on July 21, 1999 whereby the Directors propose that the Company's authorized share capital be increased by the creation of 32,640,000,000 new Ordinary shares and that a sum of up to US$3,264 million in the Company's share capital account be capitalized in order to issue four fully paid Ordinary shares of US$0.10 for each share held at 9:30 p.m. (GMT) on September 30, 1999. Application will be made to the London Stock Exchange for the new Ordinary shares to be admitted to the Official List and, subject to the passing of the resolution, it is expected that dealings in the new shares will commence on October 1, 1999. Definitive share certificates will be posted to shareholders, and shareholders holding shares in CREST will have their accounts credited, on October 1, 1999. Holders of Vodafone AirTouch ADSs will have their Direct Registration System accounts credited on October 1, 1999 or, if the ADSs are held in certificated form, holders will be sent new certificates by The Bank of New York. The new shares will rank for any dividend declared after September 30, 1999 and in all other respects will rank pari passu with the existing issued Ordinary shares. Following the capitalization (bonus) issue, approximately 23% of the Company's authorized share capital will remain unissued.

ITEM 6. EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

There are no UK government laws, decrees or regulations that restrict or that affect the export or import of capital, including but not limited to, foreign exchange controls on remittance of dividends on the Ordinary shares or on the conduct of Vodafone Group operations, except as otherwise set forth under Item 7, ''Taxation''.

Under English law (and the Company's Memorandum and Articles of Association), persons who are neither residents nor nationals of the United Kingdom may freely hold, vote and transfer Ordinary shares in the same manner as United Kingdom residents or nationals.

ITEM 7. TAXATION

The following is a summary of the principal US federal and UK tax consequences to beneficial owners of ADSs who are residents of the United States (''US Holders'') of the purchase and ownership of ADSs and is not a complete analysis or listing of all of the possible tax consequences of such purchase or ownership. Prospective investors are advised to consult their tax advisors with respect to the tax consequences of the purchase and ownership of ADSs, including specifically the consequences under state and local tax laws. The statements regarding US and UK tax laws set out below are based on those laws in force on the date of this Annual Report.

US Holders will be treated as the owners of the underlying Ordinary Shares for the purposes of the United States-United Kingdom double taxation conventions relating to income and gains (the ''Income Tax Convention'') and to estate and gift taxes (the ''Estate and Gift Tax Convention'') and for the purposes of the US Internal Revenue Code of 1986, as amended.

Dividends paid to a US holder by Vodafone Group or Vodafone AirTouch with respect to ADSs will be taxable as ordinary income to the US holder for US federal income tax purposes to the extent paid out of Vodafone Group's or Vodafone AirTouch's current or accumulated earnings and profits, as determined for United States federal income tax purposes, based on the US dollar value of the dividend on the date the dividend is actually or constructively received by the depositary, in the case of ADSs, or by the US holder, in the case of Vodafone Group and/or Vodafone AirTouch Ordinary shares, calculated by reference to the exchange rate on the relevant date.

Taxation of dividends paid before April 6, 1999 — refund of tax credits

A US Holder who is a resident of the United States for purposes of the Income Tax Convention will generally be entitled under the Income Tax Convention and United Kingdom law to receive, in addition to any dividend received from Vodafone Group, a payment from the UK Inland Revenue (the Treaty payment) in respect of a UK tax credit equal, in relation to dividends paid in the year to April 5, 1999 to 25% of that dividend, but subject to a UK withholding of 15% of the sum of the dividend paid and such Tax Credit.

For example, a dividend of 80p to such a US Holder would give rise to a claim for an additional payment of 20p, making a total entitlement of £1.00 (before US taxes), but subject to a UK withholding of 15p. Thus a US Holder would receive a net amount of 85p.

A Corporate US Holder is treated in the same way as an individual shareholder unless the corporation controls, directly or indirectly, (either alone or with one or more associated corporations) 10% of the voting stock of the company, or is exempt from US tax, in which case different provisions will apply.

A US Holder will not be entitled to claim the tax credit noted above in the following circumstances:

Firstly where the holding of ADSs (a) is effectively connected with a permanent establishment situated in the United Kingdom through which the holder carries on business in the United Kingdom or (b) is effectively connected with a fixed base in the United Kingdom from which the holder performs independent personal services. Secondly, where a US corporation (a) is also a resident of the United Kingdom or (b) is an investment or holding company at least 25% of the capital of which is owned, directly or indirectly, by one or more persons who are neither individual residents or nationals of the United States. In addition, if the US Holder is a United States partnership, trust or estate, the tax credit described above will be available only to the extent that the income derived by such partnership, trust or estate is subject to US tax as the income of a resident either in its hands or in the hands of its partners or beneficiaries, as the case may be. However, if a United States trust or estate is also a resident of the United Kingdom for purposes of the Income Tax Convention, the tax credit described above may not be available.

Taxation of dividends paid after April 5, 1999 (including dividends paid by Vodafone AirTouch)

An individual shareholder resident in the United Kingdom who receives an ordinary dividend paid after April 5, 1999 is entitled to a tax credit of one ninth of the net payment. From this date, the Treaty payment due to an individual resident in the US will be reduced to zero. This is because, as the Treaty payment equals the tax credit less withholding tax at a rate of 15% of the aggregate of the net dividend and tax credit, the withholding tax would exceed the tax credit. For example, for a net dividend of 80p to a UK holder, the tax credit of 9p would be less than the withholding tax of 13p and therefore no Treaty payment would be made. Therefore, A US holder who receives a dividend from Vodafone Group or Vodafone AirTouch after April 5, 1999 would not have any further UK tax to pay in respect of the dividend under the UK-US tax treaty, but will not be able to claim any additional payment.

Under the UK-US tax treaty, a beneficial owner of an ADS and of any cash dividend paid with respect thereto who is a United States person for US federal income tax purposes and who is eligible for benefits under the UK-US tax treaty with respect to income derived in connection with such shares (each such holder referred to as an eligible US holder) and who receives a dividend from Vodafone Group or Vodafone AirTouch, may be entitled to a foreign tax credit for United Kingdom tax withheld. If an eligible US holder is so entitled, the foreign tax credit would be equal to one-ninth of any dividend received and would give rise to additional dividend income in the same amount. Eligible US holders that do not elect, or are not permitted, to claim a foreign tax credit may be entitled to claim a deduction for foreign tax withheld. By reason, in part, of recent amendments to the relevant provisions of United Kingdom tax law, the United States and the United Kingdom have entered into negotiations of a new income tax treaty.

Each US holder is urged to consult his or her tax advisor concerning whether the US holder is eligible for benefits under the UK-US tax treaty and whether, and to what extent, a foreign tax credit or deduction will be available with respect to dividends received from Vodafone Group or Vodafone AirTouch.

Each eligible US holder that relies on the UK-US tax treaty should consider disclosing this reliance on the eligible US holder's US federal income tax return. A US holder that fails to disclose reliance on a treaty where disclosure is required would be subject to penalties under United States federal income tax law.

Distributions by Vodafone AirTouch in excess of current accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a return of capital to the extent of the eligible US holder's basis in its Vodafone AirTouch shares and thereafter as capital gain. Dividends paid by Vodafone AirTouch will not be eligible for the dividends-received deduction allowed to US corporations in respect of dividends received from other US corporations. US holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss on any pounds sterling received on the Vodafone AirTouch shares which are not converted into US dollars on the date the pounds sterling are actually or constructively received by the depositary, in the case of Vodafone AirTouch ADSs, or by the US holder, in the case of Vodafone AirTouch Ordinary shares. For foreign tax credit limitation purposes, dividends paid by Vodafone AirTouch will be income from sources outside of the United States.

It is possible that, after the merger, Vodafone AirTouch will be at least 50% owned by persons treated as United States persons under the US tax code. Under Section 904 (g) of the US tax code, dividends paid by a non-US corporation that is at least 50% owned by US persons may be treated as US source income rather than non-US source income for foreign tax credit purposes to the extent this rule may be to treat a portion of the dividends paid by Vodafone AirTouch as United States source income. Such treatment may adversely effect an eligible US holder's ability to use foreign tax credits. Section 904 (g) (10) of the US tax code permits an eligible US holder to elect to treat Vodafone AirTouch dividends as non-US source income for foreign tax credit limitation purposes if the dividend income is separated from other income items for purposes of calculating the holder's foreign tax credit.

Arrangements for payment of refunds — Dividends paid before April 6, 1999

Arrangements have been made with the UK Inland Revenue under which a US Holder who is entitled to a tax credit being (a) a US corporation with no business managed and controlled in the United Kingdom, (b) an individual resident in the United States and not resident in the United Kingdom or (c) a trust or estate, all of the beneficiaries of which are resident in the United States will receive payment of the tax credit to which such holder is entitled, net of the applicable United Kingdom withholding, together with the payment of the associated cash dividend. Such a US Holder may complete the declaration on the reverse of the dividend check confirming entitlement to the tax credit and present the check for payment within three months of the date of its issue.

A US Holder who wishes to receive a refund but who does not satisfy the requirements described above must make a claim for the payment of such refund in the manner and at the times described in Revenue Procedure 80-18, 1980-1 C.B. 623, and Revenue Procedure 81-58, 1981-2 C.B. 678. Claims for such payment must be made within six years of the end of the United Kingdom year of assessment (generally the 12-month period ending April 5 in each year) in which the related dividend was payable. The first claim by a US Holder for a payment under these procedures is made by sending the appropriate UK form in duplicate to the Director of the Internal Revenue Service (''IRS'') Center with which the holder's last US federal income tax return was filed. Forms may be obtained from the Internal Revenue Service, Assistant Commissioner (International), 950 L'Enfant Plaza South, S.W., Washington, D.C. 20024, Attention: Taxpayer Services Room 2223. Because a claim is not considered made until the UK tax authorities receive the appropriate form from the IRS, forms should be sent to the IRS well before the end of the applicable limitation period. Any claim after the first claim by a US Holder for a payment under these procedures should be filed directly with the UK Inspector of Foreign Dividends, Financial Intermediaries and Claims Office, FitzRoy House, PO Box 46, Nottingham NG2 1BD, England.

As stated earlier, dividends paid to a US Holder together with the UK tax credit referred to above generally will be ordinary income to the holder for US federal income tax purposes, but will not be eligible for the dividends received deduction allowed to corporations. Subject to certain limitations, the applicable UK withholding tax would be treated as a foreign income tax eligible for credit against such holder's US federal income tax liability. Gain or loss, if any, realized on a subsequent sale or other disposition of the pounds sterling will be ordinary income or loss.

Taxation of capital gains

A US Holder who is neither resident nor ordinarily resident for UK tax purposes in the United Kingdom will not be liable for UK tax on gains realized or accrued on the sale or other disposal of ADSs unless that holder carries on a trade, profession or vocation in the United Kingdom through a branch or agency and the ADSs are or have been used, held or acquired for the purposes of such trade, branch or agency. A US Holder will be liable for US federal income tax on such gains to the same extent as on any other gains from sales of stock.

A US citizen who is resident or ordinarily resident in the United Kingdom or trading in the United Kingdom through a branch or agency and has held an ADS for the purposes of such trade, branch or agency, may be liable for both UK and US tax on a gain on the disposal of the ADS.

Similarly, a US corporation resident in the United Kingdom by reason of being managed and controlled in the United Kingdom or trading in the United Kingdom through a branch or agency may be liable for both UK and US tax on a gain on disposal of the ADS. Such holders will generally be entitled, however, to a tax credit against any US federal tax liability for the amount of any UK tax (namely, capital gains tax in the case of an individual and corporation tax on chargeable gains in the case of a corporation) which is paid in respect of such gain.

Inheritance tax

An individual who is domiciled in the United States (for the purposes of the Estate and Gift Tax Convention) and is not a national of the United Kingdom will not be subject to UK Inheritance Tax in respect of the ADSs on the individual's death or on a transfer of the ADS during the individual's lifetime, provided that any applicable US federal gift or estate tax is paid, unless the ADS is part of the business property of a UK permanent establishment of an enterprise or pertains to a UK fixed base of an individual used for the performance of independent personal services. Where the ADS has been placed in trust by a settlor, the ADS may be subject to UK Inheritance Tax unless the settlor was, when the trust was created, domiciled in the United States and not a UK national. The Estate and Gift Tax Convention generally provides a credit for the amount of any tax paid in the United Kingdom against the US federal tax liability in a case where the ADS is subject both to UK Inheritance Tax and to US federal gift or estate tax.

UK Stamp Duty and Stamp Duty Reserve Tax

Stamp Duty will, subject to certain exceptions, be payable at the rate of 1½% on any instrument transferring Ordinary shares to the Custodian of the Depositary on the value of such Ordinary Shares. In accordance with the terms of the Deposit Agreement, any tax or duty payable by the Depositary or the Custodian of the Depositary on deposits of Ordinary shares will be charged by the Depositary to the party to whom ADRs are delivered against such deposits.

No Stamp Duty will be payable on any transfer of an ADR, provided that the ADR (and any separate instrument of transfer) is executed and retained at all times outside the United Kingdom. A transfer of an ADR in the United States will in such circumstances not give rise to Stamp Duty. A transfer of an ADR in the United Kingdom could attract Stamp Duty at a rate of ½%. Any transfer (which will include a transfer from the Custodian of the Depositary or the Depositary to an ADR holder) of the underlying Ordinary shares could result in a Stamp Duty liability at the rate of ½%. The amount of Stamp Duty payable is generally calculated at the applicable rate on the purchase price of the Ordinary shares. There is no charge to add valorem Stamp Duty on gifts. On a transfer from nominee to beneficial owner (the nominee having at all times held the Ordinary Shares on behalf of the transferee) under which no beneficial interest passes and which is neither a sale nor arises under a contract of sale nor is in contemplation of sale, a fixed 50p Stamp Duty will be payable.

Stamp Duty Reserve Tax will be payable on any agreement to transfer Ordinary shares or any interest therein unless an instrument transferring the Ordinary shares or that interest is executed and stamped within two months of the date on which the agreement is made, or, where the agreement is conditional, within two months of the day on which the condition is satisfied. Stamp Duty Reserve Tax will generally be payable at the rate of ½%, but will be payable at a maximum rate of 1½% in the case of a transfer into a depositary receipt facility (such as established under the Deposit Agreement) or to a nominee for a clearance service. Except as set forth above, Stamp Duty

Reserve Tax or Stamp Duty will not be payable in connection with any transfer of or on any agreement to transfer ADRs or Ordinary shares or any interest therein. There are legislative provisions in place to abolish Stamp Duty and Stamp Duty Reserve Tax in the above circumstances at a date in the future which is to be determined.

Backup withholding

A US Holder may, under certain circumstances, be subject to United States ''backup withholding'' at a rate of 31% with respect to dividends paid on or the proceeds of a sale, exchange or redemption of ADSs, unless such holder (a) is a corporation or is otherwise exempt from backup withholding or (b) provides an accurate taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules.

ITEM 8. SELECTED FINANCIAL DATA

The selected consolidated financial data set out on the following pages should be read in conjunction with the Consolidated Financial Statements of Vodafone Group for the three years ended March 31, 1999, which appear elsewhere in this Annual Report. The UK statutory financial statements of Vodafone Group for the year ended March 31, 1999 will be delivered to the United Kingdom's Registrar of Companies. The selected consolidated financial data for the five years ended March 31, 1999 are derived from the Consolidated Financial Statements of Vodafone Group.

Consolidated profit and loss account data:

	Year ended March 31,					
	1999	1999	1998	1997	1996	1995
	$m	£m	£m	£m	£m	£m
Amounts in accordance with UK GAAP(1)	(Except per Ordinary share and per ADS data)					
Turnover	5,423.0	3,360.0	2,470.8	1,749.0	1,402.2	1,152.6
Profit for the financial year	1,027.6	636.7	418.8	363.8	309.8	237.4
Basic earnings per Ordinary share(2)	0.34	0.21	0.14	0.12	0.10	0.08
Basic earnings per ADS(2)	3.32	2.06	1.36	1.19	1.02	0.78
Cash dividends per Ordinary share(3)	0.10	0.06	0.06	0.05	0.04	0.03
Cash dividends per ADS(3)	1.03	0.64	0.55	0.48	0.40	0.33
Approximate amounts in accordance with US GAAP(1)						
Turnover	5,423.0	3,360.0	2,470.8	1,749.0	1,402.2	1,152.6
Profit for the financial year	823.8	510.4	374.2	342.2	293.7	203.3
Basic earnings per Ordinary share(2)	0.27	0.17	0.12	0.11	0.10	0.07
Diluted earnings per Ordinary share	0.26	0.16	0.12	0.11	0.10	0.07
Basic earnings per ADS(2)	2.66	1.65	1.22	1.12	0.96	0.67

Consolidated balance sheet data:

	At March 31,					
	1999	1999	1998	1997	1996	1995
	$m	£m	£m	£m	£m	£m
Amounts in accordance with UK GAAP(1)						
Total assets	5,880.8	3,643.6	2,502.3	2,421.8	1,763.4	1,409.5
Long-term debt	1,834.6	1,136.7	643.2	522.9	140.0	140.0
Approximate amounts in accordance with US GAAP(1)						
Total assets	7,617.0	4,719.3	4,026.0	3,019.2	2,001.2	1,662.9
Long-term obligations	1,848.7	1,145.4	652.0	522.9	140.0	140.0

(1) The consolidated financial statements of Vodafone Group are prepared in accordance with UK GAAP, which differ in certain significant respects from US GAAP. For further details, see Note 32 of Notes to Consolidated Financial Statements.

(2) Basic earnings per Ordinary share is calculated under UK GAAP and under US GAAP by dividing net income in each case by 3,044,000,000, 3,052,000,000, 3,060,000,000, 3,073,000,000 and 3,089,000,000, the approximate weighted average number of Ordinary shares outstanding at March 31, 1995, 1996, 1997, 1998 and 1999 respectively. See Note 9 of Notes to Consolidated Financial Statements. Earnings per ADS is calculated by multiplying earnings per Ordinary share by 10, the number of Ordinary shares per ADS.

(3) Cash dividends are set out below:

	Dividends	
Year	Interim	Final
	£m	£m
1995	49.9	51.8
1996	60.2	62.4
1997	72.2	75.3
1998	83.4	86.9
1999	196.8*	—

* For the year ended March 31, 1999 the directors declared a first interim dividend of £96.5 million on November 17, 1998, which was paid on February 12, 1999. Due to the timing of the Merger, rather than propose a final dividend for the year, the directors declared a second interim dividend, amounting to £100.3 million, on June 8, 1999.

Dividends

The table below sets forth the amounts of interim, final and total cash dividends paid and proposed in respect of each fiscal year indicated both in pounds sterling per Ordinary Share and translated, solely for convenience, into US dollars per Ordinary Share at the Noon Buying Rate on each of the respective payment dates for such interim and final dividends, in both cases net of the associated ACT referred to in Item 7 of this Annual Report.

	Pounds Per Ordinary share			Translated into US dollars Per Ordinary share		
Years ended March 31	Interim	Final	Total	Interim	Final	Total
1995	0.016	0.017	0.033	0.026	0.028	0.054
1996	0.020	0.020	0.040	0.031	0.032	0.063
1997	0.024	0.024	0.048	0.039	0.039	0.078
1998	0.027	0.028	0.055	0.044	0.046	0.090
1999	0.064*	—	0.064	**	**	**

* The interim dividend of £0.064 per Ordinary share comprises a first interim dividend of £0.031 per Ordinary share, which was paid on February 12, 1999, and a second interim dividend of £0.033 per Ordinary share declared by the directors on June 8, 1999.

** The equivalent value in US dollars of the first interim dividend, which was paid on February 12, 1999, was $0.054 per Ordinary share. The second interim dividend will be payable in US dollars to ADR holders under the terms of the deposit agreement.

Dividends have historically been paid semi-annually, with the regular interim dividend with respect to the first six months of Vodafone Group's year payable in February and the regular final dividend with respect to the second six months of Vodafone Group's fiscal year payable in August. The directors expect that Vodafone AirTouch will continue to pay semi-annual dividends on Vodafone AirTouch Ordinary shares. The amount of future dividends of Vodafone AirTouch will be dependent on its earnings and financial condition and other factors affecting its business.

Taxation of dividends

Beneficial owners of ADSs who are resident in the United States should refer to Item 7: Taxation, for a discussion of the relevant law applicable to them. Definitive advice should be sought from your tax advisor to determine the actual impact of US law with respect to your individual profile.

Exchange rates

Cash dividends, if any, will be paid by Vodafone AirTouch in respect of the Ordinary shares in pounds sterling, and exchange rate fluctuations will affect the US dollar amounts received by holders of ADRs on conversion by the Depositary of all such cash dividends paid. Moreover, fluctuations in the exchange rate between the pound sterling and the US dollar will affect the US dollar equivalent of the pound sterling price of the Ordinary shares on The London Stock Exchange and, as a result, will affect the market price of the ADSs in the United States.

The following table sets forth, for the periods and dates indicated, the period end, average, high and low Noon Buying Rates for pounds sterling expressed in US dollars per £1.00.

Years ended March 31	Period end	Average*	High	Low
1995	1.62	1.56	1.64	1.46
1996	1.53	1.56	1.62	1.50
1997	1.64	1.60	1.71	1.49
1998	1.68	1.65	1.70	1.58
1999	1.60	1.65	1.72	1.60

* The average of the Noon Buying Rates on the last day of each full month during the period.

ITEM 9. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on the Consolidated Financial Statements included elsewhere in this Annual Report. Such Consolidated Financial Statements are prepared in accordance with UK GAAP, which differ in certain significant respects from US GAAP. Reconciliations of the material differences in such Consolidated Financial Statements to US GAAP are set forth in Note 32 of Notes to Consolidated Financial Statements.

Because the merger with AirTouch was completed on June 30, 1999 the following discussion does not take into account the results of operations or financial condition of AirTouch.

Results of Operations

	Year ended March 31,		
	1999	1998	1997
	£m	£m	£m
Income and expenses items			
Sales	3,360	2,471	1,749
Cost of sales, selling, distribution and administrative expenses	2,513	1,844	1,254
Total Group operating profit	963	686	539
Net interest expense	94	61	26
Profit for the financial year	637	419	364

Fiscal 1999 compared to Fiscal 1998

Turnover

Vodafone Group's turnover increased by £889.2 million (36%) from £2,470.8 million for the year ended March 31, 1998 to £3,360.0 million for the year ended March 31, 1999. Turnover growth in the Group's international businesses was 82% whilst growth in the United Kingdom was 18%.

Vodafone's turnover, including sales to fellow subsidiaries, for the year ended March 31, 1999 grew by 23% to £1,651.3 million from £1,342.3 million. In the twelve months to March 31, 1999, an additional 2,145,000 customers connected to the Vodafone network, including 1,648,000 PAYT customers, an increase of 281% over the total growth of 563,000 achieved in the previous financial year. Net customer growth is gross additions less customers who leave or are disconnected from the network. Customers continued to be encouraged to migrate from the analog network to the digital network, although the level of migrations decreased to 155,000 from the peak of 317,000 in 1997. Approximately 2,142,000 net customers joined the digital network, including 155,000 customers who migrated from the analog network. The number of customers on the analog network increased by 3,000 customers, net of migrations and disconnections in the year. Turnover from Vodafone's digital networks grew from approximately £1,030.0 million in the year ended March 31, 1998 to £1,459.3 million in the year ended March 31, 1999. Average revenue per contract customer for the financial year ended March 31, 1999, remained relatively stable at £423. This was achieved by a 8% increase in minutes' usage over the year offset by planned price reductions for both incoming and outgoing calls. Average revenue per PAYT customer is calculated to be £159 per annum, a 10.4% increase on the same figure at September 30, 1998, the first date for which comparable data has been available. Overall average revenue per customer (both contract and PAYT) has declined from £419 last year to £378 this year due to the effect of the increase in the PAYT customer base.

The reorganization of Vodafone Group's six UK service providers into three distribution business in July 1997 has contributed to an increase in turnover from £893.9 million in 1998 to £1,030.2 million in 1999, primarily as a result of the growth in customer numbers at over five times the level achieved in the previous year. The data group of companies, comprising the businesses of Vodafone Value Added and Data Services and Vodafone Paging, increased turnover from £107.8 million in 1998 to £111.8 million in 1999.

In 1999, turnover from international operations increased by £573.4 million to £1,272.5 million and represented 38% of the Group's total turnover, compared to 28% in 1998. In Continental Europe, the increase in turnover from £502.5 million to £944.9 million was due to the acquisition of a controlling interest, in January 1998, in the Dutch network operator, Libertel, and its primary service provider, and strong turnover growth in the Netherlands and Greece, primarily reflecting the growth in their customer bases. The growth in turnover in the Pacific Rim businesses from £196.6 million to £327.6 million arose primarily from an increase of 78% in the customer base in Australia, and £36.0 million from the acquisition of Vodafone New Zealand Limited during the year.

Operating costs

Cost of sales has increased from £1,264.8 million in 1998 to £1,809.2 million in 1999, representing 53.8% of turnover in 1999, up from 51.2%. Vodafone Group's cost of sales consists primarily of financial incentives to service providers and dealers, payments to landline operators for delivering calls outside the Vodafone Group networks and for providing landline or microwave links, depreciation of network infrastructure, costs of customer equipment sold by service providers, and network operating costs. Vodafone Group's cost of sales as a proportion of turnover increased in 1999 due primarily to increases in the level of payments of financial incentives in relation to the increase in customer growth. Vodafone Group's cost of providing financial incentives to service providers and dealers for obtaining new customers amounted to £416.6 million in 1999 compared with £246.0 million in 1998.

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

International operations made a total operating profit of £319.4 million (1998 — £122.4 million). This increase has arisen from improved trading in all of the Group's principal overseas interests. Total operating profit in Continental Europe rose by £119.5 million due to growth in the profitability of all the Group's European operations and the benefit of a full year's trading from Libertel as a subsidiary. The improved trading performance of the Pacific Rim businesses, which made a total operating profit of £8.9 million, compared to losses of £59.2 million in the previous year, was due to the Australian businesses moving through break-even and achieving an overall profit in the financial year. Profits increased in the Rest of the World to £53.1 million, up by 22%, primarily arising in the Group's associated undertakings in South Africa.

The overall level of churn, which is the overall rate of customers leaving the Vodafone service as a percentage of total customers, was 26.0%, a decrease of 3.0% on the previous year. The decreased level of churn in 1999 reflects a 1.2% reduction in contract churn to 27.8% and the impact of PAYT churn, which is presently around 20%. There is an insufficient period to assess a realistic ongoing level of PAYT churn, but it is expected to rise as the company's policy is that PAYT customers are disconnected six months after the utilization of their prepay credit.

Vodafone Group's research and development costs for 1999 were £36.8 million compared with £33.6 million in 1998. These figures include costs relating to Vodafone Group engineers who work closely with equipment suppliers to assist those suppliers in developing systems and equipment to meet Vodafone Group's needs.

Selling and distribution costs were £209.7 million and £242.9 million in the years ended March 31, 1998 and 1999 representing 8.5% and 7.2% of turnover for the years respectively. After adjusting for the exceptional costs of reorganizing the UK service providers in 1998, which amounted to £19.7 million, selling and distribution costs represented 7.7% of 1998 turnover and the underlying increase in these costs during fiscal 1999 was 27.8%. This increase is attributable to the consolidation of Libertel and Libertel Verkoop en Services for a full twelve months, the costs associated with continued development of the Vodafone brand in the UK and overseas markets and the increased costs of administration arising from the continuing growth in the business.

Profit on ordinary activities before interest

During 1999, Vodafone Group's profit on ordinary activities before interest increased by 44.7% from £711.3 million to £1,029.3 million, rising at a faster rate than turnover due to the impact of the increased profits from the Group's international subsidiary and associated undertakings, an increase in profits from the disposal of fixed asset investments and a reduction in exceptional costs (£19.7 million) associated with the reorganization of the service provider business in 1998, off-set by the adverse impact of exchange rates on profit of £22.7 million and the cost of financial incentives paid to service providers and dealers in connection with customer growth. The profit on disposal of fixed asset investments of £66.7 million in 1999, compared with £24.9 million in 1998, arose from the reduction in the Group's interest in Globalstar from 5.2% to 3.0%, on a diluted basis, the profit on disposal of the Group's French service provider business operated by Vodafone SA and an adjustment to profits in relation to 1998 business disposals following finalization of the relevant completion accounts.

Net interest payable

In 1999, net interest payable, including the Group's share of associate interest, increased by £33.0 million to £94.1 million from £61.1 million as net borrowings increased by £391.0 million to £1,508.0 million, principally to finance international acquisitions.

Taxation

In 1999, Vodafone Group provided for corporation tax at an effective rate of approximately 27.0%, compared with the UK statutory rate of 31%. This effective tax rate fell by 4.3% from 31.3%, primarily as a result of the utilization of brought forward losses in international operations. Excluding the effect of the disposal of fixed asset investments, the effective rate decreased from 32.5% to 28.7%.

Fiscal 1998 compared with Fiscal 1997

Turnover

Vodafone Group's turnover increased by £721.8m (41%) from £1,749.0 million in 1997 to £2,470.8 million in 1998. Turnover growth in the Group's international businesses was 159% whilst growth in the United Kingdom was 20%.

Vodafone's turnover, including sales to fellow subsidiaries, for the year ended March 31, 1998 grew by 13% to £1,342.3 million from £1,187.1 million. In the twelve months to March 31, 1998, an additional 563,000 customers connected to the Vodafone network, an increase of 36% over the net growth of 415,000 achieved in the previous financial year. Net customer growth is gross additions less customers who leave or are disconnected from the network. Customers continued to be encouraged to migrate from the analog network to the digital network, although the level of migrations decreased to 284,000 from the peak of 317,000 in 1997. Approximately 1,086,000 net customers joined the digital network, including 284,000 customers who migrated from the analog network, while the number of customers on the analog network declined by 523,000 in the year. Turnover from Vodafone's digital networks grew from approximately £559 million in the year ended March 31, 1997 to £1,030.0 million in the year ended March 31, 1998. Average revenue per customer for the financial year ended March 31, 1998, excluding the recently launched Pay as You Talk service, remained unchanged at £427. A stable average revenue per customer was achieved by a 14% increase in minutes' usage over the year offset by planned price reductions for both incoming and outgoing calls.

In July 1997, Vodafone Group announced a reorganization of its six UK service providers into three distribution businesses operating under the new Vodafone identity and these businesses saw their turnover increase from £622.6 million in 1997 to £893.9 million in 1998 primarily as a result of the growth in customer numbers. The data group of companies comprising Vodafone Value Added Services, Vodafone Paging and Vodafone Data Network increased turnover from £96.5 million in 1997 to £107.8 million in 1998.

In 1998 turnover from international operations increased by £429.0 million to £699.1 million and represented 28% of the Group's total turnover, compared to 15% in 1997. In Continental Europe, the increase in turnover from £139.8 million to £502.5 million was due to the acquisition of a controlling interest in the Dutch network operator Libertel and its primary service provider in January 1998, and the continuing impact of the consolidation of Panafon of Greece, a majority interest in which was acquired in February 1997. In the Pacific Rim, strong turnover growth in Australia, where Vodafone Network Pty's customer base grew by 99%, resulted in an increase in turnover from £130.3 million to £196.6 million.

Operating costs

Cost of sales increased from £916.5 million in 1997 to £1,264.8 million in 1998 representing 51.2% of turnover in 1998, down from 52.4%. Vodafone Group's cost of sales consists primarily of financial incentives to service providers and dealers, payments to landline operators for delivering calls outside the Vodafone Group networks and for providing landline or microwave links, depreciation of network infrastructure, costs of customer equipment sold by service providers, and network operating costs. Vodafone Group's cost of sales as a proportion of turnover decreased in 1998 due primarily to a reduction in the cost of customer equipment and a fall in the level of payments of financial incentives to service providers in relation to turnover, offset by the costs associated with the reorganization of the UK service providers. Vodafone's cost of providing financial incentives to service providers for obtaining new customers amounted to £246.0 million in 1998 compared with £211.0 million in 1997.

In the UK, operating profit rose by 8% to £564.0 million. This grew at a slower rate than turnover due to the impact of the lower margin service providers acquired in the previous financial year and exceptional costs of £19.7 million associated with the reorganization of the service provider businesses.

International operations made a total operating profit of £122.4 million (1997 — £18.0 million). The adverse impact of exchange rates on profit was £19.7 million and primarily arose as a result of the strength of sterling against the Greek Drachma. The largest contribution to the advance in total operating profit was achieved in Continental Europe, which improved by £106.4 million as Panafon continued to trade strongly and its results were fully consolidated for a full twelve months. Net losses in the Pacific Rim increased by £20.2 million to £59.2 million, primarily due to the Australian businesses. Profits increased in the Rest of the World to £43.7 million, primarily arising in the Group's associated undertakings in South Africa. The South African businesses continued to perform strongly.

The overall level of churn experienced by Vodafone during the year ended March 31, 1998 as a percentage of customers was 29.0%, an increase of 1.6% on the previous year. The main reason for the increased level of churn in 1998 is the high level of lower spending analog customers who did not wish to retain their telephone numbers, finding it cheaper to move to the digital service by churning rather than migrating as high street competition intensified. Digital churn was 20.3% while analog churn was 47.4%.

Vodafone Group's research and development costs for 1998 were £33.6 million compared with £33.3 million in 1997. These figures include costs relating to Vodafone Group engineers who work closely with equipment suppliers to assist those suppliers in developing systems and equipment to meet Vodafone Group's needs.

Selling and distribution costs were £123.6 million and £209.7 million in the years ended March 31, 1997 and 1998 representing 7.1% and 8.5% of turnover for the years respectively. In 1998, selling and distribution costs increased by 70% compared with 1997. This increase is attributable to the consolidation of Panafon and Panavox for a full twelve months, the acquisition of a majority interest in Libertel and Liberfone in the year, the costs associated with higher levels of advertising in the UK, the costs of reorganizing the UK service providers and the increased cost of administration arising from the continuing growth in the business. The costs in relation to the reorganization of the Group's six wholly owned United Kingdom service provision companies into three distribution businesses include amounts for redundancies and costs associated with the rationalization of the retail shop chain.

Profit on ordinary activities before interest

During 1998, Vodafone Group's profit on ordinary activities before interest increased by 25.9% from £564.8 million to £711.3 million, rising at a slower rate than turnover due to the impact of the lower margin UK service providers acquired in the previous financial year, the exceptional costs associated with the reorganization of the service provider businesses and the adverse impact of exchange rates on profit (£19.7 million). The profit on disposal of fixed asset investments of £24.9 million in 1998, compared with £25.9 million in 1997, arose from the sale of the Group's 35% holding in Pacific Link, the reduction in the Group's interest in Globalstar from 6.1% to 5.2% on a diluted basis, and from the sale of the Group's 16% interest in Cellphones Direct (Holdings) Limited.

Net interest payable

In 1998, net interest payable, including the Group's share of associate interest, increased by £35.4 million to £61.1 million from £25.7 million as net borrowings increased by £436.4 million to £1,117.0 million principally to finance international acquisitions.

Taxation

In 1998, Vodafone Group provided for corporation tax at an effective rate of approximately 31.3%, compared with the UK statutory rate of 31%. This effective tax rate fell by 0.6% from 31.9% as a result of the beneficial impact of the reduction in the UK corporation tax rate from 33% to 31% offset by higher tax overseas, particularly in Greece where brought forward losses have now been fully utilized and the corporation tax rate increased by 5% to 40%.

Inflation

Inflation has not had a significant effect on Vodafone Group's results of operations and financial condition during the three years ended March 31, 1999.

Liquidity and Capital Resources

The major sources of Group liquidity over the three years ended March 31, 1999 have been cash generated from operations, cash received from the issue of debt in the capital markets and borrowings drawn from committed bank facilities.

Cash generated by operating activities was £1,045.2 million in 1999, £886.4 million in 1998 and £627.9 million in 1997. The increase from 1998 to 1999 was primarily due to an increase in operating profit, including consolidation of the Dutch businesses in which a majority interest was acquired in January 1998, partly offset by movements in working capital. The increase from 1997 to 1998 was mainly due to an increase in operating profit, favorable working capital movements and, in addition, the impact of the consolidation of Panafon, a majority interest in which was acquired in February 1997.

Net cash flow generated by operating activities was used mainly to fund capital expenditure, pay tax, finance interest and dividends to minority shareholders and pay equity dividends.

New investments in 1999 of £343.9 million (1998 — £584.7 million), which primarily comprise equity investments, were financed principally by increased debt. The significant equity investments in the year were in relation to Vodafone New Zealand (£234.6 million) and Misrfone (£63.1 million).

At March 31, 1999 Vodafone Group's network infrastructure fixed assets totaled £1,752.6 million, and represented approximately 82% of Vodafone Group's tangible fixed assets, an increase from £1,307.7 million at March 31, 1998. In 1999, fixed assets, with a net book value of £99.9 million, were acquired by the acquisition of subsidiary undertakings. Additions to network infrastructure in the year totaled £529.7 million compared to £368.1 million in the year ended March 31, 1998. Overseas capital expenditure in the 1999 financial year amounted to £327.7 million (1998 — £206.7 million) and was attributable to expenditure on digital networks in Australia, Greece, the Netherlands and New Zealand.

At March 31, 1998 Vodafone Group's network infrastructure fixed assets totaled £1,307.7 million, and represented approximately 83% of Vodafone Group's tangible fixed assets, an increase from £1,039.4 million at March 31, 1997. In 1998, fixed assets with a net book value of £173.1 million were acquired by the purchase of subsidiary undertakings. Additions to network infrastructure in the year totaled £368.1 million compared to £316.5 million in the year ended March 31, 1997. Overseas capital expenditure in the 1998 financial year amounted to £206.7 million (1997 — £164.2 million) and was mostly attributable to expenditure on digital networks in Australia, Greece and the Netherlands.

The companies in the Vodafone Group at March 31, 1999 expect to spend approximately £1,000 million on capital expenditure in 1999/2000. About half of this expenditure will be in the UK, where capacity continues to be added to the digital network to accommodate growth in customer numbers and traffic generated by visitors. The balance will be expended primarily on the digital networks in Australia, Greece and the Netherlands to enhance capacity and maintain a high quality of service.

In 1999, £17.6 million was spent on additional frequency spectrum in Australia. Expenditure in 1998 of £24.9 million was in respect of frequency spectrum in the Netherlands.

From 1998 to 1999, net current liabilities, excluding debtors due in more than one year, decreased by £93.4 million, with trade creditors, other creditors and accruals and deferred income increasing by £17.4 million, £15.7 million and £121.5 million respectively, due to both acquisitions in the period and increased turnover. Current taxation liabilities increased by £46.4 million with the increased tax charge on profits. The final dividend increased by £13.4 million over the prior year. Net borrowings within working capital, comprising short term bank loans, other loans and overdrafts, commercial paper, cash at bank and liquid investments, decreased by £102.7 million, as short term debt was replaced with long term bank loans of £488.6 million. Debtors due within one year increased by £190.3 million, due to the effect of acquisitions in the year and increased turnover.

From 1997 to 1998, net current liabilities, excluding debtors due in more than one year, increased by £328.3 million. Trade creditors and accruals and deferred income increased by £28.7 million and £110.9 million respectively due to increased turnover. Current taxation liabilities increased by £29.1 million with the increased tax charge on profits. The dividend payable increased by £11.6 million over the prior year. Net borrowings within working capital comprising short term bank, other loans and overdrafts, commercial paper, cash at bank and liquid investments increased by £316.1 million due to continued investment in capital expenditure in both UK and overseas operations in addition to overseas investment expenditure. Debtors due within one year increased by £108.1 million due to increased turnover and acquisitions made in the year.

At March 31, 1999 and 1998 Vodafone Group had net borrowings of £1,508.0 million and £1,117.0 million respectively. Long term debt at March 31, 1999 and March 31, 1998 was £1,136.9 million and £643.2 million respectively. At both dates, long term debt comprised two £250 million Eurobonds, repayable in 2001 and 2004 respectively, in addition to bank loans of £606.1 million and £117.5 million respectively. A substantial proportion of the debt maturing within one year is commercial paper, issued under the Group's £800 million multi-currency Euro commercial paper program, which is fully supported by committed bank facilities that expire in the period to November 2003.

Vodafone Group has a strong financial position demonstrated by credit ratings of A-1/P-1 short term and A+/A2 long term from Standard and Poor's and Moody's respectively. This financial position enables the Group to access a wide range of debt finance including Eurobonds, commercial paper and committed bank facilities. Following completion of the merger with AirTouch, the Standard and Poor's long-term rating was adjusted and the ratings continue to be investment grade at A-1/P-1 short-term and A/A2 long term. At March 31, 1999 the Vodafone Group had committed facilities of £2,068.6 million comprising two £250 million Eurobonds repayable in 2001 and 2004 and committed bank facilities of £1,568.6 million with an average expiry of approximately 2.9 years.

On April 16, 1999 Vodafone Group entered into a facility for $10.5 billion with a syndicate of lenders to finance the merger with AirTouch. This facility was reduced to $10.0 billion on May 20, 1999. The facility is split into three tranches. Tranche A is a $4 billion revolving loan facility and Tranche B is a $2.5 billion term loan facility, each of which is available for 364 days with the option to extend the repayment of advances under those tranches for a further year. Tranche C is a $3.5 billion revolving loan facility, available for five years. Advances may be drawn in US dollars, Sterling or Euros. Advances under the facility bear interest at a rate per annum equal to the sum of (i) the applicable margin, (ii) LIBOR and (iii) the cost to the lenders of complying with capital adequacy and other regulatory requirements. The applicable margin varies for each of the three tranches according to the credit rating assigned to Vodafone AirTouch at the relevant time, and ranges from 0.45% to 0.55% based on existing credit ratings. In addition, there is a tranche utilization fee, which ranges from 0% to 0.10% per annum on usage. Commitment fees of 0.125% per annum for Tranches A and B and 40% of the margin for Tranche C are also payable on undrawn amounts of the facility.

Upon completion of the merger, this facility became available for drawing. Vodafone Group withdrew an advance under the facility of an aggregate of approximately $4.7 billion in order to fund part of the cash portion of the consideration to be paid by Vodafone Group in the Merger and, concurrently, two of Vodafone Group's existing syndicated facilities of NLG 1.2 billion and £330 million were cancelled. AirTouch's existing syndicated credit facility dated July 20, 1995, and amounting to $2 billion, was also cancelled on drawing of the new facility.

Exchange Rates

Due to the significance of the Group's UK operations in relation to the Vodafone Group as a whole, and because of the wide diversity of foreign currency investments, movements in exchange rates have had no material impact on the Vodafone Group's profit and loss account in any of the two years ended March 31, 1998 and 1999. As noted above, the adverse impact of movements in exchange rates on the Group's operating profit was £22.7 million in fiscal 1999 compared to £19.7 million in fiscal 1998.

Year 2000 Readiness Disclosure

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

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

The Vodafone Group is operating to policies which seek to ensure that the businesses and all operations of the Vodafone Group meet the definition of Year 2000 conformity, as set out in DISC PD2000-1:1998 ''A Definition of Year 2000 Conformity Requirements'' issued by the British Standards Institution, a copy of which is available from http://www.bsi.org.uk/disc/year2000.html. The Vodafone Group's planned remediation and millennium testing activities in the UK were successfully completed for all essential systems by the target date of December 31, 1998. Rollout of the networks in the UK has been completed and no errors have been found. Rollout of other systems is continuing through 1999 and is on course to meet the respective target dates. Activities being conducted or already completed in 1999 include transition and contingency planning (including plans for the substitution of alternative resources in the event of failure of outside agencies), business scenario testing and completing millennium activities for all non-critical systems.

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

The Vodafone Group incurred costs in relation to Year 2000 compliance of approximately £14 million in fiscal 1999, and £4 million in fiscal 1998, although many costs are not separately identifiable as millennium modifications are often embodied in software purchased and developed in the normal course of business. The Company is satisfied that the total future amount will not be material to its future profitability or liquidity.

For a description of the implications of Year 2000 preparations on the AirTouch businesses see ''Item 1. Business — Year 2000 Readiness'' on AirTouch's Annual Report on Form 10-K for the year ended December 31, 1998, and ''Part I; Item 2 — Year 2000 Readiness Disclosure'' in AirTouch's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999, which are incorporated herein by reference.

Introduction of the single European currency

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

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

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

Accounting principles

The Consolidated Financial Statements in respect of the year ended March 31, 1999 comply with five new accounting standards issued by the Accounting Standards Board in the United Kingdom. The new Financial Reporting Standards (''FRS'') are described below, together with an explanation of their impact on the Consolidated Financial Statements:

FRS 10 — ''Goodwill and Intangible Assets'', which applies to accounting periods ended on or after December 23, 1998. Adoption of FRS 10 has necessitated a change in accounting policy in relation to the treatment of goodwill arising from acquisitions, which is now capitalized and amortized over its estimated useful economic life. As permitted by FRS 10, goodwill arising on acquisitions prior to March 31, 1998 has not been reinstated.

FRS 11 — ''Impairment of Fixed Assets and Goodwill'', which applies to accounting periods ended on or after December 23, 1998. Adoption of FRS 11 has not had an impact on the Consolidated Financial Statements for fiscal 1999.

FRS 12 — ''Provisions, Contingent Liabilities and Contingent Assets'', which applies to accounting periods ended on or after March 23, 1999. The implementation of FRS 12 has required certain balances previously reported within ''Creditors: amounts falling due within one year'' to be reanalyzed and disclosed within ''Provisions for liabilities and charges''. Accordingly, the comparative balances at March 31, 1998 have been restated by £5.9 million.

FRS 13 — ''Derivatives and Other Financial Instruments: Disclosures'', which applies to accounting periods ended on or after March 23, 1999. The implementation of FRS 13 has required additional disclosures to be made in relation to derivatives and other financial instruments. Where appropriate, comparative balances for the year ended March 31, 1998 have also been presented in these accounts.

FRS 14 — ''Earnings Per Share'', which applies to accounting periods ended on or after 23 December 1998. The implementation of FRS 14 has required changes to the methodology for calculating diluted earnings per share and the disclosure of both basic and diluted earnings per share, regardless of whether the difference is material. Accordingly, under UK GAAP, diluted earnings per share has been calculated and disclosed for the years ended March 31, 1998, 1997 and 1996.

US GAAP reconciliation

The principal differences between US GAAP and UK GAAP, as they relate to Vodafone Group, are the treatment of deferred taxation, the methods of accounting for goodwill for acquisitions completed before March 31, 1998, the methods of amortizing license fees, the methods of calculating pension costs, the treatment of dividends declared or proposed after the year end by the Board of directors and the defeasance of liabilities.

For a further explanation of the differences between UK GAAP and US GAAP, see Note 32 of Notes to Consolidated Financial Statements.

ITEM 9A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Group's treasury function provides a centralized service to the Group for funding, foreign exchange, interest rate management and counterparty risk management. Treasury operations are conducted within a framework of policies and guidelines authorized and reviewed annually by the Board of the Company and are reported regularly to the Board. The Group uses a number of derivative instruments, which are transacted for risk management purposes only, by specialist treasury personnel. The internal control environment is reviewed regularly by the Group's internal auditors. There was no change during the year, or in the period prior to the Merger, to the major financial risks faced by the Vodafone Group or to Vodafone Group's approach to the management of those risks.

Prior to completion of the Merger the Vodafone Group's main interest rate exposure was to Sterling, Euro and Australian Dollar interest rates. Under Vodafone 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 swaps, futures and forward rate agreements. At the end of the year, 51% (1998 — 55%) of the Group's gross borrowings were fixed for a period of at least one year. Based on all interest rate sensitive instruments, a one hundred basis point rise in market interest rates for all currencies in which the Group had borrowings at March 31, 1999 and 1998 would affect profit before taxation by less than one percent, primarily due to the proportion of fixed interest rate debt. Following completion of the Merger, Vodafone AirTouch's main interest rate exposure is to Euro, Sterling and US Dollar interest rates. The interest rate management policy remains unaffected.

Vodafone Group's policy is to borrow centrally using a mixture of long term and short term loans 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 capitalization to net debt and net cash flow to net debt, which establish internal limits for the maximum level of debt that the Group may have outstanding. On May 24, 1999 slight modifications were made to these ratios to accommodate issues facing the Group following the Merger. These ratios are shared with the credit rating agencies. At March 31, 1999 total Group interest, excluding that of associated undertakings, is covered 15 times by Group EBITDA (Group operating profit before exceptional reorganization costs, plus depreciation and amortization, of subsidiary undertakings, associated undertakings and investments) adjusted to exclude the Group's share of the profit of associated undertakings.

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

Translating the current year local currency operating results at average exchange rates for fiscal 1998 would result in total Group operating profits £22.7 million greater than those actually achieved using fiscal 1999 average exchange rates. This primarily arose as a result of the strength of sterling against the Greek drachma and South African rand, which appreciated by 5.7% and 24.0% respectively. A 10% strengthening of sterling against all currencies in which the Group's international net earnings are denominated would reduce fiscal 1999 operating results by £29.6 million (1998 — £9.9 million). The proportion of international earnings to those of the Group in total is expected to increase in future years.

The Group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure since net assets represent a small proportion of the market value of the Group and international operations provide risk diversity. However, 52% (1998 — 23%) of gross borrowings were denominated in currencies other than sterling in anticipation of dividend streams and cash generated from profitable international operations and this provides a partial hedge against profit and loss account translation exposure. The relative strength of sterling against certain currencies of countries where the Group operates has resulted in currency translation adjustments of £5.9m (credit) and £147.2m (charge) to Group reserves in the years ended March 31, 1999 and March 31, 1998 respectively. In both fiscal 1999 and fiscal 1998, the currency translation adjustment to Group reserves arose primarily as a result of the movement of sterling against the Australian dollar, Greek drachma, Dutch guilder, French franc, German mark and South African rand. Following the Merger, Vodafone AirTouch's policies have remained unaltered but it is likely that its borrowings will principally be denominated in Euros, Sterling and US Dollars to replicate the generation of cash from its operations in the jurisdictions of those currencies.

Cash deposits and other financial instrument transactions give rise to credit risks on the amounts due from counterparties. The Group regularly monitors these risks and the credit ratings of its counterparties and, by policy, limits the aggregate credit and settlement risk it may have with one counterparty. While the Group may be exposed to credit losses in the event of non-performance by these counterparties, it considers the possibility of material loss to be minimal because of these control procedures. Vodafone AirTouch intends to continue this policy.

For more information see Note 17 of the Notes to the Consolidated Statements on pages F-20 to F-23 of the Annual Return.

ITEM 10. DIRECTORS AND OFFICERS OF REGISTRANT

The business of the Company is managed by its Board of directors. The Company's Articles of Association (the "Articles") provide that, until otherwise determined by ordinary resolution, the number of directors will not be less than three. Following the Merger, the Company's Board of directors consists of fourteen directors, seven of whom are non-executive directors. The present directors and the executive officer of Vodafone AirTouch Plc, and their positions on the Board, are as follows:

Directors

Sam L. Ginn, non-executive Chairman, aged 62, was appointed on June 30, 1999. He became chairman of the board and chief executive officer of AirTouch in December 1993. He was chairman of the board, president and chief executive officer of Pacific Telesis Group from 1988 to 1994 and a director of Pacific Telesis Group from 1983 to 1994. He was chairman of the board of Pacific Bell from 1988 to 1994. Mr Ginn is also a director of Chevron Corporation, Transamerica Corporation and Hewlett-Packard Company.

Lord MacLaurin of Knebworth, DL, non-executive Deputy Chairman, aged 62, has been a member of the board of directors of Vodafone Group since January 1997. He was chairman of the board and chief executive officer of Tesco Plc from September 1970 to June 1997, a director of National Westminster Bank Plc from August 1990 to February 1997 and a director of Gleneagles Hotels Plc from October 1992 to November 1997. Lord MacLaurin is also a non-executive director and deputy chairman of Whitbread Plc, a director of Brocket Hall Limited and chairman of the England and Wales Cricket Board.

Christopher C. Gent, Chief Executive, aged 51, has been a member of the board of directors of Vodafone Group since August 1985 and the chief executive officer of the Company since January 1997. He was the managing director of Vodafone Limited, a subsidiary of Vodafone Group, from January 1985 to December 1996 and a director of Vodafone Fiji Limited from October 1993 to January 1996 and Vodafone Group (Pty) Limited from July 1993 to December 1996.

Peter R. Bamford, Chief Executive Officer for the UK region, aged 45, has been a member of Vodafone Group's board of directors since April 1998. He is managing director of Vodafone UK Limited and has responsibility for Vodafone AirTouch's UK operations. Before joining Vodafone Group in 1997, Mr Bamford was a director of WH Smith Group Plc.

Mohan S. Gyani, Head of Corporate Strategy, aged 48, was appointed on June 30, 1999. He became executive vice president and chief financial officer of AirTouch in September 1995. He was vice president, finance and treasurer of AirTouch from November 1993 until September 1995. Mr Gyani was vice president and treasurer of Pacific Telesis Group from March 1993 to November 1993.

Julian M. Horn-Smith, Chief Executive Officer for the Europe/Africa/Middle East region, aged 50, has been a member of Vodafone Group's board of directors since June 1996. He is managing director of Vodafone AirTouch International Limited, and a director of many of Vodafone AirTouch's overseas operating associates, including Europolitan Holdings AB, Vodafone Group (Pty) Limited and Vodafone Fiji Limited. Mr Horn-Smith is also a director of Misrfone Telecommunications Company SAE and was a director of Pacific Link Communications Limited from February 1995 to January 1998, Pacific Link Communications (Holdings) Limited from January 1994 to January 1998, Skinner Investments Limited from November 1994 to January 1998, Societe Francaise du Radiotelephone S.A. from December 1997 until April 1998 and Celtel Limited from March 1996 to October 1998.

Kenneth J. Hydon, Financial Director, aged 54, is Vodafone Group's financial director and has been a member of Vodafone Group's board of directors since 1985. He is director of several subsidiaries of Vodafone, including Vodafone Europe Holdings BV, and promotes US investor relations. Mr Hydon was a director of Orbitel Mobile Communications (Holdings) Limited from May 1987 to May 1996, Orbitel Executive Trustee Limited from November 1991 to May 1996 and Orbitel Staff Trustee Limited from November 1991 to May 1996.

Arun Sarin, Chief Executive Officer for the US/Asia Pacific Region, aged 44, was appointed on June 30, 1999. He was named president and chief operating officer of AirTouch in February 1997. Mr Sarin became a director of AirTouch in July 1995. He was vice chairman of the board of AirTouch from July 1995 until January 1997. Mr Sarin was senior vice president, corporate strategy/development and international operations for AirTouch from April 1994 until August 1995. Mr Sarin is also a director of The Charles Schwab Corporation and Cisco Systems, Inc.

Michael J. Boskin, non-executive director, aged 53, was appointed on June 30, 1999. He became a director of AirTouch in August 1996. Dr. Boskin has been a professor of economics at Stanford University since 1971 and a principal of Boskin & Co., a consulting firm, since 1980. He was Chairman of the President's Council of Economic Advisers from February 1989 until January 1993. Dr Boskin is also a director of Exxon Corporation, First Health Group Corp. and Oracle Corporation.

Donald G. Fisher, non-executive director, aged 70, was appointed on June 30, 1999. He became a director of AirTouch in January 1994. He is the founder and chairman of the board of The Gap, Inc. and was chief executive officer of the Gap, Inc. until November 1995. He is a director of The Charles Schwab Corporation, San Francisco Bay Area Council, the National Retail Federation and KQED, Inc.

Paul Hazen, non-executive director, aged 57, was appointed on June 30, 1999. He became a director of AirTouch in April 1993. He became chairman and chief executive officer of Wells Fargo & Company and its principal subsidiary, Wells Fargo Bank, N.A., in January 1995. He was president and chief operating officer of Wells Fargo & Company and Wells Fargo Bank, N.A. from 1984 to January 1995. Mr Hazen is also a director of Safeway Inc. and Phelps Dodge Corporation.

Penelope L. Hughes, non-executive director, aged 39, has been a member of Vodafone's board of directors since September 1998. She was president, Great Britain and Ireland, of The Coca-Cola Company from July 1992 to October 1995 and a director of Next Plc from September 1996 to September 1998, Coca-Cola Distributors Ireland Limited from July 1992 to October 1995, Coca-Cola Holdings (UK) Limited from July 1992 to October 1995, Coca-Cola International Sales Limited from July 1992 to October 1995, Coca-Cola Trading Limited from July 1992 to October 1995 and Refreshment Spectrum Limited from July 1992 to October 1995. Mrs Hughes is also a non-executive director of Berisford Plc, Body Shop Plc, Mirror Group Plc and a director of Hughes Business Consulting Limited.

Sir David Scholey, CBE, non-executive director, aged 64, has been a member of Vodafone's board since March 1998. He is also senior advisor to Warburg Dillon Read, a governor of the British Broadcasting Company and a non-executive director of J Sainsbury Plc, the Chubb Corporation, USA. and Close Brothers Group Plc. Sir David was previously a director of The Bank of England from March 1981 to May 1998, British Telecommunications Plc from October 1985 to October 1994, London First from December 1993 to September 1995, The London School of Economics from December 1993 to April 1996, S G Warburg Group Plc from January 1985 to November 1995 and The General Electric Company Plc from December 1992 to February 1995.

Charles R. Schwab, non-executive director, aged 62, was appointed on June 30, 1999. He became a director of AirTouch in January 1994. He is the founder, chairman of the board and co-chief executive officer of The Charles Schwab Corporation. Mr Schwab is also a director of The Gap, Inc., Transamerica Corporation and Siebel Systems, Inc.

Executive Officer

Stephen R. Scott, Company Secretary, aged 45, was appointed to this position in the Vodafone Group in 1991, prior to which he was employed in the Racal Group legal department having moved into industry in 1980 from private law practice in London. He is head of the Group legal department and a director of the Group's pension trustee companies.

The Company's new Articles of Association, approved by shareholders at the Extraordinary General Meeting held on May 24, 1999, provide that at each Annual General Meeting of the Company all those directors who were 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 from office. A retiring director is eligible for re-election. As each of the Company's present directors has been elected or re-elected by the Company's shareholders within the last three years, none is required to retire at the Company's Annual General Meeting to be held on July 21, 1999.

The shareholders of Vodafone AirTouch in general meeting may from time to time by ordinary resolution appoint any person to be a director. The directors may from time to time appoint one or more directors but any director so appointed shall retire at the next Annual General Meeting of the Company but shall then be eligible for re-election. The Board may from time to time appoint one or more directors to be the holder of any executive office for such period and on such terms as it decides. A director so appointed shall cease to hold such office when the Board terminates his appointment, or in the case of certain directors appointed to hold an executive office, when he ceases to be a director of the Company.

ITEM 11. COMPENSATION OF DIRECTORS AND OFFICERS

The information in this section relates to the Board of Vodafone Group Plc as it was constituted during the year ended March 31,1999 and prior to the Merger. On June 30, 1999 the Merger was completed and Professor Sir Alec Broers and J Gildersleeve resigned as directors. S L Ginn, M J Boskin, D G Fisher, M S Gyani, P Hazen, A Sarin and C R Schwab were appointed as directors on that date.

Composition of the Remuneration Committee

The Remuneration Committee of the Board is chaired by Lord MacLaurin and consists only of non-executive directors of the Company. Until the Merger, Lord MacLaurin was assisted by Professor Sir Alec Broers, Penny Hughes and Sir David Scholey. The composition of the Remuneration Committee is presently under review as a result of the Merger.

Remuneration policy

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

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

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

Salaries and benefits

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

In 1998, the Remuneration Committee recommended to the Board the introduction of two new incentive schemes, a Short-Term Incentive Plan (''STIP'') and a Long-Term Incentive Plan (''LTIP''). These recommendations were put to the Company's shareholders at the Annual General Meeting on July 21, 1998 and were approved. Under the terms of the STIP participants may, subject to the achievement of performance criteria for the year as set by the Remuneration Committee (for the year to 31 March 1999 the target was the achievement of Group budgeted profit), receive a provisional award of ordinary shares in Vodafone Group Plc. The provisional award of shares is in two parts: an original award of ''Initial Shares'' worth up to 25% of salary and an additional award of ''Enhancement

Shares'', worth 50% of the value of the original award. The Initial Shares will normally be released, subject to the participant remaining with the Group, two years after the provisional allocation is made. The Enhancement Shares may also be released at this time, although this is conditional upon the achievement of additional performance criteria. In relation to awards for the year ended 31 March 1999, the condition is that the growth in earnings per share must exceed the growth in the UK retail price index by an average of 3 per cent per year for the two financial years ending March 31, 2001. If an executive chooses not to accept the provisional award of shares, he may receive a cash bonus up to 25% of salary.

For the LTIP, the independent trustee of the Vodafone Group Employee Trust, a discretionary trust, purchases ordinary shares in Vodafone Group Plc in the market. Shares are then awarded conditionally to eligible executive directors and senior executives at the beginning of a three year period, the ultimate vesting of the award being conditional upon the achievement of performance criteria set by the Remuneration Committee for that three year period. If the performance criteria are met, the shares will be transferred from the Vodafone Group Employee Trust to the executive directors and senior executives at nil consideration. Details of the benefits provided to the executive directors under the STIP and the LTIP are in the tables on pages 46 and 49 respectively.

All executive directors are contributing members of the Vodafone Group Pension Scheme, which is a scheme approved by the Inland Revenue. P R Bamford, whose benefits under the scheme are restricted by Inland Revenue earnings limits, also participates in a defined contribution funded unapproved retirement benefits scheme in order to bring his benefits into line with those of the other executive directors. Details of the salaries and benefits of all the directors are set out in the table on page 46. A separate table on page 47 shows the pension benefits earned by the directors in the year.

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

Service contracts

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

Non-executive directors

The remuneration of the non-executive directors, including the Chairman, is established by the Board of directors as a whole and details of each individual non-executive director's remuneration are included in the table below. The non-executive directors do not participate in any of the Company's share schemes or other employee benefit schemes, nor does the Company make any contribution to their pension arrangements.

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

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

The aggregate compensation paid by Vodafone Group to its directors and officers as a group for services in all capacities is set out below. The aggregate number of directors and executive officer in the year ended March 31, 1999 was 12 (1998 — 13).

	1999	1998
	£000	£000
Salaries and fees	2,580	2,414
Incentive schemes	548	—
Benefits	157	175
	3,285	2,589

The Board's remuneration for the year to March 31, 1999 was as follows:

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

Notes

(1) Lord MacLaurin was appointed Chairman of the Board on July 21, 1998.

(2) P R Bamford joined the Board on April 1, 1998.

(3) Salary and benefits for D Channing Williams are for the period to March 31, 1999 when he retired from the Board.

(4) Information for J Gildersleeve and P L Hughes is stated from the dates of their appointment to the Board.

(5) Information for Sir Ernest Harrison and Sir Gerald Whent is stated for the period to July 21, 1998 when they retired from the Board. Under the terms of their respective Life President arrangements, the estimated value of benefits received by them from the date of their retirement to March 31, 1999 were £20,153 and £29,599 respectively.

(6) These figures relate to the market value of the original award of shares expected to be made under the Vodafone Group Short Term Incentive Plan for the year ended March 31, 1999.

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

Name of Director	Increase in accrued pension during the year	Transfer value of increase in accrued pension and change in retirement age	Accumulated total accrued pension at year end
	£	£	£
C C Gent	54,300	679,000	231,100
P R Bamford	3,100	26,000	5,300
J M Horn-Smith	18,200	214,000	134,500
K J Hydon	30,700	432,000	168,900
D Channing Williams(2)	19,300	236,000	141,600

Contributions paid to a funded unapproved retirement benefit scheme for the benefit of P R Bamford amounted to £56,850 in the year.

Notes

(1) The pension benefits earned by the directors are those which would be paid annually on retirement, on service to the end of the year, at the normal retirement age. Salaries have been averaged over 3 years in accordance with Inland Revenue regulations. The increase in accrued pension during the year excludes any increase for inflation. The transfer value has been calculated on the basis of actuarial advice in accordance with the Faculty and Institute of Actuaries' Guidance Note GN11. No director elected to pay Additional Voluntary Contributions.

(2) Pension benefits for D Channing Williams are for the period to March 31, 1999 when he retired from the Board.

ITEM 12. OPTIONS TO PURCHASE SECURITIES FROM REGISTRANT OR SUBSIDIARIES

The information in this section relates to the Board of Vodafone Group Plc as it was constituted during the year ended March 31, 1999 and prior to the Merger. On June 30, 1999 the Merger was completed and Professor Sir Alec Broers and J Gildersleeve resigned as directors. S L Ginn, M J Boskin, D G Fisher, M S Gyani, P Hazen, A Sarin and C R Schwab were appointed as directors on that date.

The directors at March 31, 1999 had a total beneficial interest in options over 1,481,543 ordinary shares of the Company (1998 — 2,105,009) and had a beneficial interest, either by direct ownership or under the Long Term Incentive Plan, in 563,124 ordinary shares (1998 — 486,224).

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

Directors' interests in the shares of Vodafone Group Plc at March 31, 1999

Share options

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

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

These options by exercise price were:

	Options price (p)	Options held at April 1, 1998	Options granted during the year	Options exercised during the year	Options held at March 31, 1999
Executive scheme and unapproved scheme					
	124.7	25,200	—	25,200	—
	141.7	1,500	—	1,500	—
	146.3	75,600	—	75,600	—
	166.3	384,300	—	384,300	—
	176.3	291,900	—	291,900	—
	198.5	127,000	—	120,000	7,000
	233.5	77,400	—	30,600	46,800
	241.5	256,100	—	—	256,100
	293.5	838,600	—	—	838,600
	779.5	—	304,100	—	304,100
Savings related scheme					
	142.0	9,714	—	—	9,714
	186.0	3,708	—	—	3,708
	193.0	5,362	—	—	5,362
	240.0	8,625	—	—	8,625
	635.5	—	1,534	—	1,534
		2,105,009	305,634	929,100	1,481,543

Note

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

Options granted at market value under the executive scheme or the unapproved scheme may not be exercised unless, between the date of grant and the date of first vesting (three years after the date of grant), there has been real growth in the earnings per share of the Company and options granted at a discount to market value may not be exercised unless the growth in the earnings per share of the Company, in the same period, exceeds the growth in the UK Index of Retail Prices by 2 per cent.

Under the executive scheme and the unapproved scheme in the year to March 31, 1999, the following options were exercised by directors of the Company:

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

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

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

Long Term Incentive Plan

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

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

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

Beneficial interests

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

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

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

Interests in options of Vodafone Group Plc at June 29, 1999

At June 29, 1999 the directors and other executive officers of the Company held options, exercisable at the prices set forth below, for the following numbers of Ordinary shares:

	Number of Ordinary shares (Option price)(1)									
	233p	198p	241p	293p	779p	142p	186p	193p	240p	635p
C C Gent	—	—	106,400	193,600	133,100	4,857	1,854	2,875	—	—
P R Bamford	—	—	—	185,300	83,600	—	—	—	—	1,534
J M Horn-Smith	22,100	7,000	63,200	250,900	42,400	4,857	—	1,787	2,875	—
K J Hydon	24,700	—	86,500	208,800	45,000	—	1,854	3,575	2,875	—
Directors and the other executive officer as a group (10 persons)	46,800	7,000	323,200	916,000	304,800	14,571	5,562	8,237	8,625	1,534

(1) Expiration dates for these options are detailed on page 51.

Lord MacLaurin, J Gildersleeve, P L Hughes, Professor Sir Alex Broers and Sir David Scholey held no options at June 29, 1999.

The Company had outstanding at June 29, 1999 the following options to subscribe for Ordinary shares:

	Number	Price £	Period during which exercisable
Savings Related Share Option Scheme . .	640,854	1.42	September 1, 1999 to February 29, 2000
	781,791	1.86	September 1, 2000 to February 28, 2001
	445,804	1.93	September 1, 1999 to February 29, 2000
	841,878	1.93	September 1, 2001 to February 28, 2002
	557,812	2.40	September 1, 2000 to February 28, 2001
	826,520	2.40	September 1, 2002 to February 28, 2003
	726,909	6.35	September 1, 2001 to February 28, 2002
	832,850	6.35	September 1, 2003 to February 29, 2004
	5,654,418		
Executive Share Option Schemes	2,700	1.26	January 3, 1995 to January 2, 2002
	10,500	0.87	July 14, 1995 to July 13, 2002
	45,000	1.39	December 21, 1995 to December 20, 2002
	15,000	1.18	December 21, 1995 to December 20, 2002
	102,600	1.46	July 7, 1996 to July 6, 2003
	20,700	1.25	July 7, 1996 to July 6, 2003
	82,800	1.76	December 1, 1996 to November 30, 2003
	15,000	1.50	December 1, 1996 to November 30, 2003
	240,700	1.66	July 4, 1997 to July 3, 2004
	52,800	1.42	July 4, 1997 to July 3, 2004
	690,150	2.33	July 4, 1998 to July 3, 2005
	255,700	1.98	July 4, 1998 to July 3, 2005
	249,300	2.41	July 5, 1999 to July 4, 2006
	3,901,800	2.41	July 5, 1999 to July 4, 2003
	81,200	2.57	December 2, 1999 to December 1, 2006
	45,800	2.57	December 2, 1999 to December 1, 2003
	316,500	2.93	July 9, 2000 to July 8, 2007
	4,949,900	2.93	July 9, 2000 to July 8, 2004
	8,154,838	7.79	July 10, 2001 to July 9, 2008
	5,595,910	7.79	July 10, 2001 to July 9, 2005
	769,215	8.94	December 1, 2001 to November 30, 2008
	25,598,113		

See Note 19 of Notes to Consolidated Financial Statements for a brief description of the Company's share option plans.

The Merger

On June 30, 1999 S L Ginn, M J Boskin, D G Fisher, M S Gyani, P Hazen, A Sarin and C R Schwab were appointed as directors and their interests in the Company's Ordinary shares of US$0.10 each at that date were as follows.

	Owned shares	Share Plan shares	Total Ordinary shares
M J Boskin	37,500	5,000	42,500
D G Fisher	220,000	70,000	290,000
S L Ginn	335,750	8,275,000	8,610,750
M S Gyani	215,690	1,531,130	1,746,820
P Hazen	7,700	119,220	126,920
A Sarin	446,200	2,652,240	3,098,440
C R Schwab	21,500	171,830	193,330
	1,284,340	12,824,420	14,108,760

ITEM 13. INTERESTS OF MANAGEMENT IN CERTAIN TRANSACTIONS

Since April 1, 1997, the Company has not been, and is not now, a party to any material transactions, or proposed transactions, in which any director, any other executive officer, any spouse or relative of any of the foregoing, or any relative of such spouse had or was to have a direct or indirect material interest.

During the year ended March 31, 1999, and as of July 1, 1999, neither any director nor any other executive officer, nor any associate of any director or any other executive officer, was indebted to Vodafone Group.

PART II

ITEM 14. DESCRIPTION OF SECURITIES TO BE REGISTERED

Not applicable.

PART III

ITEM 15. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 16. CHANGES IN SECURITIES AND CHANGES IN SECURITY FOR REGISTERED SECURITIES

Vodafone AirTouch's Articles of Association were amended by special resolution on May 24, 1999. The Deposit Agreement among Vodafone AirTouch, AirTouch Communications, Inc., The Bank of New York and the owners and beneficial owners of ADRs from time to time was amended and restated effective June 30, 1999.

The ''Description of Vodafone AirTouch Ordinary Shares'' and ''Description of Vodafone AirTouch American Depositary Shares'' contained in Vodafone AirTouch's Report on Form 6-K filed on July 21, 1999, are incorporated herein by reference.

PART IV

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of all financial statements filed as part of this Annual Report.

ITEM 19. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements

The following financial statements, together with the reports of the independent auditors thereon, are filed as part of this annual report:

* All other schedules have been omitted because they are not required under the applicable instructions or because the substance of the required information is shown in the financial statements.

(b) Exhibits

The following documents are filed as part of this annual report:

1.1 Amended Memorandum and Articles of Association of Vodafone AirTouch Plc (incorporated herein by reference to the Registration Statement on Form 8-A/A (file no. 001-10086)).

1.2 Amended and Restated Deposit Agreement effective as of June 30, 1999, among Vodafone AirTouch Plc, AirTouch Communications, Inc., The Bank of New York, as Depositary, and all Owners and Beneficial Owners from time to time of American Depositary Receipts issued thereunder (incorporated herein by reference to the Registration Statement on Form F-6 (file no. 333-10266)).

2.1 Consent of Deloitte & Touche.

2.2 Consent of PricewaterhouseCoopers LLP.

2.3 Consent of Arthur Andersen LLP (Kansas Combined Cellular).

2.4 Consent of KPMG Deutsche Treuhand-Gesellschaft (Mannesmann Mobilfunk GmbH).

2.5 Awareness Letter of PricewaterhouseCoopers LLP.

Report of independent auditors

To the Directors of Vodafone Group Plc

We have audited the accompanying consolidated balance sheets of Vodafone Group Plc and its subsidiaries as at March 31, 1999 and 1998, and the related consolidated profit and loss accounts, cash flows and consolidated statements of total recognized gains and losses and movements in equity shareholders' funds for each of the three years in the period ended March 31, 1999 and the financial statement schedule listed in the index at Item 19, all expressed in pounds sterling. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the related financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United Kingdom and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vodafone Group Plc and subsidiaries as at March 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1999, in conformity with generally accepted accounting principles in the United Kingdom (which differ in certain material respects from generally accepted accounting principles in the United States of America — see Note 32). Also, in our opinion, the schedule referred to above, when read in conjunction with the related financial statements, presents fairly in all material respects the information shown therein.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The selected Proportionate Information presented in Note 33 is presented for the purpose of additional analysis that, in the opinion of the Directors, is not provided by financial statements prepared in conformity with generally accepted accounting principles. The Proportionate Information reflects selected operating data of the Company's consolidated and unconsolidated investments, using the proportionate method of accounting, and is not a presentation in accordance with generally accepted accounting principles. Such Proportionate Information has been subjected to the auditing procedures applied in our audits of the basic financial statements, together with additional procedures considered necessary, and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Our audits also comprehended the translation of certain amounts into US dollars and, in our opinion, such translation has been made in conformity with the basis described in Note 1. Such US dollar amounts are presented solely for the convenience of readers in the United States.

Deloitte & Touche
Chartered Accountants & Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR
England
June 8, 1999
(July 19, 1999 as to Note 34)

Consolidated profit and loss accounts
For the years ended March 31

	Note	1999	1999	1998	1997
		$m	£m	£m	£m
Turnover					
Continuing operations		5,329.9	3,302.3	2,470.8	1,749.0
Acquisitions		93.1	57.7	—	—
	3	5,423.0	3,360.0	2,470.8	1,749.0
Operating profit/(loss)					
Continuing operations		1,370.8	849.3	626.8	495.3
Acquisitions		(4.2)	(2.6)	—	—
	4	1,366.6	846.7	626.8	495.3
Share of operating profit in associated undertakings		187.0	115.9	59.6	43.6
Total Group operating profit:					
Group and share of associated undertakings		1,553.6	962.6	686.4	538.9
Disposal of fixed asset investments	5	107.7	66.7	24.9	25.9
Profit on ordinary activities before interest		1,661.3	1,029.3	711.3	564.8
Net interest payable	6				
Group		(123.0)	(76.2)	(49.4)	(16.4)
Associated undertakings		(28.9)	(17.9)	(11.7)	(9.3)
Profit on ordinary activities before taxation		1,509.4	935.2	650.2	539.1
Tax on profit on ordinary activities	7	(406.9)	(252.1)	(203.2)	(171.9)
Profit on ordinary activities after taxation		1,102.5	683.1	447.0	367.2
Equity minority interests		(74.9)	(46.4)	(28.2)	(3.4)
Profit for the financial year		1,027.6	636.7	418.8	363.8
Equity dividends	8	(317.6)	(196.8)	(170.3)	(147.5)
Retained profit for the Group and its share of associated undertakings		710.0	439.9	248.5	216.3
Basic earnings per share	9	33.26¢	20.61p	13.63p	11.89p
Adjusted basic earnings per share	9	30.38¢	18.82p	12.82p	11.04p
Diluted earnings per share	9	33.12¢	20.52p	13.59p	11.87p

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

Consolidated balance sheets
At March 31

	Note	1999 $m	1999 £m	1998 Restated £m
Fixed assets				
Intangible assets	10	531.5	329.3	137.6
Tangible assets	11	3,470.7	2,150.4	1,571.7
Investments	12	601.1	372.4	202.2
		4,603.3	2,852.1	1,911.5
Current assets				
Stocks	13	72.1	44.7	28.9
Debtors	14	1,195.5	740.7	546.6
Liquid investments		—	—	0.4
Cash at bank and in hand		9.9	6.1	14.9
		1,277.5	791.5	590.8
Creditors: amounts falling due within one year	15	2,469.3	1,529.9	1,426.4
Net current liabilities		(1,191.8)	(738.4)	(835.6)
Total assets less current liabilities		3,411.5	2,113.7	1,075.9
Creditors: amounts falling due after more than one year	16	1,903.6	1,179.4	685.1
Provisions for liabilities and charges	18	16.1	10.0	11.3
		1,491.8	924.3	379.5
Capital and reserves				
Called up share capital	19	250.1	155.0	154.3
Share premium account	20	155.1	96.1	78.0
Profit and loss account	20	909.5	563.5	50.2
Total equity shareholders' funds		1,314.7	814.6	282.5
Equity minority interests		170.0	105.3	73.8
Non-equity minority interests	22	7.1	4.4	23.2
		1,491.8	924.3	379.5

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

Consolidated cash flows
For the years ended March 31

	Note	1999	1999	1998	1997
		$m	£m	£m	£m
Net cash inflow from operating activities	26	1,686.9	1,045.2	886.4	627.9
Dividends received from associated undertakings		4.7	2.9	2.9	6.0
Returns on investments and servicing of finance					
Interest received		26.5	16.4	19.2	28.8
Interest paid		(137.6)	(85.3)	(62.6)	(21.3)
Dividends paid to minority shareholders		(33.7)	(20.9)	—	—
Net cash (outflow)/inflow for returns on investments and servicing of finance		(144.8)	(89.8)	(43.4)	7.5
Taxation		(314.1)	(194.6)	(162.9)	(150.1)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(28.4)	(17.6)	(24.9)	(0.8)
Purchase of tangible fixed assets		(1,189.2)	(736.8)	(491.5)	(350.4)
Purchase of trade investments		(6.8)	(4.2)	—	(240.4)
Disposal of trade investment		86.5	53.6	—	4.7
Disposal of tangible fixed assets		22.6	14.0	6.7	2.8
Loans to associated undertakings		—	—	(1.3)	(46.1)
Loans repaid by associated undertakings		4.2	2.6	1.4	4.2
Net cash outflow for capital expenditure and financial investment		(1,111.1)	(688.4)	(509.6)	(626.0)
Acquisitions and disposals					
Purchase of subsidiary undertakings		(412.2)	(255.4)	(354.0)	(122.6)
Net cash/(overdrafts) acquired with subsidiary undertakings		—	—	25.2	(77.5)
Disposal of interest in subsidiary undertaking		31.3	19.4	—	22.7
Purchase of interest in associated undertakings		(120.7)	(74.8)	(131.3)	(11.1)
Purchase of customer bases		(15.3)	(9.5)	(3.5)	(30.3)
Disposal of interest in associated undertakings		5.6	3.5	99.2	26.8
Net cash outflow for acquisitions and disposals		(511.3)	(316.8)	(364.4)	(192.0)
Equity dividends paid		(191.3)	(118.5)	(124.1)	(130.0)
Cash outflow before use of liquid resources and financing		(581.0)	(360.0)	(315.1)	(456.7)

Consolidated cash flows
For the years ended March 31

	Note	1999	1999	1998	1997
		$m	£m	£m	£m
Cash outflow before use of liquid resources and financing		(581.0)	(360.0)	(315.1)	(456.7)
Management of liquid resources					
Short term deposits		0.6	0.4	10.2	(7.0)
Net cash inflow/(outflow) from management of liquid resources		0.6	0.4	10.2	(7.0)
Financing					
Issue of ordinary share capital		17.1	10.6	11.7	9.9
Issue of shares to minorities		—	—	3.2	5.7
Purchase of shares from minorities		(28.5)	(17.7)	(1.1)	—
Debt due after more than one year:					
(Decrease)/increase in commercial paper program		(210.3)	(130.3)	207.8	122.1
(Decrease)/increase in uncommitted bank borrowings		(0.2)	(0.1)	87.1	(22.3)
Debt due after more than one year:					
Increase/(decrease) in bank loans		790.5	489.8	98.8	(120.1)
Repayment of debt acquired		—	—	(114.6)	—
Issue of bond repayable in 2001		—	—	—	244.9
Issue of bond repayable in 2004		—	—	—	247.2
Net cash inflow from financing		568.6	352.3	292.9	487.4
(Decrease)/increase in cash in the year		(11.8)	(7.3)	(12.0)	23.7
Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash in the year		(11.8)	(7.3)	(12.0)	23.7
Cash inflow from increase in debt		(580.1)	(359.4)	(279.1)	(471.8)
Cash (inflow)/outflow from decrease in liquid resources		(0.6)	(0.4)	(10.2)	7.0
Increase in net debt resulting from cash flows		(592.5)	(367.1)	(301.3)	(441.1)
Debt acquired on acquisition of subsidiary undertaking		—	—	(119.8)	—
Deferred consideration on acquisition of associated undertaking		—	—	(21.4)	—
Bond issued on acquisition of trade investment		—	—	—	(12.9)
Loan notes issued on acquisition of subsidiary undertaking		—	—	—	(20.2)
Accrued interest on discounted financial instruments		(7.6)	(4.7)	(3.0)	(2.9)
New finance leases		(0.3)	(0.2)	—	—
Translation difference		(30.7)	(19.0)	9.1	4.0
Increase in net debt in the year		(631.1)	(391.0)	(436.4)	(473.1)
Opening net debt		(1,802.8)	(1,117.0)	(680.6)	(207.5)
Closing net debt	27	(2,433.9)	(1,508.0)	(1,117.0)	(680.6)

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

Consolidated statements of total recognized gains and losses
For the years ended March 31

	1999	1999	1998	1997
	$m	£m	£m	£m
Profit for the financial year	1,027.6	636.7	418.8	363.8
Currency translation	9.5	5.9	(147.2)	(123.2)
Total recognized gains and losses relating to the year	1,037.1	642.6	271.6	240.6

Movements in equity shareholders' funds
For the years ended March 31

	1999	1999	1998	1997
	$m	£m	£m	£m
Profit for the financial year	1,027.6	636.7	418.8	363.8
Equity dividends	(317.6)	(196.8)	(170.3)	(147.5)
	710.0	439.9	248.5	216.3
Currency translation	9.5	5.9	(147.2)	(123.2)
New share capital subscribed	30.3	18.8	24.3	9.9
Goodwill written-off directly to reserves	—	—	(709.7)	(360.0)
Goodwill transferred to the profit and loss account in respect of business disposals	17.6	10.9	74.5	—
Scrip dividends	104.6	64.8	34.7	4.6
Other	(13.2)	(8.2)	(12.6)	0.3
Net movement in equity shareholders' funds	858.8	532.1	(487.5)	(252.1)
Opening equity shareholders' funds	455.9	282.5	770.0	1,022.1
Closing equity shareholders' funds	1,314.7	814.6	282.5	770.0

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

Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

The Consolidated Financial Statements are prepared in conformity with generally accepted accounting principles in the United Kingdom (''UK GAAP''), which differ in certain material respects from generally accepted accounting principles in the United States of America (''US GAAP'') — see Note 32. The accompanying financial statements do not represent the UK statutory financial statements of the Company. The UK statutory financial statements for the year ended March 31, 1999, on which the auditors' report was unqualified, will be delivered to the Registrar of Companies in the UK.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Amounts in the Consolidated Financial Statements are stated in pounds sterling (£), the currency of the country in which the Company is incorporated. The translation into US dollars of the Consolidated Financial Statements as of, and for the fiscal year ended March 31, 1999, is for convenience only and has been made at the noon buying rate for cable transfers as announced by the Federal Reserve Bank of New York for customs purposes on March 31, 1999. This rate was $1.6140 to £1. This translation should not be construed as a representation that the pound sterling amounts actually represented have been, or could be, converted into dollars at this or any other rate.

The Consolidated Financial Statements in respect of the year ended March 31, 1999 have been prepared in accordance with applicable accounting standards and comply with five new accounting standards issued by the Accounting Standards Board in the United Kingdom. Each new Financial Reporting Standard (''FRS'') is described below, together with an explanation of their impact on the Consolidated Financial Statements:

FRS 10 — ''Goodwill and Intangible Assets'', which applies to accounting periods ended on or after December 23, 1998. Adoption of FRS 10 has necessitated a change in accounting policy in relation to the treatment of goodwill arising from acquisitions, which is now capitalized and amortized over its estimated useful economic life. As permitted by FRS 10, goodwill arising on acquisitions prior to March 31, 1998 has not been reinstated.

FRS 11 — ''Impairment of Fixed Assets and Goodwill'', which applies to accounting periods ended on or after December 23, 1998. Adoption of FRS 11 has not had an impact on the Consolidated Financial Statements for fiscal 1999.

FRS 12 — ''Provisions, Contingent Liabilities and Contingent Assets'', which applies to accounting periods ended on or after March 23, 1999. The implementation of FRS 12 has required certain balances previously reported within ''Creditors: amounts falling due within one year'' to be reanalyzed and disclosed within ''Provisions for liabilities and charges''. Accordingly, the comparative balances at March 31, 1998 have been restated by £5.9 million.

FRS 13 — ''Derivatives and Other Financial Instruments: Disclosures'', which applies to accounting periods ended on or after March 23, 1999. The implementation of FRS 13 has required additional disclosures to be made in relation to derivatives and other financial instruments. Where appropriate, comparative amounts for the year ended March 31, 1998 have also been presented in these accounts.

FRS 14 — ''Earnings Per Share'', which applies to accounting periods ended on or after December 23, 1998. The implementation of FRS 14 has required changes to the methodology for calculating diluted earnings per share and the disclosure of both basic and diluted earnings per share, regardless of whether the difference is material. Accordingly, under UK GAAP, diluted earnings per share has been calculated and disclosed for the year ended March 31, 1998.

2. Accounting policies

Accounting convention

The Consolidated Financial Statements are prepared under the historical cost convention.

Basis of consolidation

The Consolidated Financial Statements include the accounts of Vodafone Group Plc (''Vodafone Group''), and its subsidiaries (the ''Group'') and the Group's share of results of associated undertakings, for financial statements made up to March 31, 1999.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of those transactions, adjusted for the effects of any hedging arrangements. Foreign currency monetary assets and liabilities, including the Group's interest in the underlying net assets of associated undertakings, are translated into sterling at year end rates.

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

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

Derivative financial instruments

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

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

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

Turnover

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

Pensions

Costs relating to defined benefit plans, which are periodically calculated by professionally qualified actuaries, are charged against profits so that the expected costs of providing pensions are recognized 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 costs 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.

2. Accounting policies (continued)

Scrip dividends

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

Goodwill

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

Following the introduction of FRS 10, goodwill in respect of acquisitions made after the financial year ended March 31, 1998 has been capitalized and amortized over its estimated useful economic life. For acquired network businesses, whose operations are governed by fixed term licenses, the amortization period is determined primarily by reference to the unexpired license period and the conditions for license renewal. For other acquisitions, including customer bases, the amortization period for goodwill is typically between 5 and 10 years.

For acquisitions made before 1 April 1998, goodwill was written-off directly to reserves. Goodwill written-off directly to reserves is reinstated in the profit and loss account when the related business is sold.

Other intangible fixed assets

Purchased intangible fixed assets, including license fees, are capitalized at cost.

Network license costs are amortized over the periods of the licenses. Amortization 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 installments over their expected useful lives as follows:

Freehold buildings	25-50 years
Leasehold premises	the term of the lease
Plant and machinery	10 years
Motor vehicles	4 years
Computers and software	3-5 years
Furniture and fittings	10 years

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

Investments

The Consolidated Financial Statements include investments in associated undertakings using the equity method of accounting. An associated undertaking is a company in which the Group owns a material share of the equity and, in the opinion of the directors, can exercise a significant influence in its management. The profit and loss accounts include the Group's share of the operating profit or loss, exceptional items, interest income or expense and attributable taxation of those companies. The balance sheets show the Group's share of the net assets or liabilities of those companies, together with loans advanced and attributed goodwill.

Other investments held as fixed assets, comprise equity shareholdings, partnership interests and long term loans. They are stated at costs less provision for any impairment in value. Dividend income is recognized upon receipt and interest when receivable.

2. Accounting policies (continued)

Stocks

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

Deferred taxation

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

No provision is made for any tax liability which may arise if undistributed profits of certain international subsidiary and associated undertakings are remitted to the United Kingdom, 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 period 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.

3. Segmental analysis

The Group operates substantially in one class of business, the supply of mobile telecommunications services and products. The Group is organized on the basis of geographical segments. Based on the directors' perspective, the Group's reportable segments are operations in the United Kingdom, Continental Europe, Pacific Rim and the Rest of the World. The Group's business segment information was as follows for the three years ended March 31, 1999:

	United Kingdom	Continental Europe	Pacific Rim	Rest of World	Total
	£m	£m	£m	£m	£m
1999					
Turnover	2,087.5	944.9	327.6	—	3,360.0
Operating expenses	1,448.3	745.7	319.3	—	2,513.3
Operating profit	639.2	199.2	8.3	—	846.7
Share of operating profit in associated undertakings	4.0	58.2	0.6	53.1	115.9
Total Group operating profit	643.2	257.4	8.9	53.1	962.6
Disposal of fixed asset investments	—	1.7	2.2	62.8	66.7
Profit on ordinary activities before interest	643.2	259.1	11.1	115.9	1,029.3
Share of profit on ordinary activities before interest of associated undertakings	4.0	58.2	2.9	53.0	118.1
Net asset (before net borrowings) of subsidiary undertakings	784.3	593.8	739.3	45.4	2,162.8
Share of net assets/(liabilities) and attributed goodwill of associated undertakings	(5.3)	113.8	13.5	147.5	269.5
	779.0	707.6	752.8	192.9	2,432.3
Net borrowings for the Group					(1,508.0)
Net assets at March 31, 1999					924.3
Capital expenditure on intangible and tangible fixed assets (excluding goodwill)	399.7	244.2	141.4	—	785.3
Depreciation and amortization charges (excluding goodwill)	171.9	64.7	52.3	—	288.9

3. Segmental analysis (continued)

	United Kingdom	Continental Europe	Pacific Rim	Rest of World	Total
	£m	£m	£m	£m	£m
1998					
Turnover	1,771.7	502.5	196.6	—	2,470.8
Operating expenses	1,209.7	375.9	258.4	—	1,844.0
Operating profit	562.0	126.6	(61.8)	—	626.8
Share of operating profit in associated undertakings	2.0	11.3	2.6	43.7	59.6
Total Group operating profit	564.0	137.9	(59.2)	43.7	686.4
Disposal of fixed asset investments	0.4	—	13.2	11.3	24.9
Profit on ordinary activities before interest	564.4	137.9	(46.0)	55.0	711.3
Share of profit on ordinary activities before interest of associated undertakings	2.4	11.3	15.8	43.7	73.2
Net asset (before net borrowings) of subsidiary undertakings	566.4	373.1	381.2	45.5	1,366.2
Share of net assets/(liabilities) and attributed goodwill of associated undertakings	(7.4)	52.3	12.2	73.2	130.3
	559.0	425.4	393.4	118.7	1,496.5
Net borrowings for the Group					(1,117.0)
Net assets at March 31, 1998					379.5
Capital expenditure on intangible and tangible fixed assets	318.2	123.5	78.2	—	519.9
Depreciation and amortization charges	157.5	34.9	45.7	—	238.1
1997					
Turnover	1,478.9	139.8	130.3	—	1,749.0
Operating expenses	960.6	116.4	176.7	—	1,253.7
Operating profit	518.3	23.4	(46.4)	—	495.3
Share of operating profit in associated undertakings	2.6	8.1	7.4	25.5	43.6
Total Group operating profit	520.9	31.5	(39.0)	25.5	538.9
Disposal of fixed asset investments	10.2	10.2	5.5	—	25.9
Profit on ordinary activities before interest	531.1	41.7	(33.5)	25.5	564.8
Share of profit on ordinary activities before interest of associated undertakings	12.8	18.3	7.4	25.5	64.0
Net asset (before net borrowings) of subsidiary undertakings	484.5	486.7	422.9	22.3	1,416.4
Share of net assets/(liabilities) and attributed goodwill of associated undertakings	(2.2)	15.2	19.6	60.2	92.8
	482.3	501.9	442.5	82.5	1,509.2
Net borrowings for the Group					(680.6)
Net assets at March 31, 1997					828.6
Capital expenditure on intangible and tangible fixed assets	206.2	12.6	180.3	—	399.1
Depreciation and amortization charges	112.3	7.1	34.9	—	154.3

3. Segmental analysis (continued)

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

Sales to any one customer during the year did not exceed 10% of turnover. In 1998 and 1997, sales to one customer, expressed as a percentage of turnover, were 10% and 12% respectively.

Included within turnover for the UK business segment is gross turnover of £1,651.3 million for the year (1998 — £1,342.3 million, 1997 — £1,187.1 million) for the network business and gross turnover of £1,030.2 million for the year (1998 — £893.9 million; 1997 — £622.6 million) for the distribution businesses.

4. Operating profit

	Continuing operations	Acquisitions	1999	1998	1997
	£m	£m	£m	£m	£m
Turnover	3,302.3	57.7	3,360.0	2,470.8	1,749.0
Cost of sales	1,769.3	39.9	1,809.2	1,264.8	916.5
Gross profit	1,533.0	17.8	1,550.8	1,206.0	832.5
Selling and distribution costs	231.8	11.1	242.9	209.7	123.6
Administrative expenses	451.9	9.3	461.2	369.5	213.6
Total operating expenses	683.7	20.4	704.1	579.2	337.2
Operating profit/(loss)	849.3	(2.6)	846.7	626.8	495.3

Acquisitions in the year comprise the New Zealand GSM cellular network and related assets, radio communications rights and licenses in October 1998, and the purchase of the Phones 4U service provider business in the Netherlands in November 1998.

Group turnover includes sales to associated undertakings of £254.9m (1998 — £175.8m) and total operating costs include charges from associated undertakings of £74.9m (1998 — £43.8m). Sales to associated undertakings primarily represent network airtime and access charges. Charges from associated undertakings primarily represent roaming and service provider incentive payments.

Operating profit has been arrived at after charging:

	1999	1998	1997
	£m	£m	£m
Depreciation of tangible fixed assets			
Owned assets	254.7	203.3	126.0
Leased assets	27.6	27.7	25.3
Amortization of goodwill	8.0	—	—
Amortization of other intangible fixed assets	6.6	7.1	3.0
Research and development	36.8	33.6	33.3
Bad debt expense	19.6	15.4	16.0
Payments under operating leases			
Plant and machinery	10.5	11.6	9.5
Other assets	167.0	126.2	89.4
Auditors' remuneration			
Audit work	0.9	0.7	0.8
Other fees			
United Kingdom	0.9	2.2	1.1
Overseas	0.5	0.4	0.3
Exceptional reorganization costs	—	19.7	—

4. Operating profit (continued)

Other auditors' fees shown above exclude £1.3m of fees payable for professional services in connection with the merger with AirTouch. These fees will be accounted for as acquisition costs upon completion of the transaction. Other auditors' fees incurred on specific capital projects during the year, and totaling £1.4m, have also been excluded of which £0.8m was incurred by overseas operations.

The exceptional reorganization costs in 1998 relate to the reorganization of the Group's six wholly owned UK service provision companies into three distribution businesses and include amounts for redundancies and costs associated with the rationalization of the retail shop chain.

5. Disposal of fixed asset investments

The profit on disposal of fixed asset investments arose from the reduction in the Group's interest in Globalstar from 5.2% to 3.0%, the profit on disposal of the Group's French service provider business and an adjustment to the profits realized in relation to business disposals in 1998 following finalization of the relevant completion accounts.

In 1998, the profit on disposal of fixed asset investments arose from the sale of the Group's 35% holding in Pacific Link, the reduction in the Group's interest in Globalstar from 6.1% to 5.2% and from the sale of the Group's 16% interest in Cellphones Direct (Holdings) Limited.

In 1997, the profit arose from the sale of the Group's 50% holding in Orbitel Mobile Communications Limited, the sale of 5% of the Group's investment in Vodafone Network Pty Limited in fulfillment of an agreement entered into when its license was granted and the sale by the Group's associate, Europolitan Holdings AB, of its 20% interest in Sonofon AB, a Danish GSM operator.

6. Net interest payable

	1999	1998	1997
	£m	£m	£m
Group Interest receivable and similar income	(14.4)	(16.4)	(20.2)
Interest payable and similar charges			
Bank loans and overdrafts	19.0	6.6	5.9
Other loans	71.6	59.2	30.7
	76.2	49.4	16.4
Associated undertakings Interest receivable and similar income	—	(0.4)	—
Interest payable and similar charges			
Bank loans and overdrafts	15.2	5.0	2.0
Other loans	2.7	7.1	7.3
	17.9	11.7	9.3
	94.1	61.1	25.7

7. Tax on profit on ordinary activities

	1999	1998	1997
	£m	£m	£m
United Kingdom			
Corporation tax charge at 31% (1998 — 31%, 1997 — 33%)	162.8	156.9	158.9
Transfer to/(from) deferred taxation	4.6	(2.7)	1.4
Associated undertakings	1.2	0.1	(0.1)
	168.6	154.3	160.2
International			
Subsidiary undertakings	73.3	41.8	6.5
Transfer to/(from) deferred taxation	—	0.4	(0.1)
Associated undertakings	10.2	6.7	5.3
	83.5	48.9	11.7
	252.1	203.2	171.9

The difference between Vodafone Group's statutory UK corporation tax rate of 31% in 1999 and 1998, and 33% in 1997, and Vodafone Group's effective tax rates were as follows:

	1999	1998	1997
	£m	£m	£m
Expected tax at UK corporation tax rate	290.0	201.6	177.9
Disallowable expenditure	12.3	22.2	12.7
Deferred tax not equalized	(63.3)	(28.8)	(13.8)
Prior year adjustments	(1.8)	(1.6)	(1.5)
Current year losses for which no credit taken	18.2	11.4	9.4
Net under charge relating to international associated undertakings	(16.6)	(5.4)	(3.5)
Non taxable profits/non deductible losses	(21.9)	(6.0)	(8.4)
International corporate tax rate differentials	7.8	7.3	0.2
Other	27.4	2.5	(1.1)
Actual tax	252.1	203.2	171.9
The analysis of the deferred tax credit/(charge) is as follows:			
Tax allowances in excess/(exceeded by) depreciation	0.2	(1.9)	0.7
Short term timing differences	4.4	(0.4)	0.6
	4.6	(2.3)	1.3

At March 31, 1999, Vodafone Group had the following trading and non trading losses available for carry forward. These losses are only available for offset against future profits arising from the same trade within certain Group and associated undertakings:

	£m
UK subsidiaries' trading losses	58.3
International subsidiaries' trading losses	146.2
Share of international associated undertakings' trading losses	55.2

8. Equity dividends

	1999	1998	1997
	£m	£m	£m
Interim dividend paid of 3.12p (1998 — 2.71p; 1997 — 2.36p) per Ordinary share	96.5	83.4	72.2
Second interim dividend declared of 3.24p (1998 — Nilp; 1997 — Nilp) per Ordinary share	100.3	—	—
Proposed final dividend of Nilp (1998 — 2.82p; 1997 — 2.45p) per Ordinary share	—	86.9	75.3
	196.8	170.3	147.5

9. Earnings per share

Basic earnings per share are based upon the estimated weighted average of 3,089,000,000 (1998 — 3,073,000,000; 1997 — 3,060,000,000) Ordinary shares in issue throughout the year and are calculated on the profit on ordinary activities after taxation and minority interests of £636.7m (1998 — £418.8m; 1997 — £363.8m).

The earnings used to calculate adjusted basic earnings per share are based on the profit on ordinary activities after taxation and minority interests set out above, adjusted to exclude the effect of the goodwill amortization charge of £8.6m (1998 — £Nil; 1997 — £Nil) and the profit on disposal of fixed asset investments, net of attributable taxation, of £63.9m (1998 — £24.9m; 1997 — £25.9m). Adjusted basic earnings per share has been presented in order to highlight the underlying performance of the Group.

Diluted earnings per share are based upon the weighted average number of shares in issue throughout the year, adjusted for the dilutive effective of share options. The adjusted number of shares so calculated are 3,102,000,000 shares (1998 — 3,082,000,000; 1997 — 3,067,000,000).

10. Intangible fixed assets

	Goodwill	License and spectrum fees	Total
	£m	£m	£m
Cost			
April 1, 1998	—	147.2	147.2
Exchange movements	9.9	7.3	17.2
Acquisitions	170.9	1.7	172.6
Additions	—	17.6	17.6
March 31, 1999	180.8	173.8	354.6
Amortization			
April 1, 1998	—	9.6	9.6
Exchange movements	0.2	0.9	1.1
Charge for the year	8.0	6.6	14.6
March 31, 1999	8.2	17.1	25.3
Net book value			
March 31, 1999	172.6	156.7	329.3
March 31, 1998	—	137.6	137.6

For acquisitions prior to March 31, 1998, the cumulative goodwill written off to reserves, net of the goodwill attributed to business disposals, was £1,212.2m at March 31, 1999 (1998 — £1,223.1m). The movement during the year relates to the disposal of the Group's interest in the service provider business operated by Vodafone SA.

11. Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures and fittings	Network infrastructure	Total
	£m	£m	£m	£m	£m
Cost					
April 1, 1998	72.3	314.9	94.4	1,947.8	2,429.4
Exchange movements	5.2	3.3	0.7	19.6	28.8
Acquisition of subsidiary undertakings	—	2.9	1.2	95.8	99.9
Additions	27.9	169.1	41.0	529.7	767.7
Disposals	(11.1)	(35.4)	(5.6)	(76.4)	(128.5)
March 31, 1999	94.3	454.8	131.7	2,516.5	3,197.3
Accumulated depreciation					
April 1, 1998	14.7	166.2	36.7	640.1	857.7
Exchange movements	2.2	2.6	0.5	5.4	10.7
Charge for the year	12.7	66.5	15.5	187.6	282.3
Disposals	(3.5)	(27.9)	(3.2)	(69.2)	(103.8)
March 31, 1999	26.1	207.4	49.5	763.9	1,046.9
Net book value					
March 31, 1999	68.2	247.4	82.2	1,752.6	2,150.4
March 31, 1998	57.6	148.7	57.7	1,307.7	1,571.7

The net book value of land and buildings comprises freeholds of £16.3m (1998 — £13.0m), long leaseholds of £4.7m (1998 — £2.9m) and short leaseholds of £47.2m (1998 — £41.7m).

Network infrastructure comprises:

	Freehold premises	Short term leasehold premises	Plant and machinery	Total
	£m	£m	£m	£m
March 31, 1999				
Cost	11.8	221.3	2,283.4	2,516.5
Accumulated depreciation	(2.1)	(53.6)	(708.2)	(763.9)
Net book value	9.7	167.7	1,575.2	1,752.6
March 31, 1998				
Net book value	9.0	110.4	1,188.3	1,307.7

12. Fixed asset investments

	Associated undertakings	Other investments	Total
	£m	£m	£m
April 1, 1998.	138.1	64.1	202.2
Exchange movements	(7.2)	4.5	(2.7)
Equity additions and loan advances, excluding goodwill	65.5	39.8	105.3
Goodwill	9.8	—	9.8
Disposals and loan repayments	(2.6)	(11.1)	(13.7)
Share of retained results, excluding goodwill amortization	72.1	—	72.1
Goodwill amortization	(0.6)	—	(0.6)
March 31, 1999.	275.1	97.3	372.4

12. Fixed asset investments (continued)

The Group's share of its associated undertakings' post acquisition accumulated profits at March 31, 1999 amounted to £135.7m (1998 — £69.7m) and loans to associated undertakings at March 31, 1999 were £48.1m (1998 — £56.2m). The maximum aggregate loans to associated undertakings and former associated undertakings during the year which are not included within the period end balance were £2.6m (1998 — £1.4m). Fixed asset investments include the Group's interest of £27.6m (1998 — £13.5m) in Europolitan Holdings AB, a company listed on the Stockholm Stock Exchange. At March 31, 1999, the Group's interest had a market value of £473.6m (1998 — £250.6m). If this investment had been sold on March 31, 1999 at market value, a potential tax liability of £80.9m may have arisen.

Fixed asset investments include 2,883,311 shares in Vodafone Group Plc held by a Qualifying Employee Share Ownership Trust. These shares are included at their cost to the Group of £nil. Further detail is provided within note 19 to these accounts.

Fixed asset investments also include 94,972 shares in Vodafone Group Plc held by the Vodafone Group Employee Trust to satisfy the potential award of shares under the Vodafone Group Long Term Incentive Plan. The cost to the Group of these shares was £0.8m and their market value at March 31, 1999 was £1.1 million.

Associated undertakings

The Group's share of its associated undertakings comprises:

	1999	1998
	£m	£m
Share of turnover of associated undertakings	697.5	604.6
Share of assets		
Fixed assets	668.6	326.6
Current assets	253.4	182.7
	922.0	509.3
Share of liabilities		
Liabilities due within one year	441.6	295.8
Liabilities due after more than one year	220.1	83.2
	661.7	379.0
Share of net assets	260.3	130.3
Attributed goodwill net of amortization charges	9.2	—
Share of net assets and attributed goodwill	269.5	130.3

The Group's share of the net assets and attributed goodwill of its associated undertakings comprises:

	1999	1998
	£m	£m
Fixed asset investments	275.1	138.1
Included in other creditors (Note 15)	(5.6)	(7.8)
	269.5	130.3

The Group's principal associated undertakings and fixed asset investments are detailed on pages F-33 and F-34.

13. Stocks

	1999	1998
	£m	£m
Finished goods	44.7	28.9

14. Debtors

	1999	1998
	£m	£m
Due within one year:		
Trade debtors	384.9	283.1
Amounts owed by associated undertakings	46.5	31.2
Other debtors	66.2	35.5
Prepayments and accrued income	227.0	184.5
	724.6	534.3
Due after more than one year:		
Other debtors	1.9	0.5
Prepayments	14.2	11.8
	16.1	12.3
	740.7	546.6

15. Creditors: Amounts falling due within one year

	1999	1998 Restated
	£m	£m
Bank loans, other loans and overdrafts	173.6	156.7
Commercial paper	203.6	332.4
Trade creditors	215.6	198.2
Amounts owed to associated undertakings	0.1	0.3
Taxation	251.7	205.3
Other taxes and social security costs	28.4	27.2
Other creditors	46.2	30.5
Dividends	100.3	86.9
Accruals and deferred income	510.4	388.9
	1,529.9	1,426.4

The weighted average interest rate on short term borrowings at March 31, 1999 was 5.6% (1998 — 7.4%).

16. Creditors: Amounts falling due after more than one year

	1999	1998
	£m	£m
Bank loans	606.1	117.5
Other loans	530.6	525.7
Finance leases	0.2	—
Other creditors	33.5	32.4
Accruals and deferred income	9.0	9.5
	1,179.4	685.1

The other loans include £248.0m (1998 — £247.6m) and £247.6m (1998 — £246.7m) of sterling bonds issued by Vodafone Group Plc, with coupon rates of 7.5% and 7.875% respectively. The bonds are repayable in 2004 and 2001 respectively. The effective interest rate on these instruments are managed as part of the Group's treasury activities. Bank loans of £606.1m are repayable between two and five years from the balance sheet date, including £276.1 million under a NLG 1.2 billion revolving credit facility that expires in March 2003.

17. Financial assets and liabilities

Net debt

	1999	1998
	£m	£m
Liquid investments	—	(0.4)
Cash at bank and in hand	(6.1)	(14.9)
Debt due within one year	377.2	489.1
Debt due after one year	1,136.7	643.2
Finance leases	0.2	—
	1,508.0	1,117.0

Maturities of financial liabilities

The maturities of the Group's borrowings at March 31, were as follows:

	1999	1998
	£m	£m
Within 1 year	377.2	489.1
Between 2 and 5 years	1,136.9	395.6
Over 5 years	—	247.6
	1,514.1	1,132.3

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

	1999	1998
	£m	£m
Between 1 and 2 years	5.4	5.1
Between 2 and 5 years	37.1	36.8
	42.5	41.9

Total bank loans, other loans and overdrafts are repayable as follows:

	1999	1998
	£m	£m
Within one year	377.2	489.1
Between two to three years	523.8	—
Between three to four years	365.1	278.1
Between four to five years	248.0	117.5
Between five to six years	—	247.6
Between six to seven years	—	—
	1,514.1	1,132.3

Borrowing facilities

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

	1999	1998
	£m	£m
Expiring within 1 year	50.0	—
Expiring between 1 and 2 years	495.0	—
Expiring between 2 and 5 years	417.6	1,006.3
	962.6	1,006.3

17. Financial assets and liabilities (continued)

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:

Currency	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Fixed rate financial liabilities: Weighted average interest rate	Fixed rate financial liabilities: Weighted average time for which rate is fixed	Non-interest bearing financial liabilities — weighted average period until maturity
	£m	£m	£m	£m	%	Years	Years
At March 31, 1999:							
Sterling	733.2	235.2	495.6	2.4	6.8	3.3	1.5
Euro	440.2	229.8	176.9	33.5	3.4	1.3	2.3
Australian Dollar	283.4	174.9	101.9	6.6	5.0	1.0	3.0
Other	99.8	99.8	—	—	—	—	—
Gross financial liabilities	1,556.6	739.7	774.4	42.5	5.8	2.6	2.4
At March 31, 1998:							
Sterling	876.9	379.5	497.4	—	7.6	3.8	—
Other	297.3	133.7	121.7	41.9	4.3	1.6	3.5
Gross financial liabilities	1,174.2	513.2	619.1	41.9	7.0	3.4	3.5

Financial assets

The only significant financial assets are long term investments with a net book value of £97.3m at March 31, 1999 (1998 — £64.1m). Long-term investments primarily comprise equity investments with a net book value of £60.3m (1998 — £64.1m) of which £15.8m (1998 — £22.9m) was denominated in Sterling and £44.5m (1998 — £41.2m) was denominated in Euros. The remaining balance of financial assets comprises an interest bearing US dollar denominated deposit of £37.0m (1998 — £Nil) which had a maximum period to maturity of 4.7 years.

Financial instruments

The Vodafone Group uses financial instruments to manage exposure to market risks arising from changes in foreign exchange and interest rates.

(i) *Interest rate risk management*

The Group enters into interest rate swap agreements, forward rate agreements and futures contracts to adjust both the proportion of debt subject to fixed or floating interest rates and the period of that interest. At March 31, 1999 the Group had outstanding interest rate swaps and futures contracts with a notional principal amount of £1,031.1m (1998 — £906.0m). The fair value of these agreements was £12.7m in excess of their carrying value at March 31, 1999 (1998 — £7.4m).

(ii) *Foreign exchange rate risk*

The Group enters into foreign currency forward purchase and sale transactions to hedge foreign currency cash flows in relation to the Group's investments and other payments and receipts to be made or received in foreign currencies.

At March 31, 1999 the Group had outstanding foreign exchange contracts and currency swaps with an aggregate amount of £529.8m (1998 — £223.6m). These contracts mature within 49 months (1998 — 61 months). The fair value of these contracts was £6.3m less than their carrying value at March 31,1999 (1998 — £6.9m in excess of

17. Financial assets and liabilities (continued)

carrying value). Profits and losses arising from these instruments are recognized in the profit and loss account when the associated sale and purchase is recognized or when a hedged transaction is no longer expected to occur.

The fair value of both the interest rate and foreign exchange rate risk management instruments was estimated by discounting the future cash flows to net present values using appropriate market interest and foreign exchange rates prevailing at the year end. No instruments are held by the Group for trading purposes.

(iii) *Fair values*

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

	1999 Net carrying amount	1999 Estimated fair value	1998 Net carrying amount	1998 Estimated fair value
	£m	£m	£m	£m
Long term investments (excluding investments in associated undertakings)	97.3	97.3	64.1	64.1
Cash at bank and in hand and liquid investments	6.1	6.1	15.3	15.3
Borrowings:				
Short term	377.2	377.2	489.1	489.1
Long term	1,136.9	1,174.8	643.2	659.9

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement. Changes in assumptions could significantly affect the estimates.

The following methods and assumptions were used to estimate the fair values shown above.

Long Term Investments (excluding investments in associated undertakings) — It is not practicable to estimate the fair value of long term investments, which are shown in the balance sheet at original cost of £97.3m (1998 — £64.1m). These investments include untraded equity investments in foreign companies that are operating cellular and satellite communications services. Based on the most recently available financial information, the Group's proportionate share in the net assets of these companies was £0.2m (1998 — share of net liabilities £97.8m), and the Group's proportionate share in the deficit on revenue reserves of these companies was £0.3m (1998 — £52.2m). Long term investments do not include any valuation in respect of existing customer bases or other intangible assets and, accordingly, the directors believe that the realizable value of these investments is likely to be significantly in excess of their original cost.

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

Borrowings (excluding foreign exchange contracts) — 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.

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 March 31, 1999.

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 recognized in the financial

17. Financial assets and liabilities (continued)

statements until the hedged exposure is itself recognized. Unrecognized gains and losses on instruments used for hedging are set out below:

	Gains	Losses	Total net gains/ (losses)
	£m	£m	£m
Unrecognized gains and losses on hedges at April 1, 1998	14.3	—	14.3
Less: gains and losses arising in previous years that were recognized in the year	(4.3)	—	(4.3)
Gains and losses arising before April 1, 1998 that were not recognized at March 31, 1999	10.0	—	10.0
Gains and losses arising in the year that were not recognized at March 31, 1999	12.1	(15.7)	(3.6)
Unrecognized gains and losses on hedges at March 31, 1999	22.1	(15.7)	6.4
Of which:			
Gains and losses expected to be recognized in 1999	*5.4*	*(15.7)*	*(10.3)*
Gains and losses expected to be recognized in 2000 or later	*16.7*	*—*	*16.7*

18. Provisions for liabilities and charges

	Deferred taxation	Other provisions Restated	Total Restated
	£m	£m	£m
April 1, 1998	5.4	5.9	11.3
Profit and loss account	4.6	1.5	6.1
Utilized in the year	—	(7.4)	(7.4)
March 31, 1999	10.0	—	10.0

Deferred taxation

The amounts provided and unprovided for deferred taxation are:

	1999		1998	
	Amount provided	Amount unprovided	Amount provided	Amount unprovided
	£m	£m	£m	£m
Accelerated capital allowances	0.4	101.4	0.2	90.7
Gains subject to rollover relief	—	6.7	—	6.7
Other timing differences	9.6	(9.9)	5.2	(17.6)
	10.0	98.2	5.4	79.8

The potential net tax benefit in respect of tax losses carried forward at March 31, 1999 was £18.1m in United Kingdom subsidiaries (1998 — £23.1m) and £52.1m in international subsidiaries (1998 — £57.7m). 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 associated undertakings which is available for off-set against future profits is £Nil and £55.2m respectively (1998 — £1.2m and £88.0m respectively).

18. Provisions for liabilities and charges (continued)

Other provisions

Other provisions at April 1, 1998, which related primarily to outstanding costs in respect of the UK service provider reorganization in that year, have been fully utilized.

19. Called up share capital

	Number	1999	Number	1998
		£m		£m
Authorized				
Ordinary shares of 5p each	4,000,000,000	200.0	4,000,000,000	200.0
Allotted, issued and fully paid April 1	3,085,587,323	154.3	3,066,158,194	153.3
Allotted and issued during the year	13,819,411	0.7	19,429,129	1.0
March 31	3,099,406,734	155.0	3,085,587,323	154.3

	Number	Nominal value	Proceeds
		£m	£m
Allotted during the year			
Savings related share option scheme	750,933	—	8.4
Executive share option schemes	5,056,464	0.3	10.4
	5,807,397	0.3	18.8
Scrip dividends	8,012,014	0.4	—
	13,819,411	0.7	18.8

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 March 31, 1999, the trustee held 2,883,311 Vodafone Ordinary shares of 5p each, of which 750,933 shares had been issued to the trustee during the year. The market value at March 31, 1999 for the total shareholding of the trustee was £33.2m. The dividend rights in respect of these shares have been waived. During the year 60,680 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 31,950 Vodafone Ordinary shares of 5p each 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 reserve.

Options for Ordinary shares

The Company has three share option plans for its directors and employees. The maximum aggregate number of Ordinary shares in respect of which options may be granted under these three plans will not (without shareholder approval) exceed 5% of the outstanding Ordinary shares at the date of grant of any options.

The Sharesave Scheme enables staff to acquire shares in the Company through monthly savings of up to £250 over a three or five year period, at the end of which they also receive a tax free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the savings contract and usually at a discount to the then prevailing market price of the Company's shares. Invitations to participate in this scheme are

19. Called up share capital (continued)

normally made annually. This scheme replaced the Vodafone Group Savings Related Share Option Scheme in 1998, as that scheme had then operated for 10 years.

The Company also has two discretionary share option schemes. The directors used these schemes to award share options to all UK based staff on the Company's payroll on July 1, 1998. These special "Millennium Options" were granted in July 1998 and are exercisable from July 2001. At the Company's Annual General Meeting in July 1998, the discretionary schemes were replaced with similar schemes known as The Vodafone Group 1998 Company Share Option Scheme, approved by the Inland Revenue, and The Vodafone Group 1998 Executive Share Option Scheme, which is not Inland Revenue approved.

Options under the discretionary schemes are subject to performance conditions, the aim of which is to link the exercise of options to sustained improvements in the underlying financial performance of the Company. The performance conditions are set by the Remuneration Committee of the Board. Options are normally exercisable between three and ten years after their grant, although options under the scheme which was replaced by the 1998 Executive Share Option Scheme are exercisable between three and seven years after their grant.

The Company had outstanding at March 31, 1999 the following options to subscribe for Ordinary shares:

	Number	Price	Period during which exercisable
		£	
Savings related share option scheme . .	660,183	1.42	September 1, 1999 to February 29, 2000
	783,829	1.86	September 1, 2000 to February 28, 2001
	453,986	1.93	September 1, 1999 to February 29, 2000
	844,558	1.93	September 1, 2001 to February 28, 2002
	569,266	2.40	September 1, 2000 to February 28, 2001
	828,675	2.40	September 1, 2002 to February 28, 2003
	745,793	6.35	September 1, 2001 to February 28, 2002
	842,773	6.35	September 1, 2003 to February 29, 2004
	5,729,063		
Executive share option schemes	2,700	1.26	January 3, 1995 to January 2, 2002
	10,500	0.87	July 14, 1995 to July 13, 2002
	58,500	1.39	December 21, 1995 to December 20, 2002
	19,500	1.18	December 21, 1995 to December 20, 2002
	135,000	1.46	July 7, 1996 to July 6, 2003
	31,500	1.25	July 7, 1996 to July 6, 2003
	92,700	1.76	December 1, 1996 to November 30, 2003
	21,600	1.50	December 1, 1996 to November 30, 2003
	266,400	1.66	July 4, 1997 to July 3, 2004
	65,400	1.42	July 4, 1997 to July 3, 2004
	789,600	2.33	July 4, 1998 to July 3, 2005
	279,800	1.98	July 4, 1998 to July 3, 2005
	249,300	2.41	July 5, 1999 to July 4, 2006
	3,995,600	2.41	July 5, 1999 to July 4, 2003
	92,800	2.57	December 2, 1999 to December 1, 2006
	51,000	2.57	December 2, 1999 to December 1, 2003
	326,700	2.93	July 9, 2000 to July 8, 2007
	5,067,600	2.93	July 9, 2000 to July 8, 2004
	8,401,277	7.79	July 10, 2001 to July 9, 2008
	5,688,276	7.79	July 10, 2001 to July 9, 2005
	779,802	8.94	December 1, 2001 to November 30, 2008
	26,425,555		

19. Called up share capital (continued)

Movements in share options outstanding during the years ended March 31, 1999, 1998 and 1997 are summarized as follows:

	Number of options		
	1999	1998	1997
At April 1	21,445,626	22,352,038	23,775,930
Granted	17,638,208	7,513,745	7,223,688
Exercised	(5,117,144)	(7,787,709)	(7,772,240)
Forfeited	(1,812,072)	(632,448)	(875,340)
At March 31	32,154,618	21,445,626	22,352,038
Exercisable at March 31	1,773,200	2,663,078	5,406,918
Weighted average price:			
Granted during year	7.71	2.82	2.31
Exercised during year	2.05	2.44	1.26
Forfeited during year	5.66	2.15	1.75
Outstanding at March 31	5.13	2.32	1.86
Exercisable at March 31	1.96	1.51	1.27

20. Reserves

	Share premium account	Profit and loss account
	£m	£m
April 1, 1998	78.0	50.2
Allotment of shares	10.3	—
Retained profit for the financial year	—	439.9
Goodwill transferred to the profit and loss account in respect of business disposals	—	10.9
Currency translation	—	5.9
Transfer in respect of issue of shares to QUEST (Note 19)	8.2	(8.2)
Scrip dividends	(0.4)	64.8
March 31, 1999	96.1	563.5

The currency translation movement includes a loss of £19.0m (1998 — gain of £9.1m) in respect of foreign currency borrowings.

At March 31, 1999 the cumulative direct charge against the profit and loss account in equity in respect of exchange adjustments was £229.7m (1998 — cumulative charge of £235.6m).

21. Acquisitions and disposals

Acquisition of subsidiary undertakings

Vodafone New Zealand

	Balance sheet at acquisition	Fair value adjustments(2)(3)	Accounting policy conformity(4)	Fair value balance sheet
	£m	£m	£m	£m
Tangible fixed assets	94.8	—	—	94.8
Intangible fixed assets	136.5	—	(134.8)	1.7
Other net current assets/(liabilities)	1.0	(0.8)	(1.7)	(1.5)
	232.3	(0.8)	(136.5)	95.0
Goodwill				139.6
Cash consideration paid				234.6

Notes

(1) The table above sets out details of the acquisition of the New Zealand GSM cellular network and related assets, radio communications rights and licenses. The transaction was completed on October 30, 1998.

(2) Adjustments to net current assets primarily comprise stock provisions and other accruals.

(3) Due to the proximity of the acquisition to the year end, fair value adjustments are provisional.

(4) Under UK GAAP, the intangible fixed assets acquired have been included within goodwill on consolidation. Deferred payments for licenses have been accrued and capitalized in accordance with Group policy.

Other acquisitions

The total cash consideration paid for the acquisition of other subsidiaries during the year was £20.8m. The total value of net liabilities acquired was £1.0m and no significant fair value adjustments were made to the acquired balance sheets. The goodwill arising was £21.8m.

In addition, the Group acquired customer bases in Australia during the year for a total cash consideration of £9.5m. The resulting goodwill has been capitalized.

Acquisition of associated undertakings

The total cash consideration paid for the acquisition of associated undertakings during the year was £11.7m. The total value of the share of net assets acquired was £1.9m and no significant fair value adjustments were made to the acquired balance sheets. The goodwill arising was £9.8m.

Disposal of business and assets of subsidiary undertaking

In November 1998, the Group sold its French service provider business operated by Vodafone SA to a member of the Sonepar group. Pierre Bontemps, who was President of Vodafone SA until the date of sale, was appointed President of the company now operating the business. The cash consideration received by the Group in respect of the business disposal was FF 183.6m. Goodwill amounting to £10.9m, which was previously written off to reserves, has been reinstated and charged in the profit and loss account.

22. Non-equity minority interests

Non-equity minority interests of £4.4m (1998 — £23.2m) comprise non-cumulative redeemable preference shares issued by Vodafone Holdings Australia Pty Limited (formerly Vodafone Network Pty Limited). The holders of these securities 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 shares under certain circumstances and are generally not entitled to any participation in the profits or assets of the company

22. Non-equity minority interests (continued)

other than as prescribed. These securities rank in priority to all other classes of share issued by the company as regards return of capital.

23. Leased assets

Operating leases

Future minimum amounts payable under non-cancelable operating leases at March 31, 1999 are as follows:

Years ending March 31	£m
2000	241.5
2001	218.6
2002	152.2
2003	108.7
2004	80.6
Thereafter	279.1

Finance leases

Tangible fixed assets include the following amounts in respect of finance leases:

	Plant & machinery	Fixtures & fittings	Network infrastructure	Total
	£m	£m	£m	£m
March 31, 1999				
Cost	7.9	4.3	257.4	269.6
Accumulated depreciation	(5.7)	(1.4)	(86.3)	(93.4)
Net book value	2.2	2.9	171.1	176.2
March 31, 1998				
Net book value	4.5	1.9	200.1	206.5

Liabilities under leases for network infrastructure assets have been unconditionally satisfied by call deposits and other assets, trust deed and set-off arrangements. Accordingly, neither these lease liabilities nor the corresponding financial assets are included in the Group's balance sheet.

24. Capital commitments

	1999	1998
	£m	£m
Contracted for but not provided	160.9	112.9

25. Contingent liabilities

	1999	1998
	£m	£m
Guarantees of bank or other facilities including those in respect of the Group's associated undertakings and investments	174.7	134.2

26. Net cash inflow from operating activities

	1999	1998	1997
	£m	£m	£m
Operating profit	846.7	626.8	495.3
Depreciation and amortization	296.9	238.1	154.3
Increase in stocks	(14.5)	(7.4)	(0.6)
Increase in debtors	(212.8)	(82.9)	(13.2)
Increase/(decrease) in creditors	128.9	111.8	(7.9)
	1,045.2	886.4	627.9

Net cash inflow from operating activities for the year ended March 31, 1999 is stated after cash payments of £1.4m in relation to exceptional reorganization costs (1998 — £10.8m; 1997 — £ Nil).

27. Analysis of net debt

	April 1, 1998	Cash Flow	Other non cash changes	Exchange movement	March 31, 1999
	£m	£m	£m	£m	£m
Liquid investments	0.4	(0.4)	—	—	—
Cash at bank and in hand	14.9	(9.5)	—	0.7	6.1
Bank overdrafts	(7.8)	2.2	—	(0.9)	(6.5)
	7.1	(7.3)	—	(0.2)	(0.4)
Debt due within one year (other than bank overdrafts)	(481.3)	130.4	(1.5)	(18.3)	(370.7)
Debt due after more than one year	(643.2)	(489.8)	(3.2)	(0.5)	(1,136.7)
Finance leases	—	—	(0.2)	—	(0.2)
	(1,124.5)	(359.4)	(4.9)	(18.8)	(1,507.6)
	(1,117.0)	(367.1)	(4.9)	(19.0)	(1,508.0)

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

28. Directors

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

	1999	1998
	£000	£000
Salaries and fees	2,444	2,288
Incentive schemes	514	—
Contributions to defined contribution pension scheme	57	—
Benefits	137	155
	3,152	2,443

29. Employees

The average number of persons employed by the Group during the year was:

	1999	1998	1997
	Number	Number	Number
Operations	3,675	2,432	1,851
Selling and distribution	2,871	2,391	1,157
Administration	6,096	4,817	3,043
	12,642	9,640	6,051

The cost incurred in respect of these employees (including directors) was:

	1999	1998	1997
	£m	£m	£m
Wages and salaries	314.4	223.1	150.3
Social security costs	20.2	18.5	13.7
Other pension costs	17.5	14.0	7.0
	352.1	255.6	171.0

30. Pensions

The Group operates a number of pension plans for the benefit of its employees throughout the world. For United Kingdom employees the plans are generally funded defined benefit schemes, the assets of which are held in separate trustee administered funds. For international employees the plans are generally defined contribution schemes.

Defined benefit schemes

The schemes are subject to triennial valuations by independent actuaries. The last formal valuations of the three main UK schemes were carried out as at April 1, 1998 using 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 April 1, 1998 the market value of the three principal schemes was £97.8m 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 being 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%, that this will exceed the general rate of salary growth by between 0.5% and 1.5% p.a. and that equity dividend growth would be 4.5% p.a.

The pension cost for the year under UK GAAP for such schemes was £12.8m (1998 — £11.6m; 1997 — £5.7m).

A net prepayment under UK GAAP of £13.0m (1998 — £10.8m) is included in prepayments due after more than one year. This represents the excess of the amounts funded over accumulated pension costs.

The pension funds are recharged with the cost of administration fees by the Group. The total amount recharged for the year to March 31, 1999 was £0.3m (1998 — £0.4m).

30. Pensions (continued)

The net pension cost for the Group under US GAAP was comprised of the following:

	1999	1998	1997
	£m	£m	£m
Service costs-benefits earned during this year	10.2	7.9	5.2
Interest costs on projected benefit obligation	6.3	5.4	4.4
Curtailment cost	—	—	0.2
Actual return on plan assets	(6.4)	(16.1)	(4.7)
Net deferred items	(1.4)	12.0	0.2
Net periodic pension cost	8.7	9.2	5.3

For 1999, 1998 and 1997, respectively, the discount rates used to determine the actuarial present value of the projected benefit obligation were 5.5%, 6.75% and 8.5%; the expected long-term rates of return on assets were 6.25%, 7.5% and 9%; and the expected long-term general salary growth was assumed to be 4.25%, 4.75% and 6.5% for the schemes.

The pension plans' assets, obligations and funded status as calculated under US GAAP was as set forth below:

	1999	1998	1997
	£m	£m	£m
Change in benefit obligation			
Benefit obligation at April 1	87.0	59.4	48.6
Service cost	10.2	7.9	5.2
Interest cost	6.3	5.4	4.4
Members' contributions	4.7	3.6	2.6
Amendments	—	2.4	—
Actuarial gain/(loss)	29.8	12.2	(3.2)
Benefits paid (estimated)	(3.2)	(3.9)	1.8
Benefit obligation at March 31.	134.8	87.0	59.4
Change in plans' assets:			
Fair value of assets at April 1.	97.5	65.8	49.7
Actual return on plans' assets	6.4	16.1	4.7
Employer's contributions	15.0	15.9	7.1
Members contributions	4.7	3.6	2.5
Benefits paid (estimated)	(3.2)	(3.9)	1.8
Fair value of assets at March 31.	120.4	97.5	65.8
Funded status			
Projected benefit obligation	(134.8)	(87.0)	(59.4)
Fair value of plan assets	120.5	97.5	65.8
Unrecognized net loss/(gain)	30.9	(0.3)	(3.2)
Unrecognized net transition obligation	0.3	0.3	0.3
Prior period service cost	0.5	0.6	0.8
Prepaid pension cost	17.4	11.1	4.3

Plan assets comprise principally investments in discretionary segregated managed funds.

Defined contribution schemes

The pension cost for such schemes for the year was £4.7m (1998 — £2.4m; 1997 — £1.3m).

31. Principal subsidiary undertakings, associated undertakings and investments

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

Principal subsidiary undertakings

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

Name	Activity	Country of incorporation or registration	Percentage shareholdings
Vodafone UK Limited(1)	Holding Company	England	100
Vodafone Limited	Cellular network operator	England	100
Vodafone Distribution Limited	Holding company	England	100
Vodafone Corporate Limited	Service provider	England	100
Vodafone Connect Limited	Service provider	England	100
Vodafone (NI) Limited	Service provider	Northern Ireland	100
Vodafone Retail (Holdings) Limited	Holding company	England	100
Vodafone Retail Limited	Holding company	England	100
Peoples Phone Limited	Service provider	England	100
Astec Communications Limited	Service provider	England	100
Vodafone Europe Holdings BV(2)	Holding company	Netherlands	100
Vodafone Malta Limited	Cellular network operator	Malta	80
Vodafone Gibraltar Limited(2)	Investment company	Gibraltar	100
Vodafone Financial Services Limited	Financial services company	Gibraltar	100
Vodafone Australasia Pty Limited	Holding company	Australia	100
Vodafone Holdings Australia Pty Limited(3)	Cellular network operator	Australia	91
Vodafone Pty Limited	Service provider	Australia	91
Talkland Retail Australia Limited	Service provider	England(4)	91
Vodac Pty Limited(5)	Service provider	Australia	100
Vodacall Pty Limited(6)	Service provider	Australia	100
Vodafone New Zealand Limited	Cellular network operator	New Zealand	100
Vodafone Mobile NZ Limited	License holder	New Zealand	100
Vodafone SA	Holding company	France	100
Vodafone GmbH	Holding company	Germany	100
Vodafone Holdings (SA) (Pty) Limited	Holding company	South Africa(7)	100
CV Gemeenschapplijk Bezit Libertel(8)	Holding partnership	Netherlands	70
Libertel Groep BV	Holding company	Netherlands	70
Libertel BV	Cellular network operator	Netherlands	70
Libertel Verkoop en Services BV	Service provider	Netherlands	70
Data Holdings SA	Holding company	Greece	100
Panafon SA	Cellular network operator	Greece	55
Panavox SA(9)	Service provider	Greece	55
Vodafone Finance Limited	Financial trading company	England	100
Vodafone Group Services Limited	Provision of central services	England	100
Vodafone Investments Limited	Holding company	England	100
Vodafone Paging (Holdings) Limited	Holding company	England	100
Vodafone Paging Limited	Radiopaging network operator	England	100
Vodafone Satellite Services Limited	Globalstar satellite consortium	England	100
Vodafone Value Added and Data Services Limited	Supply of value added services and packet radio network operator	England	100

31. Principal subsidiary undertakings, associated undertakings and investments (continued)

Notes:

(1) The company changed its name from Vodafone (Holdings) Limited on April 13, 1999.

(2) Indirectly held.

(3) Share capital consists of 62,516,783 Ordinary shares, 24,798 redeemable preference shares and 2,945,817 A class shares, of which 95.3% of the Ordinary shares and 91% of the redeemable preference shares were indirectly held by Vodafone Group Plc. The company changed its name from Vodafone Network Pty Limited on April 1, 1999.

(4) Incorporated in England, principal place of business Australia.

(5) Share capital consists of 2 Ordinary shares and 14,950 redeemable preference shares.

(6) Share capital consists of 2 Ordinary shares and 817 redeemable preference shares.

(7) Incorporated in South Africa, principal place of business in the Netherlands.

(8) Partnership.

(9) Statutory accounts drawn up to December 31 due to local statutory requirements.

Principal associated undertakings

Vodafone Group Plc's associated undertakings all have share capital consisting solely of Ordinary shares unless otherwise stated. The country of incorporation or registration of all associated undertakings is also their principal place of operation. The operating subsidiaries of all associated undertakings are wholly owned and shown inset.

Name	Activity	Percentage(2) shareholding	Par value of issued equity	Latest financial accounts	Country of incorporation or registration
Celtel Limited(1)	Cellular network operator	37	Shilling 608m	31.3.99	Uganda
Comfone SA(1)	GSM billing bureau	50	CHF250,000	31.12.98	Switzerland
Europolitan Holdings AB(1)	Holding company for cellular network operator	20	SKr102.2m	31.12.98	Sweden
Martin Dawes Telecommunications Limited	Service provider	20	£632,601	31.12.98	England
Misrfone Telecommunications Company(1) SAE	Cellular network operator	30	LE1,200m	First period ends 31.12.99	Egypt
Mobile Telecom Group Limited(1)	Holding company	20	£7,000	31.3.99	England
Page UK Limited(1)	Paging service provider	50	£20,000	31.3.99	Scotland
Societe Francaise du Radiotelephone SA(1)	Cellular network operator	20	FFR6,336.5m	31.12.98	France
Vodafone Fiji Limited(1)	Cellular network operator	49	F$6.0m	31.12.98	Fiji
Vodacom Group (Pty) Limited(1)	Holding company	32	Rand 100	31.3.99	South Africa

Notes:

(1) Indirectly held.

(2) To nearest whole percentage

31. Principal subsidiary undertakings, associated undertakings and investments (continued)

Summary financial information of the associated companies (100% basis) is set out below:

	1999	1998
	£m	£m
Assets		
Current assets	1,158.2	794.3
Investments and other assets	1.5	36.0
Property and equipment, net	2,839.8	1,507.1
	3,999.5	2,337.4
Liabilities and equity shareholders' funds		
Current liabilities	1,971.6	1,351.4
Long-term liabilities	970.6	374.1
Total equity shareholders' funds	1,057.3	611.9
	3,999.5	2,337.4
Turnover	3,054.9	2,000.4
Operating profit	423.8	48.6

Included in current liabilities and long-term debt are amounts owed to the Group, other shareholders of the associated companies and third parties. These providers of finance have also guaranteed certain borrowings of these associated companies. The Group's share of all associated companies' debt after deducting such amounts owed or guaranteed by the providers of finance amounted to £210.6m at March 31,1999 (1998 — £81.6m).

Principal investments

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

Name	Activity	Percentage(1) shareholding	March 31, 1999 carrying value	Country of incorporation or registration
			£m	
E-Plus Mobilfunk GmbH(2)	Cellular network operator	17	44.5	Germany
Globalstar L.P.(3)	Development of satellite telecommunications service	6	12.6	USA

Notes

(1) To nearest whole percentage

(2) Indirectly held

(3) Indirectly held partnership interest

32. Summary of differences between Generally Accepted Accounting Principles in the United Kingdom and the United States

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

Goodwill and other intangibles

Under UK GAAP, the policy followed by the Group prior to the introduction of FRS10, (which is effective for accounting periods ended on or after 23 December 1998 and has been adopted by the Group on a prospective basis) was to write-off goodwill against shareholders' funds in the year of acquisition. FRS 10 now requires goodwill to be capitalized and amortized over its estimated useful economic life. Under US GAAP, goodwill and other intangibles arising on acquisitions are capitalized and amortized over their estimated useful economic lives, but for a period not in excess of 40 years.

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

License fee amortization

Under UK GAAP, the Group has adopted a policy of amortizing license fees in proportion to the expected usage of the network during the start up period and then on a straight line basis to the end of the license period. Under US GAAP, license fees are amortized on a straight line basis from the date that operations commence to the date the license expires.

Deferred taxation

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

Capitalization of interest costs

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

Pension costs

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

Employee share trusts

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

32. Summary of differences between Generally Accepted Accounting Principles in the United Kingdom and the United States (continued)

Dividends

Under UK GAAP, dividends are included in the financial statements when recommended by the Board of directors to the shareholders in respect of the results for a financial year. Under US GAAP, dividends are not included in the financial statements until declared by the Board of directors.

Defeasance of liabilities

Under UK GAAP, liabilities which have been unconditionally satisfied by monetary assets placed in trust and other set off arrangements are considered to be extinguished. Under US GAAP, non-recognition of a liability is allowed only if the liability has been legally extinguished.

Earnings per Ordinary share

Basic earnings per Ordinary share are calculated by dividing net income of £510.4m, £374.2m and £342.2m for the years ended March 31, 1999, 1998 and 1997 respectively, by 3,089,000,000, 3,073,000,000 and 3,060,000,000 which are the approximate weighted average number of Ordinary shares outstanding for the years ended March 31, 1999, 1998 and 1997 respectively. Diluted earnings per share are based on diluted numbers of shares, assuming conversion of share options, in the year ended March 31, 1999, 1998 and 1997 of 3,102,000,000, 3,082,000,000 and 3,067,000,000 respectively.

Fixed assets

The carrying value of long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Group estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized based on the asset's fair value.

Impact of recently issued accounting standards

SFAS 130: ''Reporting Comprehensive Income'', requires that all items that are recognized as components of comprehensive income under US accounting standards are reported in a separate financial statement. The Statement of Total Recognized Gains and Losses presented under UK GAAP for the current and comparative financial years discloses the same categories of gains and losses as are required under the US GAAP Comprehensive Income Statement. Accordingly, no further disclosure has been made.

In June 1997, the Financial Accounting Standards Board (''FASB'') issued Statement of Financial Accounting Standards (''SFAS'') No. 131, ''Disclosures about Segments of an Enterprise and Related Information'' (''SFAS 131''). SFAS 131 establishes standards for reporting financial and descriptive information for reportable segments on the same basis that is used internally for evaluating segment performance and the allocation of resources to segments. The implementation of SFAS 131 has not had an impact on the Group's financial position or results of operations for this or prior financial years.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position No. 98-1, ''Accounting for the Costs of Computer Software Developed or Obtained for Internal Use'' (''SOP 98-1''). SOP 98-1 requires among other things that external and internal computer software costs that are incurred which meet certain criteria, be capitalized and amortized over an appropriate useful life. The Company will be evaluating the effect, if any, SOP 98-1 will have on its financial position and results from operations. SOP 98-1 is effective for fiscal years beginning after December 15, 1998.

In June 1998, the FASB issued SFAS No. 133, ''Accounting for Derivative Instruments and Hedging Activities'' (''SFAS 133''). SFAS establishes accounting and reporting standards for derivative instruments including requiring

32. Summary of differences between Generally Accepted Accounting Principles in the United Kingdom and the United States (continued)

those instruments to be reported as either assets or liabilities at fair value and how changes in fair value from period to period should be reported. The statement also describes the conditions that need to be met for hedge accounting. The Company will be evaluating the effect, if any, SFAS 133 will have on its financial position and results from operations. SFAS 133 is effective for fiscal years beginning after June 15, 2000.

Stock based compensation

SFAS 123, ''Accounting for stock based compensation'' establishes a fair value based method of accounting for stock based compensation plans and encourages the recognition of the compensation cost on this basis in the income statement. Where the cost is not recognized, the proforma effect of the valuation method on net income must be disclosed. Under UK GAAP the compensation element is not required to be recognized in net income. The disclosure only provisions of SFAS 123 have been adopted.

At March 31, 1999 there were 32,154,618 options outstanding with a weighted average exercise price of £5.13 with a range of exercise prices from £0.87 to £8.94. These options had an outstanding weighted average life remaining of 16 months. Of these options 1,773,200 were exercisable at March 31, 1998 at a weighted average price of £1.96 with a range of exercise price from £0.87 to £2.33. The per share weighted average fair value of share options granted during 1999 was £2.99 on the date of grant using the Black Scholes option pricing model with the following weighted-average assumptions — implied volatility 47.02%, expected dividend yield 1.18%, and a risk free interest rate of 6.24%. Had compensation cost been determined based upon the fair value of the stock options at grant date consistent with SFAS 123 the Group's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	1999
Net income	
As reported under US GAAP	£510.4m
Pro forma	£492.3m
Earnings per share	
As reported under US GAAP	16.52p
Pro forma	15.93p

Consolidated statements of cash flows

The consolidated statements of cash flows prepared under UK GAAP differ in certain presentational respects from the format required under Statement of Cash Flows (''SFAS'') 95. Under UK GAAP, a reconciliation of profit from operations to cash flows from operating activities is presented in a note, and cash paid for interest and income taxes are presented separately from cash flows from operating activities.

Under SFAS 95, cash flows from operating activities are based on net profit, include interest and income taxes, and are presented on the face of the statement.

32. Summary of differences between Generally Accepted Accounting Principles in the United Kingdom and the United States (continued)

Summary consolidated cash flow information as presented in accordance with SFAS 95:

	1999	1998	1997
	£m	£m	£m
Cash was provided by (used in):			
Operating activities	628.2	975.0	585.1
Investing activities	(1,002.3)	(871.1)	(810.1)
Financing activities	364.2	(126.1)	257.6
Net (decrease)/increase in cash	(9.9)	(22.2)	32.6
Exchange movement	0.7	(4.3)	(1.5)
Cash at the beginning of year	15.3	41.8	10.7
Cash at the end of year	6.1	15.3	41.8

A reconciliation between the consolidated statements of cash flows presented in accordance with UK GAAP and US GAAP is set out below:

	1999	1998	1997
	£m	£m	£m
Operating activities			
Net cash inflow from operating activities (UK GAAP)	1,045.2	886.4	627.9
Tax paid	(194.6)	(162.9)	(150.1)
Net interest (paid)/received	(89.8)	(43.4)	7.5
(Decrease)/increase in short term borrowings	(132.6)	294.9	99.8
Net cash provided by operating activities (US GAAP)	628.2	975.0	585.1
Investing activities			
Net cash outflow from capital expenditure, financial investments and acquisitions and disposals (UK GAAP)	(1,005.2)	(874.0)	(818.0)
Sale of short term investments	—	—	1.9
Dividends from associated undertakings	2.9	2.9	6.0
Net cash used in investing activities (US GAAP)	(1,002.3)	(871.1)	(810.1)
Financing activities			
Net cash inflow from financing activities (UK GAAP)	350.1	292.9	487.4
(Decrease)/increase in short term borrowings	132.6	(294.9)	(99.8)
Dividends paid	(118.5)	(124.1)	(130.0)
Net cash provided by (used in)/financing activities (US GAAP)	364.2	(126.1)	257.6

32. Summary of differences between Generally Accepted Accounting Principles in the United Kingdom and the United States (continued)

The approximate effects of the differences between UK GAAP and US GAAP on net income, shareholders' equity and total assets are as follows:

	1999	1998	1997
	£m	£m	£m
Net income and earnings per share			
Net income as reported in accordance with UK GAAP	636.7	418.8	363.8
Items (decreasing)/increasing net income:			
Goodwill amortization	(99.1)	(62.0)	(23.0)
Profit on disposal of fixed asset investments	4.4	14.5	—
Deferred income taxes	(28.0)	3.0	2.8
Other	(3.6)	(0.1)	(1.4)
Net income in accordance with US GAAP	510.4	374.2	342.2
Basic earnings per share in accordance with US GAAP	16.52p	12.18p	11.18p
Diluted earnings per share in accordance with US GAAP	16.45p	12.15p	11.16p

Under US GAAP, the net gain on disposal of fixed asset investments of £66.7m (1998 — £24.9m, 1997 — £25.9m) would be included within operating income.

	1999	1998
	£m	£m
Shareholders' equity		
Shareholders' equity as reported in accordance with UK GAAP	814.6	282.5
Items increasing/(decreasing) shareholders' equity:		
Goodwill — net of amortization	1,031.1	1,136.7
License fee amortization	(12.5)	(10.7)
Cumulative deferred income taxes	(71.3)	(43.3)
Proposed dividends	100.3	86.9
Minority interest	(3.0)	(7.9)
Other	(0.9)	(4.7)
Shareholders' equity in accordance with US GAAP	1,858.3	1,439.5

The minority interest relates to a deferred tax asset, which is recognized for US GAAP purposes only, by a less than 100% owned subsidiary undertaking.

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

33. Proportionate Information

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

UK GAAP requires consolidation of entities controlled by the Group and the equity method of accounting for entities in which the Group has significant influence but not a controlling interest. Proportionate presentation is a pro rata consolidation, which reflects the Group's share of turnover and expenses in both its consolidated and unconsolidated entities. The Vodafone Group Plc's principal subsidiary undertakings, associated undertakings and investments, together with the Group's ownership interest, are listed on pages F-32 to F-34. 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. Vodafone Group does not own the underlying assets of these investments.

(a) Proportionate financial information

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

(b) Proportionate customer information

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

Note:

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

34. Subsequent events

On June 30, 1999, the merger of Apollo Merger Sub, Inc., a wholly owned subsidiary company of Vodafone Group Plc and AirTouch Communications, Inc., was completed, with the result that AirTouch Communications, Inc. became a subsidiary of Vodafone Group Plc, which changed its name to Vodafone AirTouch Plc. Because this Annual Report on Form 20-F relates to the fiscal year ended March 31, 1999, the Consolidated Financial Statements presented above refer to the results of operations and financial condition of Vodafone Group for the three years ended March 31, 1999, prior to the Merger.

On July 19, 1999 the Company announced that it had agreed, through its wholly owned subsidiary AirTouch Cellular, to purchase the entire issued share capital of CommNet Cellular Inc., (''CommNet'') for $764 million in cash, plus debt which is expected to be approximately $600 million at the close of the transaction. Under the terms of the agreement, shareholders of CommNet will receive $31 per share in cash, plus 8 percent annual interest from July 18, 1999 until closing. CommNet is majority owned by Blackstone Capital Partners II, a private equity fund of the Blackstone Group, a private investment bank in New York. The transaction is subject to customary conditions including receipt of approval from the United States Federal Communications Commission. The deal is expected to close in four to five months.

Financial Statement Schedule II

Valuation and qualifying accounts

	Allowance for bad and doubtful accounts	Allowances for stock obsolescence
	£m	£m
April 1, 1995	17.4	3.8
1995/96:		
Opening foreign currency revaluation	0.2	—
Additions — charged	22.2	1.6
Assets written-off	(28.1)	(0.6)
March 31, 1996	11.7	4.8
1996/97:		
Opening foreign currency revaluation	(0.9)	—
Additions — charged	16.0	3.5
Assets written-off	(10.4)	(2.2)
March 31, 1997	16.4	6.1
1997/98:		
Opening foreign currency revaluation	(1.9)	—
Additions — charged	15.4	5.5
Assets written-off	(13.5)	(1.4)
March 31, 1998	16.4	10.2
1998/99:		
Opening foreign currency revaluation	0.5	—
Additions — charged	19.6	1.5
Assets written-off	(9.9)	(4.9)
March 31, 1999	26.6	6.8

Signatures

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

VODAFONE AIRTOUCH PUBLIC LIMITED COMPANY

/s/ CC GENT

CC Gent
Chief Executive

Date: July 21, 1999