

Vodafone Group Plc

Annual Report and Accounts

For the year ended 31 March 1994



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Vodafone Group Plc is a world leader in the provision of mobile telecommunications services.

It is the market leader in the United Kingdom where it operates nationwide analogue and digital cellular networks. Worldwide, the Group participates in mobile telecommunications services in 11 countries.

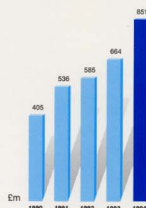
The Company's shares are quoted on both the London and New York stock exchanges and, in June 1994, the Group was one of the forty largest companies by market capitalisation included in the FT-SE 100 index.

The Group's profitability has grown every year since 1986.

Significant opportunities exist for future growth and the Group has a clearly defined strategy to achieve continued success.

Results at a glance

	1994 £m	1993 £m
Turnover	<u>851</u>	<u>664</u>



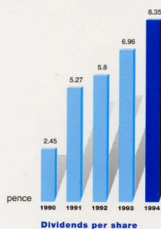
Profit before taxation	<u>363</u>	<u>322</u>
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Taxation	<u>118</u>	<u>100</u>
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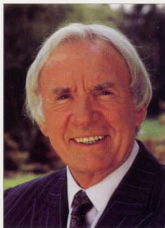
Profit after taxation	<u>245</u>	<u>222</u>
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Earnings per share	<u>24.34p</u>	<u>22.07p</u>
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Dividends per share (net of tax)	<u>8.35p</u>	<u>6.96p</u>
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Board of directors



Sir Ernest Harrison OBE
Chairman



G A Whent CBE
Chief Executive

Chairman

Sir Ernest Harrison OBE
Hon DSc, Hon D Univ (Surrey),
Hon D Univ (Edinburgh), FCA, Comp IEE, Hon FCGI

Chief Executive

G A Whent CBE

Directors

Sir William Barlow F Eng
Sir Robert Clark DSC
C C Gent
D J Henning
K J Hydon
G J Lomer CBE F Eng
E J Peett CBE

Secretary

S R Scott MA, Solicitor

Registered Office

The Courtyard, 2-4 London Road,
Newbury, Berkshire RG13 1JL

Auditors

Touche Ross & Co.,
Hill House, 1 Little New Street,
London EC4A 3TR

Registrars and Transfer Office

Barclays Registrars,
Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU

Statement by the Chairman

It is with pleasure that I am able to report that the Company achieved increases in both sales and profit. Sales during the year were £850.5 million (1992/93 - £664.1 million), an increase of 28%. The net profit before taxation amounted to £363.3 million (1992/93 - £322.5 million), an increase of 13%.

Taxation for the year is estimated at £118.1 million (1992/93 - £100.6 million). Earnings per share amounted to 24.34p per share (1992/93 - 22.07p per share), an increase of 10%.

The directors recommend payment of a final dividend of 4.23p per share (1992/93 - 3.53p per share) making a total of 8.35p per share (1992/93 - 6.96p per share) for the year. This represents an increase of 20% on the net dividend for the year ended 31 March 1993.

The final dividend will be paid on 17 August 1994 to shareholders on the Register of Members on 30 June 1994.

The Company

The Vodafone Group is a leading provider of mobile telecommunications including cellular radio, wide area paging, packet radio and value added network services.

The Vodafone national cellular radio telephone service continues to be the most profitable contiguous mobile telephone service in the world.

The increased demand for mobile communications in the United Kingdom resulted in an acceleration of growth throughout the year.

The Group's strategy for continued growth is to develop its existing businesses and, in addition, establish mobile telecommunications operations overseas either by gaining licences or by acquiring interests in existing network operating companies. In the year, start-up costs including notional interest on the investment, resulted in a loss of £45 million compared with a loss of £15 million in the previous year. The Group's pre-tax profit including profit on disposals would have increased by 22% instead of 13% if the start-up costs of new ventures were excluded.

The proposed final dividend has been increased by 20% to reflect the underlying performance of the Group.

"The Vodafone national cellular radio telephone service continues to be the most profitable contiguous mobile telephone service in the world."

Statement by the Chairman

"This Annual Report contains for the first time an Operating and Financial Review which highlights the main features of the Group's business."

Accounting Standards Board – Operating and Financial Review

The Group welcomes the recommendation of the Accounting Standards Board that there is a growing need for annual reports to include a review of the most significant features underlying the results and financial position. This Annual Report contains for the first time an Operating and Financial Review which highlights the main features of the Group's business.

Acquisitions and Disposals

In April 1993, the Group acquired the entire share capital of Hawthorn Leslie Group PLC for a consideration (including assumed borrowings) of £28.2 million. HL Communications Limited, the principal subsidiary of this company, is a leading United Kingdom Service Provider. Since acquisition it has been re-named VHL Communications Limited and has traded profitably and increased its subscriber base from 49,000 to 86,000.

In October 1993, Vodapage Limited, the Group's paging subsidiary, acquired Air Call Communications Limited, one of the longest established United Kingdom paging operators. Vodapage and Air Call together provide nationwide paging services to more than 200,000 users.

In March 1994, the Group acquired one third of General Mobile Communications Limited, the parent company of Talkland International Limited, the United Kingdom's leading independent mobile service provider, for a consideration of £33.3 million. Talkland has over 210,000 subscribers and is expected to trade profitably during the current year.

In March 1994, the Group joined with nine other major international companies to launch a global telecommunications service to be based on a constellation of 48 Low Earth Orbit satellites. These are scheduled to provide, from 1998, a celestial mobile and fixed telephone service complementary to Vodafone's existing and projected terrestrial services. The Group will initially contribute US\$37.5 million during the first twelve months and will have a stake of approximately 10 per cent in the consortium.

During the year, the Group disposed of its interests in two non-core businesses and reduced its interest in NordicTel Holdings AB.

Appreciation

1993/94 was an extremely busy year for the Company and this placed exceptional demands on the staff and, in turn, on their families. I am sure that you would wish me to place on record our very great appreciation of their considerable efforts and achievements.

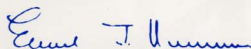
The Future

The Group will continue to develop its existing businesses both at home and abroad and will seek further opportunities to participate in overseas network operations.

The new digital network is now almost fully deployed and this will provide a range of new, innovative services across a broad range of the business and domestic community.

Mobile communications continue to be an outstanding growth market and the Group is recognised as a world leader.

The results for 1994/5 are expected to show continuing growth after incurring further start-up costs in the order of £80 million. This will be the peak year for start-up costs of all our current overseas projects and plans. Longer term prospects are good as established businesses continue to grow and new businesses move toward the point where they contribute to the Group's profits.



*"Mobile communications
continue to be an
outstanding growth market
and the Group is recognised
as a world leader."*



Review of operations

CELLULAR RADIO NETWORK OPERATIONS

Vodafone

Vodafone Limited had a record year, connecting over 335,000 new subscribers, representing a growth of 40% and resulting in a total of over 1,174,000 subscribers connected to the service by 31 March 1994. Vodafone maintained its overall market leadership in the United Kingdom, particularly in respect of the high revenue earning business segment of the market which continued to form the major part of new business. LowCall, as expected, proved to be attractive to low users, with nearly 150,000 new subscribers being added.

Vodafone's analogue network provides a high quality mobile telephone service available to 98% of the United Kingdom's population. Although most new customers joined this service, increasing numbers are recognising the benefits of Vodafone's new digital service and over 22,000 subscribers were connected by the year end. As the coverage of the digital service begins to match the coverage of the analogue service it is expected that more and more subscribers will be attracted by the facilities that this high technology network provides. The ability to roam onto other digital networks being established in many overseas countries will be of particular interest.

During the year OFTEL completed two further independent further assessments of both analogue cellular networks in the United Kingdom. These confirmed that Vodafone continues to be the better performing network with an overall success rate of 94.9%, some 3.3% ahead of its competitor. Vodafone now publishes, every six months, its own quality report on the performance of its network.

Commitment to a satisfactory quality of service is a very high priority and further expansion of the analogue network, commensurate with increased demand, has been undertaken. By the end of the year over 905 analogue base stations were in service, representing a cumulative investment of £525 million. In parallel, 1,154 digital base stations have been deployed to provide service for both EuroDigital and MetroDigital subscribers,

*Vodafone centres are now
becoming a familiar sight
in the High Street.*





*EuroDigital and
MetroDigital mobile
telephones will work on both
sides of the Channel.*

Review of operations

representing an investment of £170 million. It is now expected that the digital service will eventually comprise some 3,000 base stations throughout the United Kingdom. Nearly 2,000 of these sites will be used to provide a service for MetroDigital subscribers. This service is primarily aimed at urban and suburban based users who wish to use a mobile telephone service which gives them both low cost local calls as well as a national and international service.

During the year, extensive consultation with local communities resulted in Vodafone being able to accommodate most of their concerns regarding the environmental impact of MetroDigital base stations by landscaping, relocation or introducing less intrusive antennas.

Roaming agreements have been concluded with twenty one operators in Europe and in other countries offering the GSM digital service. It is expected that in the next few years GSM digital networks will be deployed in over seventy countries and roaming arrangements will be introduced as soon as the service becomes available in the countries concerned.

In April 1994, Vodafone introduced, for use by its Service Providers, a new pre-payment form of subscription which automatically informs subscribers when their credit limit has been reached. Vodacredit, as this service is known, is a convenient method of protecting subscribers from misuse of their mobile telephones and is available on both analogue and digital networks. At the same time, the Vodafone Recall voice messaging service was expanded to enable subscribers to the digital service to enjoy the same level of voice messaging services as are available to users of the analogue service.

During the year, Vodafone has continued to support the desire of Service Providers and dealers to move into the High Street. By the year end, sixty five Vodafone Centres had been opened, together with twelve branded Service Provider High Street outlets. In addition, Vodafone has also assisted initiatives from Service Providers with multiple retail outlets.



SERVICE PROVISION

Vodac

Vodac Limited had a record year, increasing both its rate of acquiring new subscribers and its market share, thereby becoming the largest single Service Provider. It ended the year with over 340,000 subscribers.

The surge of new business, particularly in the second half of the year, presented new challenges to the administration staff, resulting in the creation of more jobs as well as the deployment of new technologies for dealing with the day to day task of serving such a large number of customers.

VHL Communications

VHL Communications Limited has traded profitably since its acquisition in April 1993. Its customer base has increased by over 70% during the year.

The rate of new connections increased throughout the year from the direct sales force, dealers and the company's unique telemarketing operation.

VHL Communications opened new sales offices in Basingstoke and Glasgow during the year. The distribution and service departments were relocated in March 1994 to new purpose-built premises in Croydon.



*Vodac and VHL provide
nearly 500,000 people with
mobile telephone services.*



*Vodapage's nationwide
radiopaging service is a
highly efficient and
affordable way of contacting
people throughout the
United Kingdom.*



Review of operations

RADIOPAGING

Vodapage

Subscribers to Vodapage Limited's nationwide radiopaging network grew from 102,000 to over 112,000 during the year. This growth, together with the acquisition in October 1993 of Air Call Communications, means that these two companies now provide service to more than 200,000 users. Vodapage increased its profitability during the year and is currently engaged in a programme to maximise the benefits of the rationalisation of its two businesses.





VALUE ADDED NETWORK SERVICES

Vodata

Vodata Limited enjoyed a highly successful year with enhanced growth and profitability. Much of this was due to the continuing success of the Recall voice messaging service with both users and traffic volumes increasing by over 70% compared to the previous year. A version of Recall for the EuroDigital and MetroDigital network has been developed which is expected to sustain this strong growth.

Other businesses in Vodata's portfolio continued to trade profitably, with particular success for the new "Fax-on demand" service.

PACKET RADIO NETWORK OPERATION

Paknet

Paknet Limited, after maintaining steady progress during the first half of the year, made significant improvements in its rate of subscriber uptake in the second half, moving into profit and well exceeding planned subscriber and traffic volume growth. It now regularly carries over 200,000 data transactions each day from its 25,000 subscribers.

The Recall voice messaging service is now used by almost 300,000 Vodafone subscribers.



*The ability to use a digital
mobile telephone overseas
has at last become a reality.*

Review of operations

EQUIPMENT DESIGN AND MANUFACTURE

Orbitel

Orbitel Mobile Communications, the Group's 50:50 manufacturing joint venture with L. M. Ericsson, had a very much improved year.

Following the completion of the reorganisation of the company it achieved profitability by the end of the year.

The Orbitel 902 Pocket Phone, a GSM hand portable launched during the year, was voted 'Mobile Phone of the Year'. Substantial orders for this and for analogue and digital infrastructure equipment, resulted in Orbitel opening the current year with a strong order book.



INTERNATIONAL OPERATIONS

1993/94 was a year of considerable progress for the Group's international operations. The Australian and Greek networks commenced commercial service and new cellular licences were won in South Africa and Fiji.

The most significant international events for the year were:

- In June 1993, Vodacom, a joint venture company in which the Vodafone Group has a 35% interest, was awarded one of two licences to operate a GSM mobile telephone service in South Africa. Commercial service commenced in April 1994, with a strong initial subscriber uptake.
- In July 1993, Panafon SA, a joint venture company in which the Vodafone Group has a 45% interest, commenced a GSM digital service in the Attica area of Greece. The network roll-out throughout the highly populated areas of Greece is progressing well and subscriber growth has exceeded expectations.



Overseas networks

Australia

Denmark

Fiji

France

Germany

Greece

Hong Kong

Malta

South Africa

Spain

Sweden

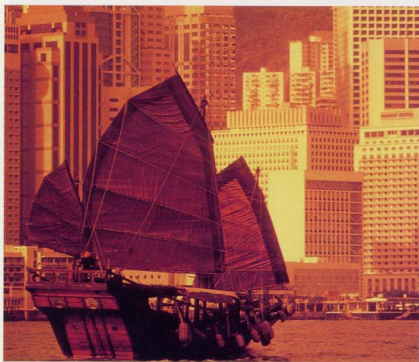
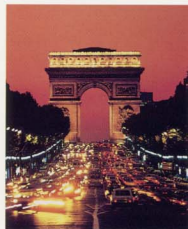


Review of operations

- In October 1993, Vodafone Pty opened service in Sydney, Melbourne and Canberra and in the other State Capitals in March 1994. Network roll-out over the remaining populated areas of Australia is continuing rapidly to ensure the early establishment of the GSM digital service.

Pacific Link Communications, a Hong Kong mobile telephone service operator in which the Vodafone Group has a 30% interest, increased subscribers on its digital network at a satisfactory rate throughout the year. Subscribers on its analogue network remained at its maximum capacity of 60,000.

Pacific Telelink is a telepoint and paging operator in Hong Kong in which the Vodafone Group has a 28% interest. Subscriber take-up of this service was as expected, resulting in over 21,000 subscribers at the year end.



Review of operations



Subscribers to the Swedish NordicTel GSM cellular service, in which the Vodafone Group has an 18.5% interest, grew faster than expected and totalled 21,700 at the end of the year.

Société Française du Radiotéléphone, a subsidiary of COFIRA in which the Vodafone Group has a 4% interest, increased subscribers on both its analogue and GSM networks to over 147,000 at the year end. The company has undertaken a major marketing campaign from April 1994 to lift its share of the rapidly growing French cellular market.

The Group continues to seek further opportunities to participate in overseas network operations.



Business highlights

- April**
 - Vodafone Group acquires Hawthorn Leslie Group.
 - Vodafone records best month for connections for almost three years.
 - Paknet packet radio data service opens in Northern Ireland.
- May**
 - Vodata introduces new interactive audiotex facilities.
 - Vodapage signs three year contract to supply paging services to Thames Water Utilities Limited.
- June**
 - Vodafone Group joins consortium to operate South Africa's first digital mobile telephone network.
 - Vodafone announces EuroDigital and MetroDigital digital mobile telephone services.
 - United Kingdom's first Vodafone Centre retail store opens in Hove.
- July**
 - Panafon opens its digital mobile telephone network in Greece.
 - Subscribers to EuroDigital and MetroDigital services now able to use their mobile telephones in France, Italy, Denmark and Sweden.
- August**
 - Vodafone Group joins consortium to operate Fiji's first mobile telephone network.
 - Vodafone Group International formed to acquire licences and supervise the Group's overseas operations.
- September**
 - Vodafone launches its EuroDigital service.
 - Vodafone announces CapitalCall tariff for subscribers making most of their calls within the M25 area.
 - Vodafone named United Kingdom's best mobile telephone network.



Business highlights

'93

October

- Vodapage acquires Air Call.
- Vodafone Pty opens digital mobile telephone service in Australia.
- Vodafone launches its MetroDigital service in urban areas with half rate 'home cell' tariff.
- Vodata launches new Recall voice messaging service for subscribers to the digital services.
- Vodac helps fight mobile telephone theft with Crime Prevention Pack for customers.
- Orbitel wins £11 million Telepoint equipment order.

November

- Vodafone announces best monthly connection figures since launch.
- Vodata's dial-up facsimile service used to publish Chancellor's Budget Speech.

December

- Vodafone connects ONE MILLIONTH subscriber.

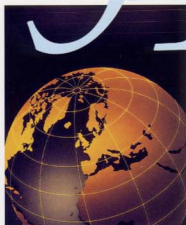
'94

January

- Orbitel 902 Pocket Phone named 'Phone of Year'.

March

- Vodafone Group acquires one third stake in Talkland.
- Vodafone Group joins Globalstar consortium to develop and launch a Low Earth Orbiting Satellite (LEOS) mobile telephone service.



Financial review

ACCOUNTING POLICIES

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

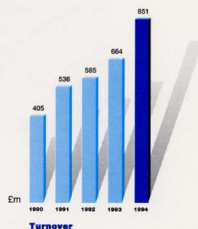
Two new accounting policies have been introduced during the year:

- *Scrip dividends*: Shares issued in lieu of dividends are treated as bonus shares and the corresponding dividend credited to reserves. Shares of nominal value £41,880 were issued and a credit to reserves of £4.3 million arose in the year in respect of scrip dividends.
- *Finance leases*: Assets acquired under finance leases are capitalised at their fair value at the inception of the lease. Additions to fixed assets of £26.7 million arose in the year in respect of finance leases. Assets equivalent to these lease obligations were deposited with third parties to satisfy the liabilities falling due. Accordingly, the lease liabilities and the deposited assets are not included in the balance sheet.

GROUP RESULTS

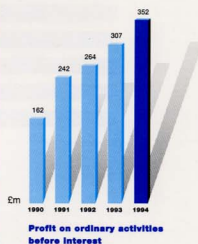
Turnover

The Group's turnover grew from £664.1 million to £850.5 million, an increase of £186.4 million. The turnover of VHL Communications and Air Call Communications which were acquired during the year totalled £57.3 million. The growth in turnover arose from an expanding mobile communications market as detailed in the review of operations.



Profitability

The Group's operating profit grew by 10% from £307.4 million to £337.6 million, an increase of £30.2 million. £27.4 million of the increase came from growth in the Group's existing businesses and £2.8 million from acquisitions. Operating profit grew at a slower rate than turnover mainly due to start-up costs of new ventures and the higher number of connection incentives paid on the increased subscriber additions in the year.



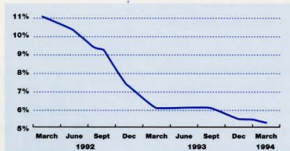
In the year, start-up costs including notional interest on the investment, resulted in a loss of £45m compared with a loss of £15m in the previous year. The Group's profit before taxation, including profit on disposals, would have increased by 22% instead of 13% if the start-up costs of new ventures were excluded.

The Group's share of losses of associated undertakings was unchanged at £2.8 million. Start-up costs of overseas associates, principally Panafon in Greece, were offset by an improved performance from Orbitel in the United Kingdom.

Financial review

Disposal of the Group's interests in two non-core businesses, and a reduction of its investment in NordicTel Holdings AB, yielded proceeds of £22 million and an exceptional profit of £14 million. The profit was net of a release of £7 million of goodwill previously written off.

Interest



Sterling 3 month
LIBOR

Despite higher average cash balances, net interest receivable for 1993/94 decreased from £15.0 million to £11.6 million due to lower interest rates.

Taxation

The effective tax rate for 1993/94 will be approximately 32.5%, an increase of 1.3% on the previous year. This is due primarily to start-up costs of overseas businesses which are unrelievable against United Kingdom taxation. This trend will continue until the overseas operations move into profit.

Exchange rates

	31 March 1993	31 March 1994
Australian dollar	2.12	2.12
Dutch florin	2.79	2.29
French franc	8.21	8.46
Hong Kong dollar	11.63	11.47
Maltese lira	0.53	0.57
US dollar	1.50	1.48

Principal exchange
rates used to
translate the
financial statements

The Group policy is to convert all overseas profits and losses at year end exchange rates.

At the year end, sterling was relatively unchanged against the currencies of those countries in which Vodafone has subsidiaries. Exchange rate fluctuations had an immaterial effect on the Group's financial results.

Future results

The principal factors which will influence the Group's future performance are the growth of the mobile communications markets, the Group's market share, usage per subscriber and tariffs.

The results for 1994/5 are expected to show continuing growth even after incurring further start-up costs in the order of £80 million. This will be the peak year for start-up costs of all current overseas projects and plans. Longer term prospects are good as established businesses continue to grow and new businesses move toward the point where they contribute to the Group's profits.

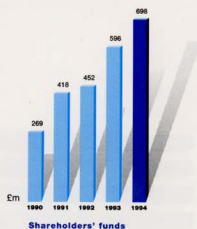
BALANCE SHEET

The balance sheet remains strong and liquidity good. Fixed assets increased by £157 million, primarily as a result of capital expenditure on networks in the United Kingdom and Australia and investments in joint ventures elsewhere.

Working capital (excluding cash and liquid investments), decreased by 13% due to net current liabilities increasing from £97 million to £110 million. The Group ended the year with £111 million of cash and liquid investments net of overdrafts and borrowings.

After taking £115 million of goodwill on acquisitions during the year directly to reserves, shareholders funds increased from £596 million to £698 million.

There are no assets included in the balance sheet in respect of licences obtained for no initial cost, although these licences are considered to be extremely valuable. The Group's shareholders funds do not include any valuations which may be placed on these licences. Licences which have an initial cost are included in the Group's balance sheet at cost and amortised over their minimum period of tenure. The value of all such licences is considered to be well in excess of their balance sheet value. The Group has not included in its balance sheet any value attributable to the future income stream from existing subscribers.



CASH FLOW

Inflows

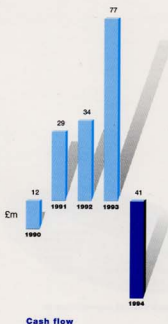
The Group's net cash inflow from operating activities increased by 3% from £383 million to £395 million, principally resulting from the increased operating profit of the Group. The only material inflow from non-operating activities additional to return on investments was £22 million from the sale of non-core investments and the reduction in the Group's interest in NordicTel Holdings AB.

Outflows

The Group's capital expenditure in the year was £155 million, which includes £49 million overseas. The United Kingdom expenditure was primarily on the expansion of Vodafone Limited's new digital network. Overseas capital expenditure was almost entirely spent on setting up the Australian digital network.

The Group spent £35 million on acquiring subsidiaries during the year, being principally the repayment of the £25 million bank debt owed by Hawthorn Leslie Group PLC at the time of acquisition and £9 million on acquiring the shares of Air Call Holdings Limited.

The Group spent £112 million on acquiring shares and making loans to associated undertakings and investments, mainly overseas. The only United Kingdom associated undertaking acquired during the year was one third of the parent company of Talkland International Limited which was acquired for shares.



Financial review

Taxation and dividends

Taxation payments of £100 million and dividend payments of £73 million together were the Group's largest outflow of cash during the year. Taxation payments totalling £98 million were in respect of United Kingdom liabilities.

Usage for the year

	1993 £000	1994 £000
Inflow/outflow per FRS 1	60,432	(33,266)
Borrowings	173	1,827
Liquid investments	26,856	(9,724)
Short term loan to associated undertaking	(10,000)	-
Inflow/outflow per Group basis	77,461	(41,163)

Reconciliation between FRS 1 and Vodafone basis cash flow

The Group uses a different method of calculating cash flow for internal management purposes from that defined in Financial Reporting Standard (FRS) 1 'Cash Flow Statements'. Cash flow is managed principally by reference to the increase or decrease in cash and cash equivalents, net of all borrowings. On this basis the net cash outflow for the year was

£41 million, whereas on the basis of FRS 1 it was

£33 million. The differences between the Group's internally calculated cash flow and that of FRS 1 are as follows:

- FRS 1 includes borrowings as a cash inflow whereas the Group does not categorise these as generation of cash.
- FRS 1 excludes liquid investments with an original maturity limit over three months from cash equivalents whereas these are included by the Group.
- FRS 1 excludes short-term deposits with investments and associated undertakings as cash equivalents whereas these are included by the Group.

Future investments

In the 1994/95 financial year the cash required for capital expenditure and investments in existing operations is expected to be in the order of £300 million, over half of which will be used for funding start-up operations.

The major items of the expected capital expenditure and investments are:

- £100 million of capital expenditure on Vodafone's digital network in the United Kingdom.
- Approximately £70 million of capital expenditure on Vodafone Pty's digital network in Australia.
- Approximately £80 million of investments in joint ventures overseas, principally in Greece and Germany.



Anticipated capital expenditure in 1994/95

SHAREHOLDERS' RETURNS

Earnings per share

Earnings per share increased by 10% from 22.07p to 24.34p. This increase has not been affected materially by the issue of new shares during the year.

Dividends

The 1994 proposed final dividend of 4.23p gives a total for the year of 8.35p, an increase of 20% to reflect the underlying performance of the Group before the start-up costs of its new ventures.

The dividend cover of 2.9 times compared to 3.2 times in the previous year is considered prudent.

Ordinary dividends to shareholders have increased since the flotation in 1988 by a compound annual rate of 37%.

TREASURY

Policy

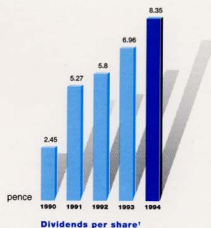
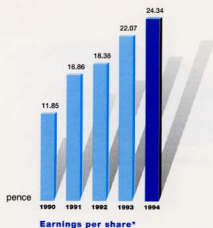
The Group operates a central treasury function under strict rules approved by the directors. It is subject to regular internal as well as external audits.

The Group manages its interest and foreign exchange exposures as follows:

- All known future foreign currency cash flows are hedged into sterling unless deemed inappropriate. This includes repatriation of dividends and loans made overseas.
- A position is only taken on a future interest or foreign currency exchange rate to match an existing firm exposure.

A variety of treasury instruments are permitted, including forward foreign exchange contracts, options, swaps, futures and forward rate agreements.

It is expected that internally generated funds will be sufficient to finance the planned expansion of the Group's existing businesses. However, the Group continually reviews potential business opportunities and investments. Such opportunities may require external financing which would be obtained through borrowings or the issue of debt or equity securities.



* 1991 excludes the extraordinary income.

* 1992 excludes the special interim dividend paid on demerger.

Financial review

Investment of surplus funds

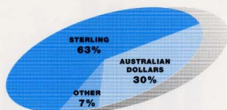
Surplus funds averaging over £150 million were invested during the year. The Group's policy is to invest surplus funds to earn a return consistent with the level of risk whilst ensuring security of principal and retaining sufficient liquidity to meet funding requirements. At 31 March 1994, 63% of the surplus funds were held in sterling, 30% in Australian dollars and 7% in other European currencies. Investments are only made with counterparties with a high credit rating.

Interest and foreign exchange hedging

During the year, the only significant activity undertaken was hedging foreign currency loans to overseas investments by entering into matching forward exchange contracts.

Capital structure

At the year end, the Group was financed by share capital and internally generated funds and had net cash deposits. There were no significant committed credit or funding facilities at the Group's disposal at 31 March 1994.



Surplus funds at 31 March 1994

Report of the directors

The directors submit their annual report and audited financial statements for the year ended 31 March 1994.

REVIEW OF THE GROUP'S BUSINESS

The Company and its subsidiaries are involved principally in mobile telecommunications services. A review of the development of the business of the Company and its subsidiaries is contained in the Chairman's statement on pages 3 to 5 and the operating and financial review on pages 6 to 24.

FUTURE DEVELOPMENTS

The Group is currently involved in the future expansion and development of the cellular telecommunications and related businesses as detailed in the Chairman's statement on pages 3 to 5 and the operating and financial review on pages 6 to 24.

CORPORATE GOVERNANCE

The debate about the duties of both executive and non-executive company directors and the structure and functioning of boards culminated in the publication of the Cadbury Committee report on the Financial Aspects of Corporate Governance which the directors of Vodafone Group Plc fully support.

The Vodafone Group Plc board comprises five executive and four non-executive directors, directly controlling strategy, budgets, finance and organisational issues and monitoring executive management. The non-executive directors have a wealth and diversity of experience and their independence is particularly valuable in the areas of audit and remuneration where they contribute through standing committees of the board. The membership of the committees is set out on page 26.

Having compared its own practices with the Cadbury Committee's Code of Best Practice, the board of Vodafone Group Plc believes it is in compliance with the operative provisions of the Code.

THE ENVIRONMENT

The Group has formally established an environmental policy, the main thrust of which is the introduction of an environmental management system based on British Standard 7750.

The policy also includes specific procedures on the protection of the environment as follows:

- To use technology that is not known to be harmful to people or the environment.

- To ensure every effort is made to minimise the visual impact of the radio masts the Group must inevitably erect to provide mobile telecommunications services.
- To endeavour only to purchase environmentally friendly products.
- To preserve wildlife habitats.
- Wherever possible to recycle waste.
- To minimise the use of harmful CFCs.

The Group has undertaken formally to review the use of any processes or products likely to cause harm to the environment to ensure their use is kept to a minimum.

SHARE CAPITAL

A statement of changes in the share capital of the Company is set out on page 39 in note 17 of the financial statements.

DIVIDENDS AND TRANSFER TO RESERVES

The consolidated profit and loss account is set out on page 29 of the financial statements and shows a profit after taxation of £245,248,000.

The directors recommend a final dividend of 4.23p per ordinary share amounting to £42,885,000 payable on 17 August 1994 to shareholders on the register of members on 30 June 1994.

An interim dividend of 4.12p per ordinary share was paid during the year giving a total for the year of 8.35p per ordinary share.

The retained profit for the year of £160,711,000 has been transferred to reserves.

FIXED ASSETS

During the year, the Group spent £155 million on tangible fixed assets. These additions included £130 million which was spent on the Group's cellular radio systems.

The Group also disposed of certain of its fixed asset investments as set out on page 35 in note 3 of the financial statements.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, charitable contributions amounted to £157,000. A political contribution of £2,500 was made to the Conservative Party.

RESEARCH AND DEVELOPMENT

The Group continues an active development programme and is involved in the development and enhancement of both analogue and digital technology.

DIRECTORS

The directors of the Company, all of whom served throughout the year, are Sir Ernest Harrison, G A Whent, Sir William Barlow, Sir Robert Clark, C C Gent, D J Henning, K J Hydon, G J Lomer and E J Peett.

In accordance with the Company's Articles of Association, Sir William Barlow and K J Hydon retire by rotation and offer themselves for re-election at the Annual General Meeting.

The following served as non-executive directors:

Sir Ernest Harrison, OBE, non-executive Chairman, aged 68. He was appointed to his present position in 1988. He was Chairman and Chief Executive of Racal Electronics Plc from 1966 until 1992, having been appointed to the Board of Directors of Racal in 1958, after joining the company in 1951. He is now Chairman of Racal Electronics Plc and of Chubb Security Plc.

Sir William Barlow, F Eng, aged 70. He was appointed to his present position in 1988. He is president of the Royal Academy of Engineering. He was Chairman of BICC Plc from 1984 to 1992 and was Chairman of the Post Office from 1977 to 1980. He is non-executive Chairman of Ericsson Limited and a director of other companies.

Sir Robert Clark, DSC, aged 70. He was appointed to his present position in 1988. He is Chairman of Mirror Group Newspapers Plc and a non-executive director of a number of UK companies, including SmithKline Beecham Plc and The 'Shell' Transport and Trading Company Plc.

G J Lomer, CBE, F Eng, aged 62. He was appointed to his present position in 1992. He is a Fellow of the Institution of Electrical Engineers and of the Royal Academy of Engineering and has served on a number of government and academic boards and committees. He was Technical Director of the Racal Electronics Group until his retirement in August 1992.

The following directors served on the Company's Remuneration Committee:

Sir Ernest Harrison, Sir William Barlow, Sir Robert Clark and G A Whent.

The following directors served on the Company's Audit Committee:

Sir Ernest Harrison, Sir William Barlow and Sir Robert Clark.

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

DIRECTORS' INTERESTS IN THE SHARES OF VODAFONE GROUP PLC

Note 29 on pages 45 and 46 of the financial statements details the directors' interests in the shares of Vodafone Group Plc.

DIRECTORS' AND OFFICERS' INSURANCE

During the year, insurance was maintained which indemnified the directors and officers of the Company and its subsidiaries against personal liability and defence costs which might result from claims brought against them in their capacities as directors and officers of the Group.

EMPLOYEE INVOLVEMENT AND CONSULTATION

With the exception of certain centralised services, the Group is organised on the basis of autonomous subsidiary companies.

Employee involvement and commitment is encouraged throughout the Group and is the responsibility of the managing director of each company and his board of directors.

Regular contact and exchange of information between managers and staff is maintained through team briefing, internal newsletters, company notices and informally via social functions.

Team briefing, which complements other forms of management communications, is a systematic method of staff communication providing a structured approach to ensure that all levels in the organisation are kept up-to-date, thereby increasing employee involvement.

The directors of the Company are committed to the principle of employee share participation in the Company and two all-employee share schemes have been established. Both schemes provide employees with the opportunity to acquire Vodafone shares on an advantageous basis and they are operated with tax benefits under Inland Revenue approved share scheme arrangements. There is a high level of employee participation.

DISABLED PERSONS

The Group is very conscious of the difficulties experienced by the disabled and as regards recruitment, continuity of employment, training, development and promotion, its attitude concerning the employment of disabled persons is the same as that relating to all other staff.

Individual circumstances are sympathetically taken into account.

CLOSE COMPANY PROVISIONS

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

AUDITORS

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

SUBSTANTIAL HOLDINGS

With the exception of the following shareholding, the directors are not aware of any holding in the ordinary share capital of Vodafone Group Plc which, at 14 June 1994, exceeds 3%:

BNY (Nominees) Limited held 31%, a holding which underlies American Depositary Receipts (ADRs) issued by The Bank of New York.

By Order of the Board
Stephen Scott
Secretary
24 June 1994

Directors' responsibilities for financial statements' preparation

The directors of Vodafone Group Plc are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit of the Group for the year to that date. The financial statements must be prepared in compliance with the Companies Act 1985.

The directors of Vodafone Group Plc are also required:

- To select suitable accounting policies and apply them consistently;
- To ensure that the accounting policies are supported by reasonable and prudent judgements and estimates;
- To ensure that all applicable accounting standards are followed;
- To prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors of Vodafone Group Plc are also responsible for maintaining adequate accounting records to enable them to ensure that the financial statements comply with the Companies Act 1985, for safeguarding the assets of the Group and for taking reasonable steps for preventing and detecting fraud and other irregularities.

Report of the auditors

**Touche
Ross**



Chartered Accountants

Touche Ross & Co.
Hill House
1 Little New Street
London EC4A 3TR

Telephone: National 071 936 3000
International +44 71 936 3000
Telex: 864739 TRLNDN G
Fax (Gp. 3): 071 563 6517
LDE: DX 599

AUDITORS' REPORT TO THE MEMBERS

of

VODAFONE GROUP PLC

We have audited the financial statements on pages 29 to 52 which have been prepared under the accounting policies set out on page 33.

Respective responsibilities of directors and auditors

As described on page 27 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit of those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Corporate governance matters

In addition to our audit of the financial statements we have reviewed the directors' statement on page 25 concerning the Company's compliance with the Code of Best Practice insofar as it relates to the paragraphs of the Code which the London Stock Exchange has specified for our review. We carried out our review having regard to the Bulletin 'Disclosures relating to corporate governance' issued by the Auditing Practices Board.

The purpose of the directors' statement is to give readers information which assists them in forming their own views regarding the governance of the Company. In respect of the paragraphs of the Code specified for our consideration, we are required to draw attention to any aspects of the Company's non-compliance with the Code which the directors have not properly disclosed. We are not required to review, and have not reviewed the effectiveness of the Company's governance procedures.

Through enquiry of certain directors and officers of the Company and examination of relevant documents, we have satisfied ourselves that the directors' statement appropriately reflects the Company's compliance with the specified paragraphs of the Code.

Touche Ross & Co.
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR
24 June 1994

**Deloitte Touche
Tohmatsu
International**

Aberdeen, Belfast, Birmingham, Bournemouth, Bracknell, Bristol, Cambridge, Cardiff, Coleraine, Crawley, Dartford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham and Southampton.
Principal place of business at which a list of partners' names is available:
Peterborough Court, 133 Fleet Street, London EC4A 3TR.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1994

29

	1994	1993
Note	£000	£000
Turnover		
Continuing operations	793,278	664,100
Acquisitions	<u>57,251</u>	—
1	<u>850,529</u>	<u>664,100</u>
Operating profit		
Continuing operations	334,797	307,450
Acquisitions	<u>2,847</u>	—
2	<u>337,644</u>	<u>307,450</u>
Disposal of fixed asset investments	3 <u>14,078</u>	—
Profit on ordinary activities before interest	351,722	307,450
Interest receivable less payable	4 <u>11,608</u>	<u>15,023</u>
Profit on ordinary activities before taxation	363,330	322,473
Tax on profit on ordinary activities	5 <u>118,082</u>	<u>100,636</u>
Profit on ordinary activities after taxation	245,248	221,837
Minority interests	<u>188</u>	<u>102</u>
Profit for the financial year	245,060	221,735
Dividends	6 <u>84,349</u>	<u>69,965</u>
Retained profit for the financial year	18 <u>160,711</u>	<u>151,770</u>
Earnings per share	7 <u>24.34p</u>	<u>22.07p</u>

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 1994

		1994		1993	
	Note	£000	£000	£000	£000
FIXED ASSETS					
Intangible assets	8		66,149		66,239
Tangible assets	9		533,154		449,558
Investments	10		120,316		47,295
			<u>719,619</u>		<u>563,092</u>
CURRENT ASSETS					
Stocks	11	11,788		3,252	
Debtors due within one year	12	184,338		136,101	
Debtors due after more than one year	12	10,927		9,589	
Investments	13	17,132		26,856	
Cash at bank and in hand		110,136		130,431	
		<u>334,321</u>		<u>306,229</u>	
CREDITORS: amounts falling due within one year	14	<u>319,921</u>		<u>237,357</u>	
NET CURRENT ASSETS			<u>14,400</u>		<u>68,872</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>734,019</u>		<u>631,964</u>
CREDITORS: amounts falling due after more than one year	15		35,241		35,076
PROVISIONS FOR LIABILITIES AND CHARGES	16		582		410
			<u>698,196</u>		<u>596,478</u>
CAPITAL AND RESERVES					
Called up share capital	17	50,688		50,245	
Share premium account	18	136,940		97,370	
Capital reserve	18	4,241		4,241	
Profit and loss account	18	505,872		444,336	
			<u>697,741</u>		<u>596,192</u>
Minority interests			455		286
			<u>698,196</u>		<u>596,478</u>

The financial statements on pages 29 to 52 were approved by the board of directors on 24 June 1994 and were signed on its behalf by:

G A WHENT Chief Executive

K J HYDON Financial Director

CONSOLIDATED CASH FLOW
FOR THE YEAR ENDED 31 MARCH 1994

31

	Note	1994		1993	
		£000	£000	£000	£000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24		394,891		383,296
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		12,983		16,276	
Interest paid		(703)		(1,253)	
Dividends received from associated undertakings		5,635		6,623	
Dividends paid		<u>(72,702)</u>		<u>(63,999)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(54,787)		(42,353)
TAXATION					
Corporation tax paid			(100,480)		(75,830)
INVESTING ACTIVITIES					
Purchase of intangibles		(7,305)		(1,355)	
Purchase of intangible fixed assets		-		(33,032)	
Purchase of tangible fixed assets		(155,163)		(105,818)	
Proceeds of sale of fixed assets		23,813		2,113	
Purchase of subsidiary undertakings	25	(34,732)		1,492	
Purchase of investments		(32,388)		(47,110)	
Long term loans to investments		(79,352)		(4,749)	
Movement of short term loan to associated undertaking		-		10,000	
Sale/(purchase) of liquid investments		<u>9,724</u>		<u>(26,856)</u>	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(275,403)		(205,315)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING			(35,779)		59,798
FINANCING					
Issue of ordinary share capital	26	4,340		807	
Secured loans	26	<u>(1,827)</u>		<u>(173)</u>	
NET CASH INFLOW FROM FINANCING			2,513		634
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	27		(33,266)		60,432

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 1994

	1994	1993
	£000	£000
Profit for the financial year	245,060	221,735
Currency translation differences on foreign currency net investments	4,412	1,604
Total recognised gains and losses relating to the year	<u>249,472</u>	<u>223,339</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH 1994

	1994	1993
	£000	£000
Profit for the financial year	245,060	221,735
Dividends	(84,349)	(69,965)
	<u>160,711</u>	<u>151,770</u>
Currency translation	4,412	1,604
New share capital subscribed	40,013	807
Capital reserve on acquisition	-	1,536
Goodwill written-off	(114,876)	(11,674)
Goodwill realised on disposals	7,030	-
Scrip dividends	<u>4,259</u>	<u>-</u>
Net additions to shareholders' funds	101,549	144,043
1 April	<u>596,192</u>	<u>452,149</u>
31 March	<u>697,741</u>	<u>596,192</u>

HISTORICAL COST PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 1994

All assets are stated in the Group financial statements at historical cost. Accordingly, there are no adjustments required to the reported profit which is stated on an unmodified historical cost basis.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with all applicable accounting standards. The particular accounting policies adopted are described below.

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Company and its subsidiaries and include the Group's share of results of associated undertakings for financial statements made up to 31 March 1994.

TURNOVER

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

RESEARCH AND DEVELOPMENT

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

INTANGIBLE FIXED ASSETS

Purchased intangible fixed assets, including licence fees, are capitalised at cost except for subscriber contracts, which are written off to reserves in the year in which they are acquired.

DEPRECIATION OF INTANGIBLE FIXED ASSETS**Licence fees**

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

Knowhow

The cost is amortised in equal annual instalments over six years.

GOODWILL

The surplus of cost over fair value attributed to the net assets (excluding goodwill) of subsidiaries or associated undertakings acquired during the year is written off directly to reserves.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation. Where appropriate, additional depreciation is charged for excess and obsolete items.

The cost of tangible fixed assets includes overheads incurred in the acquisition, establishment and installation of radio base stations.

DEPRECIATION OF TANGIBLE FIXED ASSETS

The cost of tangible fixed assets, except freehold land, is written off, from the time they are brought into use, by equal instalments over their expected useful lives as follows:

Freehold buildings	25 – 50 years
Leasehold buildings	the term of the lease
Cellular radio and paging networks	10 years
Plant and machinery	10 years
Motor vehicles	4 years
Computers and software	3 – 5 years
Furniture and fittings	10 years

STOCKS

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

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.

LEASES**Operating leases**

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

Finance leases

Assets acquired under 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.

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 account includes the Group's share of the profit or loss before taxation and attributable taxation of those companies. The balance sheet shows the Group's share of the net assets or liabilities, excluding goodwill, of those companies.

Other investments, held as fixed assets, comprise equity shareholdings and long term loans and are stated at cost. Income is recognised upon receipt of dividends and interest being due and provision is only made for permanent diminution in value.

Current asset investments are stated at cost.

FOREIGN CURRENCIES

The financial statements of the overseas subsidiary companies and associated undertakings are translated into sterling at the closing rate of exchange. Exchange differences which arise on the retranslation of these financial statements 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.

DEFERRED TAXATION

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

PENSIONS**Defined benefit plans**

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

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

Defined contribution plans

Costs are recognised in accordance with the respective provisions of the plans.

1 SEGMENTAL ANALYSIS

The Group operates substantially in one class of business, the supply of mobile telecommunications services and products. An analysis of turnover, profit on ordinary activities before interest and net assets by geographical region is as follows:

	Turnover £000	1994 Profit/(loss) on ordinary activities before interest £000	Net assets £000	Turnover £000	1993 Profit/(loss) on ordinary activities before interest £000	Net assets £000
United Kingdom	828,576	357,804	461,289	650,868	301,805	426,879
Rest of the world	21,953	(6,082)	141,033	13,232	5,645	40,459
Net cash	—	—	95,874	—	—	129,140
	850,529	351,722	698,196	664,100	307,450	596,478

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

2 OPERATING PROFIT

	Continuing operations £000	1994 Acquisitions £000	Total £000	1993 Continuing operations £000
Turnover	793,278	57,251	850,529	664,100
Cost of sales	335,930	44,985	380,915	266,433
Gross profit	457,348	12,266	469,614	397,667
Selling and distribution costs	48,150	3,787	51,937	35,175
Administrative expenses	71,628	5,632	77,260	52,283
Total operating expenses	119,778	9,419	129,197	87,458
Operating profit before associated undertakings	337,570	2,847	340,417	310,209
Share of losses of associated undertakings	2,773	—	2,773	2,759
	334,797	2,847	337,644	307,450

Operating profit has been arrived at after charging:

Depreciation of tangible fixed assets		
Owned assets	79,638	68,837
Leased assets	203	—
Amortisation of intangible fixed assets	90	84
Research and development	16,815	14,527
Payments under operating leases		
Land and buildings	10,235	8,158
Other assets	46,667	49,052
Auditors' remuneration		
Audit work	407	237
Other fees		
United Kingdom	863	412
Overseas	203	1

DISPOSAL OF FIXED ASSET INVESTMENTS

The profit arose as during the year the Group disposed of its interests in two non-core investments and reduced its interest in NordicTel Holdings AB. The current overseas taxation charge arose as a result of these disposals.

INTEREST RECEIVABLE LESS PAYABLE

	1994	1993
	£000	£000
Interest receivable and similar income	12,265	16,276
Interest payable and similar charges		
Bank overdrafts and other loans		
repayable within five years	657	1,204
Other loans	—	49
	<u>657</u>	<u>1,253</u>
	<u>11,608</u>	<u>15,023</u>

TAX ON PROFIT ON ORDINARY ACTIVITIES

	1994	1993
	£000	£000
United Kingdom		
Corporation tax charge at 33% (1993 – 33%)	114,084	98,898
Transfer (from)/to deferred taxation	(216)	653
Associated undertakings	<u>60</u>	<u>—</u>
	<u>113,928</u>	<u>99,551</u>
Overseas		
Current	2,288	3
Associated undertakings	<u>1,866</u>	<u>1,082</u>
	<u>4,154</u>	<u>1,085</u>
	<u>118,082</u>	<u>100,636</u>

DIVIDENDS

	1994	1993
	£000	£000
Interim dividend paid of 4.12p (1993 – 3.43p) per ordinary share	41,464	34,467
Proposed final dividend of 4.23p (1993 – 3.53p) per ordinary share	<u>42,885</u>	<u>35,498</u>
	<u>84,349</u>	<u>69,965</u>

EARNINGS PER SHARE

Earnings per share are based upon the weighted average of 1,006,897,652 (1993 – 1,004,687,325) ordinary shares in issue throughout the year and are calculated on the profit on ordinary activities after taxation and minority interests of £245,060,000 (1993 – £221,735,000).

There would be no material dilution of earnings per share if the outstanding share options were to be exercised.

8 INTANGIBLE FIXED ASSETS

	Licence fees £000	Know how £000	Total £000
Cost			
1 April 1993 and 31 March 1994	66,038	2,500	68,538
Amortisation			
1 April 1993	–	2,299	2,299
Charge for the year	7	83	90
31 March 1994	7	2,382	2,389
Net book value			
31 March 1994	66,031	118	66,149
31 March 1993	66,038	201	66,239

9 TANGIBLE FIXED ASSETS

	Freehold premises £000	Short term leasehold premises £000	Plant & machinery £000	Fixtures & fittings £000	Cellular radio systems £000	Total £000
Cost						
1 April 1993	3,302	3,052	47,195	30,805	605,942	690,296
Exchange movement	–	(120)	(76)	(38)	(357)	(591)
Additions	–	225	21,582	8,785	130,113	160,705
Acquisitions	1,157	272	6,841	1,349	5,847	15,466
Reclassification	–	264	(506)	211	31	–
Disposals	(1,048)	(9)	(978)	(1,339)	(2,983)	(6,357)
31 March 1994	3,411	3,684	74,058	39,773	738,593	859,519
Depreciation						
1 April 1993	68	774	25,666	12,063	202,167	240,738
Exchange movement	–	(27)	(26)	(17)	(90)	(160)
Charge for the year	52	364	10,681	4,429	64,315	79,841
Acquisitions	650	70	4,883	413	4,765	10,781
Reclassification	–	61	(114)	50	3	–
Disposals	(665)	(3)	(858)	(1,060)	(2,249)	(4,835)
31 March 1994	105	1,239	40,232	15,878	268,911	326,365
Net book value						
31 March 1994	3,306	2,445	33,826	23,895	469,682	533,154
31 March 1993	3,234	2,278	21,529	18,742	403,775	449,558

Cellular radio systems comprise:

	Freehold premises £000	Short term leasehold premises £000	Plant & machinery £000	Total £000
31 March 1994				
Cost	6,727	84,348	647,518	738,593
Depreciation	1,012	33,293	234,606	268,911
Net book value	5,715	51,055	412,912	469,682
31 March 1993				
Net book value	5,817	48,626	349,332	403,775

10 **FIXED ASSET INVESTMENTS**

	Associated undertakings		Other investments		Total £000
	Equity £000	Loans £000	Equity £000	Loans £000	
Cost					
1 April 1993	33,113	3,599	34,265	1,033	72,010
Exchange movement	(2,978)	730	258	558	(1,432)
Additions	36,523	74,865	29,982	6,087	147,457
Disposals	(211)	(1,600)	(5,353)	–	(7,164)
Goodwill on acquisition	(33,906)	(20,892)	–	–	(54,798)
Accrued interest	–	401	–	177	578
Loan conversion	–	–	1,033	(1,033)	–
31 March 1994	32,541	57,103	60,185	6,822	156,651
Movements on reserves					
1 April 1993	(22,231)	(2,484)	–	–	(24,715)
Losses for year	(770)	(2,645)	–	–	(3,415)
Dividends received	(5,635)	–	–	–	(5,635)
Goodwill	(4,177)	–	–	–	(4,177)
Disposals	–	1,607	–	–	1,607
31 March 1994	(32,813)	(3,522)	–	–	(36,335)
Net book value					
31 March 1994	(272)	53,581	60,185	6,822	120,316
31 March 1993	10,882	1,115	34,265	1,033	47,295

The Group's associated undertakings and fixed asset investments are detailed on page 52.

11 **STOCKS**

	1994	1993
	£000	£000
Raw materials	–	195
Finished goods	11,788	3,057
	11,788	3,252

12 **DEBTORS**

	1994	1993
	£000	£000
Due within one year:		
Trade debtors	94,169	70,130
Amounts owed by associated undertakings	1,762	562
Other debtors	9,665	4,678
Prepayments and accrued income	78,742	60,731
	184,338	136,101
Due after more than one year:		
Trade debtors	460	–
Other debtors	2,152	164
Prepayments	8,315	9,425
	195,265	145,690

13 **CURRENT ASSET INVESTMENTS**

Current asset investments comprise commercial paper, issued by major blue chip companies, and deposits with banks which had maturity dates more than three months from the date of purchase or placement.

14 CREDITORS:

AMOUNTS FALLING DUE WITHIN ONE YEAR

	1994	1993
	£000	£000
Bank overdrafts	14,262	1,291
Trade creditors	43,152	32,628
Amounts owed to associated undertakings	5,321	4,953
Taxation	112,995	98,909
Social security	10,219	8,193
Other creditors	13,865	1,639
Proposed dividend	42,885	35,498
Accruals and deferred income	77,222	54,246
	319,921	237,357

15 CREDITORS:

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1994	1993
	£000	£000
Bank loans	1,947	3,774
Other creditors	31,794	30,785
Accruals	1,500	517
	35,241	35,076
The bank loans are repayable as follows:		
2 - 5 years	1,947	2,831
after 5 years	-	943
	1,947	3,774

The bank loans bear interest at between 7% and 7.75% and are repayable in instalments. They are secured on certain overseas assets of the Group.

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation
	£000
1 April 1993	410
Profit and loss account	(216)
	194
Decrease in advance corporation tax recoverable on proposed dividend	388
31 March 1994	582

The amounts provided and unprovided for deferred taxation are:

	1994		1993	
	Amount provided £000	Amount unprovided £000	Amount provided £000	Amount unprovided £000
Accelerated capital allowances	832	64,087	1,183	63,178
Gains subject to rollover relief	-	15,840	-	15,840
Trading losses of overseas subsidiaries	-	(8,833)	-	-
Trading losses of United Kingdom subsidiaries	-	(5,636)	-	-
Other timing differences	645	(5,823)	510	(2,325)
	1,477	59,635	1,693	76,693
Advance corporation tax recoverable	(895)	-	(1,283)	-
	582	59,635	410	76,693

There are capital losses and management charges in excess of £12 million available to set off against future capital gains. The Group's share of trading losses of associated undertakings available to set off against their future profits amount to £48 million.

17 CALLED UP SHARE CAPITAL

	1994		1993	
	Number	£000	Number	£000
Authorised				
Ordinary shares of 5p each	1,200,000,000	60,000	1,200,000,000	60,000
Allotted, issued and fully paid				
1 April	1,004,893,163	50,245	1,004,474,487	50,224
Allotted and issued during the year	8,865,993	443	418,676	21
31 March	1,013,759,156	50,688	1,004,893,163	50,245

Allotted during the year

	Number	Nominal value £	Share premium £000	Proceeds £000
Purchase of Hawthorn Leslie Group PLC	698,336	34,916.80	2,877	2,912
Purchase of one third of General Mobile Communications Limited	5,910,166	295,508.30	32,466	32,761
Savings Related Share Option Scheme	117,892	5,894.60	197	203
Executive Share Option Scheme	1,302,000	65,100.00	4,072	4,137
	8,028,394	401,419.70	39,612	40,013
Scrip dividends	837,599	41,879.95	(42)	—
	8,865,993	443,299.65	39,570	40,013

Options

The Company had outstanding at 31 March 1994 the following options to subscribe for ordinary shares:

	Number	Price	Period during which exercisable
Savings Related Share Option Scheme	57,992	171p	1 March 1994 to 31 August 1994
	79,671	316p	1 March 1995 to 31 August 1995
	84,163	282p	1 September 1995 to 29 February 1996
	265,558	224p	1 April 1996 to 30 September 1996
	431,847	284p	1 February 1997 to 31 July 1997
	131,218	342p	1 February 1998 to 31 July 1998
	1,050,449		
Executive Share Option Scheme	101,500	205p	19 January 1992 to 18 January 1999
	250,000	409p	12 July 1992 to 11 July 1999
	104,000	357p	19 January 1993 to 18 January 2000
	55,000	337p	25 July 1993 to 24 July 2000
	448,000	279p	22 January 1994 to 21 January 2001
	388,200	377p	3 January 1995 to 2 January 2002
	1,068,400	321p	3 January 1995 to 2 January 2002
	1,506,600	305p	14 July 1995 to 13 July 2002
	412,600	260p	14 July 1995 to 13 July 2002
	652,700	416p	21 December 1995 to 20 December 2002
	147,500	354p	21 December 1995 to 20 December 2002
	808,600	439p	7 July 1996 to 6 July 2003
	218,300	374p	7 July 1996 to 6 July 2003
	587,600	529p	1 December 1996 to 30 November 2003
	102,900	450p	1 December 1996 to 30 November 2003
	6,851,900		

18 RESERVES

	Share premium account £000	Capital reserve £000	Profit and loss account £000
1 April 1993	97,370	4,241	444,336
Allotment of shares	39,612	—	—
Retained profit for the year	—	—	160,711
Net goodwill written off	—	—	(107,846)
Currency translation	—	—	4,412
Scrip dividends	(42)	—	4,259
31 March 1994	136,940	4,241	505,872

19 GOODWILL

	1993 £000	1994 £000
Subsidiary companies	592	49,168
Associated undertakings	9,727	51,373
Subscriber contracts	1,355	7,305
	<u>11,674</u>	<u>107,846</u>
Subsidiary companies		1994 £000
Hawthorn Leslie Group PLC		37,986
Air Call Holdings Limited		11,182
		<u>49,168</u>

Associated undertakings

	General Mobile Communications Limited £000	National Band Three Limited £000	Other associated undertakings £000	Total £000
Acquisition in year	54,226	—	—	54,226
Group's share of post acquisition profits for the year	—	—	9,812	9,812
Disposals	—	(6,865)	(165)	(7,030)
Dividends received	—	—	(5,635)	(5,635)
	<u>54,226</u>	<u>(6,865)</u>	<u>4,012</u>	<u>51,373</u>

Cumulative goodwill

	Prior Years £000	1994 £000	Total £000
Subsidiary companies	9,615	49,168	58,783
Associated undertakings	53,974	51,373	105,347
Subscriber contracts	11,783	7,305	19,088
	<u>75,372</u>	<u>107,846</u>	<u>183,218</u>

ACQUISITIONS**Subsidiary companies**

On 13 April 1993, the offer made on behalf of Vodafone Group Plc for the entire issued share capital of Hawthorn Leslie Group PLC was declared unconditional, after which the remaining shares were acquired pursuant to Sections 428(2) and 429(2) of the Companies Act 1985. The all share offer for Hawthorn Leslie Group PLC involved the issue of 698,336 new ordinary shares in Vodafone Group Plc.

On 22 October 1993, Vodapage Limited (a wholly owned subsidiary of Vodafone Group Plc) acquired the entire issued share capital of Air Call Holdings Limited for cash of £8.7 million.

Acquisition accounting has been used to account for the acquisitions and the book and fair value of the assets and liabilities acquired were as follows:

	Hawthorn Leslie Group PLC			Air Call Holdings Limited		
	Book value at acquisition £000	Fair value adjustments £000	Fair value to the Group £000	Book value at acquisition £000	Fair value adjustments £000	Fair value to the Group £000
Tangible fixed assets	1,513	(250)	1,263	7,204	(3,782)	3,422
Stocks	700	-	700	79	-	79
Debtors	5,452	-	5,452	2,581	-	2,581
Creditors	(10,593)	(6,581)	(17,174)	(4,854)	(2,993)	(7,847)
Net borrowings	(24,924)	-	(24,924)	(557)	-	(557)
	(27,852)	(6,831)	(34,683)	4,453	(6,775)	(2,322)

The fair value adjustments were to bring the valuation of the assets and liabilities acquired into line with established Group policies.

The goodwill on acquisition was as follows:

	Hawthorn Leslie Group PLC £000	Air Call Holdings Limited £000	Total £000
Consideration (including expenses)	3,303	8,860	12,163
Fair value of net liabilities acquired	34,683	2,322	37,005
	37,986	11,182	49,168

The results of the acquired subsidiaries have not materially affected the Group's results.

Associated undertaking

On 16 March 1994, Vodafone Group Plc acquired one third of the entire issued share capital of General Mobile Communications Limited. Vodafone Group Plc satisfied the purchase consideration by the issue of 5,910,166 new ordinary shares. Acquisition accounting has been used to account for the acquisition and the goodwill arising was as follows:

	£000
Consideration (including expenses)	33,334
Group's share of net book liabilities acquired	20,892
	54,226

The result of the acquired associated undertaking has not materially affected the Group's results.

21 LEASED ASSETS**Operating leases**

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

	1994		1993	
	Land and buildings	Other assets	Land and buildings	Other assets
	£000	£000	£000	£000
In respect of leases expiring:				
Within one year	3,409	2,010	2,050	2,085
Between two and five years	2,838	40,271	2,053	33,488
After five years	5,067	585	3,893	—
	<u>11,314</u>	<u>42,866</u>	<u>7,996</u>	<u>35,573</u>

Finance leases

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

	Plant and machinery	Cellular radio systems	Total
	£000	£000	£000
31 March 1994			
Cost	2,602	24,077	26,679
Depreciation	809	1,106	1,915
Net book value	<u>1,793</u>	<u>22,971</u>	<u>24,764</u>
31 March 1993			
Net book value	<u>—</u>	<u>—</u>	<u>—</u>

The liabilities under the leases for the cellular radio systems assets have been unconditionally satisfied by call deposits and other assets, trust deed and set-off arrangements. Accordingly, neither the lease liabilities or corresponding financial assets are included in the Group's balance sheet. At 31 March 1994, the Group was committed to a similar transaction to lease assets of approximately £16 million.

Included in other creditors is £734,000 (1993 – nil) in respect of obligations under finance leases which is repayable within one year.

22 CAPITAL COMMITMENTS

	1994	1993
	£000	£000
Contracted for but not provided	<u>100,723</u>	<u>63,602</u>
Authorised by the directors but not contracted for	<u>53,036</u>	<u>66,940</u>

23 CONTINGENT LIABILITIES

	1994	1993
	£000	£000
Guarantees of bank or other facilities in respect of associated undertakings and investments	<u>103,194</u>	<u>69,970</u>

24 NET CASH INFLOW FROM OPERATING ACTIVITIES

	1994	1993
	£000	£000
Operating profit	337,644	307,450
Depreciation and amortisation	79,931	68,921
Loss on sale of tangible fixed assets	69	4
Loss of associated undertakings	3,199	4,269
Increase in stocks	(7,757)	(824)
Increase in debtors	(37,240)	(9,247)
Increase in creditors	19,045	12,723
	<u>394,891</u>	<u>383,296</u>

25 PURCHASE OF SUBSIDIARY UNDERTAKINGS

Net assets acquired	£000
Tangible fixed assets	4,685
Stocks	779
Debtors	8,033
Creditors	(25,021)
Net borrowings	(25,481)
	<u>(37,005)</u>
Goodwill	49,168
	<u>12,163</u>
Satisfied by	
Cash	9,251
Shares allotted	2,912
	<u>12,163</u>
Net outflow	
Cash	(9,251)
Net borrowings acquired	(25,481)
	<u>(34,732)</u>

26 FINANCING

	Share premium £000	Share capital £000	Total £000	Secured loans £000
1 April 1993	97,370	50,245	147,615	3,774
Cash inflow/(outflow) from financing	4,269	71	4,340	(1,827)
Shares issued for non cash consideration	35,301	372	35,673	-
31 March 1994	<u>136,940</u>	<u>50,688</u>	<u>187,628</u>	<u>1,947</u>

27 CASH AND CASH EQUIVALENTS

	Cash at bank £000	Bank overdrafts £000	Net £000
1 April 1992	80,013	(11,305)	68,708
Change in year	50,418	10,014	60,432
1 April 1993	130,431	(1,291)	129,140
Change in year	(20,295)	(12,971)	(33,266)
31 March 1994	<u>110,136</u>	<u>(14,262)</u>	<u>95,874</u>

28 **DIRECTORS' REMUNERATION**

Directors' remuneration comprises salary, share options, the Group's contribution to pension schemes and other benefits. Directors do not receive a profit share or other incentive payments directly related to performance. Share options as set out in note 29 on pages 45 and 46 are excluded from the analysis below.

Total emoluments

	1994	1993
	£	£
Salaries	1,619,895	1,392,976
Other benefits	131,553	84,915
	1,751,448	1,477,891
Pension contributions	791,152	216,974
	2,542,600	1,694,865

Chairman and Chief Executive

	1994		1993	
	Chief Executive	Chairman	Chief Executive	Chairman
	£	£	£	£
Salaries and benefits	523,284	174,909	515,144	159,911
Pension contributions in respect of the year	188,140	–	172,574	–
Total in respect of the year	711,424	174,909	687,718	159,911
Pension contributions paid relating to 1990/91 and 1991/92	151,986	–	–	–
Pension contributions paid relating to 1992/93	172,574	–	(172,574)	–
Total paid in year	1,035,984	174,909	515,144	159,911

The pension contributions for the Chief Executive are in respect of schemes established in 1993/94, which provide for contributions at a rate equivalent to those paid to the Vodafone Group Directors' Pension Scheme. A total contribution of £512,700 was paid in 1993/94 in respect of his employment from 1 October 1990 to 5 April 1994. There were no pension contributions paid in 1991/92 and 1992/93. The 1992/93 amounts show the emoluments adjusted by the contribution paid in arrears for comparison purposes.

Other directors (excluding pension contributions)

	1994	1993
	Number	Number
£ 10,001 – £ 15,000	–	1
£ 30,001 – £ 35,000	–	2
£ 35,001 – £ 40,000	3	–
£ 55,001 – £ 60,000	–	1
£170,001 – £175,000	–	1
£185,001 – £190,000	1	–
£195,001 – £200,000	1	–
£225,001 – £230,000	–	1
£255,001 – £260,000	1	–
£265,001 – £270,000	–	1
£300,001 – £305,000	1	–

29 DIRECTORS' INTERESTS IN THE SHARES OF VODAFONE GROUP PLC

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

	Ordinary Shares			Ordinary Shares	
	31 March 1994	1 April 1993		31 March 1994	1 April 1993
Sir Ernest Harrison	451,219	526,219	D J Henning	9,270	13,064
G A Whent	164,992	161,810	K J Hydon	9,505	6,318
Sir William Barlow	5,000	5,000	G J Lomer	36,825	37,089
Sir Robert Clark	5,000	5,000	E J Peett	58,714	54,420
C C Gent	19,034	6,952			

At 31 March 1994 the undermentioned directors had outstanding the following options to acquire ordinary shares of Vodafone Group Plc under the terms of the Vodafone Group Savings Related Share Option Scheme ('Savings Related Scheme') and the Vodafone Group Executive Share Option Scheme ('Executive Scheme'):

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
G A Whent	Nil	2,278	Nil	3,961	Nil	110,000	55,000	125,000	25,200	122,900	134,400	44,800	25,400	10,100	Nil	Nil
C C Gent	Nil	1,139	Nil	2,640	Nil	Nil	Nil	Nil	Nil	67,900	51,800	9,400	Nil	15,600	5,200	51,500
D J Henning	Nil	Nil	5,022	2,640	Nil	Nil	Nil	Nil	600	32,000	30,000	10,000	42,300	29,500	4,100	Nil
K J Hydon	Nil	1,139	3,348	2,640	Nil	Nil	Nil	58,000	Nil	42,400	14,700	10,300	Nil	9,600	3,200	45,800
E J Peett	Nil	1,139	3,348	2,640	Nil	Nil	Nil	Nil	300	56,100	58,700	7,700	Nil	51,000	3,600	14,100

A Options granted under the Savings Related Scheme exercisable at 171p per share between 1 March 1994 and 31 August 1994.

B Options granted under the Savings Related Scheme exercisable at 316p per share between 1 March 1995 and 31 August 1995.

C Options granted under the Savings Related Scheme exercisable at 224p per share between 1 April 1996 and 30 September 1996.

D Options granted under the Savings Related Scheme exercisable at 284p per share between 1 February 1997 and 31 July 1997.

E Options granted under the Executive Scheme exercisable at 170p per share between 11 October 1991 and 10 October 1998.

F Options granted under the Executive Scheme exercisable at 409p per share between 12 July 1992 and 11 July 1999.

G Options granted under the Executive Scheme exercisable at 337p per share between 25 July 1993 and 24 July 2000.

H Options granted under the Executive Scheme exercisable at 279p per share between 22 January 1994 and 21 January 2001.

I Options granted under the Executive Scheme exercisable at 377p per share between 3 January 1995 and 2 January 2002.

J Options granted under the Executive Scheme exercisable at 321p per share between 3 January 1995 and 2 January 2002.

K Options granted under the Executive Scheme exercisable at 305p per share between 14 July 1995 and 13 July 2002.

L Options granted under the Executive Scheme exercisable at 260p per share between 14 July 1995 and 13 July 2002.

M Options granted under the Executive Scheme exercisable at 416p per share between 21 December 1995 and 20 December 2002.

N Options granted under the Executive Scheme exercisable at 439p per share between 7 July 1996 to 6 July 2003.

O Options granted under the Executive Scheme exercisable at 374p per share between 7 July 1996 to 6 July 2003.

P Options granted under the Executive Scheme exercisable at 529p per share between 1 December 1996 to 30 November 2003.

Sir Ernest Harrison, Sir William Barlow, Sir Robert Clark and G J Lomer have no options under either the Savings Related Scheme or the Executive Scheme.

All the above options existed at 1 April 1993 with the exception of the N, O and P options which were granted during the year.

Options under the Executive Scheme may not be exercised unless, between the date of grant and the intended date of exercise, there has been real growth in the earnings per share of the Company.

29 **DIRECTORS' INTERESTS IN THE SHARES OF VODAFONE GROUP PLC (CONTINUED)**

During the year ended 31 March 1994 the following directors exercised options to acquire shares under the Executive Scheme:

	Shares	Option price		Shares	Option price
C C Gent	45,000	409p	K J Hydon	38,000	170p
	26,000	337p		30,000	409p
	109,000	279p		16,000	337p
E J Peett	40,000	409p	D J Henning	17,000	409p
	22,000	337p		19,000	279p
	70,000	279p			

C C Gent retained 5,000 shares, D J Henning 500 shares and E J Peett 3,714.

C C Gent also exercised an option for 4,210 shares under the Savings Related Scheme at an exercise price of 171p per share.

There have been no changes in the interests of the directors of Vodafone Group Plc in the ordinary shares of the Company during the period 1 April to 14 June 1994, except that K J Hydon and G J Lomer acquired 5 and 8 shares respectively through dividend reinvestment in Vodafone Group Personal Equity Plans and the following directors have acquired interests in shares of the Company under the Vodafone Group Profit Sharing Scheme as follows:

	Interests in Ordinary Shares		Interests in Ordinary Shares
G A Whent	770	K J Hydon	770
C C Gent	696	E J Peett	770
D J Henning	578		

No director had since 1 April 1993 any interest in the shares of any subsidiary company.

30 **EMPLOYEES**

The average number of persons employed by the Group during the year:	1994	1993
	Number	Number
Operations	1,143	958
Selling and distribution	606	431
Administration	1,368	944
	3,117	2,333
The cost incurred in respect of these employees (including directors):	1994	1993
	£000	£000
Wages and salaries	68,806	45,699
Social security costs	6,449	4,700
Other pension costs	3,337	1,753
	78,592	52,152

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 overseas employees the plans are generally defined contribution schemes.

Defined benefit schemes

The schemes are subject to triennial valuations by independent actuaries. The last valuations of the main schemes were carried out in January and April 1992 using the projected unit credit method of valuation in which allowance is made for projected earnings growth.

The scheme valued in January 1992 had assets whose market value were £5,821,037 and whose corresponding actuarial value was sufficient to cover 84% of the benefits accrued to members. The deficiency is being dealt with by payment of contributions at the rate advised by the actuary. The scheme valuations carried out in April 1992 had assets whose market value were £10,287,035 and whose corresponding actuarial value was sufficient to cover 112% of benefits accrued to members.

The main assumptions used in the last valuations were that the average long term rate of return, earned by the scheme assets, would be 2% above the rate of general salary growth and that equity dividend growth would be 5%.

The pension cost for the year was £2,418,000 (1993 – £1,753,000).

A net prepayment of £519,000 (1993 – £295,000) is included in prepayments due after more than one year. This represents the excess of the amounts funded over the accumulated pension costs.

Defined contribution schemes

The pension cost for the year was £919,000 (1993 – £15,000). Included in prepayments is an amount of £4,000 (1993 – £4,000) in respect of contributions paid in advance to the plans.

COMPANY BALANCE SHEET

AT 31 MARCH 1994

		1994		1993	
	Note	£000	£000	£000	£000
FIXED ASSETS					
Investments	32		996,025		593,199
CURRENT ASSETS					
Debtors due within one year	33	45,581		191,162	
Debtors due after more than one year	33	8,577		10,290	
Cash at bank		<u>2</u>		<u>2</u>	
		54,160		201,454	
CREDITORS: amounts falling due within one year	34	151,848		<u>83,207</u>	
NET CURRENT (LIABILITIES)/ASSETS			(97,688)		<u>118,247</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			898,337		711,446
PROVISIONS FOR LIABILITIES AND CHARGES	35		65		<u>—</u>
			898,272		<u>711,446</u>
CAPITAL AND RESERVES					
Called up share capital	17		50,688		50,245
Share premium account	18		136,940		97,370
Merger reserve			87,895		87,895
Profit and loss account	36		622,749		<u>475,936</u>
			898,272		<u>711,446</u>

G A WHENT Chief Executive

K J HYDON Financial Director

24 June 1994

32 **FIXED ASSET INVESTMENTS**

	Subsidiary companies £000	Associated undertakings Equity £000	Loans £000	Other Investments £000	Total £000
Cost					
1 April 1993	522,725	34,078	2,839	35,298	594,940
Additions	412,837	34,077	28,385	6,396	481,695
Transfer to other Group companies	(17,754)	(27,558)	—	(35,298)	(80,610)
31 March 1994	917,808	40,597	31,224	6,396	996,025
Provisions					
1 April 1993	—	(502)	(1,239)	—	(1,741)
Release	—	502	1,239	—	1,741
31 March 1994	—	—	—	—	—
Net book value					
31 March 1994	917,808	40,597	31,224	6,396	996,025
31 March 1993	522,725	33,576	1,600	35,298	593,199

The Company's subsidiaries, associated undertakings and fixed asset investments are detailed on pages 51 and 52.

33 **DEBTORS**

	1994	1993
	£000	£000
Due within one year:		
Amounts owed by subsidiaries	45,467	190,199
Other debtors	102	310
Prepayments and accrued income	12	653
	45,581	191,162
Due after more than one year:		
Prepayments	8,577	10,290
	54,158	201,452

34 **CREDITORS:**

AMOUNTS FALLING DUE WITHIN ONE YEAR	1994	1993
	£000	£000
Bank overdraft	70	6,569
Amounts owed to subsidiaries	89,549	18,185
Taxation	18,881	22,563
Other creditors	144	99
Proposed dividend	42,885	35,498
Accruals and deferred income	319	293
	151,848	83,207

35 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation
£000

1 April 1993	–
Profit and loss account	65
31 March 1994	65

36 PROFIT AND LOSS ACCOUNT

£000

1 April 1993	475,936
Retained profit for the year	142,554
Scrip dividends	4,259
31 March 1994	622,749

In accordance with the exemption allowed by section 230 of the Companies Act 1985 no profit and loss account has been presented by Vodafone Group Plc. The profit for the financial year dealt with in the accounts of Vodafone Group Plc is £226,903,000 (1993 – £179,023,000).

37 CONTINGENT LIABILITIES

The Company has guaranteed certain of the overdraft and loan facilities of its associated undertakings and investments as set out in Note 23 on page 42. In addition, the Company has guaranteed certain of the overdraft and loan facilities of its overseas subsidiaries as follows:

	1994	1993
	£000	£000
Guarantees of bank facilities	3,891	5,621

Vodafone Group Plc had at 31 March 1994 the following subsidiaries carrying on businesses affecting the profits and assets of the Group:

PRINCIPAL SUBSIDIARIES

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

All subsidiaries are directly held (unless otherwise stated); sub-subsidiaries are shown inset.

Name	Activity	Country of incorporation or registration	Percentage shareholding
Hawthorn Leslie Group Limited	Holding company	England	100
VHL Communications Limited	Service provider for cellular networks	England	100
Vodac Limited*	Service provider for Vodafone network	England	100
Vodac (Ulster) Limited	Service provider for Vodafone network	Northern Ireland	51
Vodafone Europe Holdings BV*	Holding company	Netherlands	100
Telecell Limited	Operation of cellular network	Malta	80
Vodafone Australasia Pty Limited**	Holding company	Australia	100
Vodafone Pty Limited†	Operation of cellular network	Australia	95
Vodac Pty Limited††	Service provider for Vodafone Pty network	Australia	100
Vodafone SA	Service provider for cellular networks	France	100
Vodafone Group Services Limited	Provision of central services	England	100
Vodafone Limited*	Operation of cellular network	England	100
Vodapage Limited	Operation of radio paging service	England	100
Air Call Communications Limited	Operation of radio paging service	England	100
Vodastar Limited	Partner in consortium to operate global satellite telecommunications service	England	100
Vodata Limited	Supply of value added services	England	100
Paknet Limited	Operation of packet radio network	England	100

* Indirectly held.

** Share capital consists of 31,105,266 ordinary shares and 268 redeemable preference shares.

† Share capital consists of 55,000,290 ordinary shares and 12,631 redeemable preference shares of which 95% of each are indirectly held by Vodafone Group Plc.

†† Share capital consists of 2 ordinary shares and 1,200 redeemable preference shares.

Vodafone Group Plc had at 31 March 1994 the following principal associated undertakings and investments:

PRINCIPAL ASSOCIATED UNDERTAKINGS

Vodafone Group Plc's associated undertakings all have share capital consisting solely of ordinary shares. 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 shareholding	Par value of issued equity	Latest financial accounts	Country of incorporation or registration
General Mobile Communications Limited	Holding company	33%	£40 million	31.12.93	England
Talkland Communications Limited	Service provider for UK cellular networks				England
Martin Dawes Communications Limited	Service provider for UK cellular networks	20	£632,601	30.6.93	England
Orbitel Mobile Communications (Holdings) Limited	Holding company	50	£100	31.3.94	England
Orbitel Mobile Communications Limited	Mobile telecommunications equipment manufacturer				England
Pacific Link Communications (Holdings) Limited*	Holding company	30	US\$100	31.12.93	British Virgin Islands
Pacific Link Communications Limited	Operation of Hong Kong cellular network				Hong Kong
Pacific Telelink Limited*	Operation of a Hong Kong telepoint network	28	HK\$10,000	31.12.93	Hong Kong
Panafon SA*	Operation of Greek cellular network	45	GRD19,625 million	31.12.93	Greece
Panavox SA*	Service provider for Panafon SA network	45	GRD50 million	31.12.93	Greece
Vodacom Group Pty Limited*	Operation of South African cellular network	35	Rand 49 million	†	South Africa
Vodafone Fiji Ltd*	Operation of cellular network	49	F\$ 6 million	†	Fiji

* Indirectly held.

† No statutory accounts as company in first year of operation.

PRINCIPAL INVESTMENTS

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

Name	Activity	Percentage shareholding	Country of incorporation or registration
COFIRA*	Operation of French cellular network	4	France
Dansk Mobiltelefon AB*	Holding company for Danish GSM licence operator	25	Sweden
E-Plus Mobilfunk GmbH*	Operation of German cellular network	16	Germany
NordicTel Holdings AB*	Holding company for Swedish GSM licence operator	18	Sweden
Servicios de Radiotelefonía Movil SA*	Operation of Spanish paging network	15	Spain

* Indirectly held.

PROFIT AND LOSS

	1994	1993	1992	1991	1990
	£m	£m	£m	£m	£m
Turnover	<u>851</u>	<u>664</u>	<u>585</u>	<u>536</u>	<u>405</u>
Profit before taxation	<u>363</u>	<u>322</u>	<u>272</u>	<u>244*</u>	<u>164</u>
Taxation	<u>118</u>	<u>100</u>	<u>88</u>	<u>76</u>	<u>46</u>
Profit after taxation	<u>245</u>	<u>222</u>	<u>184</u>	<u>168</u>	<u>118</u>
	Pence	Pence	Pence	Pence	Pence
Earnings per share	<u>24.34</u>	<u>22.07</u>	<u>18.38</u>	<u>16.86*</u>	<u>11.85</u>
Dividend for the year	<u>8.35</u>	<u>6.96</u>	<u>5.8†</u>	<u>5.27</u>	<u>2.45</u>

BALANCE SHEET

	£m	£m	£m	£m	£m
Fixed assets	<u>720</u>	<u>563</u>	<u>438</u>	<u>437</u>	<u>345</u>
Other net assets/(liabilities)	<u>(22)</u>	<u>33</u>	<u>14</u>	<u>(19)</u>	<u>(76)</u>
Total assets	<u>698</u>	<u>596</u>	<u>452</u>	<u>418</u>	<u>269</u>
Shareholders' funds	<u>698</u>	<u>596</u>	<u>452</u>	<u>418</u>	<u>269</u>

CASH FLOW††

Inflow/(outflow) for year	<u>(41)</u>	<u>77</u>	<u>34</u>	<u>29</u>	<u>(12)</u>
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* Excludes the extraordinary income.

† Excludes the 5p special interim dividend paid to facilitate the demerger.

†† Vodafone basis as set out in the financial review.

The following is a summary of the approximate effects of the differences between US Generally Accepted Accounting Principles ("US GAAP") and UK Generally Accepted Accounting Principles ("UK GAAP") that are material to Vodafone Group Plc.

NET INCOME AND EARNINGS PER ORDINARY SHARE

	1994 £000	1993 £000
Net income as reported in accordance with UK GAAP	245,060	221,735
Items increasing/(decreasing) net income:		
Goodwill amortisation	(8,459)	(3,286)
Equity in losses of associated undertakings	(5,609)	(2,109)
Licence fee amortisation	(4,689)	(1,662)
Deferred income taxes	2,304	(14,921)
Compensation expense	(226)	(281)
Amortisation of capitalised interest	(639)	(639)
Pension cost	71	(142)
Gain on sale of associate	6,865	-
Foreign currency translation	257	(780)
Net income in accordance with US GAAP	234,935	197,915
Earnings per ordinary share in accordance with US GAAP	23.33p	19.70p

SHAREHOLDERS' EQUITY

	1994 £000	1993 £000
Shareholders' equity as reported in accordance with UK GAAP	697,741	596,192
Items increasing/(decreasing) shareholders' equity:		
Goodwill – net of amortisation	229,645	130,988
Licence fee amortisation	(6,251)	(1,662)
Cumulative deferred income taxes	(74,103)	(76,407)
Cumulative compensation expense	(1,577)	(1,351)
Cumulative capitalisation of interest costs – net of amortisation	1,642	2,281
Proposed dividends	42,885	35,498
Cumulative pension cost	(71)	(142)
Shareholders' equity in accordance with US GAAP	889,911	685,397

TOTAL ASSETS

Total assets as reported in accordance with UK GAAP	1,053,940	869,321
Items increasing/(decreasing) total assets:		
Goodwill – net of amortisation	127,786	79,774
Investment in associated undertakings – net of amortisation	101,262	49,520
Licence fee amortisation	(6,251)	(1,662)
Cumulative capitalisation of interest costs – net of amortisation	1,642	2,281
Pension prepayment	71	(260)
Total assets in accordance with US GAAP	1,278,450	998,974

SUMMARY OF DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED KINGDOM AND THE UNITED STATES.

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

GOODWILL AND EQUITY IN LOSSES OF ASSOCIATED UNDERTAKINGS

Under UK GAAP, costs of acquisition in excess of the fair value of the attributable net assets of acquired businesses at the date of acquisition may be capitalised or may be written off against shareholders' equity, either in the fiscal year of acquisition or in a subsequent fiscal year. The Group has written off such goodwill against shareholders' equity in the fiscal year of acquisition. Under US GAAP, goodwill must be capitalised and amortised against income over the estimated period of benefit, but 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 Vodafone Group Plc's share in the fair value of the net assets at the date of investment. For US GAAP purposes the Group would capitalise and amortise goodwill over the estimated period of benefit. The Group's equity in earnings of the associated undertakings is reduced by the amortisation of such goodwill.

LICENCE FEE AMORTISATION

Under UK GAAP, licence fees are amortised in proportion to the expected usage of the network during the start up period. Under US GAAP, licence fees are amortised on a straight line basis from the date of acquisition.

DEFERRED TAXATION

Under UK GAAP, deferred taxation is provided at the rates at which the taxation is expected to become payable. No provision is made for amounts which are not expected to become payable in the foreseeable future.

Under US GAAP, deferred taxation is provided on all temporary differences under the liability method at rates at which the taxation would be payable in the relevant future year.

FOREIGN CURRENCY TRANSLATION

Under US GAAP, income from foreign subsidiaries is translated at average exchange rates for the year, while under UK GAAP year end rates are used. The difference results in a reclassification between retained earnings and the translation component of shareholders' equity.

COMPENSATION EXPENSE

Under UK GAAP, on the granting of Share options, no amounts are normally attributed to employee remuneration. Under US GAAP, upon the granting of Share options to employees, the employer records as employee compensation the difference between the market value of the Shares and the total amount the employees are required to pay.

CAPITALISATION OF INTEREST COSTS

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

PENSION COSTS

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

GAIN ON SALE OF ASSOCIATE

Under UK GAAP, goodwill written off against shareholders' equity must be reinstated in determining gain or loss on the sale of all or part of the business acquired. Under US GAAP, the gain on sale would be higher to the extent that goodwill amortisation had been charged against income in prior periods.

PROPOSED DIVIDENDS

Under UK GAAP, dividends are included in the financial statements when recommended by the board of directors to the shareholders. Under US GAAP, dividends are not included in the financial statements until declared by the board of directors.

EARNINGS PER ORDINARY SHARE

Earnings per ordinary share are calculated by dividing net income of £197,915,000 and £234,935,000 for the years ended 31 March 1993 and 1994 respectively, by 1,004,687,325 and 1,006,897,652 which are the approximate weighted average number of ordinary shares outstanding for the years ended 31 March 1993 and 1994 respectively.

FINANCIAL CALENDAR

Vodafone Group Plc usually announces results and pays dividends at the following times:

	Announcement of results	Payment of dividend
Interim	November	February
Final	June	August

SHAREHOLDERS

Number of ordinary shares held at 31 March 1994	Number of accounts	% of total issued shares
1– 1,000	21,791	0.96
1,001– 5,000	14,287	2.98
5,001– 50,000	3,110	4.03
50,001– 100,000	276	1.99
100,001– 500,000	428	9.81
More than 500,000	212	80.23
	40,104	100.00

TYPE OF SHAREHOLDER AT 31 MARCH 1994

	Number of accounts	% of total issued shares
Private individuals	32,797	5.92
Nominee companies	5,556	44.84
Investment trusts and funds	617	3.08
Commercial and industrial companies	407	1.22
Banks	343	0.15
Insurance companies	262	9.02
Other corporate bodies	75	0.90
Pension funds and trustees	45	2.06
Bank of New York Nominees – ADRs*	1	31.03
Sepcon Limited	1	1.78
	40,104	100.00

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

* At 31 March 1994 there were 985 registered holders of ADRs representing approximately 12,300 beneficial holders.

LISTINGS

Ordinary shares of Vodafone Group Plc are traded on the London Stock Exchange and, in the form of American Depositary Shares (ADSs), on the New York Stock Exchange.

AMERICAN DEPOSITARY RECEIPTS

ADSs each representing ten ordinary shares are traded on the New York Stock Exchange under the symbol "VOD". ADSs are represented by American Depositary Receipts (ADRs). The ADR programme is administered on behalf of Vodafone Group Plc by The Bank of New York, ADR Division, 101 Barclay Street, New York, N.Y. 10286.

REPORTS TO ADR HOLDERS

ADR holders receive the annual and interim reports issued to ordinary shareholders. Vodafone Group Plc will file with the Securities and Exchange Commission in the USA its annual report in Form 20-F (which corresponds to the 10-K for a US Corporation) and other information as required. A copy of the Form 20-F may be obtained by writing to: Investor Relations, Vodafone Group Plc, The Courtyard, 2-4 London Road, Newbury, Berkshire RG13 1JL, England.

DIVIDENDS AND ADR HOLDERS

ADR holders are generally eligible for all dividends or other entitlements attaching to the underlying shares of Vodafone Group Plc and receive all cash dividends in US dollars. Qualifying US holders will generally be entitled to receive a payment in respect of the UK tax credit, subject to a UK withholding tax of 15% of the sum of the dividend and UK tax credit.

Dividends and any related UK tax credit and associated withholding will be income to the holder for Federal income tax purposes.

ADR holders unsure of their tax position should consult their independent tax adviser.

CAPITAL GAINS TAX BASE COSTS

UK taxpayers who became shareholders in Vodafone Group Plc as a result of holding shares in Racal Electronics Plc at the time of the demerger (16 September 1991) are advised that the base cost of their Racal Electronics' shares for Capital Gains Tax purposes should be split as to 80.036% to Vodafone shares and 19.964% to Racal Electronics shares.

ORDINARY SHARE AND ADS MARKET PRICE RANGES

	Ordinary Shares		ADSs	
	High (£)	Low (£)	High (US\$)	Low (US\$)
Fiscal Year				
1988/89				
3rd Quarter	1.84	1.58	34.12	29.50
4th Quarter	3.51	1.84	59.50	34.12
1989/90				
1st Quarter	5.19	3.24	85.50	60.62
2nd Quarter	4.26	3.45	70.75	53.38
3rd Quarter	4.07	3.18	65.25	49.25
4th Quarter	4.06	3.45	66.75	53.88
1990/91				
1st Quarter	3.91	3.09	67.13	50.00
2nd Quarter	3.73	2.30	66.88	42.63
3rd Quarter	2.86	2.37	56.50	45.00
4th Quarter	3.67	2.52	67.50	48.75
1991/92				
1st Quarter	4.12	3.38	73.50	54.63
2nd Quarter	3.87	3.26	68.25	59.75
3rd Quarter	3.86	3.44	72.50	61.75
4th Quarter	3.74	3.30	72.25	55.75
1992/93				
1st Quarter	3.98	3.03	71.25	53.25
2nd Quarter	3.35	2.88	64.00	53.25
3rd Quarter	4.27	3.33	66.63	55.38
4th Quarter	4.30	3.75	66.88	54.50
1993/94				
1st Quarter	4.66	3.70	72.75	56.88
2nd Quarter	5.85	4.34	89.75	65.75
3rd Quarter	5.78	5.12	91.13	76.50
4th Quarter	6.31	5.14	94.75	76.00

PERSONAL EQUITY PLANS ('PEPs')

For UK resident shareholders two PEPs have been established, a General PEP and a Single Company PEP, managed by Bradford & Bingley (PEPs) Limited. For further details please write to the Plan Manager, Bradford & Bingley (PEPs) Limited, P.O. Box 50, Main Street, Bingley, West Yorkshire BD16 2LW or telephone 0274 555677.

SCRIP DIVIDEND SCHEME

The Company has established, pursuant to resolutions passed at the Annual General Meeting in 1993, a scrip dividend scheme to enable shareholders to take new shares in lieu of cash dividends. For further details please contact Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU or telephone 081 650 4866.

Notice is hereby given that the tenth Annual General Meeting of the Company will be held at The Institution of Electrical Engineers, Savoy Place, London WC2 on Wednesday 20 July 1994 at 11.30 a.m. to transact the following business:

-
- 1** To receive the report of the directors and financial statements for the year ended 31 March 1994 and to approve a final dividend of 84.6% (4.23p per share) net of tax on the ordinary shares.
-
- 2** To re-elect Sir William Barlow as a director.
-
- 3** To re-elect Mr K J Hydon as a director.
-
- 4** To reappoint Touche Ross & Co. as auditors to the Company until the next Annual General Meeting and to authorise the directors to fix their remuneration.
-
- 5** As special business to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution:
- THAT:
- (i) the capital of the Company be increased to £200,000,000 by the creation of 2,800,000,000 additional ordinary shares of 5p each; and
 - (ii) pursuant to the terms of Article 135 of the Articles of Association of the Company, it is desirable to capitalise the sum of £101,384,322.40 (being part of the amount standing to the credit of the Company's Share Premium Account) and that accordingly the directors be and they are hereby authorised and directed to appropriate such sum as capital to the members of the Company, in the proportions in which such sum would have been divisible amongst them had the same been applied or been applicable in paying dividends on the ordinary shares held by them at the close of business on 20 July 1994, on condition that the same will not be paid in cash but be applied in paying up in full at par unissued ordinary shares of 5p each in the capital of the Company such shares to be allotted and distributed credited as fully paid in the proportion of two new ordinary shares for every one fully paid ordinary share of 5p each then held and the directors are hereby authorised and directed to give effect to this resolution and without prejudice to the generality of the foregoing the directors are hereby authorised and directed to capitalise the sum of £101,384,322.40 provided that the new ordinary shares of 5p each shall rank *pari passu* in all respects with the existing ordinary shares of 5p each in issue on the date on which this resolution is passed except that the new ordinary shares shall not carry any right to the final dividend payable on 17 August 1994 or to receive any shares allotted pursuant to this resolution, and for this purpose the Directors be and are hereby authorised unconditionally pursuant to and in accordance with section 80 of the Companies Act 1985 to exercise all of the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £101,384,322.40 provided that this authority shall expire on 17 August 1994.
-
- 6** As special business to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution:
- THAT, conditionally upon resolution 5 having been passed, the directors be and are hereby authorised generally and unconditionally pursuant to and in accordance with section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) of the Company up to an aggregate nominal amount of £30,000,000 provided that this authority shall expire on the fifth anniversary of the passing of this resolution save that the Company may, before such expiry, make offers or agreements which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired and that this authority shall be in addition to, and without prejudice to, the authority contained in resolution 5 and shall operate in substitution for the general authority to allot relevant securities conferred on the directors by the ordinary resolution passed at the Annual General Meeting held on 1 August 1989.
-

- 7 As special business to consider and, if thought fit, pass the following resolution, which will be proposed as a special resolution:

THAT, conditionally upon resolutions 5 and 6 having been passed, the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the Companies Act 1985) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of section 89 of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited:

- a) to the allotment of equity securities in connection with an offer by way of rights to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be defined) to the respective numbers of ordinary shares held by them, subject to such exclusions or other arrangements as the directors may deem fit to deal with fractional entitlements or problems arising under the laws of any overseas territory or the requirements of any regulatory authority or any stock exchange; and
- b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £7,603,824 being 5% of the issued share capital of the Company after the capitalisation issue and shall expire on the date of the Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not expired.

By Order of the Board

Stephen Scott
Secretary

The Courtyard
2 - 4 London Road
Newbury
Berkshire RG13 1JL

24 June 1994

NOTES

- 1 A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member of the Company. A proxy card is enclosed.
- 2 Lodgment of a proxy will not preclude a shareholder from attending and voting at the Meeting.
- 3 Copies of the service contracts of the directors with the Company of more than one year's duration will be available for inspection at the registered office of the Company during normal business hours on any weekday (excluding Saturday) from the date of the Notice until the date of the Annual General Meeting and at The Institution of Electrical Engineers, Savoy Place, London WC2 from 11.00 a.m. on that day until the conclusion of the Meeting. No director has a service contract with any subsidiary.
- 4 Copies of the Company's existing Memorandum and Articles of Association will be available for inspection at the registered office of the Company and at the offices of Linklaters & Paines, Barrington House, 59-67 Gresham Street, London EC2V 7JA during normal business hours on any weekday (excluding Saturday) from the date of the Notice until the date of the Annual General Meeting and at the Institution of Electrical Engineers, Savoy Place, London WC2 from 11.00 a.m. on that day until the conclusion of the Meeting.

1 Financial Statements and Final Dividends

Resolution 1 will seek the approval of shareholders to the final dividend recommended by the directors after receipt of their report and the financial statements for the financial year just ended.

2 Retirement and Re-election of Directors

In accordance with the Company's Articles of Association, Sir William Barlow and Mr K J Hydon retire by rotation and, pursuant to Resolutions 2 and 3 respectively, offer themselves for re-election. Sir William has recently attained the age of 70 and in his capacity of non-executive director serves on the Company's Audit and Remuneration Committees and is Chairman of the Charities Committee. Mr Hydon, Financial Director, has a service contract which commenced on 1 July 1991 for a period of three years terminable by the Company by not less than two years' notice expiring on 30 June 1994 or any time thereafter.

3 Auditors

Resolution 4 proposes the reappointment of Touche Ross & Co. as auditors to the Company and authority for the directors to fix their remuneration.

4 Capitalisation issue

In order to bring the issued share capital of the Company more into line with the capital permanently employed in the business, it is proposed to make a capitalisation issue of two fully paid ordinary shares of 5p for each share held on 8 July 1994, by capitalising £101,384,322.40 of the Share Premium Account. Resolution 5 is therefore to be proposed at the Annual General Meeting, to increase the authorised share capital of the Company from the existing £60,000,000 to £200,000,000 by the creation of 2,800 million additional new ordinary shares and to approve the capitalisation issue. Application will be made to the Council of the London Stock Exchange for the new ordinary shares to be admitted to the Official List and, subject to the passing of this Resolution, it is expected that dealings in them will commence on 21 July 1994. Definitive share certificates will be posted immediately after the Annual General Meeting. Holders of shares in the form of ADRs will be sent new certificates by the Bank of New York. The new ordinary shares will rank for any dividend declared after 20 July 1994 and in all other respects will rank *pari passu* with the existing issued ordinary shares although the new shares will not carry any right to the final dividend payable on 17 August 1994.

Following this capitalisation issue, 24% of the authorised share capital will remain unissued.

5 Authority to allot shares

At the Annual General Meeting of the Company held in 1989 a resolution was passed empowering the directors, for a period of five years, to allot £10,000,000 of unissued shares in the Company. This authority will shortly expire and following the increase in the authorised share capital of the Company pursuant to Resolution 5, an ordinary resolution (Resolution 6) will be proposed empowering the directors for a period of five years from 20 July 1994 to allot unissued ordinary shares up to a maximum of £30,000,000 unissued capital. This is not the whole of the unissued shares in the Company and will represent 19.73% of the total share capital in issue after the capitalisation issue. The directors have no present intention of exercising this authority and the approval of shareholders would, of course, be sought either if the authority required to be increased or if any issue of shares pursuant to the authority would effectively alter the control of the Company. £691,461 of share capital has been issued by the directors pursuant to the authority granted in 1989.

6 Allotment of shares for cash

At each Annual General Meeting of the Company since its flotation, a resolution has been passed enabling the directors to allot equity securities up to an aggregate amount of 5% of the then issued share capital of the Company for cash and, on a rights issue, to sell the entitlements of overseas shareholders for their benefit and to sell fractional entitlements for the benefit of the Company.

As the authority granted at last year's Annual General Meeting expires at the end of this year's Annual General Meeting, the directors are proposing, by means of Resolution 7, to obtain the authority until the date of the Annual General Meeting in 1995 to allot up to £7,603,824 of the unissued capital (which is equivalent to 5% of the issued share capital after the capitalisation issue). This resolution is in the same form as that passed at last year's Annual General Meeting.

The principal purpose of this resolution is to give the directors of the Company the flexibility to finance business opportunities by raising funds in international markets by the issue of shares without a pre-emption offer to existing shareholders. The resolution is required to dis-apply the provisions of the Companies Acts and, if passed, will also enable the directors, on a rights issue, to avoid exceptional costs in issuing shares to shareholders who are citizens of, or resident in, an overseas territory.

Principal activities

Cellular radio network operations

Cellular radio service provision

Value added network services

Radiopaging

Packet radio network operation

Equipment design and manufacture

Satellite mobile telephony

Vodafone Group Plc

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