VODAFONE GROUP PLC

ANNUAL REPORT AND ACCOUNTS 1992

Vodafone opened its pan-European GSM network in December 1991, providing coverage in the London area. Ultimately GSM subscribers will be able to make and receive calls throughout Europe.

CONTENTS

1 Results at a glance

2 Board of directors

3 Statement by the Chairman

7 Business highlights

8 Group financial summary

10 Report of the directors

13 Consolidated profit and loss account

14 Consolidated balance sheet

15 Balance sheet of Vodafone Group Plc

16 Consolidated cash flow statement

17 Statement of accounting policies

18 Notes on the financial statements

28 Subsidiary, associated and other companies

29 Report of the auditors

30 Reconciliation to US accounting principles

32 Investor information

33 Notice of meeting

34 Businesses within the Group

41 Principal activities

The existing Vodafone network will continue to support business subscribers for the foreseeable future.

VODAFONE GROUP PLC

RESULTS AT A GLANCE FOR THE YEAR ENDED 31 MARCH 1992

	1992 £000	1991 £000
Turnover	**585,337**	536,838
Return on turhover (before interest)	**45.0%**	45.1%
Profit before taxation	**271,765**	244,658
Taxation	**87,516**	76,142
Profit after taxation	**184,249**	168,516
Net assets employed	**452,149**	418,199
Return on net assets employed	**60.1%**	58.5%
Earnings per share	**18.38p**	16.86p
Dividends per share (net of tax)	**5.80p***	5.27p

Share price information

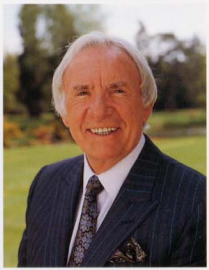
The current share price can be obtained in the United Kingdom by dialling the F.T. Cityline Service for Vodafone Group on 0836 435555.

Calls are charged at 36p cheap rate and 48p at all other times.

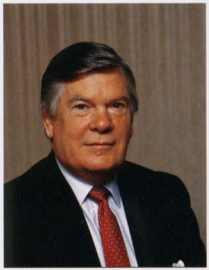
*excludes the special interim dividend of 5.0p paid during the year to facilitate the demerger.

Vodafone now has in excess of 730,000 subscribers throughout the United Kingdom.

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, F I Mech E, FIEE Sir Robert Clark DSC C C Gent K J Hydon FCMA, FCCA E J Peett MSEE, F Inst D
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 I am able to report that, notwithstanding the recession, the Company achieved increases in both sales and profit. Sales during the year were £585.3 million (1990/91 – £536.8 million), an increase of 9%. The net profit before taxation amounted to £271.8 million (1990/91 – £244.7 million), an increase of 11%.

Taxation for the year is estimated at £87.5 million (1990/91 – £76.1 million).

The directors recommend payment of a final dividend of 2.94p per share, net of tax (1990/91 – 2.67p per share) making a total of 5.80p per share (1990/91 – 5.27p per share), excluding the special dividend paid on demerger. Warrants for the final dividend will be posted on 11 August 1992 to shareholders on the Register of Members on 3 July 1992.

Demerger

On 16 September 1991 the Company was fully demerged from Racal Electronics Plc and the name changed from Racal Telecom Plc to Vodafone Group Plc. A special dividend of 5p per share was paid to facilitate the demerger.

There has been no change in the management of any of the Vodafone Group companies as a result of the demerger but the Group has now established its own company secretariat, legal, treasury, pensions and corporate affairs departments, disciplines which were formerly shared with Racal Electronics Plc.

The shares of the Company entered the FT-SE 100 index on the day of the demerger.

The Company

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

The demand for mobile communications in the United Kingdom continued to be affected by the recession but positive growth was sustained during the year.

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

Vodafone

Vodafone has continued to grow, despite the recession, although at a slower rate. The Company has maintained a 56% share of the UK cellular market and by the end of the year over 710,000 subscribers were connected to the service.

The rate of gross connections increased over the last five months of the year, showing a month on month improvement compared to the previous year. Usage rates also showed an improvement during the second half of the year. Although the churn rate (customers leaving the network) remained high, mainly through businesses reducing staff or closing, net connections showed moderate growth.

Work continued on expanding and refining the analogue network but at a reduced rate from previous years. Cumulative investment is now over £550m. The quality of the service continues to increase, both by the addition of new sites placed to eliminate coverage black spots and through further software programmes that enhance the availability of the service.

During the year a number of powerful computers were integrated into the Vodafone network to provide a function called 'Home Location Register' (HLR) which continuously registers the location in the network of every mobile subscriber. This is the first time that such a concept has been introduced into an analogue cellular network although it will be a standard feature in the next generation of digital cellular systems. HLRs also enhance customer security and continuity of service and have enabled Vodafone to introduce very effective fraud prevention measures.

In April 1992, the Automobile Association launched a new service for its members called AA 'Callsafe'. This innovative service uses the Vodafone network to enable AA members who need only to access the AA's breakdown services or the emergency services to make calls at a substantially reduced tariff.

STATEMENT BY THE CHAIRMAN

On 2 December 1991, Vodafone launched the UK's first digital mobile telephone service which forms part of the pan-European GSM system being implemented throughout Europe. The service was introduced in central London and is now being deployed throughout the rest of the UK to achieve 90% population coverage by mid-1993.

This new digital network will provide the foundation for a Micro Cellular Network (MCN), to be introduced in 1993, which is intended to broaden the market for mobile telecommunications by introducing a cheaper service for the small business and domestic markets. Plans for the MCN service were announced at the International Telecommunications Show in Geneva last October and its implementation is on schedule.

Vodac

Vodac has maintained its position as the largest service provider on the Vodafone network and continues to trade profitably.

The purchase during the year of approximately 16,500 subscribers together with additions from normal organic growth resulted in Vodac having approximately 140,000 subscribers at the end of the year.

The key elements in obtaining and retaining customers are high quality products, expert installation and maintenance, good customer care and firm credit control. Vodac makes these a priority, resulting in higher than average revenue per subscriber, lower than average churn and less than average bad debt.

Vodac purchases subscriber equipment, usually carrying a Vodac branding label, mainly from Panasonic, NEC and Motorola, who supply high quality equipment at competitive prices.

Skilled and well trained staff at the Vodac Service Centres (VSCs) install, maintain and repair subscriber equipment sold by Vodac's direct sales force. Vodac has its own VSC, giving the company first hand experience of installation and maintenance of customers' handsets.

Large corporate accounts form a very important part of Vodac's subscriber base and this sector of the market is becoming highly competitive. Vodac is constantly improving its services in order to remain ahead of its competitors by training and motivating dedicated teams to handle the customer care and billing for these accounts and providing special facilities such as data, messaging and private wire services.

Vodata

Vodata increased its turnover during the year by approximately one third, which was an excellent performance in a difficult economic climate and a competitive market. The activities of its major competitor in voice messaging had a detrimental effect on the margins in that product area, but the recently launched Vodafone Recall service will ensure continued market leadership and significant growth next year.

Other product areas did well, particularly information and mobile data services.

Vodapage

Vodapage completed its fourth trading year during which its subscribers increased from 68,000 to 90,000. The company grew faster than any other UK paging operator, increased its profitability and generated a positive cash flow.

Vodapage continues to be the only paging operator to have achieved the British Standards Institute BS 5750 Standard for quality management. This has helped to establish the company as a preferred supplier of paging services to a number of large organisations in both the public and private sectors.

During the year Vodapage invested in a new subscriber billing system and a second exchange. Both of these will ensure that Vodapage can continue to offer a wide and flexible variety of services.

Orbitel

Orbitel Mobile Communications, the Group's 50:50 joint venture with L M Ericsson, experienced a difficult year, being adversely affected by the late arrival of test equipment at GSM approval houses, the collapse of the UK telepoint market and product rationalisation.

Recently, Orbitel became the first company to receive Interim Type Approval for its new range of GSM digital cellular mobile and transportable radio telephones which will now be available in quantity to customers throughout Europe.

Orbitel has also received its first overseas order for telepoint infrastructure and others are expected to follow in due course.

Paknet

Paknet, a 50:50 joint venture with Cable & Wireless, provides radio based packet data services. The original target market for this service was EFTPOS (Electronic Funds Transfer at Point of Sale) and credit card validation. This market has proved to be difficult due to a change of policy by the clearing banks and credit card agencies but a new market is emerging including security system monitoring and telemetry.

STATEMENT BY THE CHAIRMAN

National Band Three

Band Three Radio, in which the Company had a 25% interest, experienced another difficult trading year and it became clear that the company could not continue as constituted.

At the end of the year the Vodafone Group owned 100% of Band Three Radio having acquired in March all of the shares previously owned by Philips, Securicor and Aircall. Band Three Radio was then merged with The General Electric Company's trunked private mobile radio operator, National One, to form a 50:50 joint venture company called National Band Three Limited.

The combined subscriber bases of Band Three Radio and GEC National One will generate a revenue stream sufficient to cover the ongoing investment in the network and the business will have the financial strength and operational expertise to continue to develop the market in the UK for fleet mobile communications.

International

The Vodafone Group has continued to seek opportunities to participate in overseas network operations by joining in partnership with either the local PTT or the competitive private sector network operator.

The most significant international events during the year were:

- The Vodafone Group acquired a 30% interest in Pacific Link Communications Limited, one of the three cellular network operators in Hong Kong. Since this acquisition in November 1991 Pacific Link has increased its subscriber base from 42,000 to more than 58,000 and is trading profitably. It has recently been announced that Pacific Link will be awarded a licence to operate a digital cellular service in Hong Kong.
- The Company transferred its 10% interest in AB NordicTel to NordicTel Holdings AB and now has an interest of 18.9% in that company. NordicTel Holdings AB owns AB NordicTel, which holds one of the three GSM digital cellular licences in Sweden and a 20% interest in a similar network in Denmark.

Société Française du Radiotéléphone (SFR), a subsidiary of COFIRA, in which the Vodafone Group has a 4% interest, although affected by the recession in France, increased its analogue network subscribers from 61,000 to 88,000 during the year and traded profitably. SFR is currently deploying its GSM digital cellular radio network and will commence commercial operations later this year. Both SFR and the other national operator, France Telecom, will be appointing service providers for their GSM services.

Vodafone SA, the Company's wholly owned subsidiary in France, has been appointed a service provider for France Telecom and expects to become a service provider for SFR in the near future.

Telecell, a joint venture with Telemalta, in which the Company has an 80% interest, continued to grow its subscriber base and is trading profitably.

Comunicaciones Celulares de Occidente SA de CV, a Mexican joint venture in which the Company has a 7% interest, achieved subscriber growth which more than matched expectations and the company is now trading profitably.

Finance

Cash generated from operations during the year amounted to £342 million and £14 million was raised from the issue of new shares to Racal Electronics Plc to facilitate the demerger. Investments totalled £59 million of which £55 million was outside the UK. Capital expenditure in 1992/93 will be approximately £120 million (1991/92 £56 million), mainly on the new UK digital mobile services, GSM and MCN.

The effective tax rate marginally increased because taxation allowances on capital expenditure exceeded the depreciation charge by a smaller amount than in the previous year.

The Group's treasury policy is to deposit funds where they will earn the best return from secure investments and to avoid exposure to currency fluctuations wherever practicable.

The Company supports the actions of the Accounting Standards Board and welcomes the improvements to the quality and content of financial statements.

Allotment of Shares for Cash

At the Annual General Meeting of the Company held on 7th August 1991 the shareholders granted authority to the directors to allot equity securities up to an aggregate amount of 5% of the then issued share capital of the Company and, on a rights issue, to sell the entitlements of overseas shareholders for their benefit. As this authority expires at the end of this year's Annual General Meeting, the directors, in Resolution No. 5, are seeking renewal of the authority for the period to the Annual General Meeting in 1993.

STATEMENT BY THE CHAIRMAN

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.

This resolution is substantially in the form as that passed last year although as the Company's issued share capital has increased, the same 5% limit now gives a slightly increased aggregate amount of £2,511,186.

New All-Employee Share Scheme

Subject to the approval of the Inland Revenue of the details of the scheme, and in accordance with that approval, the Company intends to introduce and operate, whilst it is in the Company's interest, a new all-employee share scheme to complement the existing share option schemes.

Under the new scheme employees entitled to participate will be able to transfer up to 5% of their salary each month to the trustees of the scheme, who will buy shares in Vodafone Group Plc on behalf of the employee. Each month the trustees of the scheme will buy an equivalent number of shares on the employee's behalf from funds provided by the Company out of the Group's profits. This is estimated to cost in the order of 1% of the Group's payroll over the next five years. All the trustees' purchases will be made on the stock market, avoiding any increase in the Company's issued share capital.

Each participating employee therefore will receive one free share for each share he or she purchases and will immediately become the beneficial owner of the shares. The shares must remain in trust for two years and the maximum tax benefit is obtained by the employee if they are left for five years.

The directors believe that this new scheme will not only encourage greater employee share ownership in the Company but also will permit employees more readily to take a share in the profits of the Company to which they have contributed.

Appreciation

Having regard to the effects of the economic recession, 1991/92 was a good year for the Vodafone Group. This placed exceptional demands on the staff and, in turn, on their families and I am sure that you would wish me to place on record our very great appreciation of their considerable efforts and achievements.

The Future

Mobile communications continues to be an outstanding growth market and the Company is recognised to be a world leader.

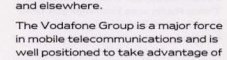
The Company will continue developing its existing businesses to realise their full potential and further deploy its digital cellular system.

A high capacity Micro Cellular Network will be established and this will provide new, innovative services for the small business and domestic sectors of the mobile communications market.

The Company will continue to seek opportunities to participate in overseas network operations, particularly in Europe and the Pacific Rim.

Under its existing licence Vodafone is restricted to providing mobile telecommunications services only. Following the Duopoly Review, the company has applied to the Department of Trade and Industry for a replacement licence which will permit the company, should it so desire, to provide other telecommunications services and to connect directly to existing and future fixed and mobile networks in the UK and elsewhere.

The Vodafone Group is a major force in mobile telecommunications and is well positioned to take advantage of the many opportunities which will arise over the next decade.



BUSINESS HIGHLIGHTS

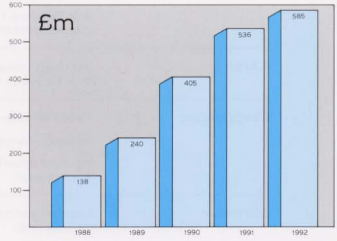
1991	**April**	Vodapage helps fight crime by introducing 'Vodawatch'.
		John Redwood, Minister of Posts and Telecommunications, presents the prestigious BS 5750 Quality Award to Vodapage.
	June	Vodafone becomes the first telephone network operator in the world to receive the BS 5750 Quality Award.
	September	Vodata launches the UK's first dial-and-receive facsimile information service.
		Vodapage shows UK's first intelligent pager.
		Vodafone Group becomes fully independent after the largest demerger in British history.
	October	Vodafone and Telecom Finland make the world's first international roaming telephone call.
		Vodafone announces its new Micro Cellular Network.
	November	Vodafone helps fight crime by introducing 'Safelink', enabling people who feel threatened to contact the police within seconds.
		Vodafone Group acquires 30% holding in Pacific Link Communications Limited.
	December	Vodafone launches the UK's first commercial GSM digital mobile telephone service.
		Vodata and the Meteorological Office unveil new dial-up facsimile weather service.
1992	**February**	Vodafone Group increases holding in Scandinavian GSM Operator.
	March/April	Vodafone Group acquires 100% of Band Three Radio which is then merged with GEC's National One to form National Band Three Limited.
	April	Vodafone and the Automobile Association launch AA 'Callsafe' to enable stranded motorists to call for help.
	May	Orbitel becomes first company to obtain approval for GSM mobile digital cellular phones.

Ordinary shares of Vodafone Group Plc are traded in London and, in the form of American Depositary Shares, in New York.

FIVE YEARS OF CONTINUOUS GROWTH

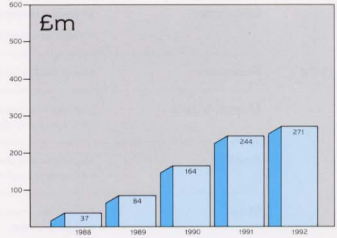
GROUP FINANCIAL SUMMARY

TURNOVER



The turnover of the Vodafone Group has increased more than four fold from £138 million in 1988 to over £585 million in 1992. This increase is due to the fast expanding markets in which the Group operates.

PROFIT BEFORE TAXATION

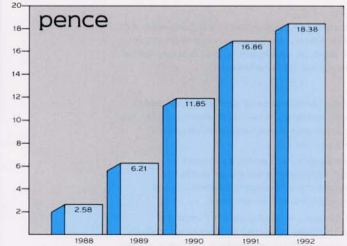


The growth in profit before taxation of more than seven fold between 1988 and 1992 has been greater than the growth in turnover. Profit before taxation as a percentage of turnover has increased from 35% in 1989 to 46% in 1992.

The years stated are for financial years to 31 March.

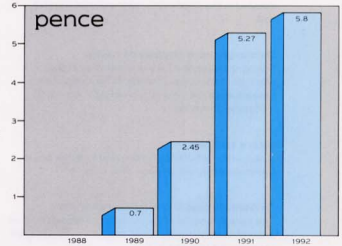
GROUP FINANCIAL SUMMARY

EARNINGS PER SHARE



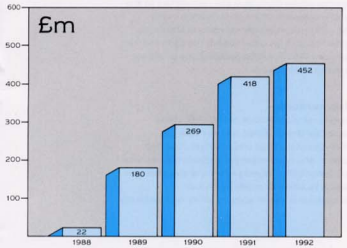
Earnings per share have increased more than seven fold between 1988 and 1992. The average earnings of those companies included in the Financial Times Industrials ex Oil index have grown by less than one third in the same period.

DIVIDENDS PER SHARE



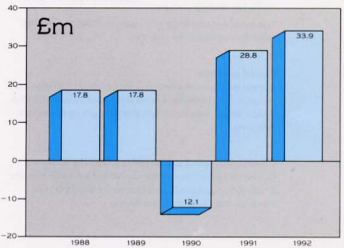
The directors of the Vodafone Group have declared steadily increasing dividends since the flotation in the financial year 1988/89. 1992 excludes the special interim dividend of 5.0p paid to facilitate the demerger.

SHAREHOLDERS' FUNDS



Shareholders' funds stood at over £450 million at 31 March 1992 which approximates to the net assets of the Group.
The Group has had no net debt since its flotation in 1988.

NET CASH FLOW



The Group's net cash flow since 1 April 1987 has totalled £86.2 million. During the five years capital expenditure amounted to £513 million and dividend payments £163 million.
1988/89 excludes the effect of the flotation.

The years stated are for financial years to 31 March.

REPORT OF THE DIRECTORS

The directors submit their annual report and audited financial statements for the year ended 31 March 1992.

Review of the Group's business

The Company and its subsidiaries are involved principally in mobile telecommunication 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 6.

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 6.

Demerger and change of name

During the year, the full demerger from Racal Electronics Plc was successfully completed. As a consequence the Company changed its name to Vodafone Group Plc.

Share capital

A statement of changes in the share capital of the Company is set out on page 24 in note 18.

Dividends and transfer to reserves

The consolidated profit and loss account is set out on page 13 and shows a profit on ordinary activities after taxation of £184,249,000.

The directors recommend a final dividend of 2.94p per ordinary share amounting to £29,532,000 payable on 12 August 1992 to ordinary shareholders on the register of members on 3 July 1992.

An interim dividend of 2.86p per ordinary share and a special interim dividend of 5.00p per ordinary share were paid during the year giving a total for the year of 10.8p per ordinary share.

The retained profit for the year of £75,995,000 has been transferred to reserves.

Fixed assets

During the year, the Group spent a net £56.2 million on tangible fixed assets. These additions included £43.3 million which was spent on the Group's cellular radio systems.

Charitable and political contributions

During the year, charitable contributions amounted to £106,495. A political contribution of £50,000 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 GSM digital technology.

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.

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 have established various employee share schemes and, as described in the Chairman's statement on page 6, will be establishing a further scheme in the near future.

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 taken account of sympathetically.

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	
	31 March 1992	1 April 1991
Sir Ernest Harrison	**526,219**	526,219
G A Whent	**160,492**	50,000
Sir William Barlow	**5,000**	5,000
Sir Robert Clark	**5,000**	5,000
C C Gent	**25,764**	20,000
K J Hydon	**5,000**	5,000
E J Peett	**53,102**	53,102

At 31 March 1992 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
G A Whent	**Nil**	**2,278**	**Nil**	**3,961**	**53,500**	**110,000**	**55,000**	**125,000**	**25,200**	**122,900**
C C Gent	**4,210**	**1,139**	**Nil**	**2,640**	**Nil**	**45,000**	**26,000**	**109,000**	**Nil**	**67,900**
K J Hydon	**Nil**	**1,139**	**3,348**	**2,640**	**38,000**	**30,000**	**16,000**	**58,000**	**Nil**	**42,400**
E J Peett	**Nil**	**1,139**	**3,348**	**2,640**	**37,000**	**40,000**	**22,000**	**70,000**	**300**	**56,100**

A Option 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.

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

During the year ended 31 March 1992, C C Gent exercised an option for 40,500 shares under the Executive Scheme at the exercise price of 170p per share and subsequently sold them.

All the above options existed at 1 April 1991 with the exception of the D, I and J options which were granted during the year.

No director had since 1 April 1991 any interest in the shares of any subsidiary company.

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 19 June 1992 except that E J Peett exercised an option for 37,000 shares under the Executive Scheme at the exercise price of 170p per share and has subsequently sold them.

Directors

The directors who served throughout the year were Sir Ernest Harrison, G A Whent, Sir William Barlow, Sir Robert Clark, C C Gent, K J Hydon and E J Peett. In accordance with the Company's Articles of Association, Sir Ernest Harrison and Sir Robert Clark, neither of whom has a service contract with the Company, retire by rotation and being eligible offer themselves for re-election.

The following served as non-executive directors:

Sir Ernest Harrison, Chairman and Chief Executive of Racal Electronics Plc since 1966.

Sir William Barlow, 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, Barking Power Limited and SKF Limited.

Sir Robert Clark, Chairman of Mirror Group Newspapers Plc and a non-executive director of a number of UK companies, including SmithKline Beecham p.l.c. and The "Shell" Transport and Trading Company, PLC.

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

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

By Order of the Board

Stephen Scott
Secretary
10 July 1992

The following directors served on the Company's Audit Committee:
Sir Ernest Harrison 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.

Insurance for directors

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.

Substantial holdings

With the exception of the following shareholdings, the directors are not aware of any holding in the ordinary share capital of Vodafone Group Plc which, at 19 June 1992, exceeds 3%:

a) BNY (Nominees) Limited held 18.63%, a holding which underlies American Depositary Receipts (ADRs) issued by The Bank of New York;

b) The Prudential Corporation group of companies (including segregated funds managed for clients) held 4.80%;

c) Guardian Royal Exchange Plc and its subsidiary companies (including segregated funds managed for clients) held 4.36%.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1992

	Note	1992 £000	1991 £000
Turnover	1	**585,337**	536,838
Operating profit	2	**263,502**	242,234
Interest receivable less payable	5	**8,263**	2,424
Profit on ordinary activities before taxation		**271,765**	244,658
Tax on profit on ordinary activities	6	**87,516**	76,142
Profit on ordinary activities after taxation		**184,249**	168,516
Minority interests		**–**	46
Profit on ordinary activities attributable to shareholders		**184,249**	168,562
Extraordinary income	7	**–**	34,500
Profit for the financial year		**184,249**	203,062
Dividends	8	**108,254**	52,700
Retained profit for the year	20	**75,995**	150,362
Earnings per share	9	**18.38p**	16.86p

CONSOLIDATED BALANCE SHEET AT 31 MARCH 1992

	Note	1992 £000	1992 £000	1991 £000	1991 £000
Fixed assets					
Intangible assets	10		**285**		353
Tangible assets	11		**410,516**		416,354
Investments	12		**27,575**		19,962
			438,376		436,669
Current assets					
Stocks	13	**1,357**		2,468	
Debtors	14	**137,157**		137,979	
Cash at bank and in hand		**80,013**		38,643	
		218,527		179,090	
Creditors: amounts falling due within one year	15	**200,235**		195,833	
Net current assets/(liabilities)			**18,292**		(16,743)
Total assets less current liabilities			**456,668**		419,926
Creditors: amounts falling due after more than one year	16		**4,267**		1,615
Provisions for liabilities and charges	17		**252**		112
			452,149		418,199
Capital and reserves					
Called up share capital	18		**50,224**		50,000
Share premium account	19		**96,584**		82,058
Capital reserve			**2,705**		2,705
Profit and loss account	20		**302,636**		283,436
			452,149		418,199

G A WHENT Chief Executive

K J HYDON Financial Director

10 July 1992

BALANCE SHEET AT 31 MARCH 1992

	Note	1992 £000	1992 £000	1991 £000	1991 £000
Fixed assets					
Investments	12		**540,059**		516,670
Current assets					
Debtors	14	**94,882**		31,211	
Cash at bank		**77,893**		37,963	
		172,775		69,174	
Creditors: amounts falling due within one year	15	**120,177**		44,421	
Net current assets			**52,598**		24,753
Total assets less current liabilities			**592,657**		541,423
Provisions for liabilities and charges	17		**426**		–
			592,231		541,423
Capital and reserves					
Called up share capital	18		**50,224**		50,000
Share premium account	19		**96,584**		82,058
Merger reserve			**87,895**		87,895
Profit and loss account	20		**357,528**		321,470
			592,231		541,423

G A WHENT Chief Executive

K J HYDON Financial Director

10 July 1992

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1992

	Note	1992 £000	1992 £000	1991 £000	1991 £000
Net cash inflow from operating activities	21i		**342,168**		223,146
Returns on investments and servicing of finance					
Interest received		**8,972**		2,619	
Interest paid		**(1,376)**		(1,048)	
Dividends received from associated undertaking		**408**		–	
Dividends paid		**(105,419)**		(43,000)	
Net cash outflow from returns on investments and servicing of finance			**(97,415)**		(41,429)
Taxation					
Corporation tax paid			**(96,765)**		(48,910)
Investing activities					
Purchase of intangible fixed assets		**(5,502)**		(1,664)	
Purchase of plant and machinery		**(56,217)**		(147,271)	
Sale of plant and machinery		**637**		514	
Purchase of subsidiary undertaking	21ii	**1,568**		–	
Proceeds from sale of business		–		45,000	
Overdraft disposal on sale of business		–		3,892	
Purchase of investments		**(59,309)**		(5,035)	
Loan to associated undertaking		**(10,000)**		–	
Sale of investments		**15**		–	
Net cash outflow from investing activities			**(128,808)**		(104,564)
Net cash inflow before financing			**19,180**		28,243
Financing					
Issue of ordinary share capital	21iii	**14,750**		–	
Secured loan repayable 1995-1999	21iii	**3,332**		615	
Net cash inflow from financing			**18,082**		615
Increase in cash and cash equivalents	21v		**37,262**		28,858

STATEMENT OF ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with 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, its subsidiaries and include the Group's share of results of associated undertakings for financial statements made up to 31 March 1992.
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.

Turnover

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

Stocks

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

Research and development

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

Tangible fixed assets

Included within the cost of cellular radio systems are materials awaiting installation which are valued at cost less a provision for excess and obsolete items. The materials are used in the construction and maintenance of new and existing infrastructure and, when issued, are charged either to the cost of specific infrastructure or to the profit and loss account.
The cost of tangible fixed assets includes overheads incurred in the acquisition, establishment and installation of radio base stations.

Intangible fixed assets

Purchased intangible fixed assets are capitalised at cost except for subscriber contracts, which are written off to reserves in the year in which they are acquired.
The value attributable to the potential income stream of existing subscribers and licences is not included in the Group's balance sheet.

Deferred taxation

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

Depreciation of 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	50 years
Leaseholds	the term of the lease
Cellular radio and paging networks	10 years
Plant, test and office equipment	6-7 years
Motor vehicles	4 years
Computers and software	3-5 years
Furniture and fittings	10 years.

The cost of intangible fixed assets is amortised in equal annual instalments over six years.

Operating leases

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

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 comprise equity shareholdings in, and long term loans to, communication companies. These are held as fixed assets and are stated at cost. Income is recognised upon receipt of dividends and provision only made for permanent diminution in value.

Foreign currencies

The financial statements of the overseas subsidiary companies 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 during the financial year are dealt with as a movement in reserves. Other translation differences are dealt with in the profit and loss account.

Pension costs

Pension 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 cost 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.

1 Turnover

	1992 £000	1991 £000
Supply of mobile telecommunications services and products	**585,337**	536,838
A geographical analysis of turnover by area of customer location:		
United Kingdom	**576,281**	530,157
Asia	**–**	2
Continental Europe	**9,056**	6,679
	585,337	536,838

The Group operates substantially in one class of business with the majority of its turnover originating in, and being destined for customers within, the United Kingdom. Accordingly, a geographical or segmental analysis of the profit before taxation and net assets of the Group is not relevant.

2 Operating profit

	1992 £000	1992 £000	1991 £000	1991 £000
Turnover		**585,337**		536,838
Cost of sales		**241,702**		211,960
Gross profit		**343,635**		324,878
Selling and distribution costs	**22,260**		29,810	
Administrative expenses	**47,762**		49,817	
		70,022		79,627
		273,613		245,251
Share of losses of associated undertakings		**10,111**		3,017
		263,502		242,234
Operating profit has been arrived at after charging:				
Depreciation of tangible fixed assets		**60,772**		50,341
Amortisation of intangible fixed assets		**68**		340
Research and development		**9,957**		23,051
Payments under operating leases:				
Land and buildings		**6,746**		6,517
Other assets		**52,576**		48,614
Auditors' remuneration		**198**		176

3 Employees

The average number of persons employed by the Group during the year:	1992 Number	1991 Number
Operations	623	575
Selling and distribution	397	338
Administration	1,122	1,521
	2,142	2,434

The cost incurred in respect of these employees (including directors):	1992 £000	1991 £000
Wages and salaries	38,046	38,738
Social security costs	3,917	3,748
Other pension costs	1,106	1,029
	43,069	43,515

4 Directors

	1992 £	1991 £
Emoluments including pension contributions	1,378,914	1,100,923
The emoluments, excluding pension contributions, of directors of the Company:		
Chairman	81,667	–
Highest paid director	479,237	381,529

Other directors:	1992 Number	1991 Number
£ 25,001 – £ 30,000	–	2
£ 30,001 – £ 35,000	2	–
£115,001 – £120,000	–	1
£145,001 – £150,000	1	–
£150,001 – £155,000	–	1
£180,001 – £185,000	–	1
£195,001 – £200,000	1	–
£230,001 – £235,000	1	–

5 Interest receivable less payable

	1992		1991	
	£000	£000	£000	£000
Interest receivable and similar income		9,642		3,472
Interest payable and similar charges:				
Fellow subsidiary loans	–		150	
Bank overdrafts and other loans repayable within five years	1,144		897	
Other loans	235		1	
		1,379		1,048
		8,263		2,424

6 Tax on profit on ordinary activities

	1992	1991
	£000	£000
Corporation tax charge on profit for the year at 33% (1991 – 34%)	86,938	75,783
Transfer to/(from) deferred taxation	578	(136)
Associated undertakings	–	495
	87,516	76,142

The taxation charge for the year has been reduced by £4,810,000 (1991 – £11,846,000) as a result of capital allowances being higher than depreciation.

7 Extraordinary income

	1992	1991
	£000	£000
Profit on disposal of business	–	34,500

8 Dividends

	1992	1991
	£000	£000
Interim dividend paid of 2.86p (1991 – 2.60p) per ordinary share	28,722	26,000
Special interim dividend paid of 5.0p (1991 – £nil) per ordinary share	50,000	–
Proposed final dividend of 2.94p (1991 – 2.67p) per ordinary share	29,532	26,700
	108,254	52,700

9 Earnings per share

Earnings per share are based upon the weighted average of 1,002,613,809 (1991 – 1,000,000,225) ordinary shares in issue throughout the year and are calculated on the profit on ordinary activities after taxation and minority interests of £184,249,000 (1991 – £168,562,000).

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

10 Intangible fixed assets

Group

	Know how £000
Cost	
1 April 1991 and 31 March 1992	**2,500**
Amortisation	
1 April 1991	2,147
Charge for the year	68
31 March 1992	**2,215**
Net book value	
31 March 1992	**285**
31 March 1991	353

11 Tangible fixed assets

Group

	Freehold premises £000	Short term leasehold premises £000	Plant & machinery £000	Fixtures & fittings £000	Cellular radio systems £000	Total £000
Cost						
1 April 1991	4,523	2,093	31,482	24,431	475,495	538,024
Exchange movement	–	49	12	17	–	78
Additions	–	341	9,057	3,469	43,350	56,217
Reclassification	(1,221)	(34)	(93)	1,748	(400)	–
Disposals	–	(8)	(1,383)	(1,455)	(6,258)	(9,104)
31 March 1992	**3,302**	**2,441**	**39,075**	**28,210**	**512,187**	**585,215**
Depreciation						
1 April 1991	–	174	12,390	6,599	102,507	121,670
Exchange movement	–	6	2	4	–	12
Charge for the year	34	209	7,675	3,616	49,238	60,772
Reclassification	–	(3)	–	3	–	–
Disposals	–	–	(1,301)	(1,203)	(5,251)	(7,755)
31 March 1992	**34**	**386**	**18,766**	**9,019**	**146,494**	**174,699**
Net book value						
31 March 1992	**3,268**	**2,055**	**20,309**	**19,191**	**365,693**	**410,516**
31 March 1991	4,523	1,919	19,092	17,832	372,988	416,354

Cellular radio systems comprise:

31 March 1992	Freehold premises £000	Short term leasehold premises £000	Plant & machinery £000	Total £000
Cost	**6,501**	**64,844**	**440,842**	**512,187**
Depreciation	**(424)**	**(19,624)**	**(126,446)**	**(146,494)**
Net book value	**6,077**	**45,220**	**314,396**	**365,693**
31 March 1991				
Net book value	6,547	40,295	326,146	372,988

12 Fixed asset investments

Group	Associated undertakings		Other investments		
	Equity	Loans	Equity	Loans	Total
Cost	£000	£000	£000	£000	£000
1 April 1991	7,649	8,033	8,486	1,230	25,398
Interest reclassification	–	(1,232)	–	(57)	(1,289)
Net additions	42,849	14,456	11,974	(140)	69,139
Goodwill on acquisition	(42,724)	–	–	–	(42,724)
Transfer to subsidiary	(2,000)	(7,082)	–	–	(9,082)
31 March 1992	**5,774**	**14,175**	**20,460**	**1,033**	**41,442**
Share of retained profits					
1 April 1991	(3,328)	(2,108)	–	–	(5,436)
Losses for year	(9,968)	(1,474)	–	–	(11,442)
Dividends received	(408)	–	–	–	(408)
Goodwill	(1,523)	–	–	–	(1,523)
Transfer to subsidiary	4,942	–	–	–	4,942
31 March 1992	**(10,285)**	**(3,582)**	**–**	**–**	**(13,867)**
Net book value					
31 March 1992	**(4,511)**	**10,593**	**20,460**	**1,033**	**27,575**
31 March 1991	4,321	5,925	8,486	1,230	19,962

Company	Subsidiary companies	Associated undertakings Equity	Loans	Other Investments	Total
	£000	£000	£000	£000	£000
1 April 1991	502,985	499	3,608	9,578	516,670
Net additions	2,632	125	14,456	11,834	29,047
Transfer to subsidiary	2,000	(2,000)	(7,082)	–	(7,082)
Interest reclassification	–	–	34	81	115
Provisions	–	1,647	(338)	–	1,309
31 March 1992	**507,617**	**271**	**10,678**	**21,493**	**540,059**

The Company's subsidiaries, associated undertakings and investments are detailed on page 28.

13 Stocks

Group	**1992**	1991
	£000	£000
Finished goods	**1,357**	2,468

14 Debtors

	1992		1991	
	Group	***Company***	*Group*	*Company*
	£000	**£000**	£000	£000
Due within one year:				
Trade debtors	**68,091**	**–**	73,284	–
Amounts owed by fellow subsidiaries	**–**	**–**	1,112	85
Amounts owed by subsidiaries	**–**	**83,076**	–	27,403
Amounts owed by associated undertakings	**193**	**–**	94	–
Taxation recoverable	**–**	**–**	1,866	1,444
Other debtors	**6,280**	**675**	8,262	2
Prepayments and accrued income	**52,467**	**1,287**	51,186	490
	127,031	**85,038**	135,804	29,424
Due after more than one year:				
Other debtors	**164**	**–**	185	–
Prepayments	**9,962**	**9,844**	1,990	1,787
	137,157	**94,882**	137,979	31,211

15 Creditors:

amounts falling due within one year	**1992**		1991	
	Group	***Company***	*Group*	*Company*
	£000	**£000**	£000	£000
Bank overdraft	**11,305**	**–**	7,197	–
Trade creditors	**16,708**	**–**	29,363	–
Amounts owed to fellow subsidiaries	**–**	**–**	1,564	12
Amounts owed to subsidiaries	**–**	**77,574**	–	11,789
Amounts owed to associated undertakings	**562**	**115**	7,381	940
Taxation and social security	**81,393**	**12,145**	82,090	–
Other creditors	**3,210**	**84**	2,206	12
Proposed dividend	**29,532**	**29,532**	26,700	26,700
Accruals and deferred income	**57,525**	**727**	39,332	4,968
	200,235	**120,177**	195,833	44,421

16 Creditors:

amounts falling due after more than one year – *Group*	**1992**	1991
	£000	£000
Bank loan	**3,947**	615
Trade creditors	**278**	–
Other creditors	**–**	958
Accruals	**42**	42
	4,267	1,615

The bank loan bears interest at 6.75% and is repayable by 9 equal instalments of which £2,193,000 fall due in 5 years or more. It is secured on certain overseas assets of the Group.

17 Provisions for liabilities and charges

Deferred taxation	***Group***	***Company***
	£000	**£000**
1 April 1991	112	–
Profit and loss account	578	426
	690	426
Increase in advance corporation tax recoverable on proposed dividend	438	–
31 March 1992	**252**	**426**

The amounts provided and unprovided in the Group for deferred taxation, calculated on the liability method, are:

	1992		1991	
	Amount provided	**Amount unprovided**	Amount provided	Amount unprovided
	£000	**£000**	£000	£000
Accelerated capital allowances	**363**	**54,574**	516	50,100
Gains subject to rollover relief	**–**	**15,840**	–	15,840
Other timing differences	**677**	**(1,010)**	(54)	–
	1,040	**69,404**	462	65,940
Advance corporation tax recoverable	**(788)**	**–**	(350)	–
	252	**69,404**	112	65,940

The liability of the Company is the Company's full potential liability for deferred taxation and is in respect of accrued interest receivable.

18 Called up share capital

	1992		1991	
	Number	£000	Number	£000
Authorised:				
Ordinary shares of 5p each	**1,200,000,000**	**60,000**	1,200,000,000	60,000
Allotted and fully paid:				
1 April	**1,000,000,535**	**50,000**	1,000,000,000	50,000
Allotted during the year	**4,473,952**	**224**	535	–
31 March	**1,004,474,487**	**50,224**	1,000,000,535	50,000

During the year the Company allotted 142 and 1,310 ordinary shares at 224p and 282p respectively to participants of the Savings Related Share Option Scheme and 125,000 and 184,000 shares at 170p and 205p respectively to participants of the Executive Share Option Scheme. The nominal value of the ordinary shares issued under the option schemes was £15,522.60 and the proceeds received were £593,712.28.

To facilitate the demerger 4,163,500 shares were allotted to Racal Electronics Plc. The nominal value of the ordinary shares issued to Racal Electronics Plc was £208,175.00 and the proceeds received were £14,155,900.00.

Options:

The Company had the following options outstanding at 31 March 1992 to subscribe for ordinary shares:

	Number	Price	Period during which exercisable
Savings Related Share Option Scheme	187,086	171p	1 March 1994 to 31 August 1994
	106,427	316p	1 March 1995 to 31 August 1995
	104,473	282p	1 September 1995 to 29 February 1996
	314,464	224p	1 April 1996 to 30 September 1996
	490,986	284p	1 February 1997 to 31 July 1997
	1,203,436		
Executive Share Option Scheme	245,000	170p	11 October 1991 to 10 October 1998
	356,000	205p	19 January 1992 to 18 January 1999
	587,000	409p	12 July 1992 to 11 July 1999
	307,000	357p	19 January 1993 to 18 January 2000
	124,000	337p	25 July 1993 to 24 July 2000
	1,114,000	279p	22 January 1994 to 21 January 2001
	396,900	377p	3 January 1995 to 2 January 2002
	1,086,900	321p	3 January 1995 to 2 January 2002
	4,216,800		

19 Share premium account

	Group and Company £000
1 April 1991	82,058
Allotment of shares	14,526
31 March 1992	**96,584**

20 Profit and loss account

Transfers in year	*Group*	*Company*
	£000	£000
1 April 1991	283,436	321,470
Goodwill written off	(56,614)	–
Currency translation	(181)	–
Profit retained for the year	75,995	36,058
31 March 1992	**302,636**	**357,528**

In accordance with the exemption allowed by section 230 of the Companies Act 1985 no profit and loss account has been presented by the Company. The profit for the financial year dealt with in the accounts of the Company is £144,312,000 (1991 – £21,785,000).

Goodwill

	£000
Band Three Holdings Limited	(6,865)
Pacific Link Communications (Holdings) Limited	(44,247)
Subscriber contracts	(5,502)
	(56,614)

Band Three Holdings Limited:

During the year, the Company purchased the outstanding share capital of Band Three Holdings Limited it did not own for £nil. The assets acquired and goodwill on acquisition were as follows:

	Book value £000	Provisions £000	Taxation £000	Fair value £000
Fixed assets	9,000	(9,000)	–	–
Current assets	4,309	–	–	4,309
Current liabilities	(16,022)	–	1,906	(14,116)
	(2,713)	(9,000)	1,906	(9,807)
Book value of existing investment at date of acquisition				2,942
Goodwill on acquisition				**(6,865)**

Pacific Link Communications (Holdings) Limited:

The Group purchased 30% of Pacific Link Communications (Holdings) Limited during the year which had a deficiency of net tangible assets (excluding goodwill) at the date of acquisition. Accordingly, the entire purchase price of the investment has been written off to goodwill.

	£000
Purchase price of investment	42,724
Group's share of post acquisition profits less dividends received	1,523
Goodwill on acquisition	**44,247**

Cumulative goodwill:

The cumulative goodwill arising from acquisitions which has been written off to profit and loss account at 31 March 1992 is as follows:

	Prior Years £000	1992 £000	**Total £000**
Acquisition of subsidiaries	2,158	6,865	**9,023**
Acquisition of associated undertakings	–	44,247	**44,247**
Acquisition of subscriber contracts	4,926	5,502	**10,428**
	7,084	56,614	**63,698**

21 Cash flow statement

i Reconciliation of operating profit to net cash inflow from operating activities:

	1992 £000	1991 £000
Operating profit	**263,502**	242,234
Depreciation charges	**60,840**	50,681
Loss on sale of tangible fixed assets	**867**	260
Loss of associated undertakings	**11,442**	3,287
Decrease/(increase) in stocks	**1,204**	(484)
Decrease/(increase) in debtors	**9,356**	(52,172)
Decrease in creditors	**(5,043)**	(20,660)
	342,168	223,146

ii Purchase of subsidiary undertaking:

Net inflow in respect of purchase of subsidiary undertaking:	£000
Cash at bank acquired	1,852
Bank overdraft acquired	(284)
	1,568
Net assets acquired and disposed of:	
Investment in associated undertaking	2,942
Stocks	95
Debtors	2,362
Cash	1,852
Creditors	(13,832)
Overdraft	(284)
	(6,865)
Goodwill	6,865
	–

iii Analysis of changes in financing during the year:

	Share premium £000	Share capital £000	Total £000	Secured loan £000
1 April 1991	82,058	50,000	132,058	615
Cash inflow from financing	14,526	224	14,750	3,332
31 March 1992	**96,584**	**50,224**	**146,808**	**3,947**

iv Analysis of changes in cash and cash equivalents:

	£000
1 April 1991	31,446
Net cash inflow	37,262
31 March 1992	**68,708**

v Analysis of the balances of cash and cash equivalents:

	1992 £000	1991 £000	Change in year £000
Cash at bank and in hand	**80,013**	38,643	**41,370**
Bank overdrafts	**(11,305)**	(7,197)	**(4,108)**
	68,708	31,446	**37,262**

22 Leased assets

Operating leases

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

	Group 1992		Group 1991	
In respect of leases expiring:	Land and buildings £000	Other assets £000	Land and buildings £000	Other assets £000
Within one year	**1,073**	**3,720**	1,178	5,560
Between two and five years	**387**	**29,789**	3,144	5,254
After five years	**5,446**	**–**	2,195	14,050

The Company had no commitments under operating leases.

Finance leases

The Group does not hold a material amount of assets under finance leases.

23 Pensions

The Group operates a number of schemes for the benefit of the employees. The schemes are prefunded defined benefit schemes and the assets of these schemes are held in separate trustee administered funds.

The schemes are subject to triennial valuations by independent actuaries. The last valuations were carried out as at 1 April 1989, using the projected unit method, in which the actuarial liability makes allowances for projected earnings.

At the last actuarial valuation date, the market value of the assets of the schemes was £8,598,000 and the corresponding actuarial value was sufficient to cover 116% of the benefits which had accrued to members, after allowing for the improvements to benefits made on 1 October 1989 and for expected increases in earnings.

The main assumptions used in the last actuarial valuation were that the average long term rate of return, earned by the schemes' assets, would be 2% above the rate of general salary growth and that equity dividend growth would be 4.5% (revised to 5% from 1 April 1990).

The pension cost for the Group amounted to £1,106,000 (1991 – £1,029,000).

A prepayment of £325,000 (1991 – £553,000) is included in prepayments due after more than one year. This represents the excess of the amounts funded over the accumulated pension costs.

24 Capital commitments

Group	1992 £000	1991 £000
Contracted for but not provided in the financial statements	**43,101**	73,150
Authorised by respective boards of directors but not contracted for	**63,377**	33,595

Company

The Company had no future capital commitments (1991 – £nil).

25 Contingent liabilities

The Company has guaranteed certain of the overdraft and loan facilities of its associated undertakings and overseas subsidiaries.

SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES

The Company had at 31 March 1992 the following principal subsidiaries, associated undertakings and other investments, all of which have share capital consisting solely of ordinary shares. The country of incorporation of all subsidiaries, associated undertakings and other investments is also their principal place of operation.
None of the Company's other investments are listed on any stock exchange.

Subsidiary companies

All subsidiaries are wholly owned (unless otherwise stated); sub-subsidiaries are shown inset.

Name	Activity	Country of incorporation or registration
Band Three Holdings Limited	Holding company	England
Band Three Radio Limited	Operation of trunked mobile radio	England
Telecell Limited (80%)	Operation of cellular network	Malta
Vodata Limited	Supply of value added services	England
Vodafone Cellular Limited	Holding company	England
Vodac Limited	Service provider for Vodafone network	England
Vodac (Ulster) Limited (51%)	Service provider for Vodafone network	Northern Ireland
Vodafone Group Services Limited	Provision of central services	England
Vodafone (Holdings) Limited	Holding company	England
Vodafone Limited	Operation of cellular network	England
Vodafone (Hong Kong) Limited	Holding company	Hong Kong
Vodafone SA	Mobile radio equipment retailer	France
Vodapage Limited	Operation of radio paging service	England

Associated undertakings

The associated undertakings' principal operating subsidiaries are shown inset. The subsidiaries of all associated undertakings are wholly owned.

Name	Activity	Percentage shareholding	Value of issued equity	Latest financial accounts	Country of incorporation or registration
Merrac Limited	Holding company	50	£100	31.3.92	England
Paknet Limited	Operation of packet radio network				England
Orbitel Mobile Communications (Holdings) Limited	Holding company	50	£100	31.3.92	England
Orbitel Mobile Communications Limited	Mobile telecommunications equipment manufacturer				England
Pacific Link Communications (Holdings) Limited*	Holding company	30	US$100	31.12.91	British Virgin Islands
Pacific Link Communications Limited	Operation of Hong Kong cellular network				Hong Kong

* indirectly held

Other investments

Name	Activity	Percentage shareholding	Country of incorporation or registration
COFIRA	Operation of French cellular network	4	France
Comunicaciones Celulares de Occidente, SA de CV	Operation of Mexican cellular network	7	Mexico
Martin Dawes Communications Limited	Service provider for UK cellular networks	19	England
NordicTel Holdings AB	Holding company for Swedish GSM licence holder	19	Sweden

Touche Ross

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LDE: DX 599

AUDITORS' REPORT TO THE MEMBERS

of

VODAFONE GROUP Plc

We have audited the financial statements on pages 13 to 28 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 1992 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

TOUCHE ROSS & CO.
Chartered Accountants and
Registered Auditor

10 July 1992

Deloitte Touche Tohmatsu International

Aberdeen, Belfast, Birmingham, Bournemouth, Bracknell, Bristol, Cambridge, Cardiff, Colchester, 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 2TR

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

RECONCILIATION TO US ACCOUNTING PRINCIPLES

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

	Year ended 31 March	
	1992	1991
	£000	£000
Profit on ordinary activities attributable to shareholders	**184,249**	168,562
Extraordinary income	**–**	34,500
Net income as reported in accordance with UK GAAP	**184,249**	203,062
Items increasing / (decreasing) net income:		
Goodwill amortisation	**(10,169)**	(2,555)
Equity in losses of associated undertakings	**(1,228)**	–
Deferred income taxes	**(9,262)**	(11,792)
Compensation expense	**(1,070)**	–
Amortisation of capitalised interest	**(639)**	(639)
Other	**–**	597
Net income in accordance with US GAAP	**161,881**	188,673
Earnings per ordinary share in accordance with US GAAP	**16.15p**	18.87p

SHAREHOLDERS' EQUITY

	As at 31 March	
	1992	1991
	£000	£000
Shareholders' equity as reported in accordance with UK GAAP	**452,149**	418,199
Items increasing / (decreasing) shareholders' equity:		
Goodwill – net of amortisation	**125,682**	80,489
Cumulative deferred income taxes	**(61,486)**	(52,224)
Cumulative compensation expense	**(1,070)**	–
Cumulative capitalisation of interest costs – net of amortisation	**2,920**	3,559
Proposed dividends	**29,532**	26,700
Other	**597**	597
Shareholders' equity in accordance with US GAAP	**548,324**	477,320

TOTAL ASSETS

Total assets as reported in accordance with UK GAAP	**656,903**	615,759
Items increasing total assets:		
Goodwill – net of amortisation	**82,687**	80,489
Investment in associated undertakings – net of amortisation	**42,995**	–
Cumulative capitalisation of interest costs – net of amortisation	**2,920**	3,559
Total assets in accordance with US GAAP	**785,505**	699,807

RECONCILIATION TO US ACCOUNTING PRINCIPLES

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 would 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 amortise goodwill over periods not exceeding 40 years. The Company's equity in earnings of the associated undertakings is reduced by the amortisation of such goodwill.

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.

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 assets.

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 £188,673,000 and £161,881,000 for the years ended 31 March 1991 and 1992 respectively, by 1,000,000,225 and 1,002,613,809 which are the approximate weighted average number of ordinary shares outstanding for the years ended 31 March 1991 and 1992 respectively.

Financial calendar

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

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

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.

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

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.

Type of shareholder at 31 March 1992

	Number of accounts	% of total issued shares
Private individuals	42,659	13.31
Nominee companies	5,370	49.45
Other corporate bodies	590	1.00
Insurance companies	440	11.64
Investment trusts and funds	242	1.30
Local & National institutions	137	2.29
Pension funds and trustees	50	3.13
Bank of New York Nominees – ADRs*	1	17.88
	49,489	100.00

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

* At 31 March 1992 there were 1,294 registered holders of ADRs representing approximately 15,000 beneficial holders.

Shareholders

Number of ordinary shares held at 31 March 1992		Number of accounts	% of total issued shares
1–	1,000	25,970	1.15
1,001–	5,000	18,438	3.89
5,001–	50,000	4,051	5.17
50,001–	100,000	307	2.22
100,001–	500,000	477	10.62
More than	500,000	246	76.95
		49,489	100.00

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.

NOTICE OF MEETING

Notice is hereby given that the eighth Annual General Meeting of the Company will be held at The Institution of Electrical Engineers, Savoy Place, London WC2 on Friday 7 August 1992 at 11.45 a.m. to transact the following business:

1 To receive the report of the directors and financial statements for the year ended 31 March 1992 and to approve a final dividend of 58.8% (2.94p per share) net of tax on the ordinary shares.

2 To re-elect Sir Ernest Harrison as a director.

3 To re-elect Sir Robert Clark 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 a special resolution:

THAT 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 ordinary resolution passed on 1 August 1989 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) 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 £2,511,186, being 5% of the issued share capital of the Company at 31 March 1992

and shall expire on the date of the next 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
13 July 1992

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 Lodgement 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 11.15 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 11.15 a.m. on that day until the conclusion of the Meeting.

BUSINESSES WITHIN THE GROUP

VODAFONE

Vodafone operates the world's largest contiguous cellular telephone network.

Distributed computers are used to monitor the Vodafone network from the Network Operations Centre in Newbury.

On 30 May 1991, Vodafone became the first UK public telephone network operator to receive the prestigious BS 5750 Quality Award.

Since it opened in 1985, the Vodafone network has been substantially expanded and now provides coverage to over 97% of the UK population.

Vodafone's Micro Cellular Network (MCN) is being designed for small business and domestic users, who require a local service at a reduced tariff. MCN subscribers will be able to access the pan-European GSM network in areas not covered by the MCN network.

VODAFONE

GSM phones are operated by a smart card, enabling subscribers to use any GSM phone and be billed directly for calls made.

Many small businesses rely on Vodafones to keep them in constant touch with existing and potential customers.

The Automobile Association is using the Vodafone network to operate its unique in-car emergency service, AA 'Callsafe'.

VODAPAGE

20 million calls per year are made on the Vodapage network. More than 90% of calls made via the Vodapage bureau are answered in less than five seconds.

Buckinghamshire Fire and Rescue Service use Vodapage pagers for senior members of the brigade and for the mobilisation of retained firefighters.

VODATA

The technical services department of Courage Plc uses Vodata's voice messaging over the Vodafone network as its method of despatching engineers. As well as being issued with jobs on a daily basis, engineers can be notified of emergency calls via Vodata's Recall service.

Vodastream Fax, the UK's first commercial dial-up facsimile information service, is being used successfully by the Met Office to provide detailed written and graphical information. Aviation and marine weather forecasts can be obtained simply by dialling MetFAX from any Group 3 fax machine.

Cabcom is a sophisticated in-cab communications system, currently being issued to all Parcelforce delivery and collection vehicles operating time-guaranteed services. On delivery of the parcel the driver scans the barcode and the consignment data is uploaded to the Parcelforce national computer centre via Vodata's CDLC modems and VMACS gateway over the Vodafone network.

VODAC

Corporate Account Managers are experienced in providing solutions to mobile communications problems for large corporate customers.

Vodac supplies airtime and subscriber equipment to more than 140,000 customers.

Vodac's service centres are staffed by skilled technicians who are fully trained to handle installation, service, repairs and maintenance of cellular equipment. Vodac imposes stringent quality standards upon all service centres, and its own centre, located in Newbury, recently achieved the prestigious British Standards BS 5750 award for quality.

ORBITEL, PAKNET AND NATIONAL BAND THREE

General Logistics uses Paknet radio data communications for transmitting traffic flow data from motorway sites to the central computer system.

Orbitel designs and manufactures digital GSM handsets.

National Band Three operates a nationwide public access mobile radio network.

OVERSEAS

Pacific Link Communications operates one of Hong Kong's cellular radio networks.

Telecell operates the cellular radio network in Malta, Gozo and for the surrounding waters.

NordicTel will operate a pan-European GSM cellular radio network in Sweden.

PRINCIPAL ACTIVITIES

Cellular Radio Network Operations

Data Transmission Over Cellular Radio Networks

Digital Cellular Radio Systems and Equipment

Mobile and Hand-Portable Cellular Telephones

Private Mobile Radio

Radiopaging

Value Added Network Services

Telepoint Systems and Equipment

Packet Radio Network Operation

VODAFONE GROUP

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